

ORIGINAL

NEW APPLICATION



0000117021

Arizona Corporation Commission

DOCKETED

SEP 10 2010

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AZ CORP COMMISSION
DOCKET CONTROL

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W-01337A-10-0375

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION)	DOCKET NO. W-01337A
OF RINCON RANCH ESTATES WATER)	
COMPANY, INC., AN ARIZONA)	
CORPORATION, FOR EXTINGUISHMENT)	APPLICATION
OF ITS CERTIFICATE OF CONVENIENCE)	
AND NECESSITY TO PROVIDE WATER)	
SERVICE, AND APPROVAL OF TRANSFER)	
OF CERTAIN WATER ASSETS TO THE CITY)	
OF TUCSON.)	

COMES NOW RINCON RANCH ESTATES WATER COMPANY, INC., an Arizona corporation (hereinafter "RINCON"), by and through its undersigned counsel Hugh Holub, and petitions the Arizona Corporation Commission to extinguish that certain Certificate of Convenience and Necessity granted to RINCON to provide water service, and to approve the transfer of certain water system assets to the City of Tucson, Arizona.

In support of this Application, RINCON alleges as follows:

1. Rincon Ranch Estates Water Company, Inc.,(hereinafter RINCON) is an Arizona corporation organized to provide water utility service to a certain portion of Pima County, Arizona.
2. RINCON holds a Certificate of Convenience and Necessity (CC&N) to provide water utility service as a public service corporation, granted by the Arizona Corporation Commission.

3. RINCON presently provides water utility service to approximately 245 customers in its CC&N service area.

4. Frank Calvert, the principal of RINCON, passed away and the surviving family members do not wish to continue owning and operating RINCON. As a consequence, and due to its service area being surrounded on three sides (the eastern side of its service area abuts the Saguaro National Park) the City of Tucson was contacted to determine if Tucson was interested in buying the assets of RINCON and taking over its system.

5. The City of Tucson has agreed to acquire the assets of RINCON and the right to directly provide water utility service in the RINCON water CC&N service area.

6. RINCON and the City of Tucson have entered into that certain agreement, attached hereto and made a part hereof as Exhibit "A", to convey the RINCON water utility system assets to the City of Tucson, and to have the City of Tucson provide water utility service to what is now the RINCON water CC&N service area.

7. That the transfer of the RINCON water system to the City of Tucson would therefore benefit the public interest, convenience and necessity.

8. That the City of Tucson, in its capacity as a municipal corporation providing water utility service, is exempt from Arizona Corporation Commission regulation pursuant to Article XV, Section 2 of the Arizona Constitution.

9. Simultaneously with the filing of this Application, RINCON has sent the "Notice to Customers" attached hereto and made a part hereof as Exhibit "B" to all of its customers, by first class mail, postage prepaid. Said Notice advises the customers of RINCON that the company has filed this Application with the Arizona Corporation Commission and how the customers may, if

they so desire, support or object to this Application.

10. That RINCON holds no customer deposits, and RINCON has no outstanding or unpaid line extension agreements.

WHEREFORE, RINCON requests that the Arizona Corporation Commission enter a decision and order, without hearing, as follows:

1. That the Application of Rincon Ranch Estates Water Company, Inc. be granted;
2. That RINCON be authorized to transfers certain of its water utility assets to the City of Tucson;
3. That Rincon's Certificate of Convenience and Necessity be canceled;
4. That this Decision become effective on the first day of the month immediately following approval by the Commission.

RESPECTFULLY SUBMITTED this 8th day of September, 2010.

