

ORIGINAL

FORMAL COMPLAINT

ARIZONA CORPORATION COMMISSION
FORMAL COMPLAINT FORM



0000101741

COMPLAINT: Unauthorized installation of 2" Water Meter	COMPLAINT NUMBER: 2009-77075	DATE: 7/10/09
ADDRESS: 1581 Boules Way, Camp Verde, AZ 86322		PHONE (HOME):
NAME OF RESPONSIBLE PARTY: Sam Boules		PHONE (WORK): 929-221-5257
NAME OF UTILITY: Camp Verde Water System (CVWS)	ACCOUNT NUMBER: 2721	W-01419A-09-0392
GROUNDS FOR COMPLAINT: (COMPLETE STATEMENT OF THE GROUNDS FOR COMPLAINT, INDICATING DATE(S) OF COMMISSION/OMISSION OR ACTS OR THINGS COMPLAINED OF.) (USE ADDITIONAL PAGE IF NECESSARY.) Document dated 8/14/08 was signed by an unauthorized employee who was told she was signing for 2 checks. No one from CVWS ever came to my building to notify me that they were installing this water meter. After the meter was installed a representative from CVWS came and handed my secretary 2 checks and a receipt. On 10/15/08 we received our monthly water service bill in the amount of \$196.01. Our regular monthly service bill was approximately \$5.00; which we had been paying for approximately 16 months. This was to keep the sprinkler system in our building charged. We have an approximate 45,000 sq. ft. building with sprinkler system throughout. We have anywhere from 10-15 working in this building on a daily basis and over \$6,000,000 in printing press and machining equipment. Our building sits on a 22-acre industrial park. We spent in the area of \$400,000 with CVWS to put water lines (and)		
NATURE OF RELIEF SOUGHT: (USE ADDITIONAL PAGE IF NECESSARY.) I want the water turned back on to my sprinkler system and I agree that when I sell Lot #1 I will be glad to put a 5/8" x 3/4" meter in.		

Arizona Corporation Commission
DOCKETED

AUG 12 2009

DOCKETED BY: NR

RECEIVED
2009 AUG 12 P 2:29
DOCKET COMM INCL

Sam Boules
SIGNATURE OF COMPLAINANT OR ATTORNEY

ARIZONA CORPORATION COMMISSION
FORMAL COMPLAINT FORM

GROUNDS FOR COMPLAINT: (CONTINUED)

throughout the industrial park for approximately 30 lots, which also includes approximately 12 fire hydrants.

James Bullard, Sr. who is the President of (VWS) and myself have had a couple of discussions about installing a water meter. Lot #1, which is directly across the street from my building has a well. The property is owned by my company and I am using that well for drinking and toilet water. I told Mr. Bullard that when I sold Lot #1 I would install a meter for my building and Mr. Bullard agreed to this.

CAMP VERDE WATER SYSTEM
AGREEMENT RELATING TO EXTENSION
OF WATER DISTRIBUTION FACILITIES

REFUNDABLE ADVANCE	\$ 147,536.50
NON-REFUNDABLE TARIFF CHARGE	\$ 18,460.00
TOTAL	\$ 165,999.50

THIS AGREEMENT is entered into on this day 10th of January, 2007, by and between, CAMP VERDE WATER SYSTEM, P.O. BOX 340, Camp Verde, Arizona 86322 - 499 South Sixth Street, hereinafter called "Water System" and Northeast Industries International, Inc. 1581 Boyles Way, P.O. Box 1884, Camp Verde, AZ 86322 hereinafter called the "Customer".

Camp Verde Water System is a public utility duly certificated to provide water services in portions of Yavapai County, Arizona. Northeast Industries International, Inc. is an Arizona Corporation, who is the owner, developing the Northeast Industries Commercial Park, located in a portion of the NW ¼, of the SE ¼, of Section 5, T. 13N, R05E., Gila and Salt River Meridian, Town of Camp Verde, Yavapai County, Arizona.

1. The Customer hereby agrees to fund the Water System's distribution facilities as described in Addendum B attached hereto and incorporated herein upon the signing of this Agreement in the amount of \$165,999.50 receipt of which is hereby acknowledged by the Water System.

(A) \$147,536.50 of the funds advanced shall be treated as a refundable advance in aid of construction for main and distribution facilities as described in Addendum A attached hereto and incorporated herein by reference. Based upon the cost estimate set forth in Addendum B and Site Utility Plan Addendum C attached hereto and incorporated herein by reference.

(B) \$18,460.00 of the funds advanced shall be treated as a non-refundable tariff charge as follows: \$15,000.00 for six fire hydrants including installation; \$3,460.00 for the Off-site Facilities Hook-up Fee for one 2" Meter.

(C) The amount advanced in aid of construction is approximate. In the event the amounts advanced exceed the cost of the project as described in Addendum A and B, the Water System shall refund the difference to Customer. In the event that costs exceed the amounts advanced, the Customer will pay the Water System the difference within 30 days of notification of cost. The cost of the project will be determined within sixty days (60) of the completion of the extension at which time notification will be sent to Customer with a copy of invoices.

