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AZ CORP COMMISSION
DOCKET ASSOCIATION

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GUST ROSENFELD P.L.C.
201 E. Washington, Suite 800
Phoenix, AZ 85004-2327
Telephone: (602) 257-7990
Shiela B. Schmidt – 011970
Attorneys for Applicant Yarnell Water Improvement Association

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF YARNELL WATER IMPROVEMENT
ASSOCIATION, AN ARIZONA NON-PROFIT
CORPORATION, FOR AUTHORITY (1) TO
ISSUE EVIDENCE OF INDEBTEDNESS IN
AN AMOUNT NOT TO EXCEED \$767,000.00
IN CONNECTION WITH (A) THE
CONSTRUCTION OF WATER SYSTEM
INFRASTRUCTURE IMPROVEMENTS AND
(B) REPAYMENT OF EXISTING DEBT; AND
(2) TO ENCUMBER ITS REAL PROPERTY
INTERESTS AND WATER SYSTEM
INFRASTRUCTURE AS SECURITY FOR
SUCH INDEBTEDNESS.

Docket No. W-02255A-09-0258

**COMPLIANCE WITH ORDER OF
ARIZONA CORPORATION
COMMISSION (DECISION NO.
71298) REGARDING FILING
COPIES OF LOAN AND GRANT
DOCUMENTS EXECUTED BY
YARNELL WATER
IMPROVEMENT ASSOCIATION**

Arizona Corporation Commission

DOCKETED

DEC 11 2009

DOCKETED BY	
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Yarnell Water Improvement Association (“Yarnell” or the “Company”), an Arizona public service corporation, filed its Application on May 22, 2009, applying for authority from the Arizona Corporation Commission (“Commission”) to (1) incur indebtedness in an amount not to exceed \$767,000.00 and to encumber its real property and utility plant and system to secure such indebtedness for the purposes described in the Application; (2) enter into the necessary agreements and to take action as may be required to obtain the grant funding in an amount not to exceed \$533,000.00; and (3) to take such other and further action as may be necessary to effectuate the purposes of the

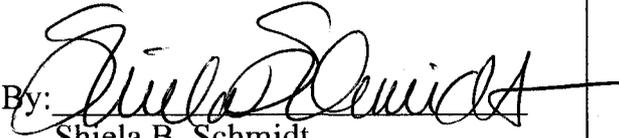
1 Company's Application.

2 Following the open meeting on October 8, 2009, and after considering the
3 record on the Application, the Commission entered its Order as Decision No. 71298,
4 docketed on October 9, 2009, approving the Application.

5 As a compliance item in this Docket, the Commission ordered that the
6 Company file copies of all executed documents associated with the financing authorized
7 by the Commission. Copies of the applicable loan and grant documents executed at the
8 closing of this transaction on October 14, 2009 are attached and filed herein as part of
9 this Docket.

10 RESPECTFULLY SUBMITTED this 11th day of December 2009.

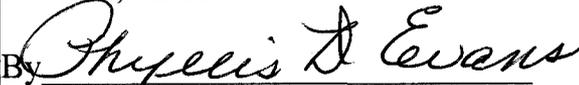
11 GUST ROSENFELD P.L.C.

12
13 By: 
14 Shiela B. Schmidt

15 Attorneys for Applicant Yarnell Water
16 Improvement Association

17 ORIGINAL and 13 copies delivered this
18 11th day of December 2009, to:

19 Docket Control
20 Arizona Corporation Commission
21 1200 West Washington Street
22 Phoenix, Arizona 85007

23
24 By: 
25
26

**Consent Resolutions in lieu of a special meeting of the Board Of Directors
of Yarnell Water Improvement Association**

CONSENT RESOLUTIONS IN LIEU OF
A SPECIAL MEETING OF
THE BOARD OF DIRECTORS OF
YARNELL WATER IMPROVEMENT ASSOCIATION

1. WHEREAS, Yarnell Water Improvement Association (the "Corporation"), an Arizona nonprofit corporation, desires to make improvements (the "Improvement Project") to the Corporation's existing water plant and water delivery system (the "System").

RESOLVED, that the acts of the officers and directors of the Corporation in investigating, and planning the Improvement Project, are hereby ratified and confirmed.

RESOLVED FURTHER, that the Corporation be and it hereby is authorized and empowered to undertake all actions necessary to complete the Improvement Project.

RESOLVED FURTHER, that Bernie Dickson, the President of the Corporation, acting alone, be, and he hereby is, authorized and empowered, for and on behalf of the Corporation and in its name, to execute, acknowledge and deliver all documents and instruments as are necessary to complete the Improvement Project, together with any amendments, modifications, changes or supplements thereto, as such officer deems appropriate (the exercise of which shall be a conclusive proof of the appropriateness of the same).

2. WHEREAS, the Corporation has received proposals for work to be performed in furtherance of the Improvement Project, including specifically, a proposal for engineering services to be performed by Claycomb/Rockwell Associates, Inc.;

RESOLVED, that the acts of the officers and directors of the Corporation in reviewing and approving such proposals, are hereby ratified and confirmed.

3. WHEREAS, in connection with the Improvement Project, the Corporation desires to enter into an agreement (the "Agreement") with the United States Department of Agriculture ("USDA"), pursuant to which the USDA will, in part grant and, in part loan, funds to the Corporation through the Rural Utilities Service Program to fund the costs of the Improvement Project;

WHEREAS, pursuant to the Agreement and as security for the funds to be loaned to the Corporation pursuant to the Agreement, the Corporation will grant the USDA a security interest in some or all the Corporation's real property and in the System;

WHEREAS, pursuant to Section 9.1 of Article IX of the By-Laws of the Corporation, the directors of the Corporation are empowered to authorize one or more officers to enter into any contract or execute and deliver any instrument on behalf of the Corporation; and

WHEREAS, pursuant to Arizona Revised Statutes ("ARS") § 10-11201, the directors of the Corporation are authorized to mortgage, pledge, dedicate to the repayment of

indebtedness, whether with or without recourse, or otherwise encumber any or all of the property of the Corporation.

RESOLVED, that the acts of the officers and directors of the Corporation in negotiating the Agreement, and all documents attached or referred to therein or required thereby, are hereby ratified and confirmed.

RESOLVED FURTHER, that the Corporation be and it hereby is authorized and empowered: (1) to execute all documents that are attached or referred to in the Agreement to which the Corporation is a party; (2) to enter into such other documents and instruments as may be necessary or appropriate, in the discretion of Bernie Dickson, the President of the Corporation, to carry out the intent and purposes of the Agreement and such other documents, and all other documents and instruments as may be required thereunder; and (3) to perform all acts for the Corporation, including without limitation all duties, obligations and covenants of the Corporation under the Agreement and all other documents and instruments referred to therein or required thereby.

RESOLVED FURTHER, that Bernie Dickson, the President of the Corporation, acting alone, be, and he hereby is, authorized and empowered, for and on behalf of the Corporation and in its name, to execute, acknowledge and deliver all documents and instruments as are referred to in the immediately preceding resolution, together with any amendments, modifications, changes or supplements thereto, as such officer deems appropriate (the exercise of which shall be a conclusive proof of the appropriateness of the same).

RESOLVED FURTHER, that all of the acts of the officers of the Corporation that are in conformity with the intent and purposes of the foregoing resolutions, whether heretofore or hereafter taken or done, shall be, and the same hereby are, ratified, confirmed and approved in all respects.

The undersigned, being the board of directors of the Corporation, acting pursuant to ARS § 10-3821 and pursuant to Section 9.1 of Article IX of the Bylaws of the Corporation, do hereby consent to the adoption of, and do hereby adopt, the foregoing resolutions, declare them to be in full force and effect as if they were adopted at a special meeting of the board of directors of the Corporation, and direct that the same be placed in the official minutes and records of the Corporation as official resolutions of the board of directors of the Corporation.

[The remainder of this page intentionally left blank.]

Dated June 5, 2009.

DIRECTORS:

Bernie Dickson
Bernie Dickson

Michael Fikes
Michael Fikes

Dean Weatherly
Dean Weatherly

Tammy Zudell
Tammy Zudell

Robert Hedden
Robert Hedden

Resolution of the Board of Directors of the Yarnell Water Improvement Association, an Arizona non-profit corporation, awarding the contract for construction of improvements and extensions of the association's water system

RESOLUTION NO. 2009-02

RESOLUTION OF THE BOARD OF DIRECTORS OF THE YARNELL WATER IMPROVEMENT ASSOCIATION, AN ARIZONA NON-PROFIT CORPORATION, AWARDING THE CONTRACT FOR CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS OF THE ASSOCIATION'S WATER SYSTEM.

WHEREAS, on June 25, 2009, the Board of Directors (the "*Board*") of the Yarnell Water Improvement Association (the "*Association*") received proposals for construction of improvements to its water system (the "*Project*"); and

WHEREAS, this Board has received the bids for the construction of the Project,
and

WHEREAS, the Board, in open session, opened, examined and publicly declared
the bids; and

WHEREAS, JWJ Design Builders, Inc. ("*JWJ*") was the apparent low bidder;
and

WHEREAS, a protest against the bid of JWJ was filed by Spire Engineering ("*Spire*"); and

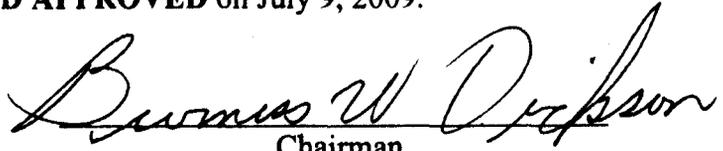
WHEREAS, on July 9, 2009, this Board acted to deny the Spire protest; and

WHEREAS, after review of all such bids, this Board has determined that the proposal of JWJ is the lowest responsive bid.

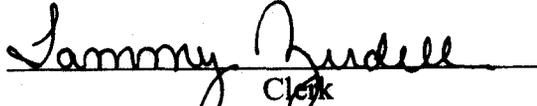
NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE YARNELL WATER IMPROVEMENT ASSOCIATION, AN ARIZONA NON-PROFIT CORPORATION, as follows:

Section 1. That the proposal of JWJ is the lowest responsive bid for the received for the construction of the Project. Therefore, the contract for the construction of the Project is awarded to JWJ, subject, however, to the approval of Rural Development, United States Department of Agriculture.

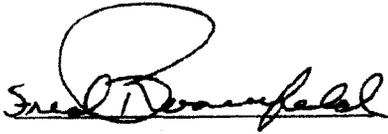
PASSED, ADOPTED AND APPROVED on July 9, 2009.


Chairman

ATTEST:

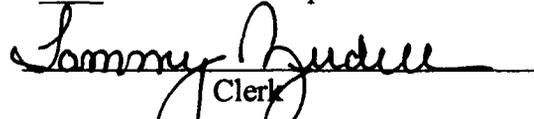

Clerk

APPROVED AS TO FORM:



CERTIFICATE

I, Tammy Zudell, hereby certify that the above and foregoing Resolution was duly passed by the Board of Directors of the Yarnell Water Improvement Association, at a regular meeting held on July 9, 2009, that a quorum was present thereat and that the vote thereon was ayes, 3 nays, ___ abstained, 2 were absent and 3 members were present.


Clerk

APPROVAL

Rural Development, United States Department of Agriculture hereby approves the award of contract for the Project to JWJ.

DATED: July ____, 2009.

Yarnell Water Improvement Association
PO Box 727
Yarnell, Arizona 85362
(928) 427-3321

July 9, 2009

Debra Stewart
USDA – Rural Development
Community Development Specialist
230 N. 1st Avenue, Suite 206
Phoenix, AZ 85003

Subject: Yarnell Water System Improvements
Concurrence in the Contract Award

Dear Debra Stewart:

On behalf of the Board of Directors for Yarnell Water Improvement Association, please consider this request for Rural Development to concur with the award of the contract for the Yarnell Water System Improvements to JWW Design Builders, Inc.

Sincerely,



Tammy Zudell
Secretary / office Manager

**YARNELL WATER IMPROVEMENT ASSOCIATION,
An Arizona Non-profit Corporation**

Minutes from July 9, 2009 MEETING OF THE BOARD OF DIRECTORS

- Meeting called to order by President Burness (Bernie) Dickson at 12:06PM.
- A roll call was made on everyone present at meeting, they were as follows; Yarnell Water Improvement Association board members, President Burness Dickson, Secretary Tammy Zudell, Director Mike Fikes, and Maintenance Supervisor Stacy Zudell. Along with Attorney Shiela Schmidt from Gust Rosenfeld. Ed Nichols from Spire Engineering and Arnold Cox from JWJ Design Builders.
- Next on the agenda, item 1, act on bid protest filed by Spire Engineering. Everyone present received copies of all bid protests which were then reviewed.
- Next Ed Nichols from Spire Engineering was asked to iterate the 2 bid protests they had submitted. His concern was that JWJ Design Builders had not supplied a corporate seal along with 6 items missing from their submitted bid documents.
- Arnold Cox from JWJ Design Builders was then asked if he would like to respond. Mr. Cox responded by saying that a corporate seal is not required under the Arizona law. This was confirmed by Shiela Schmidt.
- A motion was made by Mike Fikes to reject the bid protest submitted by Spire Engineering, and was second by Tammy Zudell. All in Favor.

- Next on the agenda, Formal Protest from JWJ Design Builders.
- Arnold Cox from JWJ Design Builders did not wish to pursue there formal protest.
- A motion was made by Mike Fikes to act on Resolution awarding the contract for construction of additions to and improvements of the Associations water system to JWJ Design Builders which is subject to concurrence by the United states Department of Agriculture- Rural Development. This was second by Tammy Zudell. All in Favor.
- A motion was made to adjourn meeting by Mike Fikes and second by Tammy Zudell. All in Favor.
- Meeting adjourned at 12:26pm.

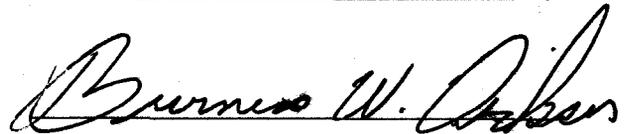
Right-of-Way Certificate with attachments (Map and Exception Documents)

RIGHT-OF-WAY CERTIFICATE

Bernie Dickson, President, Yarnell Water Improvement Association, an Arizona non-profit corporation, to the best of
The undersigned, my actual knowledge
hereby certifies except as noted in item 4 below:

1. That the undersigned has acquired and presently holds continuous and adequate rights-of-way on private lands needed for the construction, operation, and maintenance of the facilities to be installed, repaired, or enlarged with the proceeds of a loan made or insured by, and/or a grant from, United States Department of Agriculture and such omissions, defects, or restrictions as may exist will in no substantial way or manner endanger the value or the operation of the facilities.
2. That the undersigned has acquired the necessary permits, franchises, and authorizations or other instruments by whatsoever name designated, from public utilities and public bodies, commissions, or agencies authorizing the construction, operation, and maintenance of the facilities upon, along or across streets, roads, highways, and public utilities.
3. That the attached "Right-of-way Map" shows the location and description of all land and rights-of-way acquired by right of use or adverse possession and by legal conveyances such as right-of-way or easement deeds, permits, or other instruments.
4. Exceptions:
 - A. Pipes located within easement area described as Parcel 2 in the Warranty Deed recorded at Book 4646, Page 599 of the Official Records of Yavapai County as highlighted on the attached Right of Way Map. This area has been granted as an easement for "public utilities" but was not granted directly to Yarnell Water Improvement Association. The pipes have been in the ground since 2005, so adverse possession/proscriptive easement rights have not been acquired yet by the Association.
 - B. Pipes located within easement area described as Parcel 2 in the Warranty Deed recorded at Book 4554, Page 242 of the Official Records of Yavapai County as highlighted on the attached Right of Way Map. This area has also been granted as an easement for "public utilities" but was not granted directly to Yarnell Water Improvement Association. The pipes have been in the ground since late 2007 into early 2008, so adverse possession/proscriptive easement rights have not been acquired yet by the Association.

WITNESS WHEREOF, applicant hereunto affixes its name and corporate seal this 14th day of October, 2009.



By Bernie Dickson

Attest:

Tammy Zudell, Secretary

Title President

(Affix Corporate Seal Here)

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to U.S. Department of Agriculture, Clearance Officer, OIRM AG Box 7630, Washington, D.C. 20250. Please DO NOT RETURN this form to this address. Forward to the local USDA office only. You are not required to respond to this collection of information unless it displays a currently valid OMB control number.

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T11N

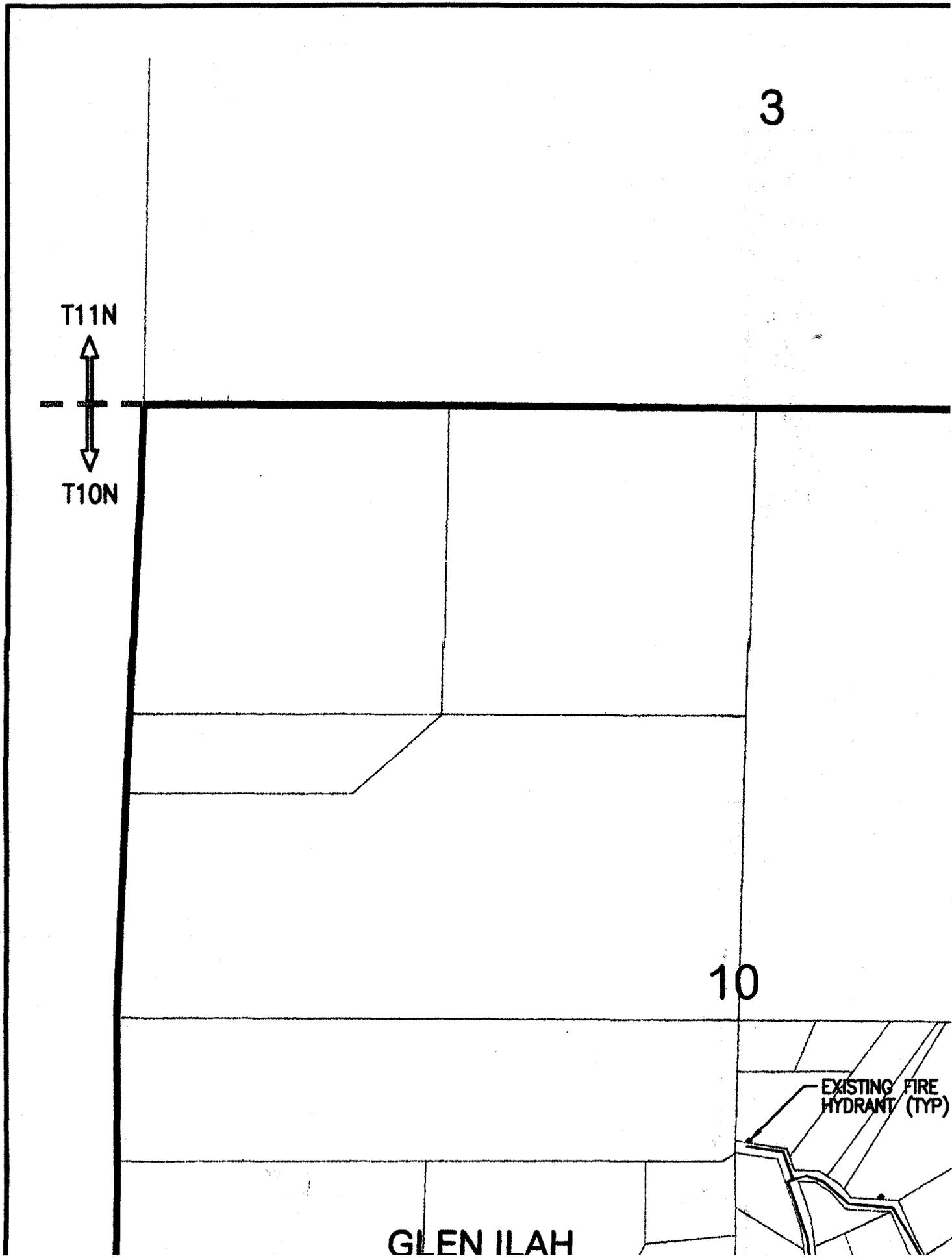


T10N

10

EXISTING FIRE HYDRANT (TYP)