RINCON RANCH ESTATES WATER COMPANY, INC.
an Arizona corporation

By 
Hugh Holub
Attorney at Law
P.O. Box 4773
Tubac, Arizona 85646
(520) 841-2278
FAX: (520)-398-9571
Attorney for Applicant

The original and 13 copies
of this Application have been
mailed by first class mail on
this 8 day of September, 2010, to:
Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

By 
Hugh Holub

Exhibit A
Agreement with City of Tucson

ADOPTED BY THE
MAYOR AND COUNCIL

June 8, 2010

RESOLUTION NO. 21564

RELATING TO WATER; AUTHORIZING AND APPROVING AN AGREEMENT BETWEEN THE RINCON RANCH ESTATES WATER COMPANY, INC. AND THE CITY OF TUCSON FOR THE PURCHASE AND SALE OF BUSINESS ASSETS OF RINCON RANCH ESTATES WATER COMPANY; AND DECLARING AN EMERGENCY.

BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF TUCSON, ARIZONA, AS FOLLOWS:

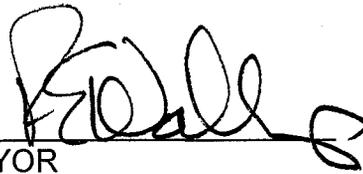
SECTION 1. The Agreement for Purchase and Sale of Business Assets of the Rincon Ranch Estates Water Company between Rincon Ranch Estates Water Company, Inc. and the City of Tucson, attached hereto as Exhibit "A", is approved.

SECTION 2. The Mayor is hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest to, any and all documents necessary to effectuate the above-contemplated transactions for and on behalf of the City of Tucson.

SECTION 3. The various City officers and employees are authorized and directed to perform all acts necessary or desirable to give effect to this resolution including the adoption of any supplemental real estate transfer or title documents necessary to effect this transaction.

SECTION 4. WHEREAS, it is necessary for the preservation of the peace, health and safety of the City of Tucson that this resolution become immediately effective, an emergency is hereby declared to exist and this resolution shall be effective immediately upon its passage and adoption.

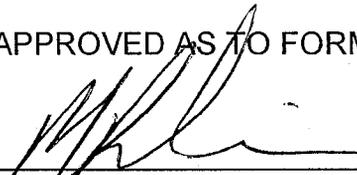
PASSED, ADOPTED AND APPROVED BY THE MAYOR AND COUNCIL OF THE CITY OF TUCSON, ARIZONA, June 8, 2010.


MAYOR

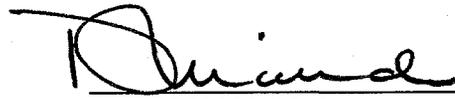
ATTEST:

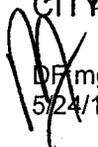

CITY CLERK

APPROVED AS TO FORM:


CITY ATTORNEY

REVIEWED BY:


for CITY MANAGER


DFmg
5/24/10

**AGREEMENT FOR PURCHASE AND SALE
OF BUSINESS ASSETS OF RINCON RANCH ESTATES WATER COMPANY**

THIS AGREEMENT FOR PURCHASE AND SALE OF BUSINESS ASSETS (this "agreement") is entered into this 8th day of June, 2010 by and between RINCON RANCH ESTATES WATER COMPANY, Inc., an Arizona corporation, ("Seller"), and the CITY OF TUCSON, a municipal corporation ("Buyer").

WITNESSETH:

WHEREAS, Seller is the present owner of a water works plant and distribution system and domestic water company known as RINCON RANCH ESTATES WATER COMPANY, situated in Pima County, Arizona; and

WHEREAS, Seller is the owner and holder of a franchise from the Pima County Board of Supervisors and a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission, which franchise and certificate authorize Seller to engage as a public service corporation in the sale of water for commercial and domestic uses in its Certificated Area; and

WHEREAS, Buyer desires to consolidate ownership of water utility systems within its water utility service area; and

WHEREAS, Buyer has the legal authority to acquire water utility systems through exercise of the power of condemnation; and

WHEREAS, Seller has initiated discussions and negotiations for the sale of Seller's Business Assets to Buyer to avoid the legal expense of a condemnation action; and

WHEREAS, the parties have voluntarily bargained and negotiated in good faith to determine the price, terms and conditions of such a sale, including the agreement on an interest rate and credit arrangement which is a result of Buyer's exercise of its borrowing power; and

WHEREAS, Seller is desirous of selling its Business Assets, but excluding therefrom cash, marketable securities and Accounts Receivable, to Buyer under the price, terms and conditions set forth herein; and

WHEREAS, the Mayor and Council of the City of Tucson have by Resolution No. 21564, authorized the execution of this Agreement, to which Resolution this Agreement is an exhibit.