2. Refunds on monies advanced by Customer shall be made as follows: Each year for a period of 10 years the Water System shall pay to the Customer an amount equal to ten percent (10%) of the total gross annual revenue, less sales tax, franchise fee, and any other taxes the Water System receives from water sales to bona fide consumers who's

service line is directly connected to pipelines funded and installed pursuant to this Agreement. Refunds shall be made by the Water System on or before 31st day of August of each year for revenues received during the preceding 1st of July through 30th of June period. The starting month for refunds will be the month after Arizona Corporation Commission approves this Line Extension Agreement. Any balance remaining un-refunded at the end of the 10-year time period shall become non-refundable and the Water System's obligation to refund to the Customer shall cease. The aggregate refund shall in no event exceed the total of the refundable advance received from the Customer. No interest shall accrue or be paid by the Water System on any amounts advanced. The System may, upon approval by the Arizona Corporation Commission, terminate its obligation to refund a percentage of gross revenues by accord and satisfaction of its obligations under this agreement with the Customer.

3. All pipelines, valves, fittings, wells, meters, tanks, buildings or other facilities installed under this Agreement shall be the sole property of the Water System, and the person making refundable advances and/or non-refundable contributions in aid of construction pursuant to the terms of this Agreement shall have no right, title, or interest in any such facilities.

4. The size, design, type and quality of materials and of the system, location in the ground and the manner of installation, shall be specified by the Water System and shall comply with requirements of the Arizona Corporation Commission or other public agencies having authority therein. All utilities adjacent to the water facilities will have a horizontal separation of three foot (3').

5. The Customer agrees to furnish to the Water System recordable easements and required surveying, over, under, and across all portions of the pipeline route as may be necessary to serve each parcel or lot within the Customer's new subdivision, tract development, or project. The Water System may allow the Customer to hire an engineer and furnish Plans and Drawings according to CVWS Specifications when approved by an appropriate Official of the Water System and authorized in writing and signed on the plans. If the customer's Plans are used, the Customer's Engineer will also provide as-built plans. The Customer's engineer will provide water line staking with the elevation of finished ground level every fifty feet and at each service, appurtenance and fire hydrant location for proper depth of waterline and location of services and appurtenance. The Engineer will update the Water System's distribution maps on mylars with this information.

6. The Customer agrees that all easement and rights-of-way that are used by the Water System shall be free and will remain free of obstacles, which may interfere with the Water System's water facilities, operation and construction. All CVWS appurtenances will be accessible outside the Customer's fenced area. If the Customer's subdivision, tract, development or project involves road construction, all roads and drainage ways will be brought to grade by the Customer prior to the commencement of the installation of the Water System's water facilities. No pavement or curbs shall be installed prior to completion of all water facilities. If any streets, roads, alleys or drainage ways are installed at a different grade or location after the beginning of the installation of water facilities, the Customer shall bear all costs incurred by the Water System, which shall be non-refundable, to relocate water facilities as a result of said facilities having improper cover or

location: The Water System facilities shall be the first utility facilities installed, unless a written approval has been agreed upon by the Water System. If other facilities are installed before the water facilities, the customer will bear the cost, if any, associated with the additional work required on a non-refundable basis.

7. Backflow Prevention Assemblies are required on all commercial, industrial, non-residential, temporary construction and fire protection services. All backflow prevention assemblies will be a Reduced Pressure Principle Backflow Prevention Assembly (RP), except Fire Protection Services, which will be at least a Double Check-Detector Backflow Prevention Assembly (DCDA). The Backflow Prevention Assemblies will be installed within 18" of the service connection and in accordance to CVWS Specifications. The customer will own these Assemblies and it is the customer's responsibility to maintain and test the assemblies annually.

8. The Customer agrees to advance to the Water System any additional costs, including taxes incurred, costs incurred as a result of design changes made or caused by the Customer or it's agent, the Arizona Department of Environmental Quality, The Arizona Corporation Commission, any county health department or other public agency under whose jurisdiction the subject construction may fall, or anticipated or unanticipated changes in existing Water System facilities, due to any work associated with this subdivision, tract, development or project which causes said facilities to have improper cover or location.

9. This Agreement shall be binding upon and for the benefit of the heirs, administrators, executors, successors and assigns of the Water System and the Customer provided, however, that an assignment or other transfer of this Agreement by the Customer shall not be binding upon the Water System or create any rights in the assignee until such assignment or other transfer is approved and accepted in writing by the Water System.

10. Before this Agreement shall become effective and binding upon either the Water System or the Customer, it shall be filed with and approved by the Utilities Division of the Arizona Corporation Commission, and in the event it is not so approved, this Agreement shall be null and void of no force or effect whatsoever.

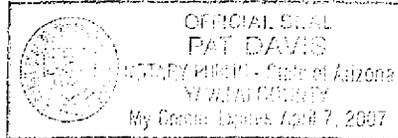
11. This Agreement, and all rights and obligations hereunder, including those regarding water services to the Customer, shall be subject to the Arizona Corporation Commission's Rules and Regulations relating to the Operation of Domestic Water Utility Companies.