GLEN ILAH

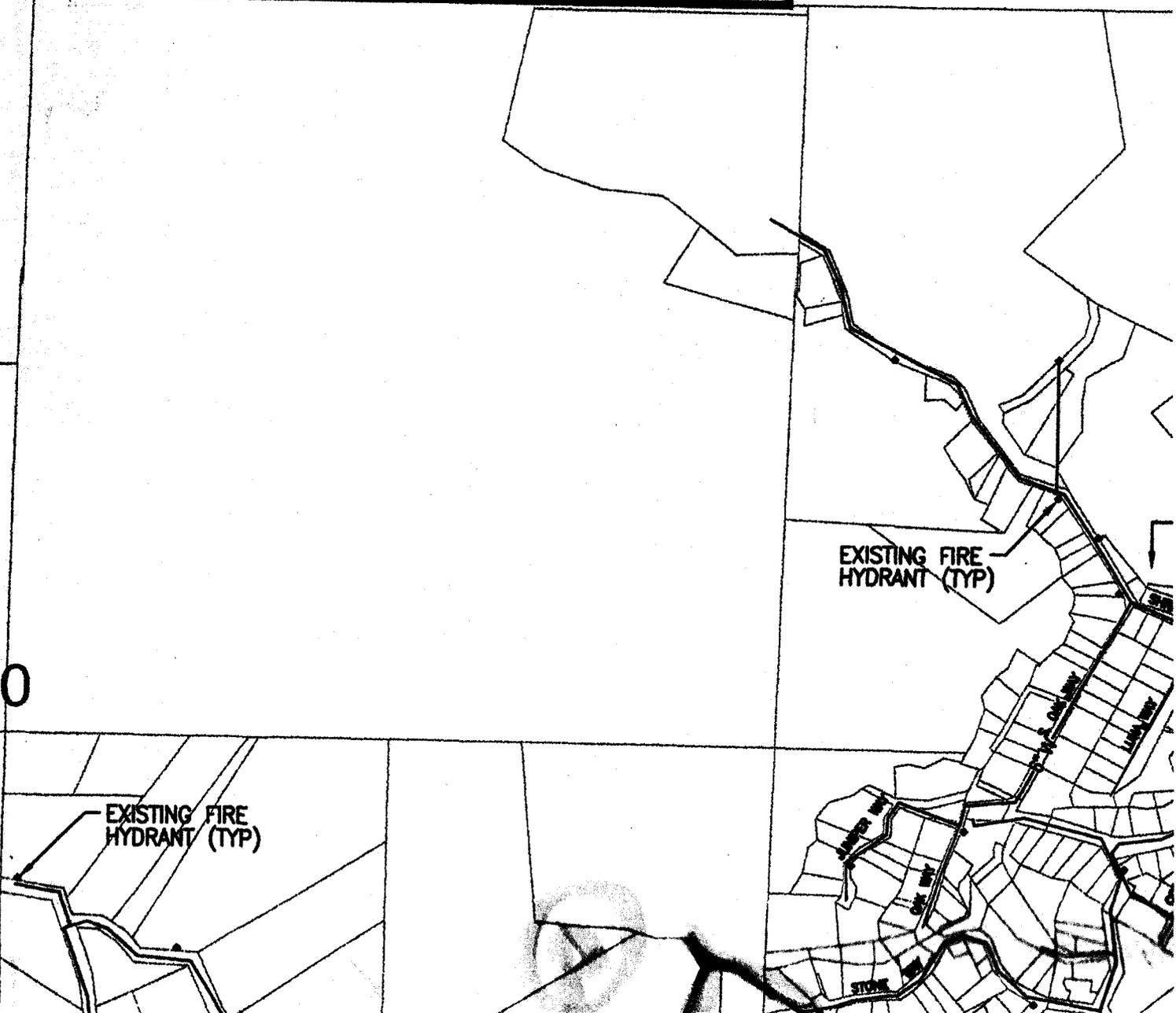


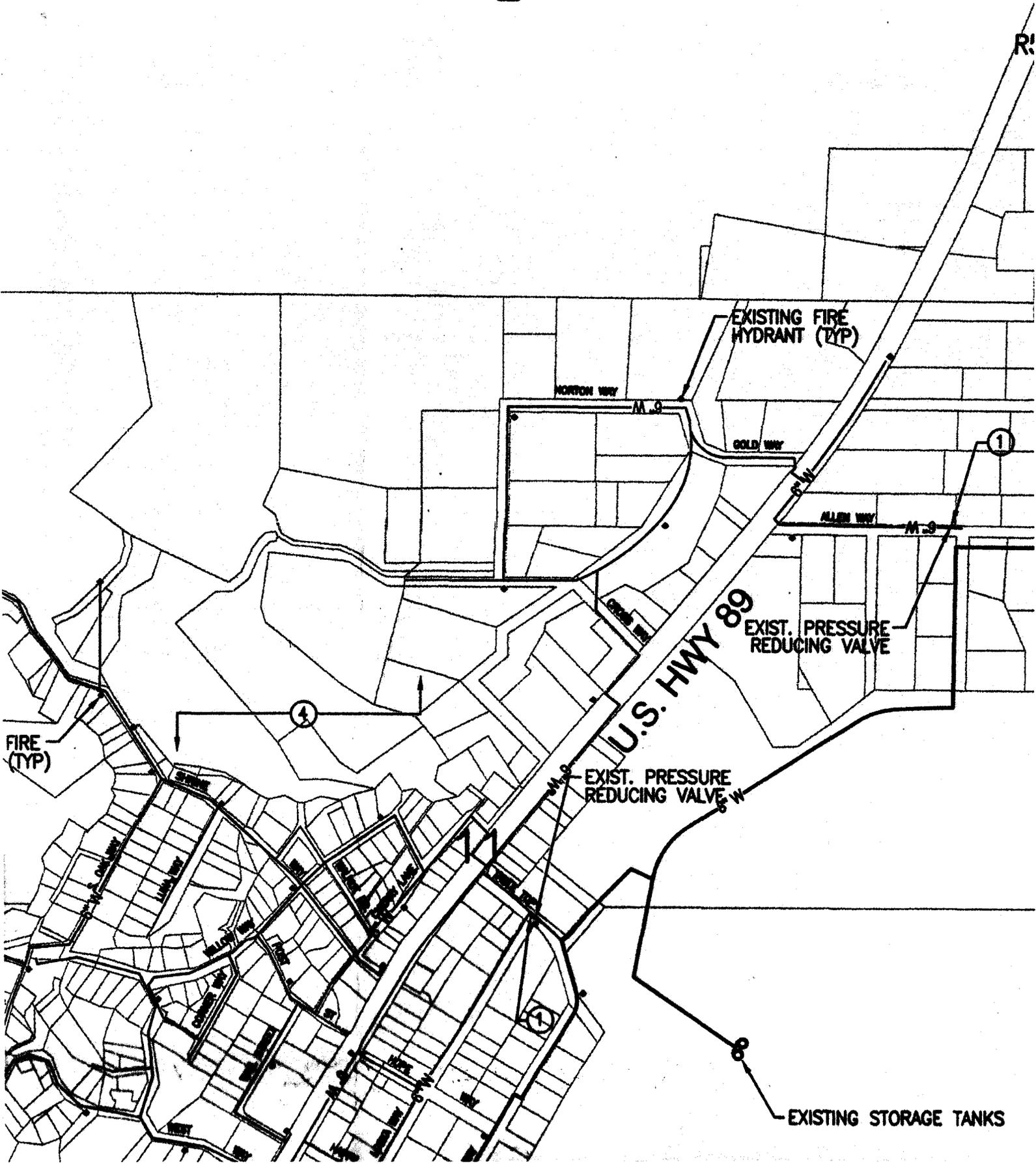
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EXISTING FIRE
HYDRANT (TYP)

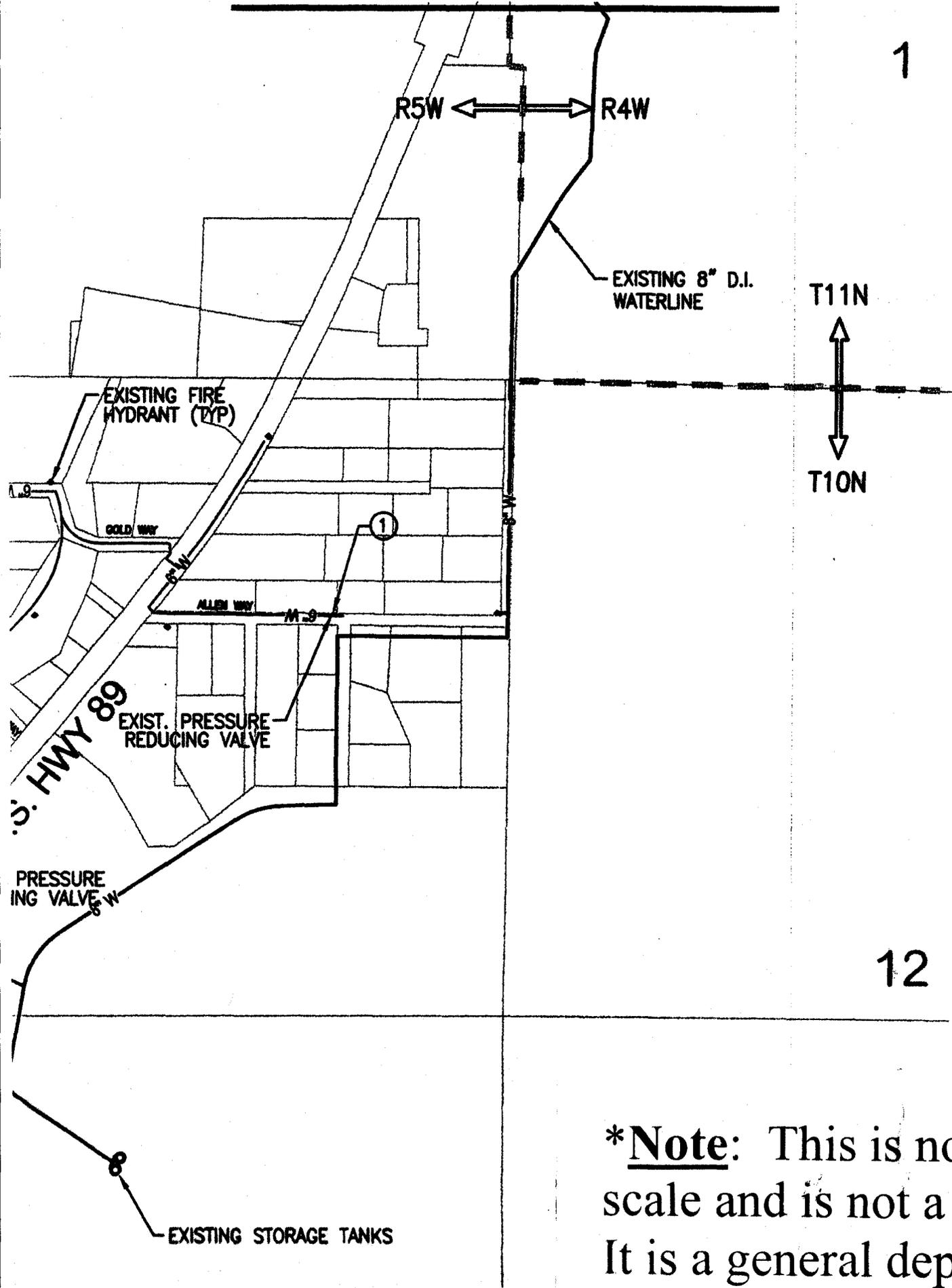
EXISTING FIRE
HYDRANT (TYP)





MATCHLINE - SEE SHEET 3

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12

***Note:** This is not to scale and is not a survey. It is a general depiction.

1

4W

EXISTING 8" D.I.
WATERLINE

T11N



T10N

IMPROVEMENT SUMMARY NOTES

- ① REPLACE PRV/CHECK VALVE.
- ④ REPLACE FIRE HYDRANTS.
- ⑥ NEW WATER MAIN CONNECTION.
- ⑦ DECOMMISSION PUMP STATION.

12



Areas described as exceptions in #4 of Right of Way Certificate

Note: This is not to scale and is not a survey. is a general depiction



GLEN ILAH

EXISTING FIRE HYDRANT (TYP)

EXISTING FIRE HYDRANT (TYP)

EXISTING HYDRAN

6

7

7

4

101

WINDY HILL DR

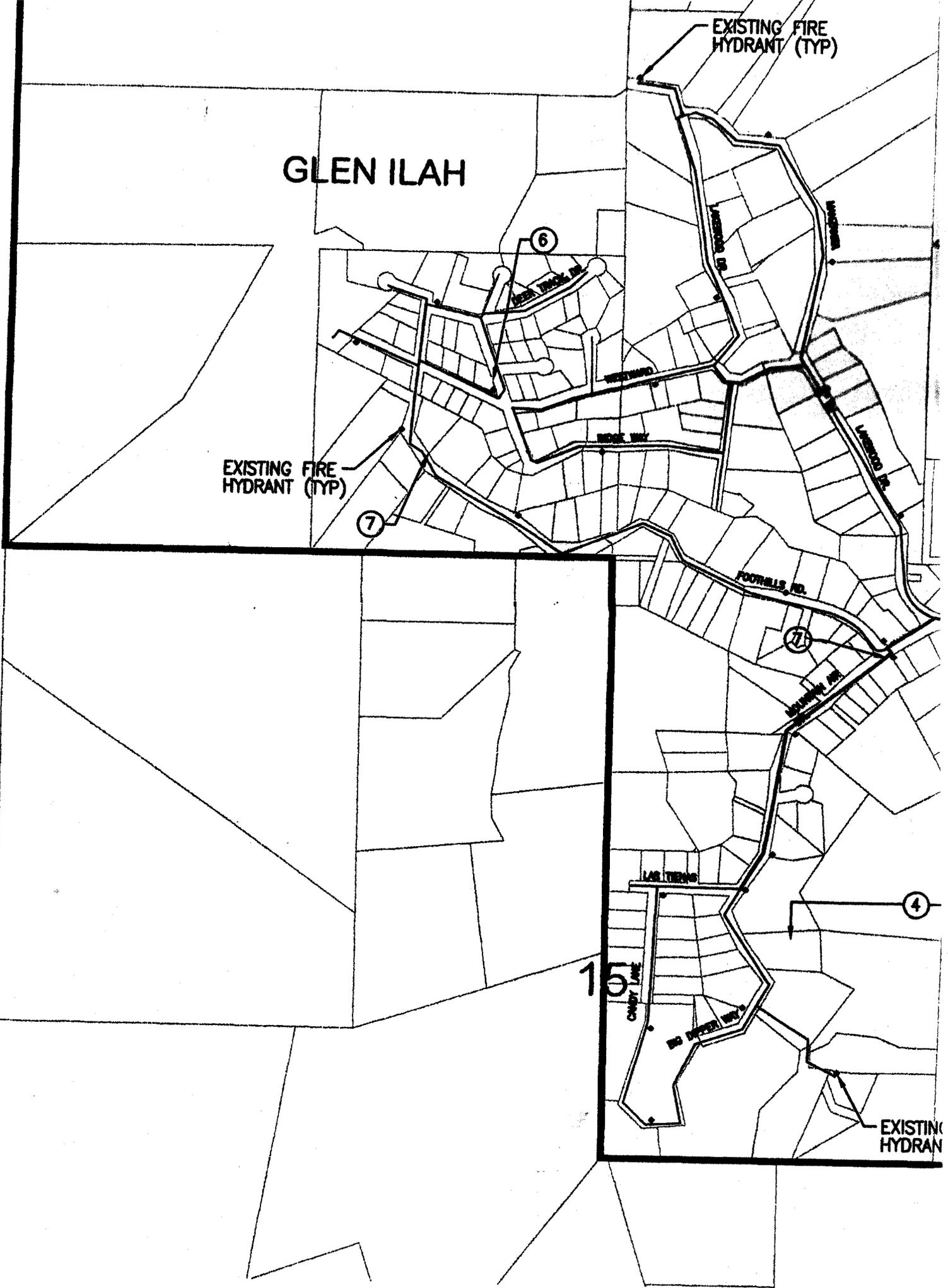
FOONILLS RD

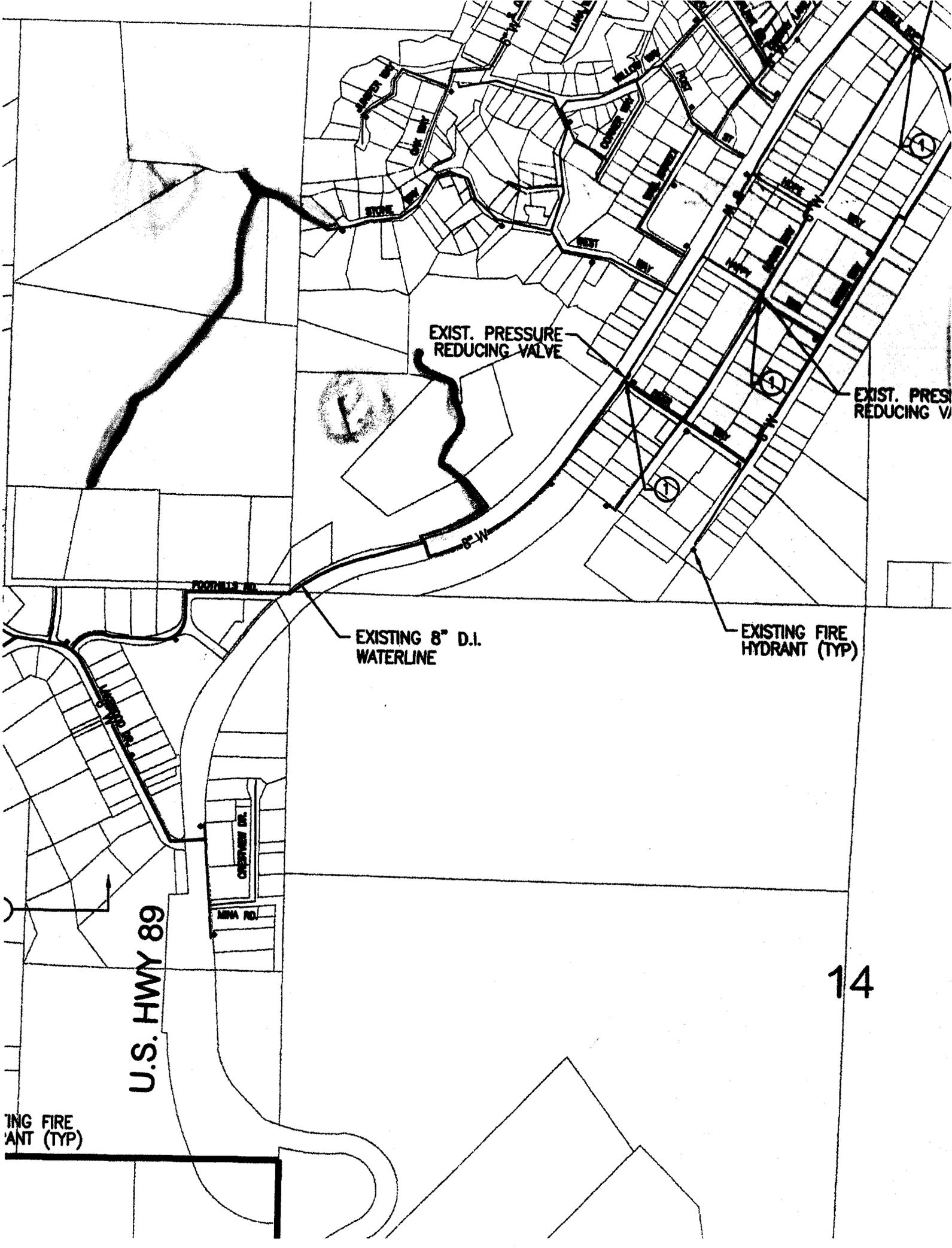
WINDY HILL DR

LAS TIENG

CAMP LANE

NO DEPERA WAY





U.S. HWY 89

EXIST. PRESSURE REDUCING VALVE

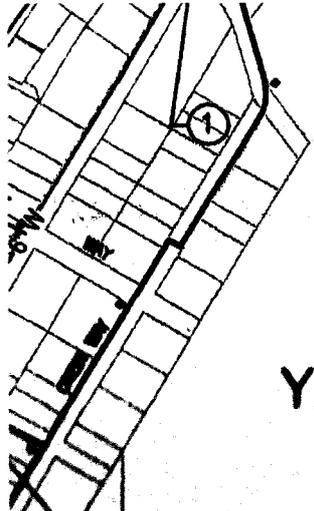
EXIST. PRES REDUCING V

EXISTING 8" D.I. WATERLINE

EXISTING FIRE HYDRANT (TYP)

14

EXISTING FIRE HYDRANT (TYP)



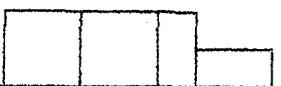
YARNELL

EXIST. PRESSURE
REDUCING VALVE

EXISTING STORAGE TANKS

***Note:** This
scale and is
It is a general
prepared by
Yarnell Water
Highlighted
general depiction
convenience

FIRE
T (TYP)

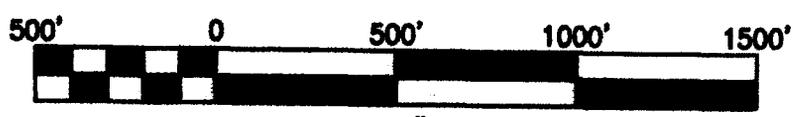


R5W ← → R4W

14

DRAFT
NOT FOR CONSTRUCTION

Note: This is not to be used for legal purposes and is not a survey. It is a general depiction prepared by CRA of the Yarnell Water System. Highlighted areas are also general depictions for convenience only.