Exhibit A to Resolution No. 21564

NOW THEREFORE, IN CONSIDERATION of the foregoing Recitals, and the mutual promises, covenants and agreements hereinafter contained, and each act of the parties hereto, the parties agree as follows:

Section 1. Definitions.

Unless the context clearly indicates the contrary, the following capitalized words used in the Recitals and used below shall have the meanings set forth below:

Accounts Receivable: Any right for the payment to Seller for services or goods provided or rendered, whether or not evidenced by an instrument or chattel paper, arising out of or in any way related to the Business prior to Closing.

Aid in Construction Agreements: Those line extension agreements between Seller and third parties, as set forth on an Exhibit "A" to be attached to this Agreement at Closing.

Agreement: This Agreement for Purchase and Sale of Business Assets.

Assets: Collectively, the Real Property, all Improvements, Equipment, Inventory, Contract Rights and Records owned and used by Seller in connection with the Business and to be purchased by Buyer pursuant hereto. Assets also means Business Assets.

Assignments: Those certain documents to be given by Seller to Buyer conveying all of its interest in the Contract Rights.

Bill of Sale: That certain document to be given by Seller to Buyer conveying all of its interest in and to the Equipment and Records.

Business: That certain business known as Rincon Ranch Estates Water Company currently owned by Seller and located in Tucson, Pima County, Arizona, engaged in the business of a public service corporation in the sale of water for commercial and domestic uses in its Certificated Area pursuant to its Certificate of Convenience and Necessity, and other related services in connection therewith.

Business Assets: The assets of that certain business known as RINCON RANCH ESTATES WATER COMPANY, currently owned by Seller, subject to purchase by Buyer pursuant to this Agreement, also referred to as Assets. Excluded therefrom are cash, marketable securities and Accounts Receivable.

Buyer: CITY OF TUCSON, a municipal corporation.

Buyer's Address: c/o Director, Tucson Water, P.O. Box 27210, Tucson, Arizona 85726-7210

Certificate of Convenience and Necessity: That certain Certificate or Certificates of Convenience and Necessity issued by the Arizona Corporation Commission authorizing Seller to

engage in the business of a public service corporation in the sale of water for commercial and domestic uses in its Certificated Area.

Certificated Area: The area in which Seller conducts its Business, which area is more particularly shown on the map of the existing service area attached hereto as Exhibit "F", which map is for the purposes of showing the boundaries of the Certificated Area, size and extent of water mains and pipes, easements, and any other areas served by the Business.

Closing, Date of Closing: That point in time when (a) all of Seller's obligations and Buyer's obligations hereunder have been fulfilled; (b) the Escrow Agent has received all funds, is prepared to disburse the same in accordance with this Agreement and has recorded all of the Transfer Instruments and the Security Instruments; and (c) the Escrow Agent has disbursed all of the sale's proceeds as required by this Agreement.

Creditors: Any and all persons or entities to whom Seller owes money, goods or services.

Equipment: Tangible personal property, whether affixed or not to the Real Property, which has been acquired or is under lease with Seller for use primarily in the Business, including but not limited to all equipment used in the operation of wells and tanks, the water distribution system, and office equipment and motor vehicles, as listed in Exhibit "G".

Escrow Agent: An agent from the City of Tucson Contracted List, as agreed in writing by both parties.