12. Customer agrees not to sell water received from the Company for retail purposes.

CAMP VERDE WATER SYSTEM, Inc

BY Stanley Bullard

TITLE: Vice President



(SEAL)
ATTEST
STATE OF ARIZONA)
YAVAPAI COUNTY)

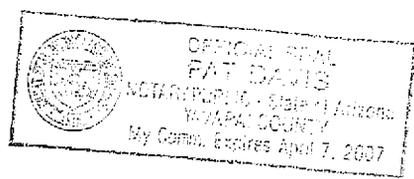
This instrument was acknowledged before me this 11
day of JUN 2008, by Stanley Bullard

My Commission Expires: APRIL 7, 2007

Pat Davis
NOTARY PUBLIC

Northeast Industries International, Inc.

BY Sam Boyles
NAME: Sam Boyles
TITLE: President



(SEAL)
ATTEST
STATE OF ARIZONA)
YAVAPAI COUNTY)

This instrument was acknowledged before me this 11
day of JUN 2008, by Sam Boyles

My Commission Expires: APRIL 7, 2007

Pat Davis
NOTARY PUBLIC

ADDENDUM A
Northeast Industries Commercial Park

The Camp Verde Water System, Inc. ("CVWS") will be installing six Fire Hydrants and two services in phase one of the Northeast Industries Commercial Park development, located in a portion of the NW $\frac{1}{4}$, of the SE $\frac{1}{4}$, of Section 5, T.13N, R05E., Gila and Salt River Meridian, Town of Camp Verde, Yavapai County, Arizona.

CVWS will be extending the eight inch (8") main paralleling Highway 260 starting at Quarterhorse Lane approximately twenty-six hundred sixty five feet (2665') to provide service to the Fire Hydrants, and prepare for service of a future commercial/ industrial park and serve a commercial business.

CVWS will be setting two services for a commercial business, one for domestic and the other for fire protection. The future commercial park will be served by extending this main into the park to provide domestic and fire protection.

NORTHEAST INDUSTRIES PART 1

PART NAME

12/20/2006

Prices good on pipe until 12/29/06

18X.25 WELL CASING	65	32.61	2119.65
8" CL350 DIP	2664	11.22	29890.08
8"X2" Tapping Sleeve	3	97.59	292.77
8" MJXFL Valve	1	589.78	589.78
8" X 4" MJ X FL Tee	1	112.80	112.80
8" X 8" MJ X FL Tee	1	139.20	139.20
8" X 6" MJ X FL Tee	7	100.16	701.12
8" MJ Valve muller	8	601.24	4809.92
8"X2" MJ Tap Cap	2	35.77	71.54
8" Full Face Gasket 1/16"(1/8)	1	2.36	2.36
8" Accessory Set w/4" bolts	69	9.91	683.79
8" X 1" Tap Saddle (DIP)	3	85.15	255.45
8" field locks gaskets	30	58.72	1761.60
8" casing spacers	7	86.21	603.47
8" MEGALUGS	16	25.40	406.40
8" MJ 22.5	1	56.50	56.50
8" MJ 45	10	48.90	489.00
6" DIP	70	8.99	629.30
6" FL GASKET	7	2.50	17.50
6" Bolt pack	7	5.38	37.66
6" MJXFL VALVE	7	377.46	2642.22
6" ACCESSORY PACKS	14	5.68	79.52
6" MEGALUGS	14	16.50	231.00
4" DIP	50	9.37	468.50
4" FL GSKT	1	2.27	2.27
4" FIELD LOCK GASKET	2	30.81	61.62
4" CAD PLTD Bolt w/nut	1	3.62	3.62
4" MJ ACC PK	2	7.07	14.14
4" MJXFL VALVES	1	282.42	282.42
4" X2" TAP Cap	1	16.33	16.33
2" CTS POLY PIPE	50	1.36	108.80
2"X 8" NIPPLE (Brass)	1	16.46	16.46
2" FIP F/P BALL VLV TFP600	2	30.42	60.84
2" BRASS CAP	2	9.00	18.00
2" BRASS PLUG	3	5.57	16.71
2" CTS Corp Stop	3	111.94	335.82
2" CTS Male Adapter	6	33.64	201.84
2" CTS SS Inserts	10	1.53	15.30
2"X3/4 GALV BUSHING	1	8.02	8.02
2" Angle Meter Valve w/ lock wing	1	126.45	126.45
2" Brass Meter Flange	1	26.86	26.86
2" METER GASKETS	2	2.23	4.46
2" METER BOLT PACK	1	2.08	2.08
1" IPS SS INSERT	6	1.73	10.38
1" IPS POLY PIPE actual 60'	100	0.41	41.00
1" IPS Male Adapter	3	14.97	44.91
1" Ball Valve	3	9.26	27.78
1" X 4" BRASS Nipple	3	4.03	12.09