SCALE: 1"=500'
(WHEN PLOTTED AT FULL SIZE)

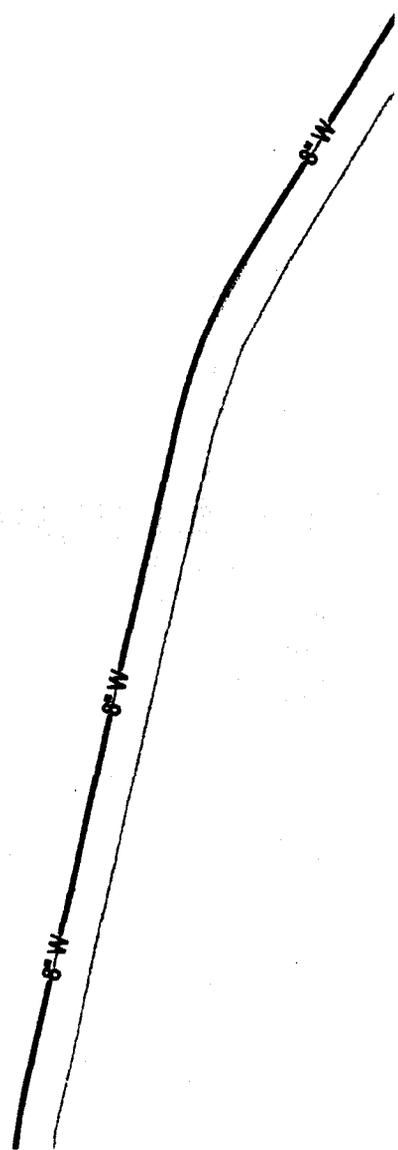
CALL TWO WORKING DAYS BEFORE YOU DIG
1-800-STAKE-IT
1-800-782-8848
(OUTSIDE MARICOPA COUNTY)

13

DRAFT
FOR CONSTRUCTION

DATE:	REVISION:	BY:
YARNELL, ARIZONA YARNELL WATER IMPROVEMENT ASSOCIATION WATER SYSTEM SERVICE AREA EXHIBIT		
	DESIGNED BY: WA	 <small>CLAYCOMB/ROCKWELL ASSOCIATES, INC. 8801 EAST VALLEY ROAD PRESCOTT VALLEY, AZ 86314 PH. (928) 772-0745 FAX. (928)-772-2008</small>
	DRAWN BY: GLH	
	CHECKED BY: KPR	
	DATE: 5-20-09	
	HOR SCALE: AS SHOWN	
VERT SCALE: N/A	2	
PROJECT No.: 08-15	OF 3 SHEETS	
SHEET NAME: WATER EXHIBIT		

EXISTING 8" D.I.
WATERLINE



MATCHLINE - SEE THIS SHEET AT RIGHT

R5W ← → R4W

8" D.I.
NE

8" W

8" W

8" W

8" W

36

→ R4W

24

EXISTING WELL
SITE & PUMP
HOUSE

② ③ ⑤

R5W ← → R4W

8" W

8" W

6" W

④

EXISTING FIRE
HYDRANT (TYP)

EXIST. PRESSURE
REDUCING VALVE

PEEPLER VALLEY

IMPROVEMENT SUMMARY NOTES

- ① REPLACE PRV/CHECK VALVE.
- ② REPLACE TELEMETRY SYSTEM.
- ③ WELL SITE IMPROVEMENTS.
- ④ REPLACE FIRE HYDRANTS.
- ⑤ RELINE TANK.

U.S. HWY 89

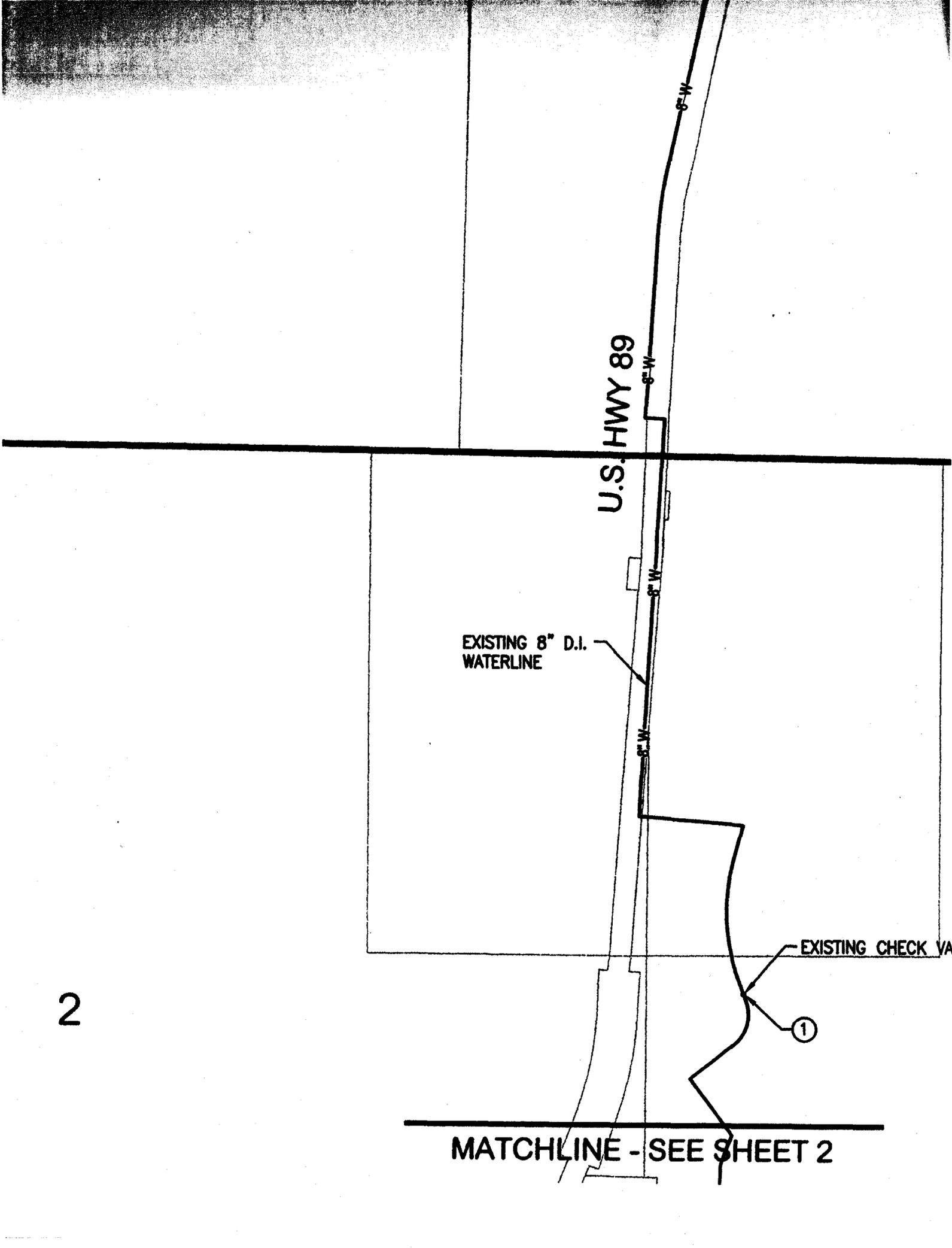
EXISTING 8" D.I.
WATERLINE

EXISTING CHECK VA

①

MATCHLINE - SEE SHEET 2

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-EXISTING CHECK VALVE

①

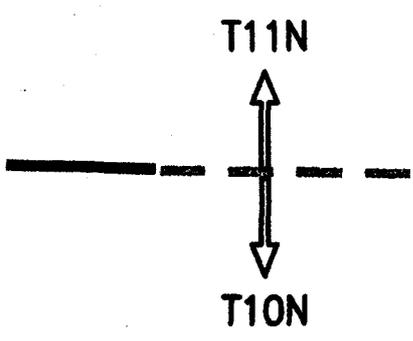
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REDUC

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EXISTING
WATER



EXISTING
CHECK VALVE

MATCHLINE - SEE



SCALE: 1"=500'
(WHEN PLOTTED AT FULL SIZE)

DR
NOT FOR C

EXIST. PRESSURE REDUCING VALVE

PEEPLER VALLEY

U.S. HWY 89

25

EXISTING 8" D.I. WATERLINE

①
STING CHECK VALVE

R5W ← → R4W

- SEE THIS SHEET AT LEFT

CALL TWO WORKING DAYS BEFORE YOU DIG

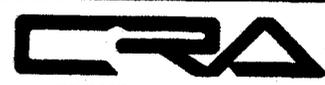
1-800-STAKE-IT

1-800-782-6348

(OUTSIDE MARICOPA COUNTY)

DRAFT

FOR CONSTRUCTION

DATE:	REVISION:	BY:
YARNELL, ARIZONA YARNELL WATER IMPROVEMENT ASSOCIATION WATER SYSTEM SERVICE AREA EXHIBIT		
	DESIGNED BY: WA	 <small>CLAYCOMB/ROCKWELL ASSOCIATES, INC. 6891 EAST VALLEY ROAD PRESCOTT VALLEY, AZ 86314 PH. (928) 772-0746 FAX. (928)-772-2008</small>
	DRAWN BY: GLH	
	CHECKED BY: KPR	
	DATE: 5-20-09	
	HOR SCALE: AS SHOWN	
		SHEET No.

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Recording Requested by:
First American Title Insurance Company Lenders
Advantage
When recorded mail to:
Dana Kurt Florman
22870 SOUTH METATE FOREST TRAIL
Yarnell, AZ 85362

B-4646 P-599
Page: 1 of 3
WD 4290849

Exempt: 11-113463

WARRANTY DEED

File No. 1930-3584754a (MD)

For the consideration of TEN AND NO/100 DOLLARS, and other valuable considerations, I or we,

Dana Kurt Florman and Jerry Suzanne Jones Florman, husband and wife as community property with right of survivorship, the GRANTOR does hereby convey to

Dana Kurt Florman, a married man, as his sole and separate property, the GRANTEE

the following described property situate in Yavapai County, Arizona:

PARCEL:

A PORTION OF THAT CERTAIN PARCEL RECORDED IN BOOK 1378 OF OFFICIAL RECORDS, PAGES 258 AND 259, YAVAPAI COUNTY RECORDERS OFFICE, LOCATED IN THE EAST HALF OF THE SOUTHEAST QUARTER OF SECTION 10, TOWNSHIP 10 NORTH, RANGE 5 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, YAVAPAI COUNTY, ARIZONA, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 10;

THENCE NORTH 00 DEGREES 02 MINUTES 12 SECONDS EAST, ALONG THE EAST LINE OF SAID SECTION 10 A DISTANCE OF 449.00 FEET TO THE SOUTHEAST CORNER OF SAID CERTAIN PARCEL;

THENCE NORTH 89 DEGREES 59 MINUTES 17 SECONDS WEST, ALONG THE SOUTH LINE OF SAID CERTAIN PARCEL A DISTANCE OF 624.00 FEET;

THENCE NORTH 00 DEGREES 02 MINUTES 12 SECONDS EAST, ALONG SAID SOUTH LINE, A DISTANCE OF 20.00 FEET;

THENCE NORTH 89 DEGREES 59 MINUTES 17 SECONDS WEST, ALONG SAID SOUTH LINE, A DISTANCE OF 311.23 FEET TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING NORTH 89 DEGREES 59 MINUTES 17 SECONDS WEST ALONG SAID SOUTH LINE, A DISTANCE OF 382.08 FEET TO A POINT ON THE WEST LINE OF THE EAST HALF OF THE SOUTHEAST QUARTER OF SAID SECTION 10, ALSO BEING THE SOUTHWEST CORNER OF SAID CERTAIN PARCEL;

File No.: 1930-3584754a
(MD)
A.P.N.: 203-03-067C 3

Warranty Deed - continued

THENCE NORTH 00 DEGREES 03 MINUTES 54 SECONDS EAST, ALONG SAID WEST LINE A DISTANCE OF 959.55 FEET;
THENCE SOUTH 81 DEGREES 14 MINUTES 53 SECONDS EAST, A DISTANCE OF 941.25 FEET;
THENCE SOUTH 37 DEGREES 17 MINUTES 05 SECONDS WEST, A DISTANCE OF 208.83 FEET;
THENCE SOUTH 46 DEGREES 07 MINUTES 04 SECONDS WEST, A DISTANCE OF 90.65 FEET;
THENCE SOUTH 32 DEGREES 57 MINUTES 40 SECONDS WEST, A DISTANCE OF 108.96 FEET;
THENCE SOUTH 55 DEGREES 47 MINUTES 02 SECONDS WEST, A DISTANCE OF 126.08 FEET;
THENCE SOUTH 29 DEGREES 40 MINUTES 44 SECONDS WEST, A DISTANCE OF 33.69 FEET;
THENCE SOUTH 15 DEGREES 20 MINUTES 41 SECONDS WEST, A DISTANCE OF 108.73 FEET;
THENCE SOUTH 34 DEGREES 01 MINUTES 23 SECONDS WEST, A DISTANCE OF 63.17 FEET;
THENCE SOUTH 29 DEGREES 21 MINUTES 46 SECONDS WEST, A DISTANCE OF 264.08 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPT COAL AND OTHER MINERALS AS RESERVED IN THE PATENT TO SAID LAND.

PARCEL 2:

A 50 FOOT WIDE EASEMENT FOR INGRESS, EGRESS AND PUBLIC UTILITIES LYING 25 FEET ON EACH SIDE OF THE FOLLOWING DESCRIBED CENTERLINE LOCATED WITHIN SECTION 10 AND SECTION 11, TOWNSHIP 10 NORTH, RANGE 5 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, YAVAPAI COUNTY, ARIZONA;

COMMENCING AT THE NORTHEAST CORNER OF LOT 23 ALSO BEING THE SOUTHEAST CORNER OF LOT 24 YARNELL HEIGHTS DIVISION 10, AS RECORDED IN BOOK 4 OF MAPS AND PLATS AT PAGE 86, YAVAPAI COUNTY RECORDERS OFFICE;

THENCE SOUTH 25 DEGREES 24 MINUTES 01 SECONDS EAST ALONG THE EAST LINE OF SAID LOT 23 A DISTANCE OF 12.77 FEET TO THE TRUE POINT OF BEGINNING;

THENCE SOUTH 76 DEGREES 55 MINUTES 35 SECONDS WEST, A DISTANCE OF 42.22 FEET;

THENCE NORTH 56 DEGREES 44 MINUTES 05 SECONDS WEST, A DISTANCE OF 16.20 FEET TO A POINT ON THE NORTH LINE OF SAID LOT 23 ALSO BEING THE SOUTH LINE OF SAID LOT 24, SAID POINT LYING SOUTH 76 DEGREES 03 MINUTES 53 SECONDS WEST, A DISTANCE OF 50.68 FEET FROM SAID NORTHEAST CORNER OF SAID LOT 23, ALSO BEING THE SOUTHEAST CORNER OF SAID LOT 24;

THENCE CONTINUING NORTH 56 DEGREES 44 MINUTES 05 SECONDS WEST INTO SAID LOT 24 A DISTANCE OF 142.23 FEET TO A POINT ON THE EAST LINE OF SAID SECTION 10, LYING SOUTHERLY 53.24 FEET FROM THE NORTHWEST CORNER OF SAID LOT 24;

THENCE CONTINUING NORTH 56 DEGREES 44 MINUTES 05 SECONDS WEST, A DISTANCE OF 95.88 FEET;

File No.: 1930-3584754a
(MD)
A.P.N.: 203-03-067C 3

Warranty Deed - continued

THENCE NORTH 73 DEGREES 06 MINUTES 16 SECONDS WEST, A DISTANCE OF 140.45 FEET TO POINT "A";

THENCE NORTH 38 DEGREES 54 MINUTES 53 SECONDS WEST, A DISTANCE OF 77.52 FEET;

THENCE NORTH 65 DEGREES 55 MINUTES 38 SECONDS WEST, A DISTANCE OF 35.54 FEET;

THENCE SOUTH 88 DEGREES 57 MINUTES 47 SECONDS WEST, A DISTANCE OF 88.91 FEET;

THENCE NORTH 70 DEGREES 05 MINUTES 05 SECONDS WEST, A DISTANCE OF 103.24 FEET;

THENCE NORTH 86 DEGREES 57 MINUTES 51 SECONDS WEST, A DISTANCE OF 320.12 FEET TO THE END OF THIS PORTION OF SAID CENTERLINE;

BEGINNING AT SAID POINT "A" ABOVE;

THENCE SOUTH 17 DEGREES 30 MINUTES 24 SECONDS WEST, A DISTANCE OF 231.98 FEET;

THENCE SOUTH 08 DEGREES 46 MINUTES 43 SECONDS WEST, A DISTANCE OF 67.04 FEET;

THENCE SOUTH 31 DEGREES 16 MINUTES 16 SECONDS EAST, A DISTANCE OF 98.55 FEET;

THENCE SOUTH 05 DEGREES 30 MINUTES 56 SECONDS WEST, A DISTANCE OF 75.10 FEET;

THENCE SOUTH 37 DEGREES 17 MINUTES 06 SECONDS WEST, A DISTANCE OF 380.92 FEET;

THENCE SOUTH 46 DEGREES 07 MINUTES 04 SECONDS WEST, A DISTANCE OF 90.65 FEET;

THENCE SOUTH 32 DEGREES 57 MINUTES 46 SECONDS WEST, A DISTANCE OF 108.96 FEET;

THENCE SOUTH 55 DEGREES 47 MINUTES 02 SECONDS WEST, A DISTANCE OF 126.08 FEET;

THENCE SOUTH 29 DEGREES 40 MINUTES 44 SECONDS WEST, A DISTANCE OF 33.69 FEET;

THENCE SOUTH 15 DEGREES 20 MINUTES 41 SECONDS WEST, A DISTANCE OF 108.73 FEET;

THENCE SOUTH 34 DEGREES 01 MINUTES 23 SECONDS WEST, A DISTANCE OF 63.17 FEET;

THENCE SOUTH 25 DEGREES 21 MINUTES 46 SECONDS WEST, A DISTANCE OF 264.08 FEET TO THE END OF THIS CENTERLINE DESCRIPTION.

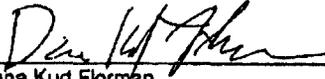
Subject To: Existing taxes, assessments, covenants, conditions, restrictions, rights of way and easements of record.

And the GRANTOR does warrant the title against all persons whomsoever, subject to the matters set forth above.

DATED: January 08, 2009

File No.: 1930-3584754a
(MD)
A.P.N.: 203-03-067C 3

Warranty Deed - continued



Dana Kurt Florman



Garryl Suzanne Jones Florman

UNOFFICIAL
COPY

File No.: 1930-3584754a
(MD)
A.P.N.: 203-03-067C 3

Warranty Deed - continued

STATE OF AZ)
County of Yavapai) ss.

On Jan. 26, 2009 before me, the undersigned Notary Public, personally appeared ~~Dave Kurt Florman and Jerry~~ Suzanne Jones-Florman, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

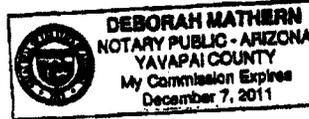
WITNESS my hand and official seal

My Commission Expires:

12/07/11

Deborah Mathern
Notary Public

UNOFFICIAL COPY



242
FEE
\$
\$5
\$5
\$1
\$14

RECORDING REQUESTED BY
Transaction Title Insurance Company
AND WHEN RECORDED MAIL TO:

ROBERT L. HART
RUTH M. HART
PO BOX 1150
YARNELL, AZ 85363

B-4554 P-242
Page: 1 of 3
WD 4189716

ESCROW NO.: 01625247 - 209 - NO2

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Warranty Deed

For the consideration of Ten Dollars, and other valuable considerations, I or we,
Hugh L. Helm and Diane J. Helm, husband and wife,
do/does hereby convey to

Robert L. Hart and Ruth M. Hart, as Trustees of The Hart Family Trust dated May 27, 1997
the following real property situated in Yavapai County, ARIZONA:
See Exhibit A attached hereto and made a part hereof.

IN COMPLIANCE WITH ARS 33-404 NAMES AND ADDRESSES OF BENEFICIARIES ARE DISCLOSED
BY DEED RECORDED IN BOOK 4,000, PAGE 253, RECORDS OF YAVAPAI COUNTY, ARIZONA.