Improvements: Wells, tanks, water lines and distribution systems, and any other structures or tangible property used in connection with the water production and distribution system.

Inventory: Goods which are held by Seller for the treatment of water or otherwise used or consumed in connection with the Business, in the ordinary course of operating the Business.

Permitted Encumbrances: Those matters of record set forth on Schedule B of the Preliminary Title Report and such other matters approved in writing by Buyer.

Property or Real Property: All of Seller's well sites, easements, licenses and other real property interests located in Pima County, Arizona, including all Improvements, fixtures and any other rights and appurtenances pertaining thereto which are used by Seller in the Business.

Purchase Price: The sum of THREE HUNDRED THOUSAND DOLLARS (\$300,000.00) which is the total purchase price for the Business Assets as set forth under Section 3 of this Agreement.

Records: All of Seller's service agreements, service and repair records, water treatment records, Department of Water Resources filings and correspondence, customer data base information (including master file information, billing histories, complaints), meter reading

information, and other related documents arising out of or in any way relating to the Business Assets.

Seller: RINCON RANCH ESTATES WATER COMPANY, INC., an Arizona corporation.

Seller's Address: c/o 3750 S. Old Spanish Trail, Tucson, Arizona 85730.

Title Insurer: A Title Insurer selected by both Parties, as agreed in writing by both Parties.

Transfer Instruments: Those instruments customarily required for the transfer of the Assets, including, but not limited to:

- (i) Special Warranty Deed to the Property;
- (ii) Bill of Sale to all personal property;
- (iii) Assignments as to all Contract Rights, franchise rights and certificates which are transferable.

Section 2. Conveyance of Business Assets.

Subject to the conditions and limitations set forth herein, seller hereby agrees to sell and Buyer hereby agrees to purchase the Business Assets. Seller agrees to provide Buyer with good and marketable title to the Business Assets, and, at Closing, to convey such title with a warranty by Seller that the Business Assets are not subject to any security interests, liens or encumbrances except Permitted Encumbrances.

2.1 Real Property.

Conveyance of the Property shall be by special warranty deed, subject only to Permitted Encumbrances. The conveyance shall also be subject to the standard exceptions contained in the final title insurance policy to be given by Seller to Buyer and free and clear of all other liens and encumbrances.

2.1.1 Title Insurance. Seller shall furnish Buyer at Closing with a standard owner's title insurance policy in the amount up to \$300,000.00 insuring Buyer's interest in those properties Buyer owns in fee title.

2.1.2 Title Defects. In the event the Title Insurer is unable or otherwise refuses to issue said title insurance policy to Buyer as of the Date of Closing, subject only to the matters described and approved, then and in such event, Escrow Agent shall withhold from the Closing proceeds such amounts of money up to but not exceeding \$1,000.00 as are sufficient to remove any impediment to the issuance of such policy. If the policy still cannot be issued by the application of Closing

proceeds to remove a lien or impediment, then Buyer shall have the right, at Buyer's sole election, to terminate this Agreement and receive a full refund of all money on deposit, with any accrued interest thereon, and Buyer shall have no further obligation hereunder. In the alternative, Buyer may elect to close this transaction and waive the objectionable item, provided Buyer closes within fifteen days of the original Closing Date.

2.1.3 Unperfected Easements. As a condition of and prior to Closing, Seller shall verify that all Improvements are located upon and within recorded easements for such facilities. To the extent any Improvements are not so located, Seller shall acquire and record such easements, in a form approved by Buyer, prior to Closing.

2.1.4 Condition of Title. Seller shall preserve title to the Property and at the time of Closing shall deliver the Property in substantially as good condition with respect to title as of the date of the preliminary Title Report, except to remove an objectionable item.

2.2 Limitations.

The purchase of the assets pursuant hereto shall not constitute a purchase of Seller by Buyer nor render Buyer a successor in interest to Seller. This Agreement is limited to the purchase and sale of Business Assets only and Buyer is not assuming any liabilities of Seller with respect to the Assets or the Business which may exist at any time prior to their transfer hereunder.