1" Air Release Valve	3	63.15	189.45
3/4" IPS MALE ADAPTR	1	13.11	13.11
3/4" IPS POLY PIPE	6	0.25	1.50
3/4" SS INSERTS	2	1.18	2.36
3/4" BALL VALVE	1	3.97	3.97
1/2" GAL 90 BEND	3	0.41	1.23
1/2" GAL STREET 90 BEND	3	1.89	5.67
1/2"X 2" GAL NIPPLE	3	3.40	10.20
FIRE HYDRANT 4.50 BURY	6	1246.72	7480.32
BID ONLY- DO NOT ORDER			
#1 METER BOX LOWER	4	11.05	44.20
#1 METER BOX UPPER	4	11.05	44.20
#1 METER BOX LID	4	12.82	51.28
#2 METER BOX LOWER	3	21.93	65.79
#2 METER BOX UPPER	3	21.93	65.79
#2 METER BOX LID	3	30.61	91.83
#4 METER BOX LOWER	1	31.05	31.05
#4 METER BOX LID	1	57.67	57.67
VALVE BOX BOTTOM	17	32.99	560.83
VALVE BOX TOP	17	27.38	465.46
VALVE BOX LID	17	10.40	176.80
VALVE SIGN	17	33.18	564.06
VALVE SIGN DECAL	17	0.00	0.00
POLY SLEEVING 2780	3060	30.85	857.63
HARD HAT MUD PLUGS	17	5.65	96.05
MARKING TAPE NEED 3000'	3	10.66	31.98
TRACE WIRE NEED 3000'	5	64.33	321.64
DUCT TAPE	25	4.89	122.25
POLY SLEEVING FOR DIP 2780'	7	21.20	148.40
LOCKS	1	7.50	7.50
HARDWARE CLOTH 52 SQ FT	5	29.98	149.90
CHLORINE 5#	5	5.98	29.90
2" METER	1	603.32	603.32
ANTENNA ASSE 6" CABLE	1	23.53	23.53
			60868.20
LABOR			
ROAD BORE			19245.00
SHORING			5000.00
LINE INSTALLATION			62650.00
LABOR TOTAL			86895.00
OFF-SITE HOOK-UP FEES	1	3460	3460.00
MATERIALS TOTAL			60868.20
LABOR TOTAL			86895.00
TOTAL			147763.20
INSPECTION FEES			14776.30
OFF-SITE HOOK-UP FEES			3460.00
TOTAL OVERALL			165999.50

ADDENDUM B
 Sam Boyles c/o Rob Witt, Agent
 December 20, 2006
 ESTIMATION FOR LINE EXTENTIONS
 Northeast Industries Commercial Park

NAME	QUANTITY	PRICE	EXTENSION
Materials & Labor Installation	1		147,763.20
Engineering & Survey			
Inspection & Overhead	1		14,776.30
Total Material, Labor, & overhead			162,539.50
Off-site Hook-up Fee	1-2" meter		3,460.00
Total Advance			165,999.50
Non-Refundable Expenses			
Fire Hydrant labor cost			15,000.00
Off-site Hook-up Fees			3,460.00
Total			18,460.00
Total Non-Refundable Expenses			18,460.00
Total Refundable Expenses			147,536.50

CAMP VERDE WATER SYSTEM

P.O. Box 340

Camp Verde, AZ 86322-0340

(928) 567-5281

SERVICE ORDER #

Name: NORTHEAST INDUSTRIES
 Mailing Address: PO BOX 1884
 City, State, Zip: CAMP VERDE, AZ 86322
 Phone Number: _____
 Date of Birth: _____
 Last 4 of SSN: _____
 Driver's License #: _____

Date 8/14/2008
 Box Lid # _____
 Record # _____
 Sequence _____
 Owner Renter _____
 Escrow # _____
 Adv Code _____

TURN ON: INSTALL 2" METER

CHARGES

METER INFO

LOCATION: 1581 BOYLES

EST \$ 25.00
 DEPOSIT _____
 CON CHRG _____
 CUST VALVE _____
 BCKFLW TEST _____
 BCKFLW NEW \$ 10.00
 FT PIPE _____
 MISC _____
 TAX \$ 3.63
 TOTAL \$ 38.63

SERIAL # _____
 RADIO # _____
 TYPE _____
 MR _____
 PR _____
 DATE _____
 TIME _____
 SP _____
 BY SM/MS
 CASH CHECK

Photo _____

for receipt of chgs only

10/3/08

Signature _____

I, the above signed, agree to pay the water bill according to the rates as established by the Arizona Corporation Commission and be responsible for utility property installed on the premises. Under this agreement, the Customer understand that any device installed by the company on their side of the meter is their responsibility to maintain and/or replace. It is further understood the Customer must provide 3 working days notice to the company for discontinuance of service. I understand all bills paid after 15 days from meter reading are subject to late fees of 1 1/2 %

Monthly Minimum Tariff

5/8 x 3/4" Meter \$23.75
 3/4" Meter 23.75
 1" Meter 50.00
 1 1/2" Meter 75.00
 2" Meter 175.00
 FH Meter 185.00

Gallon Usage Charge Per 1,000 Gallons

Up to 50,000 \$ 3.35
 50,001 and above 5.70
 Standpipe: same as above

Tariff is no pro-rated and does not include any water usage. INITIALS OF APPLICANT _____

"Charges for service commence when the service is installed and connection is made, whether used or not."

Arizona Corporation Commission R14-2-409, D-4

CONTRACTORS/DEVELOPERS/HOMEOWNERS

WARNING: If you are digging around our facilities you are required to call Arizona Blue Stake before any digging is done. The number is 1-800-STAKE-IT. Any damage or realignment caused by your work could be subject to regulatory citation from the Arizona Corporation Commission. You will be responsible for the cost of repair or realignment. Contact Blue Stake prior to doing any work around water facilities. Failure to contact Blue Stake will put you at risk. All meter boxes & meters are to be aligned parallel and perpendicular to the curbs, sidewalks, or roadways and must be outside of any fencing with no concrete touching the meter box to allow ease of access. They must be installed 1" above finished ground and level with dirt sloped away from the meter box. Any work we do to correct the problem will be charged to you at our personnel and equipment rates.