SUBJECT TO: Current taxes and other assessments, easements, servitudes, in patents and all easements, rights of way, encumbrances,
liens, covenants, conditions, restrictions, obligations, and liabilities, as may appear of record.

And I or we do warrant the title against all persons whatsoever, subject to the matters set forth above.

Dated: November 5, 2007

SELLERS:

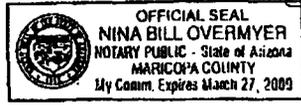
Hugh L. Helm
Hugh L. Helm

Diane J. Helm
Diane J. Helm

State of Arizona
County of Maricopa } SS:

On Nov. 6th, 2007, before me personally appeared Hugh L. Helm and Diane J. Helm, whose identity was
proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to this document and who
acknowledged that he/she signed the above/attached document in his or her authorized capacity (ies)

(Seal)



Notary Public
Commission Expires: _____

Exhibit A

Parcel No. 1

Lot 2, according to Record of Survey recorded in Book 170 of Land Surveys, page 77, records of Yavapai County, Arizona, being a portion of the Southwest quarter of Section 11, Township 10 North, Range 5 West, of the Gila and Salt River Base and Meridian, Yavapai County, Arizona

RESERVING UNTO THE GRANTORS, THEIR SUCCESSORS AND ASSIGNS, AN EASEMENT FOR INGRESS, EGRESS AND PUBLIC UTILITIES OVER THAT PORTION LYING IN THE EASEMENT DESCRIBED BELOW, WITHOUT THE EXCEPTION

Parcel No. 1

A 40 foot ingress, egress and public utilities easement over Lots 1 through 5, inclusive, of Record of Survey recorded in Book 170 of Land Surveys, page 77, records of Yavapai County, Arizona, being a portion of the Southwest quarter of Section 11, Township 10 North, Range 5 West, of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, being more particularly described as follows:

COMMENCING at the Southwest corner of said Section 11, a GLO Brass Cap stamped 1916, which bears South 00° 30' 29" West, 2636.30 feet from a GLO Brass Cap stamped 1916 at the West quarter corner of said Section 11;
THENCE North 00° 31' 22" East, 200.63 feet along the West line of said Section 11 to a ½ inch rebar capped LS 23383;
THENCE South 00° 00' 01" East, 187.78 feet to a 5/8 inch rebar capped LS 21873, to the North right-of-way of State Route 89;
THENCE along said right-of-way, along a curve to the right having a radius of 1005.00 feet and a central angle of 11° 51' 57", an arc length of 208.14 feet, having a chord bearing of North 71° 03' 52" East, a distance of 207.76 feet to a 4x4 wooden right-of-way post;
THENCE along said right-of-way, North 76° 57' 20" East, a distance of 151.29 feet to a 4x4 wooden right-of-way post;
THENCE along said right-of-way, along a curve to the left, having a radius of 1096.00 feet and a central angle of 21° 29' 18", an arc length of 116.04 feet, having a chord bearing of North 65° 50' 05" East, a distance of 408.64 feet to a 5/8 inch rebar capped LS 21073, being the Southeast corner of said Lot 5 and the POINT OF BEGINNING;
THENCE along said right-of-way, along a curve to the right, having a radius of 1096.00 feet and a central angle of 01° 03' 03", an arc length of 20.10 feet, said curve having a chord bearing of South 55° 37' 01" West, a distance of 20.10 feet to a 5/8 inch rebar capped LS 35138;
THENCE leaving said right-of-way, North 39° 58' 58" West a distance of 167.44 feet to a PK with shiner capped LS 35138;
THENCE North 63° 07' 00" West, a distance of 150.89 feet to a 5/8 inch rebar capped LS 35138;
THENCE North 42° 22' 57" West, a distance of 27.39 feet to a 5/8 inch rebar capped LS 35138;
THENCE North 63° 59' 11" East, a distance of 40.37 feet to a 5/8 inch rebar capped LS 35138;
THENCE North 25° 07' 41" East, a distance of 114.64 feet to a 5/8 inch rebar capped LS 35138;
THENCE North 29° 32' 16" East, a distance of 98.09 feet to a PK with shiner capped LS 35138;
THENCE North 23° 26' 10" West, a distance of 87.07 feet to a 5/8 inch rebar capped LS 35138;
THENCE North 01° 10' 13" East a distance of 57.22 feet;
THENCE North 17° 25' 00" West a distance of 31.76 feet;
THENCE North 68° 18' 08" West a distance of 78.76 feet;
THENCE North 75° 36' 30" West a distance of 79.21 feet;
THENCE North 23° 41' 34" West a distance of 58.80 feet;
THENCE North 21° 06' 49" East a distance of 50.56 feet;
THENCE South 68° 53' 11" East a distance of 40.00 feet;
THENCE South 21° 06' 49" West a distance of 34.07 feet;
THENCE South 23° 41' 34" East a distance of 22.84 feet;
THENCE South 75° 36' 30" East a distance of 62.29 feet;
THENCE South 68° 18' 08" East a distance of 100.35 feet;
THENCE South 17° 25' 00" East a distance of 56.96 feet;
THENCE South 00° 55' 55" West a distance of 55.66 feet;
THENCE South 23° 26' 37" East a distance of 98.02 feet to a 5/8 inch rebar capped LS 35138;
THENCE South 29° 31' 55" West a distance of 116.51 feet to a 5/8 inch rebar capped LS 35138;

THENCE South 25° 08' 59" West a distance of 116.18 feet to a 5/8 inch rebar capped LS 35138;
THENCE South 63° 08' 25" East a distance of 120.29 feet to a 5/8 inch rebar capped LS 35138;
THENCE South 39° 53' 11" East a distance of 179.19 feet to a 5/8 inch rebar capped LS 35138;
THENCE to a point on a curve to the right, also being the right-of-way of State Route 89, having a radius of 1096.00 feet and a central angle of 01° 02' 57", an arc length of 20.06 feet, having a chord bearing of South 54° 34' 09" West a distance of 20.06 feet to the POINT OF BEGINNING;

EXCEPT that portion lying in Parcel No. 1 described hereinabove.

UNOFFICIAL
COPY

Promissory Note

PROMISSORY NOTE
(ASSOCIATION OR ORGANIZATION)

- KIND OF LOAN:
- ASSOCIATION- ORGANIZATION
 - HOUSING-ORGANIZATION
 - PUBLIC BODY
 - OTHER

State ARIZONA			
County YAVAPAI			
Case No. 02-037-860289720			
FINANCE OFFICE USE ONLY			
F	LN	LC	IA

Date 10-14-2009

FOR VALUE RECEIVED, YARNELL WATER IMPROVEMENT ASSOCIATION
(herein called "Borrower") promises to pay to the order of the United States of America, acting through the Rural Housing Service, Rural Business-Cooperative Service, or Rural Utilities Service within the Rural Development Mission Area, the Farm Service Agency, or their successor Agencies, United States Department of Agriculture, (herein called the "Government") at its office in _____

PHOENIX, ARIZONA, or at such other place as the Government may hereafter designate in writing, the principal amount of SEVEN HUNDRED SIXTY SEVEN THOUSAND AND NO/100 dollars (\$ 767,000.00), plus interest on the unpaid principal balance at the rate of Three and Three Eighths percent (3.375 %) per annum. The said principal and interest shall be paid in the following installments on or before the following dates:

\$ _____ on _____,
 \$ INTEREST ONLY on 10-14-2010,
 \$ INTEREST ONLY on 10-14-2011,
 \$ \$2,992.00 on 11-14-2011, and
 \$ \$2,992.00 thereafter on the 14TH of each MONTH

until the principal and interest are fully paid except that the final installment of the entire indebtedness evidenced hereby, if not sooner paid, shall be due and payable FORTY (40) years from the date of this note, and except that prepayments may be made as provided below. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the reverse hereof.

Every payment made on any indebtedness evidenced by this note shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Government according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this note and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this note and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder. No assignment of this note shall be effective unless the Borrower is notified in writing of the name and address of the assignee. The Borrower shall thereupon duly note in its records the occurrence of such assignment, together with the name and address of the assignee.

While this note is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment of Borrower, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security hereto, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

Default hereunder shall constitute default under any other instrument evidencing a debt or other obligation of Borrower to the Government or securing such a debt or other obligation and default under any such other instrument shall constitute default hereunder. Upon any such default, the Government at its option may declare all or any part of any such indebtedness immediately due and payable.

This note is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farm and Rural Development Act if the box opposite "Association" is checked under the heading "KIND OF LOAN," or pursuant to Title V of the Housing Act of 1949 if the box opposite "HOUSING-ORGANIZATION" is checked. This note shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

Presentment, protest, and notice are hereby waived.

YARNELL WATER IMPROVEMENT ASSOCIATION

(Name of Borrower)

Burness W. Dickson

(Signature of Executive Official)

(CORPORATE SEAL)

BURNES DICKSON, PRESIDENT

(Title of Executive Official)

ATTEST

Sammy Judell

(Signature of Attesting Official)

SECRETARY

(Title of Attesting Official)

P.O. BOX 727

(Post Office Box No. or Street Address)

YARNELL, AZ 85362

(City, State, and Zip Code)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1)\$		(6)\$	
(2)\$		(7)\$	
(3)\$		(8)\$	
(4)\$		(9)\$	
(5)\$		(10)\$	
TOTAL		\$0.00	

PAY TO THE ORDER OF _____

UNITED STATES OF AMERICA

(Name of Agency)

BY _____

Assignment of Income and Assessments

ASSIGNMENT OF INCOME AND ASSESSMENTS

FOR AND IN CONSIDERATION of a loan made to it by the United States of America, acting through the United States Department of Agriculture, in the amount of \$767,000.00, the said indebtedness being evidenced by a Promissory Note executed by the undersigned to the United States of America, as follows:

<u>Amount</u>	<u>Interest Rate</u>	<u>Date</u>	<u>Last Installment Date</u>
\$767,000.00	3.375%	October 14, 2009	October 14, 2049

THE UNDERSIGNED DOES HEREBY ASSIGN AND SET OVER TO THE UNITED STATES OF AMERICA all of the proceeds, revenue, assessments, contract rights, accounts, general intangibles and all other income of whatever nature or kind for the purpose of repaying the installments of principal and interest thereon.

THIS ASSIGNMENT shall not be deemed to release the undersigned, or any of its members or stockholders, of any obligations pursuant to membership of stock subscriptions, promissory notes for payment of such subscriptions, or the assignment of any thereof the United States of America.

IN WITNESS Yarnell water Improvement Association, having taken all the action necessary to make this ASSIGNMENT, has caused its corporate name to be hereunto subscribed by its President, and its corporate seal to be hereunto affixed to be attested by its Secretary this 14th day of October, 2009.

YARNELL WATER IMPROVEMENT
ASSOCIATION, an Arizona nonprofit
Corporation

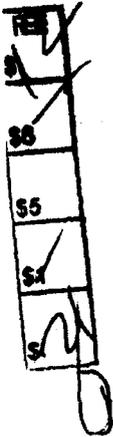
By: Burness W Dickson
Burness Dickson, President

(SEAL)

Attest:

Tammy Zudell
Tammy Zudell, Secretary
Date: October 14, 2009

**Recorded Real Estate Deed of Trust for Arizona
with Assignment of Rents**



When recorded mail to:
United States Department of Agriculture
Rural Development
230 North 1st Avenue, Suite 206
Phoenix, AZ 85003-1706

This Document does not conform with
requirements of ARS 11-480

USDA
FORM RD 1927-1 AZ
(Rev. 11-98)

Position 5

**REAL ESTATE DEED OF TRUST FOR ARIZONA
WITH ASSIGNMENT OF RENTS**

THIS DEED OF TRUST is made and entered into by and between the undersigned Yarnell Water Improvement Association,
an Arizona nonprofit corporation whose mailing address is
P.O. Box 727, Yarnell, Arizona 85362 as trustors, herein called "Borrower," and
First American Title Insurance Company, a California corporation whose mailing
address is P.O. Box 2922, Phoenix, Arizona, 85062,
as trustee, herein called "Trustee," and United States of America, acting through the United States Department of Agriculture,
whose mailing address is 230 North First Avenue, Suite 206, Phoenix, Arizona 85003, as lender and beneficiary,
herein called the "Government," and:

WHEREAS, Borrower is indebted to the Government as evidenced by one or more promissory notes or assumption agreements, or
any shared appreciation agreement or recapture agreement, herein called "note," which has been executed by Borrower, is payable to the
order of the Government, authorizes acceleration of the entire indebtedness at the option of the Government upon any default by Borrower,
and being further described as follows:

<i>Date of Instrument</i>	<i>Principal Amount</i>	<i>Annual Rate of Interest</i>
October 14, 2009	\$767,000.00	3.375%

(The interest rate for limited resource farm ownership or limited resource operating loans secured by this instrument may be
increased as provided in the Government regulations or the note.)

And the note evidences a loan to Borrower, and the Government, at any time, may assign the note pursuant to the Consolidated
Farm and Rural Development Act, or Title V of the Housing Act of 1949 as amended, or any other statute administered by the Government;

And it is the purpose and intent of this instrument that, among other things, at all times when the note is held by the Government,
or in the event the Government should assign this instrument, this instrument shall secure payment of the note;

And this instrument also secures any amount due under any Shared Appreciation/Recapture Agreement entered into pursuant to 7 U.S.C. § 2001;

NOW, THEREFORE, in consideration of the loans, Borrower grants and conveys to Trustee the following described property situated in the State of Arizona, County or Counties of Yavapai

See Exhibit A attached

together with all rights (including the rights to mining products, gravel, oil, gas, coal or other minerals), interests, easements, hereditaments and appurtenances thereunto belonging, the rents, issues, and profits thereof and revenues, income and insurance proceeds therefrom, all improvements, all water, water rights, and water stock pertaining thereto, and all payments at any time owing to Borrower by virtue of any sale, lease, loss by fire or other hazard, transfer, conveyance, or condemnation of any part thereof or interest therein-all of which are herein called "the property";

IN TRUST, NEVERTHELESS, (a) at all times when the note is held by the Government, or in the event the Government should assign this instrument, to secure prompt payment of the note and any renewals and extensions thereof and any agreements contained therein, and (b) to secure the prompt payment of all advances and expenditures made by the Government, with interest, as hereinafter described, and the performance of every covenant and agreement of Borrower contained herein or in any supplementary agreement, the provisions of which are hereby incorporated herein and made a part hereof.

BORROWER WARRANTS the property and the title thereto unto Trustee for the benefit of the Government against all lawful claims and demands whatsoever except any liens, encumbrances, easements, reservations, or conveyances specified hereinabove, and COVENANTS AND AGREES as follows:

- (1) To pay promptly when due any indebtedness to the Government hereby secured.
- (2) To pay the Government such fees and other charges as may now or hereafter be required by Government regulations and to pay or reimburse the Government or Trustee for all of Trustee's fees, costs or expenses in connection with any full or partial reconveyance or subordination of this instrument or any other transaction affecting the property.
- (3) If required by the Government, to make additional monthly payments of 1/12 of the estimated annual taxes, assessments, insurance premiums and other charges upon the mortgaged premises.
- (4) The Government may at any time pay any other amounts including advances for payment of prior or junior liens, required herein to be paid by Borrower and not paid by Borrower when due, as well as any costs and expenses for the preservation, protection, or enforcement of this lien, as advances for the account of Borrower. All such advances shall bear interest at the rate borne by the note which has the highest interest rate.
- (5) Except as provided in Covenant (24), all advances by the Government as described in this instrument, with interest, shall be immediately due and payable by Borrower to the Government without demand at the place designated in the latest note and shall be secured hereby. No such advance by the Government shall relieve Borrower from breach of Borrower's covenant to pay. Any payment made by Borrower may be applied on the note or any indebtedness to the Government secured hereby, in any order the Government determines.
- (6) To use the loan evidenced by the note solely for purposes authorized by the Government.
- (7) To pay when due all taxes, liens, judgments, encumbrances, and assessments lawfully attaching to or assessed against the property, including all charges and assessments in connection with water, water rights, and water stock pertaining to or reasonably necessary to the use of the real property described above, and promptly deliver to the Government without demand receipts evidencing such payments.
- (8) To keep the property insured as required by and under insurance policies approved by the Government and, at its request, to deliver such policies to the Government.
- (9) To maintain improvements in good repair and make repairs required by the Government; operate the property in a good and husbandmanlike manner; comply with farm conservation practices and farm and home management plans as the Government from time to time may prescribe; and not to abandon the property, or cause or permit waste, lessening or impairment of the security covered hereby or, without the written consent of the Government, cut, remove, or lease any timber, gravel, oil, gas, coal, or other minerals except as may be necessary for ordinary domestic purposes.
- (10) To comply with all laws, ordinances, and regulations affecting the property.

(11) To pay or reimburse the Government for expenses reasonably necessary or incidental to the protection of the lien and priority hereof and to the enforcement of or the compliance with the provisions hereof and of the note and any supplementary agreement (whether before or after default), including, but not limited to, costs of evidence of title to and survey of the property, costs of recording this and other instruments, attorneys' fees, trustees' fees, court costs, and expenses of advertising, selling, and conveying the property.

(12) Except as otherwise provided by Government regulations, neither the property nor any portion thereof or interest therein shall be leased, assigned, sold, transferred, or encumbered voluntarily or otherwise, without the written consent of the Government. The Government shall have the sole and exclusive rights as mortgages hereunder, including but not limited to the power to grant consents, partial releases, subordinations, and satisfaction, and no insured holder shall have any right, title or interest in or to the lien or any benefits hereof.

(13) At all reasonable times the Government and its agents may inspect the property to ascertain whether the covenants and agreements contained herein or in any supplementary agreement are being performed.

(14) The Government may (a) adjust the interest rate, payment terms or balance due on the loan, (b) increase the mortgage by an amount equal to deferred interest on the outstanding principal balance, (c) extend or defer the maturity of, and renew and reschedule the payments on, the debt evidenced by the note or any indebtedness to the Government secured by this instrument, (d) release any party who is liable under the note or for the debt from liability to the Government, (e) release portions of the property and subordinate its lien, and (f) waive any other of its rights under this instrument. Any and all this can and will be done without affecting the lien or the priority of this instrument or Borrower's or any other party's liability to the Government for payment of the note or debt secured by this instrument unless the Government says otherwise in writing. HOWEVER, any forbearance by the Government-whether once or often-in exercising any right or remedy under this instrument, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy.

(15) If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a production credit association, a Federal land bank, or other responsible cooperative or private credit source, at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, upon the Government's request, apply for and accept such loan in sufficient amount to pay the note and any indebtedness secured hereby and to pay for any stock necessary to be purchased in a cooperative lending agency in connection with such loan.

(16) Default hereunder shall constitute default under any other real estate, or under any personal property, or other security instrument held by the Government and executed or assumed by Borrower, and default under any such other security instrument shall constitute default hereunder.

(17) SHOULD DEFAULT occur in the performance or discharge of any obligation in this instrument or secured by this instrument, or should the parties named as Borrower die or be declared incompetent, or should any one of the parties named as Borrower be declared a bankrupt or an insolvent or make an assignment for the benefit of creditors, the Government, at its option, with or without notice, may: (a) declare the entire amount unpaid under the note and any indebtedness to the Government hereby secured immediately due and payable, (b) for the account of Borrower incur and pay reasonable expenses for repair or maintenance of and take possession of, operate or rent the property, (c) collect the rentals and other income and profits from the property whether or not a receiver shall have been appointed, but shall not be required or be liable for failure to collect rentals or other income, and shall be held accountable for only such amounts as are actually received, (d) upon application by it and production of this instrument, without other evidence and without notice of hearing of said application, have a receiver appointed for the property with the usual powers of receivers in like cases, (e) foreclose this instrument as provided herein or by law, and (f) enforce any and all other rights and remedies provided herein or by present or future law.

(18) The proceeds of foreclosure sale shall be applied in the following order to the payment of: (a) costs and expenses incident to enforcing or complying with the provisions hereof, (b) any prior liens required by law or a competent court to be so paid, (c) the debt evidenced by the note and all indebtedness to the Government secured hereby, (d) inferior liens of record required by law or a competent court to be so paid, (e) at the Government's option, any other indebtedness of Borrower owing to the Government, and (f) any balance to Borrower. At foreclosure or other sale of all or any part of the property, the Government and its agents may bid and purchase as a stranger and may pay the Government's share of the purchase price by crediting such amount on any debts of Borrower owing to the Government, in the order prescribed above.

(19) All powers and agencies granted in this instrument are coupled with an interest and are irrevocable by death or otherwise; and the rights and remedies provided in this instrument are cumulative to remedies provided by law.