CAMP VERDE WATER SYSTEM, INC.
499 S. SIXTH STREET
P.O. BOX 340
CAMP VERDE AZ 86322
(928) 567-5281

October 13, 2008

Northeast Industries International, Inc.
1581 Boyles Way
P.O. Box 1884
Camp Verde, AZ 86322
Attn: Sam Boyles

RE: Advance in Aid of Construction and Meter Service

Dear Mr. Boyles:

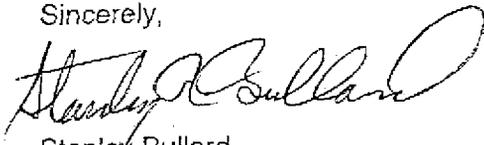
In the Advance Agreement dated January 10, 2007 and approved by the Arizona Corporation Commission one domestic and one fire service were to be installed. In Addendum A is a description of the project and the service to be installed. Camp Verde Water System provides fire sprinkler line service for customers only. By having the fire sprinkler service it is implied that you are a customer.

When the service is available for use, weather used or not, the customer is billed for the service. The Fire Sprinkler line was available for use in May 2007. Your building was not ready for the domestic line at that time. The final documentation for the line extension was provided in August 2008. The Domestic Meter was set at that time making the water available for use. The service was then started and billing initiated under our ACC approved tariff.

Your building has a two inch service. It appears that the service may be oversized for your immediate needs. If you desire a smaller service we can provide that to you if you are willing to pay for the downsizing of the meter. The current tariff for a two inch service is a minimum of \$175.00 per month plus taxes. If you were to downsize to a 5/8 X 3/4 service the minimum tariff is \$23.75 per month plus taxes. The cost to downsize the meter will be \$355.34

We hope this information clarifies the concerns you have about your billing. If you have any questions please let me know.

Sincerely,



Stanley Bullard
Vice President
Camp Verde Water System, Inc.

CAMP VERDE WATER SYSTEM
Northeast Industries

21097

Check Number: 21097
Check Date: Sep 4, 2008

Check Amount: \$2,041.65
Discount Taken Amount Paid

Item to be Paid - Description	Discount Taken	Amount Paid
difference in actual cost of NEI II &		2,041.65

2,042.92
Deposited
10/3/08



CAMP VERDE WATER SYSTEM
P.O. BOX 340 • CAMP VERDE, AZ 86322
TELEPHONE 567-5281



National Bank
OF ARIZONA

21097

DATE

Sep 4, 2008

91-532/1221

AMOUNT

\$ ****\$2,041.65

Memo:

Two Thousand Forty-One and 65/100 Dollars

PAY
TO THE
ORDER
OF:

Northeast Industries
PO Box 1884
Camp Verde, AZ 86322

[Signature]
AUTHORIZED SIGNATURE

Security features. Details on back.

⑈021097⑈ ⑆122105320⑆ 0518001532⑈

CAMP VERDE WATER SYSTEM
Northeast Industries

21177

Check Number: 21177
Check Date: Oct 3, 2008

Check Amount: \$51.27

Item to be Paid - Description	Discount Taken	Amount Paid
advance in aide of construction refund		51.27

line - water
Annually 10% of revenue for *\$1270*

MIN CHG : 1850

USAGE : 335 / 1 KGIC - 50K



CAMP VERDE WATER SYSTEM
P.O. BOX 340 • CAMP VERDE, AZ 86322
TELEPHONE 567-5281



National Bank
OF ARIZONA

21177

DATE

Oct 3, 2008

91-532/1221

AMOUNT

\$ *****\$51.27

Memo:

Fifty-One and 27/100 Dollars

PAY
TO THE
ORDER
OF:

Northeast Industries
PO Box 1884
Camp Verde, AZ 86322

[Signature]
AUTHORIZED SIGNATURE

Security features. Details on back.

JANI VENTURE WATER SYSTEMS, INC.
 4500 W. 17th St., P.O. Box 345
 Camp Verde AZ 86322
 (928) 527-6227

DESCRIPTION	AMOUNT			BALANCE
	DEBIT	CREDIT	AMOUNT	
Water	200	200	0	5.00 0.10 0.42 (0.73)
Franchise Fee				
Sales Tax				
Credit				



1581 BOYLES - FIRELINE

			ACCOUNT# 2349	10/31/08
			TOTAL DUE UPON RECEIPT	4.79
10	30	32		

Keep this portion for your records. ON TIME payors use
 the RED BOX amount. Due date is in upper right corner.