(20) The Government will not be bound by any present or future State laws, (a) providing for homestead or exemption of the property, (b) prohibiting maintenance of an action for a deficiency judgment or limiting the amount thereof or the time within which such action must be brought, (c) prescribing any other statute of limitations, and (d) requiring possession of the property or appointment of a receiver before the Government is entitled to rentals and other income and profits from the property. Borrower expressly waives the benefit of any such State laws. EXCEPT AS OTHERWISE PROVIDED IN GOVERNMENT REGULATIONS, BORROWER ALSO ACKNOWLEDGES AND AGREES THAT IF THE LEGAL, OR EQUITABLE OWNERSHIP OF ANY OF THE PROPERTY IS TRANSFERRED, THE NEW OWNERS MUST APPLY TO THE GOVERNMENT FOR AND QUALIFY TO ASSUME THE LOAN ON SUCH RATES AND TERMS AS REGULATIONS MAY THEN ALLOW. THESE REGULATIONS SUPERSEDE ANY CONTRARY STATE LAW INCLUDING, BUT NOT LIMITED TO ARS§33-806.01.

(21) Upon full and final payment of all indebtedness hereby secured and the performance and discharge of each and every condition, agreement and obligation, contingent or otherwise, contained herein or secured hereby, the Government shall execute and deliver

to Borrower at an address at which Borrower is entitled to receive notices hereunder a deed of release hereof within 60 days after written demand by Borrower, and Borrower hereby waives the benefits of all laws requiring earlier execution or delivery of such deed or release.

(22) If any part of the loan for which this instrument is given shall be used to finance the purchase, construction or repair of property to be used as an owner-occupied dwelling (herein called the "dwelling") and if Borrower intends to sell or rent the dwelling and has obtained the Government's consent to do so (a) neither Borrower nor anyone authorized to act for Borrower will, after receipt of a bona fide offer, refuse to negotiate for the sale or rental of the dwelling or will otherwise make unavailable or deny the dwelling to any one because of race, color, religion, sex, national origin, handicap, familial status or age, and (b) Borrower recognizes as illegal and hereby disclaims, and will not comply with or attempt to enforce any restrictive covenants on the dwelling relating to race, color, religion, sex, national origin, handicap, familial status or age.

(23) If the property or any part thereof is a lease, Borrower will pay when due all rents and any and all other charges required by said lease, will comply with all other requirements of said lease, and will not surrender or relinquish, without the Government's written consent, any of Borrower's right, title or interest in or to said leasehold estate or under said lease while this instrument remains in effect.

(24) This instrument also secures future advances to Borrower when evidenced by notes for operating, emergency or other loans by the Government, subject to the same terms and conditions regarding assignment of said notes as hereinabove provided, and all references herein shall be deemed to include such future notes.

(25) As additional security, Borrower assigns to and confers upon the Government the power to collect the rents, issues, profits and income of the property effective upon default hereunder, which may be enforced in any manner specified in ARS § 33-702 B with or without the Government taking possession of the property.

(26) Borrower covenants and agrees to perform and complete all the actions and fulfill all of the conditions necessary to perfect Borrower's rights to appropriate underground water to be produced from any wells now located or hereafter placed on the property and apply said water to beneficial use thereof; and in the event of Borrower's failure to do so, the Government has the right to complete such action in which event all expenses and costs incident thereof shall become an indebtedness of Borrower in favor of the Government and shall be secured by this deed of trust.

(27) Borrower further agrees that the loans secured by this instrument will be in default should any loan proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as prohibited by 7 C.F.R. part 1940, subpart G.

(28) Notices given hereunder shall be sent by certified mail, unless otherwise required by law, addressed, unless and until some other address is designated in a notice so given, in the case of the Government to the United States Department of Agriculture 230 North First Avenue, Suite 206, Phoenix, AZ 85003, and in the case of Borrower or Trustee to that party's mailing address specified herein.

(29) This instrument shall be subject to the present regulations of the Government, and to its future regulations not inconsistent with the express provisions hereof.

(30) If any provisions of this instrument or application thereof to any person or circumstances is held invalid, such invalidity will not affect other provisions or applications of the instrument which can be given effect without the invalid provision or application, and to that end the provisions hereof are declared to be severable.

October 14, 2009
(Date)

Yarnell Water Improvement Association,
An Arizona nonprofit corporation
(Trustor)

P.O. Box 727, Yarnell, Arizona 85362
(Mailing address of Trustor)

By: Bernie Dickson
Bernie Dickson, President

(Mailing address of Trustor)

ACKNOWLEDGEMENT

STATE OF Arizona
COUNTY OF Maricopa } ss:

The foregoing instrument was acknowledged before me in the year of October 14, 2009
by Bernie Dickson, President, Yarnell Water Improvement Association, an Arizona nonprofit corporation

Joan L. Uibelhoer
Notary Public
My commission expires September 10, 2010
RD 1927-1 AZ (Rev. 11-98) Page 4 of 4

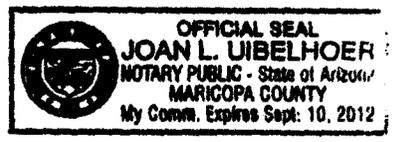


Exhibit A

Legal Description Follows

EXHIBIT "A"

PARCEL NO. 1:

AN EASEMENT FOR THE PURPOSE OF CONSTRUCTING, MAINTAINING AND OPERATING A WATER PIPELINE, VALVES CONTROLS AND OTHER RELATED APPURTENANCES AND ALLOWING ACCESS OF INGRESS AND EGRESS FOR PURPOSES RELATING TO THE WATER MAIN AS SET FORTH IN THAT CERTAIN RIGHT-OF WAY EASEMENT RECORDED IN BOOK 904 OF OFFICIAL RECORDS, PAGE 427, RE-RECORDED IN BOOK 1043 OF OFFICIAL RECORDS, PAGE 800, BEING 25 FEET IN WIDTH ALONG A CENTERLINE. LYING WITHIN SECTIONS 1, 2 AND 12, TOWNSHIP 10 NORTH, RANGE 5 WEST, GILA AND SALT RIVER BASE AND MERIDIAN, YAVAPAI COUNTY DESCRIBED AS FOLLOWS:

BEGINNING AT THE EAST QUARTER CORNER OF SECTION 2, TOWNSHIP 10 NORTH, RANGE 5 WEST, GILA AND SALT RIVER BASE AND MERIDIAN, IN YAVAPAI COUNTY, ARIZONA;

THENCE, NORTH 37°46'59" WEST, A DISTANCE OF 167.57 FEET TO A POINT ON THE CENTERLINE OF THE PRESCOTT-YARNELL STATE HIGHWAY 89;

THENCE, NORTH 4°40'46" EAST, A DISTANCE OF 151.77 FEET ALONG SAID HIGHWAY CENTERLINE;

THENCE, SOUTH 85°19'14" EAST, A DISTANCE OF 50.00 FEET TO THE TRUE POINT OF BEGINNING;

THENCE, SOUTH 84°26'43" EAST, A DISTANCE OF 465.56 FEET;

THENCE, SOUTH 14°06'50" WEST, A DISTANCE OF 171.99 FEET;

THENCE, ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 922.19 FEET, A TANGENT OF 295.09 FEET, A DEGREE OF CURVE OF 35°29'16", FOR A DISTANCE OF 571.19 FEET;

THENCE, SOUTH 21°22'26" EAST, A DISTANCE OF 98.65 FEET;

THENCE ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 114.45 FEET, A TANGENT OF 78.71 FEET, A DEGREE OF CURVE OF 69°02'10", A DISTANCE OF 137.90 FEET;

THENCE, SOUTH 47°39'44" WEST, A DISTANCE OF 333.00 FEET;

THENCE, SOUTH 40°01'28" EAST, A DISTANCE OF 20.32 FEET;

THENCE, SOUTH 35°31'28" EAST, A DISTANCE OF 311.44 FEET;

THENCE, SOUTH 13°38'22" WEST, A DISTANCE OF 131.55 FEET;

THENCE SOUTH 9°35'48" WEST, A DISTANCE OF 442.20 FEET;

THENCE SOUTH 7°19'44" WEST, A DISTANCE OF 146.85 FEET;

THENCE SOUTH 41°53'48" WEST, A DISTANCE OF 421.49 FEET;

THENCE, SOUTH 0°21'27" EAST, A DISTANCE OF 495.36 FEET, TO A POINT WHICH LIES NORTH 89°30'57" EAST, A DISTANCE OF 12.50 FEET FROM THE SOUTHWEST CORNER OF SAID SECTION 1;

THENCE, SOUTH 0°10'27" WEST, A DISTANCE OF 974.35 FEET, PARALLEL TO AND 12.50 FEET EAST OF THE WEST LINE OF SAID SECTION 12;

THENCE NORTH 89°53'52" WEST, A DISTANCE OF 12.50 FEET TO THE WEST LINE OF SECTION 12 AND THE END OF THIS EASEMENT.

PARCEL NO. 2:

AN EASEMENT FOR THE PURPOSE OF CONSTRUCTING, MAINTAINING AND OPERATING A WATER PIPELINE AND RESERVOIR, VALVES, CONTROLS AND OTHER, RELATED APPURTENANCES AND ALLOWING ACCESS OF INGRESS AND EGRESS FOR PURPOSES RELATING TO THE WATER MAIN AS SET FORTH IN THAT CERTAIN RIGHT OF WAY EASEMENT RECORDED IN BOOK 904 OF OFFICIAL RECORDS, PAGE 580, RE-RECORDED IN BOOK 1043 OF OFFICIAL RECORDS, PAGE 792, BEING 25 FEET IN WIDTH ALONG A CENTERLINE LYING WITHIN SECTION 11, TOWNSHIP 10 NORTH, RANGE 5 WEST, GILA AND SALT RIVER BASE AND MERIDIAN, YAVAPAI COUNTY, ARIZONA DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EAST LINE OF SAID SECTION A DISTANCE OF 1659 FEET SOUTHERLY FROM THE NORTHEAST CORNER OF SAID SECTION;

THENCE WESTERLY AND PARALLEL WITH THE NORTH LINE OF SAID SECTION 11, 700.46 FEET TO A POINT WHICH IS LOCATED 329.54 FEET EASTERLY FROM THE EASTERLY CORNER OF THE WAGNER TRACT RECORDED IN BOOK 124 OF OFFICIAL RECORDS, PAGE 596;

THENCE, EASTERLY AND PARALLEL WITH THE NORTH LINE OF SAID SECTION 11, 20.95 FEET TO THE TRUE POINT OF BEGINNING OF THIS EASEMENT;

THENCE SOUTH 0°16'35" EAST, A DISTANCE OF 29.86 FEET;

THENCE, SOUTH 87°25'51" WEST, A DISTANCE OF 208.268 FEET;

THENCE, SOUTH 83°25'01" WEST, A DISTANCE OF 124.93 FEET;

THENCE, SOUTH 61°32'56" WEST, A DISTANCE OF 147.22 FEET;

THENCE, SOUTH 55°13'47" WEST, A DISTANCE OF 246.92 FEET;

THENCE, SOUTH 57°20'56" WEST, A DISTANCE OF 384.84 FEET;

THENCE, SOUTH 53°13'24" WEST, A DISTANCE OF 52.90 FEET;

THENCE, SOUTH 51°04'05" WEST, A DISTANCE OF 144.67 FEET;

THENCE, SOUTH 39°34'42" WEST, A DISTANCE OF 113.29 FEET;

THENCE, SOUTH 21°21'25" WEST, A DISTANCE OF 196.12 FEET;

THENCE, SOUTH 13°19'48" WEST, A DISTANCE OF 183.91 FEET;

THENCE SOUTH 3°30'59" WEST, A DISTANCE OF 166.55 FEET;

THENCE, SOUTH 66°00'32" EAST, A DISTANCE OF 44.58 FEET;

THENCE SOUTH 56°40'50" EAST, A DISTANCE OF 201.39 FEET;

THENCE SOUTH 56°59'21" EAST, A DISTANCE OF 222.286 FEET;

THENCE, SOUTH 41°37'26" EAST, A DISTANCE OF 49.47 FEET TO A POINT ON THE WEST LINE OF THE RESERVOIR SITE DESCRIBED HEREAFTER AND THE END OF THE PIPELINE EASEMENT; SAID POINT IS LOCATED NORTH 20°11'00" EAST, A DISTANCE OF 53.00 FEET FROM THE SOUTHWEST CORNER OF THE RESERVOIR SITE DESCRIBED AS FOLLOWS:

RESERVOIR SITE EASEMENT

BEGINNING AT A POINT AS DESCRIBED ABOVE AS THE POINT ON THE WEST LINE OF THE RESERVOIR SITE AND THE END OF THE PIPELINE EASEMENT;

THENCE, SOUTH 20°11'00" WEST, A DISTANCE OF 53.00 FEET TO A POINT BEING THE SOUTHWEST CORNER OF THE RESERVOIR SITE;

THENCE, SOUTH 69°49'00" EAST, A DISTANCE OF 50.00 FEET TO THE SOUTHEAST CORNER OF THE RESERVOIR SITE;

THENCE, NORTH 20°11'00" EAST, A DISTANCE OF 100.00 FEET TO THE NORTHEAST CORNER OF THE RESERVOIR SITE;

THENCE, NORTH 69°49'00" WEST, A DISTANCE OF 50.00 FEET TO THE NORTHWEST CORNER OF THE RESERVOIR SITE;

THENCE, SOUTH 20°11'00" WEST, A DISTANCE OF 47.0 FEET TO THE POINT OF BEGINNING ON THE WEST LINE OF THE RESERVOIR SITE.

PARCEL NO. 3:

AN EASEMENT FOR WATER PIPES AND LINES AND A PUMPING STATION AND RELATED EQUIPMENT AS SET FORTH IN THAT CERTAIN RIGHT OF WAY EASEMENT RECORDED IN BOOK 904 OF OFFICIAL RECORDS, PAGE 439, RE-RECORDED IN BOOK 1043 OF OFFICIAL RECORDS, PAGE 810, DESCRIBED AS FOLLOWS:

ALL THAT PORTION OF LOT 13, GLEN ILAH EXTENSION THREE, AS RECORDED IN BOOK 5 OF MAPS, PAGE 79 IN THE OFFICE OF THE YAVAPAI COUNTY RECORDER, DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST WESTERLY CORNER OF LOT 13;

THENCE NORTH 40°16' EAST ALONG THE NORTHWESTERLY LINE OF SAID LOT, 10.00 FEET TO A POINT;

THENCE SOUTH 33°22' EAST, 15.00 FEET TO A POINT;

THENCE SOUTH 40°16' WEST, 10.00 FEET TO A POINT ON THE SOUTHWESTERLY LINE OF SAID LOT AND THE NORTHEASTERLY RIGHT OF WAY LINE OF FOOTHILL ROAD;

THENCE NORTH 33°22' WEST ALONG SAID LINE, 15.00 FEET TO THE TRUE POINT OF BEGINNING.

PARCEL NO. 4:

AN EASEMENT FOR WATER PIPES AND LINES AND A PUMPING STATION AND RELATED EQUIPMENT AS SET FORTH IN THAT CERTAIN RIGHT OF WAY EASEMENT RECORDED IN BOOK 904 OF OFFICIAL RECORDS, PAGE 437, RE-RECORDED IN BOOK 1043 OF OFFICIAL RECORDS, PAGE 813, DESCRIBED AS FOLLOWS:

ALL THAT PORTION OF LOT 51, GLEN ILAH, A SUBDIVISION, RECORDED IN BOOK 4 OF MAPS, PAGE 72, AS RECORDED IN THE OFFICE OF THE YAVAPAI COUNTY RECORDER, DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST NORTHERLY CORNER OF SAID LOT 51;

THENCE SOUTH 32°01' EAST ALONG THE EAST LINE OF SAID LOT, 30.0 FEET TO A POINT;

THENCE SOUTHWESTERLY ON A CURVE TO THE LEFT, DATA AS FOLLOWS: R=1225.46 FEET; DELTA 01°10'08" FOR A DISTANCE OF 25.00 FEET;

THENCE NORTH 32°01' WEST, 30.00 FEET TO A POINT ON THE NORTHWESTERLY LINE OF SAID LOT AND THE SOUTHEASTERLY RIGHT OF WAY LINE OF MOUNTAIN DRIVE;

THENCE NORTHEASTERLY ALONG SAID LINE ON A CURVE TO THE RIGHT, DATA AS FOLLOWS: RADIUS = 1225.46 FEET, DELTA = 01°10'08" FOR A DISTANCE OF 25.00 FEET TO THE TRUE POINT OF BEGINNING. (CREATED IN INSTRUMENT RECORDED IN BOOK 904 OF OFFICIAL RECORDS, PAGE 437 AND RE-RECORDED IN BOOK 1043 OF OFFICIAL RECORDS, PAGE 813)

PARCEL NO. 5:

AN EASEMENT FOR THE PURPOSE OF CONSTRUCTING, MAINTAINING AND OPERATING WATER DISTRIBUTION PIPELINES, VALVES, FITTINGS, FIRE HYDRANTS AND OTHER RELATED APPURTENANCES AND ALLOWING ACCESS OF INGRESS AND EGRESS FOR PURPOSES RELATING TO THE EASEMENT AS SET FORTH IN THAT CERTAIN RIGHT OF WAY EASEMENT RECORDED IN BOOK 987 OF OFFICIAL RECORDS, PAGE 774, BEING 25 FEET IN WIDTH ALONG CENTERLINES LYING WITHIN SECTION 15, TOWNSHIP 10 NORTH, RANGE 5 WEST, GILA AND SALT RIVER BASE AND MERIDIAN, YAVAPAI COUNTY, ARIZONA DESCRIBED AS FOLLOWS:

A. BEGINNING AT THE SOUTHWESTERLY CORNER OF LOT 26, MANZANITA MESA, AS RECORDED IN BOOK 9 OF MAPS, PAGE 40, YAVAPAI COUNTY RECORDER'S OFFICE;

THENCE SOUTH 40°12'20" EAST, 53.56 FEET TO THE SOUTHERLY RIGHT OF WAY LINE OF BIG DIPPER WAY OF SAID MANZANITA MESA;

THENCE NORTH 70°47'30" EAST, 182.83 FEET, ALONG SAID RIGHT OF WAY;

THENCE NORTH 28°26' EAST, 117.76 FEET, ALONG SAID RIGHT OF WAY, TO THE TRUE POINT OF BEGINNING.

THENCE SOUTH 51°10' EAST, 256.16 FEET;

THENCE SOUTH 05°32' WEST, 103.49 FEET;

THENCE SOUTH 54°38' EAST, 114.09 FEET.

B. BEGINNING AT THE SOUTHWEST CORNER OF LOT 26, MANZANITA MESA, AS RECORDED IN BOOK 9 OF MAPS, PAGE 40, YAVAPAI COUNTY RECORDER'S OFFICE;

THENCE SOUTH 40°12'20" EAST, 26.76 FEET TO THE TRUE POINT OF BEGINNING;

THENCE SOUTH 28°47'30" WEST, 215.97 FEET;

THENCE SOUTH 12°52'30" EAST, 188.85 FEET;

THENCE SOUTH 84°40'30" WEST, 189.79 FEET;

THENCE NORTH 45°35' WEST, 147.35 FEET;

THENCE NORTH 16°58'30" EAST, 387.86 FEET;

THENCE NORTH 02°11' EAST, 74.01 FEET.

PARCEL NO. 6:

AN EASEMENT 25 FEET IN WIDTH FOR WATERLINE AND RIGHTS INCIDENT MORE FULLY DESCRIBED AND CREATED IN INSTRUMENT RECORDED NOVEMBER 3, 1975 IN BOOK 988 OF OFFICIAL RECORDS, PAGE 717, OVER AND ACROSS LOT 8, YARNELL HEIGHTS PLAT C, AMENDED, ACCORDING TO BOOK 5 OF MAPS, PAGE 5, YAVAPAI COUNTY RECORDER'S OFFICE.

PARCEL NO. 7:

AN EASEMENT FOR WATER PIPE LINES, INGRESS AND EGRESS AND ALL APPURTENANCES THERETO CREATED IN INSTRUMENT RECORDED IN BOOK 987 OF OFFICIAL RECORDS, PAGE 766 WITHIN SECTION 24, TOWNSHIP 11 NORTH, RANGE 5 WEST, GILA AND SALT RIVER BASE AND MERIDIAN.

PARCEL NO. 8:

AN EASEMENT FOR WATER PIPELINES AND ALL APPURTENANCES CREATED IN INSTRUMENT RECORDED IN BOOK 987 OF OFFICIAL RECORDS, PAGE 769 OVER A PORTION OF SECTION 25, TOWNSHIP 11 NORTH, RANGE 5 WEST, GILA AND SALT RIVER BASE AND MERIDIAN.

PARCEL NO. 9:

AN EASEMENT 25 FEET IN WIDTH FOR WATER PIPE LINES AND APPURTENANCES CREATED IN INSTRUMENT RECORDED IN BOOK 987 OF OFFICIAL RECORDS, PAGE 771 OVER A PORTION OF SECTION 25, TOWNSHIP 11 NORTH, RANGE 5 WEST, GILA AND SALT RIVER BASE AND MERIDIAN.

PARCEL NO. 10:

AN EASEMENT FOR CONSTRUCTING, MAINTAINING AND REPAIRING WATER LINES CREATED IN INSTRUMENT RECORDED IN BOOK 2060 OF OFFICIAL RECORDS, PAGE 255 OVER A PORTION OF SECTION 25, TOWNSHIP 11 NORTH, RANGE 5 WEST, GILA AND SALT RIVER BASE AND MERIDIAN AND BEING 25 FEET IN WIDTH ALONG THE FOLLOWING DESCRIBED CENTERLINE:

BEGINNING AT A PIPE AT THE INTERSECTION OF TWO TANGENTS OF SHRINE ROAD (ALSO KNOWN AS OAKWAY ROAD AS RECORDED) AND LYING NORTH 46°59'30" EAST OF THE NORTHEASTERLY CORNER OF LOT 44, YARNELL HEIGHTS MAP NO. 2 AS RECORDED IN BOOK 3, PAGE 64 OF MAPS AND PLATS, YAVAPAI COUNTY RECORDS;

THENCE NORTH 63°21' EAST A DISTANCE OF 15 FEET TO A POINT ON THE EASTERLY RIGHT OF WAY LINE OF SHRINE ROAD;

THENCE SOUTH 26°39' EAST A DISTANCE OF 89.15 FEET ALONG SAID RIGHT OF WAY LINE TO THE POINT OF INTERSECTION WITH THE CENTERLINE OF THE EASEMENT, SAID POINT BEING THE TRUE POINT OF BEGINNING;

THENCE NORTH 73°37'02" EAST A DISTANCE OF 65.52 FEET TO A POINT;

THENCE SOUTH 83°53'58" EAST A DISTANCE OF 229.17 FEET TO A POINT;

THENCE NORTH 6°21'14" EAST A DISTANCE OF 20.00 FEET TO A POINT WHICH IS THE NORTHEASTERLY END OF THE EASEMENT HEREIN DESCRIBED; SAID POINT LYING NORTH 87°15'25" EAST A DISTANCE OF 293.19 FEET FROM THE TRUE POINT OF BEGINNING.

PARCEL NO. 11:

AN EASEMENT FOR AN INGRESS AND EGRESS ROAD, A PUMPSITE AND A TANKSITE CREATED IN INSTRUMENT RECORDED IN BOOK 280 OF OFFICIAL RECORDS, PAGE 217 OVER A PORTION OF SECTION 11, TOWNSHIP 10 NORTH, RANGE 5 WEST, GILA AND SALT RIVER BASE AND MERIDIAN DESCRIBED AS FOLLOWS:

A) A ROAD BEING 20 FEET IN WIDTH ALONG THE FOLLOWING DESCRIBED CENTERLINES:

BEGINNING AT THE NW CORNER OF LOT 127 OF AMENDED MAP OF YARNELL PLOT "C", A RECORDED SUBDIVISION IN YAVAPAI COUNTY, ARIZONA;

THENCE NORTH 39°38' EAST ALONG THE EASTERLY RIGHT-OF-WAY LINE OF THE WHITE SPAR ROAD FOR 50.0 FEET;

THENCE SOUTH 51°22' EAST FOR 450.0 FEET TO THE SOUTHEAST CORNER OF SCHOOL LOT "B";

THENCE NORTH 38°38' EAST ALONG THE EAST LINE OF SCHOOL LOT "B" FOR 70.78 FEET;

THENCE NORTH 78°28' EAST FOR 78.06 FEET TO A POINT ON THE EASTERLY RIGHT-OF-WAY LINE OF LOOKAWAY DRIVE, AND THE TRUE POINT OF BEGINNING FOR THIS DESCRIPTION;

THENCE NORTH 78°28' FOR 16.73 FEET;

THENCE NORTH 47°20' EAST FOR 110.59 FEET;

THENCE NORTH 27°42' EAST FOR 122.40 FEET;

THENCE SOUTH 59°24' EAST FOR 56.17 FEET;

THENCE SOUTH 10°56' EAST FOR 61.35 FEET;

THENCE SOUTH 12°25' WEST FOR 133.19 FEET;

THENCE SOUTH 3°42' WEST FOR 106.47 FEET TO THE NORTHERLY LINE OF THE TANKSITE;

AND

BEGINNING AT THE NORTHWEST CORNER OF LOT 127 OF THE AMENDED MAP OF YARNELL PLOT "C", A RECORDED SUBDIVISION IN YAVAPAI COUNTY, ARIZONA;

THENCE SOUTH 57°31' EAST FOR 795.43 FEET TO THE TRUE POINT OF BEGINNING OF THIS DESCRIPTION, A POINT ON THE SOUTHERLY LINE END OF THE TANKSITE AND THE CENTERLINE OF THE ROAD;

THENCE SOUTH 1°40' WEST FOR 240.53 FEET TO THE END OF THIS ROAD EASEMENT.

B) A PUMPSITE DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF LOT 127 OF THE AMENDED MAP OF YARNELL PLOT "C", A RECORD SUBDIVISION IN YAVAPAI COUNTY, ARIZONA;

THENCE SOUTH 84°45'10" EAST FOR 590.06 FEET TO THE SOUTHWEST CORNER OF THE PUMPSITE AND TRUE POINT OF BEGINNING OF THIS DESCRIPTION;

THENCE NORTH 27°42' EST FOR 36.0 FEET TO THE NORTHWEST CORNER OF THE PUMPSITE;

THENCE SOUTH 62°18' EASTFOR 20.0 FEET TO THE NORTHEAST CORNER OF THE PUMPSITE;

THENCE SOUTH 27°42' WEST FOR 36.0 FEET TO THE SOUTHEAST CORNER OF THE PUMPSITE;

THENCE NORTH 62°18' WEST FOR 20.0 FEET TO THE POINT OF BEGINNING OF THIS DESCRIPTION.

C) A TANKSITE DESCRIBED AS FOLLOWS

BEGINNING AT THE NORTHWEST CORNER OF LOT 127 OF THE AMENDED MAP OF YARNELL PLOT "C",
A RECORD SUBDIVISION IN YAVAPAI COUNTY, ARIZONA;

THENCE SOUTH 66°43'30" EAST FOR 731.36 FEET TO THE NORTHWEST CORNER OF THE TANKSITE
AND TRUE POINT OF BEGINNING OF THIS DESCRIPTION;

THENCE SOUTH 10°42' WEST FOR 139.0 FEET TO THE SOUTHWEST CORNER OF THE TANKSITE;

THENCE SOUTH 86°18' EAST FOR 50.0 FEET TO THE SOUTHEAST CORNER OF THE TANKSITE;

THENCE NORTH 10°42' EAST FOR 139.0 FEET TO THE NORTHEAST CORNER OF THE TANKSITE;

THENCE NORTH 86°18' WEST FOR 50.0 FEET TO THE POINT OF BEGINNING OF THIS DESCRIPTION.

PARCEL NO. 12:

LOT 9, YARNELL PLAT C, AMENDED, ACCORDING TO THE PLAT OF RECORD IN THE OFFICE OF THE
YAVAPAI COUNTY RECORDER IN BOOK 5 OF MAPS, PAGE 4.

PARCEL NO. 13:

A LICENSE TO CONSTRUCT AND/OR MAINTAIN AND OPERATE WATER LINES AS SET FORTH IN THAT
CERTAIN FRANCHISE RECORDED IN BOOK 4145 OF OFFICIAL RECORDS, PAGE 350, ALONG , UPON
UNDER AND ACROSS PUBLIC HIGHWAYS, ROADS, ALLEYS ANF THOROUGH FARES (EXCEPTING STATE
HIGHWAYS) WITHIN THAT PORTION OF YAVAPAI COUNTY, ARIZONA, DESCRIBED A S FOLLOWS:

THE NORTHWEST QUARTER, THE SOUTHWEST QUARTER, AND THE WEST HALF OF THE SOUTHEAST
QUARTER OF SECTION 10 AND THE NORTHEAST QUARTER OF SECTION 15, AND SECTIONS 1, 2, 10,
11, 12, 13 AND 14. TOWNSHIP 10 NORTH, RANGE 5 WEST, GILA AND SALT RIVER BASE AND
MERIDIAN, YAVAIPAI COUNTY, ARIZONA.

Loan Resolution Security Agreement

A RESOLUTION OF THE Board of Directors
OF THE Yarnell Water Improvement Association, an Arizona non-profit corporation
AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS IN THE
PRINCIPAL AMOUNT OF \$767,000 FOR THE PURPOSE
OF PROVIDING A PORTION OF THE COST OF ACQUIRING AND CONSTRUCTING
WATER SYSTEM IMPROVEMENTS, PROVIDING FOR THE COLLECTION, HANDLING, AND
DISPOSITION OF REVENUES THEREFROM, AND AUTHORIZING MAKINGS OF PROMISSORY NOTE(S),
SECURITY INSTRUMENTS, AND PLEDGES OF REVENUES TO EVIDENCE AND SECURE THE PAYMENT OF
SAID INDEBTEDNESS AND FOR RELATED PURPOSES.

WHEREAS, the Yarnell Water Improvement Association, an Arizona non-profit corporation, (hereinafter
referred to as the "Organization"), was organized under the Laws of the State of Arizona
_____ for the purpose of providing
a domestic water pumping, storage and distribution system (hereinafter referred to as the
"Facility") to serve the Members of the said Organization; and

***WHEREAS, by Consent Resolutions in Lieu of a Special Meeting of the Board of Directors of Yarnell Water
Improvement Association, dated June 5, 2009, a copy of which is attached, and by unanimous consent, the Facility
and its financing authorized; and***

WHEREAS, the proposed Facility is to be constructed and equipped in accordance with plans, and specifications
prepared by Claycomb/Rockwell Associates, Inc.

and in order to finance the Facility, the Board of Directors
(hereinafter referred to as the "Board") is authorized and empowered, in their discretion, for and in the name of the organization,
to make application to the United States of America, acting through the United States Department of Agriculture,
(hereinafter referred to as the "Government"), for financial assistance; to cause the execution and delivery of a
promissory note or notes or other evidence of indebtedness (hereinafter referred to as the "note"), and appropriate security instruments
to secure any loan or loans made or insured by the Government; to comply with any requirements, terms or conditions prescribed by the
Government or by Government regulations; and to execute contracts or enter into agreements and, without limitation, to take any and
all other action as may be necessary, incidental or appropriate to finance, acquire, construct, complete, and/or equip the Facility for and
on behalf of the Organization.
NOW THEREFORE, it is hereby resolved by the Board as follows:

Section 1. (Determination of Board). That it is necessary to defray a portion of the costs of financing the Facility by obtaining
a loan made or insured by the Government in accordance with applicable provisions of the Consolidated Farm and Rural Development
Act, it being determined that the Organization is unable to obtain sufficient credit elsewhere to finance the Facility, taking into
consideration prevailing private and cooperative rates and terms currently available;

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless
it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0121. The time required to complete this information
collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the
data needed, and completing and reviewing the collection of information.

Section 2. (Terms of Loan). That the Organization borrow \$767,000 and issue as evidence thereof an installment promissory note in the form prescribed by the Government for the full principal amount of the loan. The note shall be signed by the President, attested by the Secretary and have the corporate seal of the Organization affixed

thereto, and shall bear interest from its date, which shall be the date of delivery at a rate not to exceed 3.375 percent per annum;

Payments due first two (2) years will consist of interest only; payments of the principal and interest shall be paid over a period of thirty-eight (38) years in accordance with the payment schedule set forth in the promissory note, until the principal and interest are fully paid except the final payment of the entire indebtedness, if not

sooner paid, shall be due and payable forty (40) years from the date of the note. Each payment shall be applied first to the payment of the accrued interest and second to the payment of the principal. Prepayments of any installment may be made in any amount at any time at the option of the Organization.

Section 3. (Assignment and Pledge of Revenue). The indebtedness hereby authorized to be incurred, together with the interest thereon, shall be payable from the gross income and revenue to be derived from the operation of the Facility, a sufficient portion of which, to pay the principal and interest as and when the same shall become due, is hereby assigned, and pledged and shall be set aside for that purpose and this assignment and pledge shall extend to and include any assessments that may be levied pursuant to Section 5 (d) hereof.

Section 4. (Protection and Disposition of Funds). The Treasurer of the Organization shall be the custodian of all funds of the Organization. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.

The Treasurer is hereby directed to establish the following accounts into which the current funds of the Organization, note proceeds, the revenues from the Facility and any other income shall be deposited, which accounts shall be continually maintained, except as otherwise provided, so long as the indebtedness hereby authorized remains unpaid:

(a) Construction Account.

The proceeds of the borrowing hereby authorized not disbursed contemporaneously with loan closing for incurred Facility

costs, and at least the amount of \$ 0 to be contributed by the Organization from the collection of initial connection fees, membership fees or contributions shall be deposited in the Construction Account which shall be established as required by the Government. Withdrawals from the construction account shall be made only on checks signed by the

Treasurer of the Organization as authorized by the Board from time to time, and with prior concurrence of the Government. At the option of the Government, the construction account may be established as a "supervised bank account". Amounts in the supervised bank account exceeding \$100,000 shall be secured by the depository bank in advance in accordance with U.S. Treasury Department Circular No. 176. Withdrawals from a supervised bank account

shall be made only on checks signed by the Treasurer of the Organization and countersigned by an authorized official of the Department of Agriculture. The Organization's share of any insurance or liquidated damages and other monies paid by defaulting contractors or their sureties will be deposited in the Construction Account to assure completion of the Facility. When all construction costs have been paid in full, any balance remaining in the Construction Account may be applied on the loan or used for other authorized purposes that have been approved by the Government and the Construction Account shall be closed.

(b) General Account

As soon as the facility becomes revenue producing, all funds received shall be set aside in an account to be designated as the General Account, and disbursements and transfers from this account shall be in the following priority: Debt Service, Operations and Maintenance, transfers to Reserve Account. Monies deposited in the General Account shall be used only in the manner and order as follows:

(1) Borrowers making monthly USDA Debt Service Payments shall use the General Account for making such payments plus operating and maintenance expenses. Also, funds will be transferred from this account to the Reserve Account in accordance with (d) below.

(2) Borrowers making other than monthly USDA Debt Service Payments shall use the General Account to pay operating and maintenance expenses. Other transfers from this account will be made in the following order: (i) Transfers to the Debt Service Account will be made in accordance with (c) below, (ii) Transfers to the Reserve Account will be made in accordance with (d) below.

(c) Debt Service Account

For borrowers on other than monthly debt service payments, transfers, in proportion to income availability, shall be made from the General Account and set aside in an account designated as the Debt Service Account, in sufficient amounts which will accumulate for the next installment on the note.

(d) Reserve Account

From the remaining funds in the General Account, after transfers and payments required in (b)(1) or (b)(2) and (c), there shall be set aside into an account(s) designated as the Reserve Account(s) the sum of \$316

each month until the sum of \$37,932 is reached. With the prior written approval of the Government, funds may be withdrawn and used for such things as loan installments, emergency maintenance, extensions to facilities and replacement of short-lived assets, subject to conditions established by the Government.

(e) Whenever there shall accumulate in the General Account amounts in excess of those required in subsections (b)(1) and (2), (c), and (d), such excess will be used by the organization to make prepayments on the loan or retained in the General Account.

(f) The accounts required in subsections (b)(1) and (2), (c), and (d) may be established and maintained as bookkeeping accounts or as separate bank accounts at the election of the Organization, unless otherwise directed by the Government.

Section 5. (Other Covenants and Agreements of the Organization). The Organization covenants and agrees that so long as the indebtedness hereby authorized remains unpaid;

(a) It will indemnify the Government for any payments made or losses suffered by the Government.

(b) It will comply with applicable State laws and regulations and continually operate and maintain the Facility in good condition.

(c) It will impose and collect such rates and charges that gross revenues will be sufficient at all times to provide for payment of the operation and maintenance thereof; the installment payments on the note; and the maintenance of the various funds herein created. All service rendered by or use of the Facility shall be subject to the full rates prescribed in the rules and regulations of the Organization; no free service by or use of the Facility will be permitted.

(d) It will cause to be levied and collected such assessments as may be necessary to operate and maintain the Facility in good condition and meet installment payments on the note when the same become due if, for any reason, gross revenues are insufficient.

(e) It will establish and maintain such books and records relating to the operation of the system and its financial affairs, and will provide for the annual audit thereof, in such manner as may be required by the Government; will provide the Government without its request a copy of each such audit; and will make and forward to the Government such additional information and reports as it may from time to time require.

(f) It will provide the Government, at all reasonable times, access to all books and records relating to the Facility and access to the property of the Facility so that the Government may ascertain that the Organization is complying with the provisions hereof and with the provisions of other instruments incident to the making or insuring of the loan.

(g) It will maintain at least such insurance and fidelity bond coverage as may be required by the Government.

(h) It will not borrow any money from any source or enter into any contract or agreement or incur any other liabilities in connection with making extensions or improvements to the Facility, exclusive of normal maintenance, without obtaining the prior written consent of the Government.

(i) It will not cause or permit any voluntary dissolution of its organization, or merge or consolidate with any other organization, without obtaining the prior written consent of the Government. It will not dispose of or transfer title to the facility or any part thereof, including lands and interest in lands, by sale, security instrument, lease or other encumbrance, without obtaining the prior written consent of the Government. Revenue in excess of the amount required to maintain the accounts described by Section 4 herein will not be distributed or transferred to any other organization or legal entity.

(j) It will not modify or amend the Articles of Incorporation or the Bylaws of the Organization without the written consent of the Government,

(k) It will provide adequate service to all persons within the service area who can feasibly and legally be served and will obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the organization or public body.

(l) All present and future contract rights, accounts receivable, and general intangibles arising in connection with the facility are pledged as security for the loan.

(m) It will comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing adverse environmental impacts of the facility's construction or operation.

Section 6. (Security Instruments). In order to secure the payment of the principal and interest of the note, the President and Secretary of the Organization are hereby authorized and directed to execute and deliver good and sufficient lien instruments, where necessary, encumbering the properties and assets both real and personal constituting said Facility, as completed or as the same may be thereafter extended, including an assignment and pledge of revenues and such other instruments as may be prescribed by the Government

Section 7. (Refinancing). If at any time it shall appear to the Government that the Organization is able to refinance the amount of the indebtedness then outstanding, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources at reasonable rates and terms for loans for similar purposes and periods of time, the Organization will, upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government and will take such actions as may be required in connection with such loan.

Section 8. ("Equal Employment Opportunity under Construction Contracts and Nondiscrimination"). The President and the Secretary be and they are hereby authorized and directed to execute for and on behalf of the Organization, Form RD 400-1, "Equal Opportunity Agreement", and Form RD 400-4, "Assurance Agreement".

Section 9. In the case of a grant in the sum not to exceed \$533,000.00, the Organization hereby accepts the grant under the terms as offered by the Government and that the President and Secretary of the Organization are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant and the Organization hereby resolves to operate the facility under the terms as offered in said grant agreement(s).

Section 10. Default under the provisions of this agreement or any instrument incident to the making or issuing of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Organization, and default under any such instrument may be construed by the Government to constitute default hereunder.

Section 11. (Resolution of Contract). The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instruments, shall constitute a contract between the Organization and the Government or assignee so long as the note hereby authorized remains unpaid.

Section 12. This resolution shall take effect and be in force from and after the 5th day of June 2009, being the date of its enactment.

The vote was: Yeas 5 Nays 0 Absent 0

Bernie W. Dickson

(SEAL) (if applicable)

By Bernie Dickson

Attest:

Title President

Tammy Zudell

Title Tammy Zudell, Secretary

CERTIFICATION

I, the undersigned as secretary of the Yarnell Water Improvement Association, an Arizona non-profit corporation hereby certify that the Board of Directors of such Organization or Corporation is composed of 5 members of whom 5, constituting a quorum, were present at a meeting thereof duly called and held on the 5th day of June, 2009; that the foregoing resolution was adopted at such meeting by the vote shown above, and that said resolution has not been rescinded or amended in any way.

Dated, this October 14 day of 2009

Tammy Zudell

Secretary of Yarnell Water Improvement Association, an Arizona non-profit corporation

**CONSENT RESOLUTIONS IN LIEU OF
A SPECIAL MEETING OF
THE BOARD OF DIRECTORS OF
YARNELL WATER IMPROVEMENT ASSOCIATION**

1. WHEREAS, Yarnell Water Improvement Association (the "Corporation"), an Arizona nonprofit corporation, desires to make improvements (the "Improvement Project") to the Corporation's existing water plant and water delivery system (the "System").

RESOLVED, that the acts of the officers and directors of the Corporation in investigating, and planning the Improvement Project, are hereby ratified and confirmed.