CAMP VERDE WATER SYSTEM, INC.
 1188 CHASE ST. P.O. BOX 1781
 CAMP VERDE AZ 86322

HW/T

PRESORTED
 FIRST-CLASS MAIL
 U.S. POSTAGE
 PAID
 CAMP VERDE AZ
 PERMIT NO. 21

HOLD

DESCRIPTION	AMOUNT	DATE	STATUS
Water	0	0	0
Franchise Fee			
Sales Tax			

Under Contract
Access Whistle
you do not
(No Meter)
Shawn
COA
MIN

CUSTOMER		BILLING PERIOD	
1	2721	10/15/08	
193.11		196.01	

MAIL THIS STUB WITH YOUR PAYMENT

1581 BOYLES WAY

NORT884 863224013 1908 52 10/02/08
 NOTIFY SENDER OF NEW ADDRESS
 NORTHEAST INDUSTRIES INC
 1581 BOYLES WAY
 CAMP VERDE AZ 86322

9	29	12
---	----	----



Keep this portion for y
 the RED BOX amount. Due date is in upper right corner.



November 19, 2008

Mr. Stanley Bullard, Vice President
Camp Verde Water System, Inc.
Post Office Box 340
Camp Verde, Arizona 86322-0340

Re: 2" Meter Installation at Northeast Industries, Inc.

Dear Mr. Bullard:

This letter is in regard to your unauthorized installation of a 2" water meter at 1581 Boyles Way, Camp Verde, Arizona. The Service Order for this installation that was presented to Northeast Industries, Inc. (hereinafter "Northeast Industries") was not properly signed by an individual authorized to enter into contracts on behalf of the corporation. As the service order does not possess an authorized signature, Northeast Industries has not entered into a binding contract with Camp Verde Water System, Inc. (hereinafter "Camp Verde Water System") related to the installation of the 2" water meter and associated monthly tariffs.

The signature upon the Service Order is that of an employee of Northeast Industries, not an individual authorized to enter into binding contracts on behalf of the company. Accordingly, the contractual language included with the Service Order is not binding or enforceable against Northeast Industries. This language reads, "I, the above signed, agree to pay the water bill according to the rates as established by the Arizona Corporation Commission, and be responsible for utility property installed on the premises." Clearly this agreement signed by an employee who lacked authorization is not binding upon the corporation as a whole.

Arizona law expressly establishes that contractual agreements between a corporation and another party are invalidated if the other party had actual knowledge regarding the lack of authority of the signing officer. *See* Ariz. Rev. Stat. § 10-3845(2007); *see also* 7 Ariz. Prac., Corporate Practice § 13.75 (2008-2009 ed.). Here, the Service Agreement was not even signed by an officer, but an employee.

315 South Willard Street, Cottonwood, AZ 86326
928-649-8777 ☎ www.ledbetter-law.com

Mr. Stanley Bullard, Vice President
Camp Verde Water System, Inc.
November 19, 2008
Page 2

A party only has a legitimate claim that the contract is binding and valid as against the corporation despite a lack of authority of the officer signing on behalf of the corporation and "in the absence of actual knowledge on the part of the other person" of that lack of authority, if the document is signed by both the presiding officer of the board of directors and the president or either the presiding officer of the board of directors or the president, and a vice-president, secretary, treasurer, or executive director. *See* Ariz. Rev. Stat. § 10-3845.

As Camp Verde Water Systems had actual knowledge that the party signing the Service Order did not have authority to enter into such an agreement, the contractual language contained therein is invalidated. Further solidifying its invalidity, the Service Order was not signed by two of the individuals expressly identified within the statute referenced above. It was merely signed by one staff employee. Based upon the foregoing, it is indisputable that there is no binding agreement between Camp Verde Water Systems and Northeast Industries regarding 2" water meters and monthly tariffs.

While a contract may be binding upon a corporation if signed by an employee or agent with apparent authority to sign on behalf of the corporation, that is clearly not the case here. The Arizona Supreme Court has established that the theory apparent authority may only be relied upon when the conduct of the principal allows an other party to reasonably conclude than the principal's agent is authorized to make certain representations or act in particular way. *See Miller v. Mason-McDuffie Co. of So. Cal.*, 153 Ariz. 585, 589, 739 P.2d 806, 810 (1987) (quoting *Gulf Ins. Co. v. Grisham*, 126 Ariz. 123, 126, 613 P.2d 283, 286 (1980)).

To successfully establish that the principal should be liable for the acts of an agent under the theory of apparent authority, a party "must show that his reliance upon the agent's apparent authority was reasonable." *Id.*, at 590,811 (citations omitted). If the party had no right to rely on the agents apparent authority, the principle is not liable. *Id.* Obviously there is nothing about the conduct of Northeast Industries President Sam Boyles that could have induced Camp Verde Water System's reasonable reliance in this matter.

In addition to invalidating the contractual agreement due to a lack of authority by the signing party, any contract Camp Verde Water Systems attempted to establish under these circumstances is void due to the fraudulent means employed to obtain acceptance of the agreement.

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Any contract in which the execution is obtained through fraud, deceit, or misrepresentation may be canceled at anytime. *Moewr v. Chiricahua Ranches Co.*, 48 Ariz. 226, 240-41, 61 P.2d 163, 169 (1936). Fraud in the factum occurs when there is "fraud in the substitution of documents or fraud in the obtaining of execution or delivery." See 37 Am. Jur. 2d Fraud and Deceit § 2. This type of fraud renders the transaction void. Arizona courts look to the Restatements for guidance, which provides:

Where there is fraud or misrepresentation by one person likely to cause and that does cause another, without negligence on his part, to believe that an act that he does is not a manifestation of assent to any transaction or is a manifestation of assent to a transaction entirely different from that which would be created if there were no mistake as to the facts, the act does not affect his contractual relations.