RESOLVED FURTHER, that the Corporation be and it hereby is authorized and empowered to undertake all actions necessary to complete the Improvement Project.

RESOLVED FURTHER, that Bernie Dickson, the President of the Corporation, acting alone, be, and he hereby is, authorized and empowered, for and on behalf of the Corporation and in its name, to execute, acknowledge and deliver all documents and instruments as are necessary to complete the Improvement Project, together with any amendments, modifications, changes or supplements thereto, as such officer deems appropriate (the exercise of which shall be a conclusive proof of the appropriateness of the same).

2. WHEREAS, the Corporation has received proposals for work to be performed in furtherance of the Improvement Project, including specifically, a proposal for engineering services to be performed by Claycomb/Rockwell Associates, Inc.;

RESOLVED, that the acts of the officers and directors of the Corporation in reviewing and approving such proposals, are hereby ratified and confirmed.

3. WHEREAS, in connection with the Improvement Project, the Corporation desires to enter into an agreement (the "Agreement") with the United States Department of Agriculture ("USDA"), pursuant to which the USDA will, in part grant and, in part loan, funds to the Corporation through the Rural Utilities Service Program to fund the costs of the Improvement Project;

WHEREAS, pursuant to the Agreement and as security for the funds to be loaned to the Corporation pursuant to the Agreement, the Corporation will grant the USDA a security interest in some or all the Corporation's real property and in the System;

WHEREAS, pursuant to Section 9.1 of Article IX of the By-Laws of the Corporation, the directors of the Corporation are empowered to authorize one or more officers to enter into any contract or execute and deliver any instrument on behalf of the Corporation; and

WHEREAS, pursuant to Arizona Revised Statutes ("ARS") § 10-11201, the directors of the Corporation are authorized to mortgage, pledge, dedicate to the repayment of

indebtedness, whether with or without recourse, or otherwise encumber any or all of the property of the Corporation.

RESOLVED, that the acts of the officers and directors of the Corporation in negotiating the Agreement, and all documents attached or referred to therein or required thereby, are hereby ratified and confirmed.

RESOLVED FURTHER, that the Corporation be and it hereby is authorized and empowered: (1) to execute all documents that are attached or referred to in the Agreement to which the Corporation is a party; (2) to enter into such other documents and instruments as may be necessary or appropriate, in the discretion of Bernie Dickson, the President of the Corporation, to carry out the intent and purposes of the Agreement and such other documents, and all other documents and instruments as may be required thereunder; and (3) to perform all acts for the Corporation, including without limitation all duties, obligations and covenants of the Corporation under the Agreement and all other documents and instruments referred to therein or required thereby.

RESOLVED FURTHER, that Bernie Dickson, the President of the Corporation, acting alone, be, and he hereby is, authorized and empowered, for and on behalf of the Corporation and in its name, to execute, acknowledge and deliver all documents and instruments as are referred to in the immediately preceding resolution, together with any amendments, modifications, changes or supplements thereto, as such officer deems appropriate (the exercise of which shall be a conclusive proof of the appropriateness of the same).

RESOLVED FURTHER, that all of the acts of the officers of the Corporation that are in conformity with the intent and purposes of the foregoing resolutions, whether heretofore or hereafter taken or done, shall be, and the same hereby are, ratified, confirmed and approved in all respects.

The undersigned, being the board of directors of the Corporation, acting pursuant to ARS § 10-3821 and pursuant to Section 9.1 of Article IX of the Bylaws of the Corporation, do hereby consent to the adoption of, and do hereby adopt, the foregoing resolutions, declare them to be in full force and effect as if they were adopted at a special meeting of the board of directors of the Corporation, and direct that the same be placed in the official minutes and records of the Corporation as official resolutions of the board of directors of the Corporation.

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Dated June 5, 2009.

DIRECTORS:

Bernie Dickson
Bernie Dickson

Michael Fikes
Michael Fikes

Dean Weatherly
Dean Weatherly

Tammy Zudell
Tammy Zudell

Robert Hedden
Robert Hedden

UCC-1 Financing Statement

UCC-1-16-2009 15:18

10/16/2009 3:19 PM FROM: 602 542 6158 TO: +1 (602) 254 4878
JUST ROSENFELD

PAGE: 003 OF 003
602 2544878 P.02/03

FILED
ARIZONA SECRETARY OF STATE
10/16/2009 03:19 PM
200915971732

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER (optional) Shiela B. Schmidt, Esq. (602) 257-7990
B. SEND ACKNOWLEDGMENT TO: (Name and Address) Shiela B. Schmidt, Esq. Gust Rosenfeld, P.L.C. 201 E. Washington Street, Suite 800 Phoenix, AZ 85004

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME
Yarnell Water Improvement Association

OR
1b. INDIVIDUAL'S LAST NAME

1c. MAILING ADDRESS
P.O. Box 727

CITY Yarnell	STATE AZ	POSTAL CODE 85362	COUNTRY USA
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1d. SEE INSTRUCTIONS	ADDL INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION Non-Profit	1f. JURISDICTION OF ORGANIZATION Arizona	1g. ORGANIZATIONAL ID # if any 00895070	<input type="checkbox"/> NONE
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2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME

OR
2b. INDIVIDUAL'S LAST NAME

2c. MAILING ADDRESS

CITY Phoenix	STATE AZ	POSTAL CODE 85003-1706	COUNTRY USA
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2d. SEE INSTRUCTIONS	ADDL INFO RE ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION	2g. ORGANIZATIONAL ID # if any	<input type="checkbox"/> NONE
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3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR/SIP) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME
United States of America acting through the Rural Utilities Service, USDA

OR
3b. INDIVIDUAL'S LAST NAME

3c. MAILING ADDRESS
230 N. First Avenue, Suite 206

CITY Phoenix	STATE AZ	POSTAL CODE 85003-1706	COUNTRY USA
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4. This FINANCING STATEMENT covers the following collateral:

All gross receipts, income, accounts, deposit accounts, goods, supplies, inventory, general intangibles, payment intangibles, equipment, furniture and appliances, including the proceeds thereof.

All personal property now owned or hereafter acquired.

All equipment of the rural water system including wells and well related infrastructure, pump stations, tanks, fire hydrants, telemetry systems, backup power supply systems, water lines, thrust blocks, tracer wires, sleeves, water level indicators, pressure reducing valves and check valves.

5. ALTERNATIVE DESIGNATION (if applicable)	LESSEE/LESSOR	CONSIGNEE/CONSIGNOR	BAILEE/BAILOC	SELLER/BUYER	AG. LIEN	NON-UCC FILING
6. THIS FINANCING STATEMENT is to be filed for record (or recorded) in the REAL ESTATE RECORDS - Attach Applicable	7. Check to REQUEST SEARCH REPORT(S) on DePier(s) (if applicable) (ADDITIONAL FEE)	8. ORIGINAL FILER REFERENCE DATA	9. All Debtors	Debtor 1	Debtor 2	

91-01 & 00-02

Water and Waste System Grant Agreement

Water and Waste System Grant Agreement
United States Department of Agriculture
Rural Utilities Service

THIS AGREEMENT dated October 14, 2009, between

Yarnell Water Improvement Association

A non-profit corporation organized and operating under

The Laws of the State of Arizona

(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Rural Utilities Service, Department of Agriculture, herein called "Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (waste) system to serve the area under its jurisdiction at an estimated cost of \$ 1,300,000 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than \$ 767,000 of the development costs through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of \$-0- has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed \$533,000 or forty-one (41%) percent of said project development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the Conditions of the grant.

As a condition of this grant agreement, the Grantee assures and certifies that it is in compliance with and will comply in the course of the agreement with all applicable laws, regulations, Executive orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated into this agreement by reference, and such other statutory provisions as are specifically set forth herein.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306(a) of The Consolidated Farm and Rural Development Act for the purpose only of defraying a part not to exceed forty-one (41%) percent of the project development costs, as defined by applicable Rural Utilities Service instructions.

Grantee Agrees That Grantee Will:

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

B. Permit periodic inspection of the construction by a representative of Grantor during construction.

C. Manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.

D. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, whether for one or more classes of service, adopted by resolution dated _____, 2009, as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

E. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

F. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within its jurisdiction.

G. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

H. To execute any agreements required by Grantor which Grantee is legally authorized to execute. If any such agreement has been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this grant, another agreement of the same type need not be executed in connection with this grant.

I. Upon any default under its representations or agreements set forth in this instrument, Grantee, at the option and demand of Grantor, will repay to Grantor forthwith the original principal amount of the grant stated herein above with the interest at the rate of 5 percentum per annum from the date of the default. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

J. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

K. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantee may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency. When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

[Revision 1, 04/17/1998]

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

This Grant Agreement covers the following described real property (use continuation sheets as necessary).

L. Abide by the following conditions pertaining to equipment which is furnished by the Grantor or acquired wholly or in part with grant funds. Equipment means tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.

[Revision 1, 04/17/1998]

1. Use of equipment.

(a) The Grantee shall use the equipment in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the equipment in connection with its other Federally sponsored activities, if any, in the following order of priority:

(1) Activities sponsored by the Grantor.

(2) Activities sponsored by other Federal agencies.

(b) During the time that equipment is held for use on the property for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the equipment was originally acquired. First preference for such other use shall be given to Grantor sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of equipment. When the Grantee no longer needs the equipment as provided in paragraph (a) above, the equipment may be used for other activities in accordance with the following standards:

(a) Equipment with a current per unit fair market value of less than \$5,000. The Grantee may use the equipment for other activities without reimbursement to the Federal Government or sell the equipment and retain the proceeds.

(b) Equipment with a current per unit fair market value of \$5,000 or more. The Grantee may retain the equipment for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value or proceeds from sale of the equipment. If the Grantee has no need for the equipment and the equipment has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the equipment shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the equipment exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee requests and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the equipment and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share ten percent of the proceeds for Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the equipment elsewhere the Grantee shall be reimbursed by the benefiting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the equipment, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for equipment shall also include:

(a) Records which accurately provide for: a description of the equipment; manufacturer's serial number or other identification number; acquisition date and cost; source of the equipment; percentage (at the end of budget year) of Federal participation in the cost of the project for which the equipment was acquired; location, use and condition of the equipment and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years to verify the existence, current utilization, and continued need for the equipment.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

(e) Proper sales procedures shall be established for unneeded equipment which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described equipment(use continuation sheets as necessary).

M. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.
2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.
3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.
4. Accounting records supported by source documentation.

N. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm or photo copies or similar methods may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

O. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

P. Provide an audit report prepared in accordance with Grantor regulations to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

Q. Agree to account for and to return to Grantor interest earned on grant funds pending their disbursement for program purposes when the Grantee is a unit of local government. States and agencies or instrumentality's of states shall not be held accountable for interest earned on grant funds pending their disbursement.

R. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in item K above.

S. To include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

T. To include in all contracts in excess of \$100,000 a provision that the contractor agrees to comply with all the requirements of the Clean Air Act (42 U.S.C. §7414) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. In so doing the Contractor further agrees:

[Revision 1, 11/20/1997]

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR Part 32 as of the date of contract award.

[Revision 1, 11/20/1997]

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term "facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement, contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

Grantor Agrees That It:

A. Will make available to Grantee for the purpose of this Agreement not to exceed \$533,000 which it will advance to Grantee to meet not to exceed forty-one (41%) percent of the project development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

Termination of This Agreement

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

In witness whereof Grantee on the date first above written has caused these presence to be executed by its duly authorized **President, Board of Directors, Yarnell Water Improvement Association of Yavapai County, Arizona.**

attested and its corporate seal affixed by its duly authorized

Tammy Zudell
Tammy Zudell, Secretary, Board of Directors

Attest:

By Bernie Dickson
(Title) Bernie Dickson, President, Board of Directors

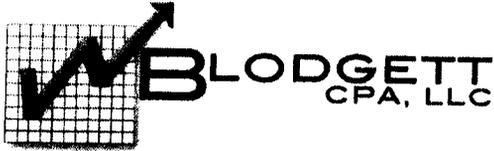
By _____
(Title) Tammy Zudell, Secretary, Board of Directors

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By Debra A Stewart, CP Specialist
(Title)

Operating Budget, USDA-RD Form RD 442-7, prepared by Walter P.
Blodgett, CPA, dated April 27, 2009



Walter P. Blodgett, CPA CFP®
"Helping You Create, Accumulate and Preserve Your Financial Well Being"

To Yarnell Water Improvement Association

We have compiled the accompanying Operating Budget, and Projected Cash Flow of Yarnell Water Improvement Association for the Periods ending December 31, 2009, December 31, 2010, and December 31, 2011, in accordance with attestation standards established by the American Institute of Certified Public Accountants. This financial projection is presented on the basis of accounting prescribed by the Arizona Corporation Commission for water utility companies, that is a comprehensive basis of accounting other than generally accepted accounting principles.. The Operating Budget, and Projected Cash Flow was prepared for the Rural Development Department of the U.S. Department of Agriculture for the purpose acquiring a loan for improvements to operating facilities and refinancing current GMAC debt.

A compilation is limited to presenting in the form of a projection information that is the representation of management and does not include evaluation of the support for the assumptions underlying the projection. We have not examined the projection and, accordingly, do not express an opinion or any other form of assurance on the accompanying statements or assumptions. Furthermore, even if the financing in the amounts described along with other assumptions in Note A – Summary of Assumptions are attained there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Management has elected to omit the summary of significant accounting policies required by the guidelines for presentation of a projection established by the American Institute of Certified Public Accountants. If the omitted disclosures were included in the projection, they might influence the user's conclusions about the Company's results of operations and cash flows of the projection periods. Accordingly, this projection is not designed for those who are not informed about such matters.

The accompanying projection and this report are intended solely for the information and use of Yarnell Water Improvement Association and the U.S. Department of Agriculture and are not intended to be and should not be used by anyone other than these specified parties. We are not independent with respect to Yarnell Water Improvement Association.

Blodgett CPA, LLC
Wickenburg, Arizona
April 27, 2009

Position 3
OPERATING BUDGET

Schedule 1

Name YARNELL WATER IMPROVEMENT ASSOCIATION		Address 22609 LOOKA WAY		YARNELL, AZ
Applicant Fiscal Year From 01-09 To 12-09		County YAVAPAI		State (Including ZIP Code) ARIZONA 85362

	20	20	20 09	20 10	First Full Year
	(1)	(2)	(3)	(4)	(5)
OPERATING INCOME					
1. METERED WATER REVENUES			\$238,893.00	\$328,319.00	\$331,603.00
2. OTHER WATER REVENUES			\$5,143.00	\$5,610.00	\$5,610.00
3.					
4.					
5. Miscellaneous					
6. Less: Allowances and Deductions	()	()	()	()	()
7. Total Operating Income (Add Lines 1 through 6)	\$0.00	\$0.00	\$244,036.00	\$333,929.00	\$337,213.00
OPERATING EXPENSES					
8. WATER OPERATIONS EXPENS			\$37,062.00	\$27,199.00	\$28,014.00
9. OUTSIDE SERVICES			\$9,985.00	\$13,285.00	\$13,685.00
10. INSURANCE EXPENSE			\$12,802.00	\$13,186.00	\$13,582.00
11. TAXES OTHER THAN INCOME			\$11,069.00	\$22,732.00	\$23,414.00
12. SALARY & WAGE EXPENSE			\$127,112.00	\$130,925.00	\$134,853.00
13. OFFICE EXPENSE			\$18,140.00	\$18,684.00	\$19,245.00
14. MISCELLANEOUS			\$2,953.00	\$3,042.00	\$3,134.00
15. Interest (RD)			\$18,667.00	\$29,224.00	\$28,816.00
16. Depreciation			\$36,014.00	\$76,420.00	\$76,420.00
17. Total Operating Expense (Add lines 8 through 16)	\$0.00	\$0.00	\$273,804.00	\$334,697.00	\$341,163.00
18. NET OPERATING INCOME (LOSS) (Line 7 less 17)	\$0.00	\$0.00	(\$29,768.00)	(\$768.00)	(\$3,950.00)
NONOPERATING INCOME					
19.					
20.					
21. Total Nonoperating Income (Add Lines 19 and 20)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
22. NET INCOME (LOSS) (Add Lines 18 and 21) (Transfer to Line A Schedule 2)	\$0.00	\$0.00	(\$29,768.00)	(\$768.00)	(\$3,950.00)

Budget and Projected Cash Flow Approved by Governing Body

Attest:

Sammy Judele
Secretary
Bruce W O'Keefe
Appropriate Official

10/14/09
Date

10/14/09
Date

PROJECTED CASH FLOW

	20	20	20 09	20 10	First Full Year
A. Line 22 from Schedule I Income (Loss)	\$0	\$0	(\$29,768)	(\$768)	(\$3,950)
<i>Add</i>					
B. Items in Operations not Requiring Cash:					
1. Depreciation (Line 16, Schedule I)	\$0	\$0	\$36,014	\$76,420	\$76,420
2. Others:					
C. Cash Provided from:					
1. Proceeds from RD loan/grant			\$1,300,000		
2. Proceeds from others					
3. Increase (Decrease) in Accounts Payable, Accruals and other Current Liabilities					
4. Decrease (Increase) in Accounts Receivable, inventories and Other Current Assets (Exclude Cash)					
5. Other: SEE ATTACHED SCHEDULE 1			(\$7,130)	\$8,442	(\$1,349)
6.					
D. Total all A, B and C Items	\$0	\$0	\$1,299,116	\$84,094	\$71,121
E. Less: Cash Expended for:					
1. All Construction, Equipment and New Capital Items (Loan and grant funds)			\$1,010,138		
2. Replacement and Additions to Existing Property, Plant and Equipment			\$3,451	\$3,556	\$4,663
3. Principal Payment RD Loan					
4. Principal Payment Other Loans			\$273,109	\$4,615	\$2,063
5. Other:					
6. Total E 1 through 5	\$0	\$0	\$1,286,698	\$8,171	\$6,726
<i>Add</i>					
F. Beginning Cash Balances			\$811	\$13,229	\$89,152
G. Ending Cash Balances (Total of D minus E 6 plus F)	\$0	\$0	\$13,229	\$89,152	\$2,153,547
Item G Cash Balances Composed of:					
Construction Account					
Revenue Account					
Debt Payment Account					
O&M Account		\$811	\$11,333	\$83,464	\$144,067
Reserve Account			\$1,896	\$5,688	\$9,480
Funded Depreciation Account					
Others:					
Total - Agrees with Item G	\$0	\$811	\$13,229	\$89,152	\$153,547

Yarnell Water Improvement Association
 Schedule 1 - Supplement to Projected Cash Flow

	COLA RATES		
	2009	2010	2011
Line C(5) - Cash Provided from Other:			
141 · Accounts Receivable	-4,000	0	-1,000
141 · Accounts Receivable:144 · Reserve for Bad Debt	100	0	100
162 · Prepayments:149 · Employee Advance	0	0	0
162 · Prepayments:163 · Prepaid Vehicle Registration	-9	-9	-9
231 · Accounts Payable	-5	-5	-5
231.6 · Staples	-6	-6	-6
231.5 · National Bank of Az 2857	-18	-18	-18
231.4 · National bank of Az 9689	-1	-1	-1
231.3 · Pitney Bowes Card Payable	-3,789	0	0
231.2 · Cr Cd HSBC Business Solutions	-91	0	0
236 · Accrued Taxes:243 · Sales Tax Payable	0	0	0
236 · Accrued Taxes:238 · Payroll Tax Liabilities:2384 · SUTA Payable	0	0	0
236 · Accrued Taxes:238 · Payroll Tax Liabilities:2383 · FUTA Payable	0	0	0
236 · Accrued Taxes:238 · Payroll Tax Liabilities:2382 · State W/H Payable	0	0	0
236 · Accrued Taxes:238 · Payroll Tax Liabilities:2381 · FICA/FWH Payable	-8	-8	-8
236 · Accrued Taxes:240 · Accrued Real Estate Tax	-160	-5,831	-340
233 · Refundable Meter Deposits	-21	-21	-21
235 · Refundable Customer Deposits	-41	-41	-41
237 · Accrued Interest Payable	972	14,382	0
241 · Misc Current & Accrued Liab:241.6 · Workers Comp Payable	-53		
Line C(5) - Cash Provided from Other:	-7,130	8,442	-1,349

See Accountant's Report

Note A: Summary of Sensitive and General Assumptions

Sensitive Assumptions

Loan acquired from USDA Jan 1, 2010

Loan terms

Rate	Years	Pmt freq			
3.75%		40 Monthly	Interest only 1st 2 yrs at	\$	2,397 per mnth
			payments thereafter	\$	3,161 per mnth

Loan Amount:

Project Costs		\$	1,010,138
Assumed USDA Grant	45%		<u>533,000</u>
		\$	477,138
GMAC Note	5%		238,194
GMAC Note	5%		30,737
GMAC Accrued Int. Months	18		<u>20,931</u>

Loan Amount \$ 767,000

Grant funds assumed to be available to payoff GMAC loans and fund construction through August, 2009.

Loan proceeds are to be deposited into separate account as funds are needed to pay construction draws. Assume even \$153,400 loan deposit beginning August 31, 2009.

If loan approved, would require ACC to approve per year Revenue increase beginning Jan 2010 to service

Loan payments Interest only 1st 2 years	\$	2,396.88	\$	28,763
Reserve fund monthly contribution:	\$	316.00	\$	<u>3,792</u>
			\$	<u>32,555</u>

Loan payments after 2 years P & I	\$	3,161.00	\$	37,932
Reserve fund monthly contribution:	\$	316.00	\$	<u>3,792</u>
			\$	<u>41,724</u>
		3rd year increase	\$	<u>9,169</u>

Fixed Asset 2009 expenditures placed in service Jan 2010 per engineer study \$ 1,010,138

Annual Operating & Maintenance savings per engineer study:
\$ 10,975

Average depreciation rate allowed by ACC 4%

Annual depreciation on new infrastructure \$ 40,406

Interest Income from investment of loan proceeds -
Months -
Rate 2%

General Assumptions

Expenditure Inflation rate	Customer usage annual increase
3.00%	1.00%

Commission rate increase effective Feb 2009
19.61%

Other Assumptions

Additional rate increase beginning January, 2010 to required for general operations. \$ 33,000.00

Note A: Summary of Sensitive and General Assumptions

New computer system & peripherals 2011	\$	1,000
Estimate Plant Equipment & Tools Replace per year based on 2008 adjusted for inflation		
Estimate 100% increase in property tax resulting from new property acquisition beginning 2010.		
\$12,920 Preliminary Engineering in 2008 will not repeat		
Additional 2009 accounting fees for incremental fixed asset accounting, ACC rate increase request and loan acquisition	\$	3,000
Additional annual accounting fees for loan and quarterly compilations per USDA loan requirements	\$	6,000

Equal Opportunity Agreement

EQUAL OPPORTUNITY AGREEMENT

This agreement, dated October 14, 2009 between
Yarnell Water Improvement Association, an Arizona non-profit corporation

(herein called "Recipient" whether one or more) and United States Department of Agriculture (USDA), pursuant to the rules and regulations of the Secretary of Labor (herein called the 'Secretary') issued under the authority of Executive Order 11246 as amended, witnesseth:

In consideration of financial assistance (whether by a loan, grant, loan guaranty, or other form of financial assistance) made or to be made by the USDA to Recipient, Recipient hereby agrees, if the cash cost of construction work performed by Recipient or a construction contract financed with such financial assistance exceeds \$10,000 - unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965.

1. To incorporate or cause to be incorporated into any contract for construction work, or modification thereof, subject to the relevant rules, regulations, and orders of the Secretary or of any prior authority that remain in effect, which is paid for in whole or in part with the aid of such financial assistance, the following "Equal Opportunity Clause":

During the performance of this contract, the contractor agrees as follows:

- (a) The contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited, to the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the USDA setting forth the provisions of this nondiscrimination clause.
- (b) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.
- (c) The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the USDA, advising the said labor union or workers' representative of the contractor's commitments under this agreement and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- (d) The contractor will comply with all provisions of Executive Order 11246 of September 24, 1965, and of all rules, regulations and relevant orders of the Secretary of Labor.
- (e) The contractor will furnish all information and reports required by Executive Order 11246 of September 24, 1965, rules, regulations, and orders, or pursuant thereto, and will permit access to his books, records, and accounts by the USDA Civil Rights Office, and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
- (f) In the event of the contractor's noncompliance with the nondiscrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the contractor may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by Law.
- (g) The contractor will include the provisions of paragraph 1 and paragraph (a) through (f) in every subcontract or purchase order, unless exempted by the rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the USDA may direct as a means of enforcing such provisions, including sanctions for noncompliance: Provided, however, that in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the USDA, the contractor may request the United States to enter into such litigation to protect the interest of the United States.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0018. The time required to complete this information collection is estimated to average 10 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

2. To be bound by the above equal opportunity clause with respect to its own employment practices when it participates in federal ly assisted construction work: Provided, that if the organization so participating is a State or local government, the above equal opportunity clause is not applicable to any agency, instrumentality or subdivision of such government which does not participate in work on or under the contract.
3. To notify all prospective contractors to file the required 'Compliance Statement', Form RD 400-6, with their bids.
4. Form AD-425, Instructions to Contractors, will accompany the notice of award of the contract. Bid conditions for all nonexempt federal and federally assisted construction contracts require inclusion of the appropriate "Hometown" or "Imposed" plan affirmative action and equal employment opportunity requirements. All bidders must comply with the bid conditions contained in the invitation to be considered responsible bidders and hence eligible for the award.
5. To assist and cooperate actively with USDA and the Secretary in obtaining the compliance of contractors and subcontractors with the equal opportunity clause and rules, regulations, and relevant orders of the Secretary, that will furnish USDA and the Secretary such information such as , but not limited to, Form AD-560, Certification of Nonsegregated Facilities, to submit the Monthly Employment Utilization Report, Form CC-257, as they may require for the supervision of such compliance, and that it will otherwise assist USDA in the discharge of USDA's primary responsibility for securing compliance.
6. To refrain from entering into any contract or contract modification subject to such Executive Order 11246 of September 24, 1965, with a contractor debarred from, or who has not demonstrated eligibility for, Government contracts and Federally assisted construction contracts pursuant to the Executive Order and will carry out such sanctions and penalties for violation of the equal opportunity clause as may be imposed upon contractors and subcontractors by USDA or the Secretary of Labor pursuant to Part II, Subpart D, of the Executive Order.
7. That if the recipient fails or refuses to comply with these undertakings, the USDA may take any or all of the following actions: Cancel, terminate, or suspend in whole or in part this grant (contract, loan, insurance, guarantee); refrain from extending any further assistance to the organization under the program with respect to which the failure or refund occurred until satisfactory assurance of future compliance has been received from such organization; and refer the case to the Department of Justice for appropriate legal proceedings.

Signed by the Recipient on the date first written above.

Recipient

Recipient

(CORPORATE SEAL)

Yarnell Water Improvement Association,
an Arizona non-profit corporation
Name of Corporate Recipient

Attest:

Tammy Zudell
Tammy Zudell, Secretary

By Bernie W. Dickson
Bernie Dickson, President

**Certification Regarding Debarment, Suspension & Other Responsibility
Matters.**

U.S. DEPARTMENT OF AGRICULTURE

Certification Regarding Debarment, Suspension, and Other
Responsibility Matters - Primary Covered Transactions

This certification is required by the regulations implementing Executive Order 12549, Debarment and Suspension, 7 CFR Part 3017, Section 3017.510, Participants' responsibilities. The regulations were published as Part IV of the January 30, 1989, Federal Register (pages 4722-4733). Copies of the regulations may be obtained by contacting the Department of Agriculture agency offering the proposed covered transaction.

(BEFORE COMPLETING CERTIFICATION, READ INSTRUCTIONS ON REVERSE)

- (1) The prospective primary participant certifies to the best of its knowledge and belief, that it and its principals:
 - (a) are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;
 - (b) have not within a three-year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal State or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
 - (c) are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and
 - (d) have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State or local) terminated for cause or default.
- (2) Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

Yarnell Water Improvement Association
an Arizona non-profit corporation

Organization Name

PR/Award Number or Project Name

Bernie Dickson, President

Name(s) and Title(s) of Authorized Representative(s)


Signature(s)

October 14, 2009

Date

Form AD- 1047 (1/92)

Instructions for Certification

1. By signing and submitting this form, the prospective primary participant is providing the certification set out on the reverse side in accordance with these instructions.
2. The inability of a person to provide the certification required below will not necessarily result in denial of participation in this covered transaction. The prospective participant shall submit an explanation of why it cannot provide the certification set out on this form. The certification or explanation will be considered in connection with the department or agency's determination whether to enter into this transaction. However, failure of the prospective primary participant to furnish a certification or an explanation shall disqualify such person from participation in this transaction.
3. The certification in this clause is a material representation of fact upon which reliance was placed when the department or agency determined to enter into this transaction. If it is later determined that the prospective primary participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency may terminate this transaction for cause or default.
4. The prospective primary participant shall provide immediate written notice to the department or agency to whom this proposal is submitted if at any time the prospective primary participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.
5. The terms "covered transaction," "debarred," "suspended," "ineligible," "lower tier covered transaction," "participant," "person," "primary covered transaction," "principal," "proposal," and "voluntarily excluded," as used in this clause, have the meanings set out in the Definitions and Coverage sections of the rules implementing Executive Order 12549. You may contact the department or agency to which this proposal is being submitted for assistance in obtaining a copy of those regulations.
6. The prospective primary participant agrees by submitting this form that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency entering into this transaction.
7. The prospective primary participant further agrees by submitting this form that it will include the clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions," provided by the department or agency entering into this covered transaction, without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
8. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the Nonprocurement List.
9. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.
10. Except for transactions authorized under paragraph 6 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency may terminate this transaction for cause or default.

Assurance Agreement

ASSURANCE AGREEMENT
(Under Title VI, Civil Rights Act of 1964)

The Yarnell Water Improvement Association, an Arizona non-profit corporation
(name of recipient)
P.O. Box 727, Yarnell, Arizona 85362
(address)

("Recipient" herein) hereby assures the U. S. Department of Agriculture that Recipient is in compliance with and will continue to comply with Title VI of the Civil Rights Act of 1964 (42 USC 2000d et. seq.), 7 CFR Part 15, and Rural Housing Service, Rural Business-Cooperative Service, Rural Utilities Service, or the Farm Service Agency, (hereafter known as the "Agency") regulations promulgated thereunder, 7 C.F.R. §1901.202. In accordance with that Act and the regulations referred to above, Recipient agrees that in connection with any program or activity for which Recipient receives Federal financial assistance (as such term is defined in 7 C.F.R. §14.2) no person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination.

1. Recipient agrees that any transfer of any aided facility, other than personal property, by sale, lease or other conveyance of contract, shall be, and shall be made expressly, subject to the obligations of this agreement and transferee's assumption thereof.
2. Recipient shall:
 - (a) Keep such records and submit to the Government such timely, complete, and accurate information as the Government may determine to be necessary to ascertain our/my compliance with this agreement and the regulations.
 - (b) Permit access by authorized employees of the Agency or the U.S. Department of Agriculture during normal business hours to such books, records, accounts and other sources of information and its facilities as may be pertinent to ascertaining such compliance.
 - (c) Make available to users, participants, beneficiaries and other interested persons such information regarding the provisions of this agreement and the regulations, and in such manner as the Agency or the U.S. Department of Agriculture finds necessary to inform such persons of the protection assured them against discrimination.
3. The obligations of this agreement shall continue:
 - (a) As to any real property, including any structure, acquired or improved with the aid of the Federal financial assistance, so long as such real property is used for the purpose for which the Federal financial assistance is made or for another purpose which affords similar services or benefits, or for as long as the Recipient retains ownership or possession of the property, whichever is longer.
 - (b) As to any personal property acquired or improved with the aid of the Federal financial assistance, so long as Recipient retains ownership or possession of the property.
 - (c) As to any other aided facility or activity, until the last advance of funds under the loan or grant has been made.
4. Upon any breach or violation this agreement the Government may, at its option:
 - (a) Terminate or refuse to render or continue financial assistance for the aid of the property, facility, project, service or activity.
 - (b) Enforce this agreement by suit for specific performance or by any other available remedy under the laws of the United States or the State in which the breach or violation occurs.

Rights and remedies provided for under this agreement shall be cumulative.

In witness whereof, Yarnell Water Improvement Association, an Arizona non-profit corporation
(name of recipient) on this

date has caused this agreement to be executed by its duly authorized officers and its seal affixed hereto, or, if a natural person, has hereunto executed this agreement.

Yarnell Water Improvement Association, an Arizona non-profit corporation

October 14, 2009 *Recipient*

Attest: Tammy Zudell
Tammy Zudell, Secretary *Title*

Bernie Dickson
Bernie Dickson, President *Title*

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0570-0018. The time required to complete this information is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

**Applicant Certification-Federal Collection Policies for Consumer or
Commercial Debts.**

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT

APPLICANT CERTIFICATION
FEDERAL COLLECTION POLICIES FOR CONSUMER OR COMMERCIAL DEBTS

The Federal Government is authorized to check credit information about the applicant(s) including using the federal Credit Alert Interactive Voice Response System (CAIVRS) or its successors to check to see if the applicant(s) are delinquent or in default on a Federal debt.

The Federal Government is also authorized by law to take any or all of the following actions in the event your loan payments become delinquent or you default on your loan:

- Report your name and account information to a credit reporting agency, and the Credit Alert Interactive Voice Response System (CAIVRS).
- Assess interest and penalty charges for the period of time that payment is not made.
- Assess charges to cover additional administrative costs incurred by the government to service your account.
- Offset amounts to be paid to you from your Federal income tax refund.
- Offset amounts to be paid to you under other Federal Programs.
- Refer your account to a private collection agency to collect the amount due.
- Foreclose on any security you have given for the loan.
- Pursue legal action to collect through the courts.
- Report any written off debt to the Internal Revenue Service as taxable income.
- If you are a current or retired Federal employee, take action to offset your salary, or civil service retirement benefits.
- Debar or suspend you from doing business with the Federal Government either as a participant or principal throughout the executive branch of the Federal Government for the period of debarment or suspension.
- Refer any debt that is delinquent to the Treasury Offset Program (TOP) in accordance with the Debt Collection Improvement Act of 1996.
- Refer any eligible debt that is delinquent to the Treasury for cross servicing in accordance with the Debt Collection Improvement Act of 1996.
- Garnish your wages as allowed by the Debt Collection Improvement Act of 1996.

Any or all of these actions may be used to recover any debts owed when it is determined to be in the interest of the Government to do so.

CERTIFICATION: I/we have read and I/we understand the actions the Federal Government may take in the event that I/we fail to meet my/our scheduled payments in accordance with the terms and conditions of my/our agreement. I/we understand that the above list is not all inclusive and that the Federal Government may deem additional actions necessary to collect should I/we become delinquent.

(Signature-Individual(s))

(Date)

(Signature-Individual(s))

(Date)

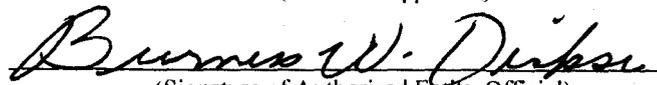
(SEAL)

October 14, 2009

(Date)

Yarnell Water Improvement Association
an Arizona non-profit corporation

(Name of Applicant)


(Signature of Authorized Entity Official)

Bernie Dickson, President

(Title of Authorized Entity Official)

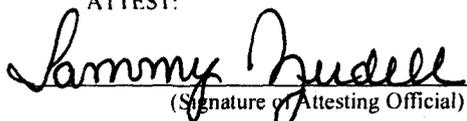
P.O. Box 727

(Address)

Yarnell, AZ 85362

(City, State, and Zip Code)

ATTEST:


(Signature of Attesting Official)

Tammy Zudell, Secretary

(Title of Attesting Official)

Certification Regarding Drug-Free Workplace Requirements (Grants)

U.S. DEPARTMENT OF AGRICULTURE

CERTIFICATION REGARDING DRUG-FREE WORKPLACE REQUIREMENTS (GRANTS) ALTERNATIVE I - FOR GRANTEEES OTHER THAN INDIVIDUALS

This certification is required by the regulations implementing Sections 5151-5160 of the Drug-Free Workplace Act of 1988 (Pub. L. 100-690, Title V, Subtitle D; 41 U.S.C. 701 et seq.), 7 CFR Part 3017, Subpart F, Section 3017.600, Purpose. The regulations were published as Part II of the January 31, 1989 Federal Register (pages 4947-4952). Copies of the regulations may be obtained by contacting the Department of Agriculture agency offering the grant.

(BEFORE COMPLETING CERTIFICATION, READ INSTRUCTIONS ON REVERSE)

Alternative I

(A) The grantee certifies that it will provide a drug-free workplace by:

- (a) Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
- (b) Establishing a drug-free awareness program to inform employees about --
 - (1) The dangers of drug abuse in the workplace;
 - (2) The grantee's policy of maintaining a drug-free workplace;
 - (3) Any available drug counseling, rehabilitation, and employee assistance programs; and
 - (4) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
- (c) Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (a);
- (d) Notifying the employee in the statement required by paragraph (a) that, as a condition of employment under the grant, the employee will --
 - (1) Abide by the terms of the statement; and

- (2) Notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five days after such conviction;
- (e) Notifying the agency within ten days after receiving notice under subparagraph (d) (2) from an employee or otherwise receiving actual notice of such conviction;
- (f) Taking one of the following actions, within 30 days of receiving notice under subparagraph (d) (2), with respect to any employee who is so convicted --
- (1) Taking appropriate personnel action against such an employee, up to and including termination; or
 - (2) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
- (g) Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (a), (b), (c), (d), (e) and (f).
- B. The grantee shall insert in the space provided below the site(s) for the performance of work done in connection with the specific grant.

Place of Performance (Street address, city, county, State, zip code)

Yarnell Water Improvement Association, an Arizona non-profit corporation

Organization Name

PR/Award Number or Project Name

Bernie Dickson, President

Name and Title of Authorized Representative

Bernie W Dickson

October 14, 2009

Signature

Date

INSTRUCTIONS FOR CERTIFICATION

1. By signing and submitting this form, the grantee is providing the certification set out on pages 1 and 2.
2. The certification set out on pages 1 and 2 is a material representation of fact upon which reliance was placed when the agency determined to award the grant. If it is later determined that the grantee knowingly rendered a false certification, or otherwise violates the requirements of the Drug-Free Workplace Act, the agency, in addition to any other remedies available to the Federal Government, may take action authorized under the Drug-Free Workplace Act.

DRUG-FREE WORKPLACE POLICY

Purpose and Goal

Yarnell Water Improvement Association, an Arizona non-profit corporation, Arizona (the "District") is committed to protecting the safety, health and well-being of all employees and other individuals in our workplace. We recognize that alcohol abuse and drug use pose a significant threat to our goals. We have established a drug-free workplace program that balances our respect for individuals with the need to maintain an alcohol and drug-free environment.

Covered Workers

Any individual who conducts business for the District, is applying for a position or is conducting business on the District's property is covered by our drug-free workplace policy. Our policy includes, but is not limited to all employees.

Applicability

Our drug-free workplace policy is intended to apply whenever anyone is representing or conducting business for the District.

Prohibited Behavior

It is a violation of our drug-free workplace policy to use, possess, sell, trade, manufacture, distribute, dispense, and/or offer for sale alcohol, illegal drugs or intoxicants.

Notification of Convictions

Any employee who is convicted of a criminal drug violation in the workplace must notify the District in writing within five calendar days of the conviction. The District will take appropriate action within 30 days of notification. Federal contracting agencies will be notified when appropriate.

Searches

Entering the District's property constitutes consent to searches and inspections. If an individual is suspected of violating the drug-free workplace policy, he or she may be asked to submit to a search or inspection of any time.

Consequences

One of the goals of our drug-free workplace program is to encourage employees to voluntarily seek help with alcohol and/or drug problems. If, however, an individual violates the policy, the consequences are serious.

In the case of applicants, if he or she violates the drug-free workplace policy, the offer of employment can be withdrawn. The applicant may not reapply.

If an employee violates the policy, he or she will be terminated from employment.

Assistance

The District recognizes that alcohol and drug abuse and addiction are treatable illnesses. We also realize that early intervention and support improve the success of rehabilitation. To support our employees, our drug-free workplace policy:

- The District encourages employees to seek help if they are concerned that they or their family members may have a drug and/or alcohol problem.

Confidentiality

All information received by the District through the drug-free workplace program is confidential communication. Access to this information is limited to those who have a legitimate need to know in compliance with relevant laws and management policies.

Shared Responsibility

A safe and productive drug-free workplace is achieved through cooperation and shared responsibility. Both employees and management have important roles to play.

All employees are required to not report to work or be subject to duty while their ability to perform job duties is impaired due to an on- or off-duty use of alcohol or other drugs.

In addition, employees are encouraged to:

- Be concerned about working in a safe environment.
- Support fellow workers in seeking help.
- Report dangerous behavior to their supervisor.

It is the supervisor's responsibility to:

- Inform employees of the drug-free workplace policy.
- Observe employee performance.
- Document negative changes and problems in performance.
- Clearly state consequences of policy violations.

Communication

Communicating our drug-free workplace policy to both supervisors and employees is critical to our success. To ensure all employees are aware of their role in supporting our drug-free workplace program:

- All employees will receive a written copy of the policy.
- The policy will be reviewed in orientation sessions with new employees.