See *Garrett v. Holmes Tuttle Broadway Ford*, 5 Ariz.App. 388, 390, 427 P.2d 369, 371 (1967) (quoting Rest., Contracts, p. 905). The signature upon the Service Order for the 2" water meter was obtained by fraudulently misrepresenting to a member of the office staff that she was merely signing for a check owed to Northeast Industries for overpayment. The true nature of the document was falsely represented to the employee prior to signing. Additionally, as stated above, this employee did not have the authorization to sign and enter into a contractual agreement.

Attempting to bind a corporation to a contractual agreement by tricking an employee, a member of the office staff, into signing contractual language not only invalidates the document, but also raises concerns regarding Camp Verde Water Systems business practices.

As you know, Mr. Boyles and Northeast Industries previously paid Camp Verde Water Systems approximately Four Hundred Thousand Dollars and no/00 (\$400,000) to have water mains taken out to thirty five different parcels. It is unfortunate that a business relationship with such potential has deteriorated to the point of idle threats and trickery.

The Service Order and any agreement thereunder is patently invalid, thus Camp Verde Water Systems does not have a legitimate Service Order authorizing the monthly tariff for a 2" meter. As a result, Camp Verde Water Systems has entered upon Northeast Industries property and installed a water meter without authorization. In an attempt to

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quickly and amicably resolve this issue, please remove the 2" Water Meter and any associated charges or monthly tariffs until such a time that Camp Verde Water Systems obtains proper authorization for such activity.

Additionally, any further contractual negotiations between Northeast Industries and Camp Verde Water Systems should be conducted openly and honestly with the corporate officers that actually possess authorization to enter into such binding agreements.

Thank you for your time and prompt attention to this matter. Your cooperation is greatly appreciated.

Sincerely,

THE LEDBETTER LAW FIRM, P.L.C.



Lindsay H. F. Rich

LHFR/

cc: Mr. Sam Boyles



February 25, 2009

Sam Boyles
Northeast Industries, Inc.
1581 Boyles Way
P.O. Box 1884
Camp Verde, AZ 86322

Re: Your letter dated February 11, 2009

Dear Mr. Boyles:

I am forwarding a copy of the correspondence sent to our office on behalf of the opposing party in this matter. As stated in my letter dated February 24, 2009, I will not be taking any action on your behalf in response to this letter as we have terminated representation.

Again, I encourage you to engage alternative counsel to assist you on this issue.
Thank you.

Sincerely,

THE LEDBETTER LAW FIRM, P.L.C.

A handwritten signature in black ink, appearing to read "Lindsay H.F. Rich", is written over the typed name.

Lindsay H.F. Rich

LHFR/pjn
Enclosure

315 South Willard Street, Cottonwood, AZ 86326
928-649-8777 • www.ledbetter-law.com

Attorneys of the firm are licensed to practice before the courts of Arizona, New Mexico, Nevada, Navajo Nation, U.S. District Court for the District of Arizona, U.S. Supreme Court, U.S. Court of Appeals for the Armed Forces, U.S. Army Court of Criminal Appeals, Colorado River Indian Community, Gila River Indian Community, Hualapai Tribe, Hopi Tribe, San Carlos Apache Tribe, Tohono O'odham Nation, Yavapai-Apache Nation, and White Mountain Apache Tribe.

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3420 E. Shea Blvd., Suite 200 • Phoenix, Arizona 85028 • Fax 602.296.4871

February 18, 2009

Lindsay H.F. Rich
The Ledbetter Law Firm, P.L.C.
315 South Willard Street
Cottonwood, Arizona 86326

RE: Your letter of November 19, 2008 re 2 inch water meter installation to CVWS

Dear Mr. Rich:

Camp Verde Water System, Inc. ("CVWS") is in receipt of your letter dated November 19, 2008 which states on page 1, "This letter is in regard to your unauthorized installation of a 2" water meter at 1581 Boyles Way, Camp Verde, Arizona." I need to correct this statement. Your client, Northeast Industries, Inc., ("NEI") requested installation of the 2 inch water meter from CVWS. See CVWS Agreement Relating to Extension of Water Distribution Facilities dated January 11, 2007. As a reminder, the line extension agreement that President Boyle of NEI signed referenced above, which was approved by the Arizona Corporation Commission, included an off-site facilities hook-up fee for one 2" meter as a non-refundable tariff charge. It is now the property of CVWS as provided for in the line extension agreement and will not be removed.

CVWS was very surprised to have received this letter from you on behalf of NEI complaining that CVWS had tried to service NEI "by tricking an employee ... into signing contractual language..." See page 3 of above-referenced letter of November 19, 2008. It was CVWS' understanding that NEI wished to have service connected to its property, which is the logical conclusion to this entire process after the line extension agreement had been completed. Based on this understanding, CVWS delivered the service order to the NEI office. The bookkeeper determined that she was the correct party to do so and signed the service order.

If NEI's bookkeeper made an error in judgment, then that is NEI's issue and should be dealt with accordingly by NEI. However, CVWS does not have any obligation to research or investigate her ability to bind your client. This bookkeeper as part of her job duties called CVWS on a number of occasions for the advance cost break down and the check for the excess overpayment relating to the line extension agreements. The one and only purpose for a line extension agreement is to extend facilities to a property to provide **water service**. This person obviously has an intimate knowledge of the workings of NEI and of the line extension agreements that had been signed between CVWS and NEI as part of her job. In absence of explicit communication of authority, apparent authority to bind a principal exists where a third person reasonably believes an agent has authority of the principal. Hartford Industrial Com'n of

Arizona, 178 Ariz. 106, 110 (1994) citing Restatement (Second) of Agency § 8 (1958); see Canyon State Cannery v. Hooks, 74 Ariz. 70 (1952).

In order to hold a principal liable for an agent's acts on a theory of apparent authority, the third party must show that his reliance upon the agent's apparent authority was reasonable. Miller v. Mason-McDuffie Co. of So. Cal., 153 Ariz. 585 (1987). When NEI's bookkeeper continuously called the CVWS office to inquire regarding the status of the line extension, she held herself out as the representative of NEI who was intimately involved in the process and knew the circumstances of the situation. In the normal course of business, business owners delegate responsibility to employees on a regular basis. CVWS has no way of knowing whether the bookkeeper needed to have someone else sign the water service order. As a courtesy, Mr. Stanley Bullard, Vice-President of CVWS, dropped off the checks and presented the water service order. The bookkeeper examined it and signed the order. NEI had spent over \$275,000 to extend water service to its property and needed this last piece of the puzzle before NEI could receive water service and CVWS could supply the water. For you to assert on NEI's behalf that CVWS is guilty of coercion by connecting water service is ludicrous.

On page 3 of your letter, you claim that Mr. Bullard presented the overage checks for signature receipt to the NEI bookkeeper. It is not CVWS' practice to have a customer sign for checks and that is not what occurred. Mr. Bullard presented the service order to the bookkeeper to be signed. She looked it over and signed it. She was not coerced into signing it and the signature was not fraudulently obtained. If she did not understand what she was signing, then she should have explained that to Mr. Bullard and said she would have to speak to the appropriate person at NEI. As the bookkeeper was intimately involved in the line extension agreement process as she repeatedly and continually called the CVWS office to find out the advance cost breakdown and to check for the difference of the amounts advanced versus the actual costs, she obviously understood what she was signing. It is a simple water service order, and states in clear, plain language what is requested, and in order to receive service, had to be signed. NEI, by allowing this employee to call CVWS on behalf of NEI's line extension agreement and all of its ramifications, held this employee out to CVWS as fully capable and acting with full authority on behalf of the corporation.

Your November 19, 2008 letter on page 2 cites to A.R.S. § 10-3845 (2007) for the proposition that contractual agreements are invalidated between two parties if the other party had actual knowledge regarding the lack of authority of the signing officer. This statute supports CVWS' position as CVWS did not have actual knowledge that the person who signed the service order was not the one who was to do so; CVWS only became aware through your November 19, 2008 letter, rather than from any notice directly from NEI, that the person who signed the service order was supposedly not the one who was to sign it.

In your letter, you also claim that the service order is invalid because it was not signed by two individuals, based on your citation to the same statute referenced above. However, as set forth below, your statutory arguments are not controlling and are invalid as applied to the situation at hand.

In your November 19, 2008 letter, you rely on the fact that CVWS had actual knowledge that this person did not have authority to sign the service order. As stated above, Mr. Bullard did not have any such knowledge as the bookkeeper held herself out to have such authority by interacting with CVWS' office on a regular basis regarding the line extension agreements. However, your reliance on A.R.S. § 10-3845 is misplaced as it only applies to non-profit corporations, which NEI is NOT. NEI is a California, for profit foreign corporation that has

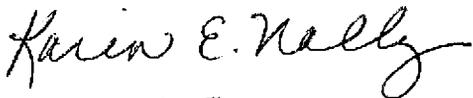
authority to do business in Arizona. NEI cannot use Arizona corporation law that applies to non-profit entities to attempt to shield itself from a correctly signed service order.

Even if NEI claims that NEI's bookkeeper made a mistake by signing the service order and NEI then decided to attempt to rescind the service order, a mistake by only one of the parties to a contract does not affect its binding force and does not afford its avoidance, or for relief, even in equity. Nationwide Resources Corp. v. Massabni, 134 Ariz. 557 (1982).

NEI did not contact CVWS to disconnect *water service to the warehouse*; the only contact from NEI has been through your November 19, 2008 letter to CVWS. Based on that letter, CVWS, as a courtesy as you are not the customer, disconnected water service to NEI. As NEI was considered to be a lawfully connected customer pursuant to Arizona Corporation Commission rules and regulations, NEI is liable for the associated tariffed charges for the amount of time NEI was connected to CVWS. At this time, CVWS is not supplying any water service to NEI, including fire sprinkler service, as CVWS only supplies such service to customers.

CVWS looks forward to receiving the outstanding amount due in a timely manner.

Sincerely,



Karen E. Nally, Esq.

cc: Stanley Bullard, Vice-President
Camp Verde Water System, Inc.