Section 3. Method of Payment of Purchase Price.

Buyer shall deposit the sum of sixty thousand dollars (\$60,000.00), in cash or other certified funds, at Closing (subject to adjustment for costs and prorations as set forth herein), and thereafter make four annual payments of sixty thousand dollars (\$60,000.00) on or before the annual anniversary of the Closing date, until the balance of the Purchase Price will have been paid.

Section 4. Regulatory Contingency.

Buyer's obligations under this Agreement are contingent upon Seller obtaining the consent of any regulatory agencies who have the right to consent to the transaction contemplated hereunder.

Section 5. Representations and Warranties By Seller.

5.1 Seller's Representations.

Except as otherwise set forth in this Agreement, and in addition to all other covenants, warranties and representations of Seller herein, Seller hereby represents and warrants to Buyer the following:

5.1.1 Seisin. Seller is the owner of and has good and marketable title to the Business Assets to be conveyed hereunder.

5.1.2 Liabilities. Seller has no actual knowledge of any judgments, liens, actions or proceedings pending against Seller or the Business Assets which would adversely affect this transaction or the title which Buyer will receive, other than as set forth in the Preliminary Title Report.

5.1.3 Liens. No judgments, liens, security interest or other monetary obligations against the Business Assets will be outstanding at the time of Closing, except Permitted Encumbrances and current real estate taxes which are not yet due and payable.

5.1.4 Labor, Materials. All bills and invoices for labor and materials furnished to or on behalf of the Business Assets which have been incurred by Seller prior to the time of conveyance and transfer to Buyer, if any, will be paid and acknowledged in writing as paid by the laborer or supplier, as the case may be.

5.1.5 Proceedings. Seller does not have actual knowledge of any actions or proceedings by any governmental entity or any other facts or circumstances, including any causes of action, lawsuits or claims, whether existing or threatened, which might materially and adversely affect the Business Assets.

5.1.6 No Breach. Neither the execution and delivery of this Agreement nor the consummation of the transaction contemplated by this Agreement will result (either immediately or after the passage of time and/or the giving of notice) in a breach or default by Seller under any agreement or understanding to which Seller is a party or by which Seller may be bound or which would have an effect upon Seller's ability to fully perform its obligations under this Agreement.

5.1.7 No Bankruptcy. Seller has not (a) made a general assignment for the benefit of creditors, (b) filed any voluntary petition or suffered the filing of an involuntary petition by Seller's creditors, (c) suffered the appointment of a receiver to take all, or substantially all, of Seller's assets, (d) suffered the attachment or other judicial seizure of all, or substantially all, of Seller's assets, or (e) admitted in writing its inability to pay its debts as they fall due, and no such action is threatened or contemplated.

5.1.8 Best Actual Knowledge. All information prepared by Seller and provided or to be provided by Seller to Buyer and all representations by Seller are accurate to the best of Seller's actual knowledge without Seller having made any specific

investigation thereof; as to all other information provided or to be provided by Seller to Buyer, Seller knows of no inaccuracies.

5.1.9 Regulations. To the best of Seller's actual knowledge, there are currently no violations of any applicable zoning regulation or ordinance or other law, order, ordinance, rule, regulation or requirement, or of any covenant, condition or restriction affecting or relating to the use or occupancy of the Property from any governmental agency having jurisdiction over the Property or from any other person entitled to enforce the same.

5.1.10 Permits. Seller has all permits, licenses, authorization and approvals required by law or any governmental agency to conduct the Business.

5.1.11 Condemnation. To the best of Seller's knowledge, there are no pending or threatened condemnation or eminent domain proceedings which would affect the Property.

5.1.12 Disclosure. None of the representations or warranties made by Seller in this Agreement, nor any document, statement, certificate, schedule or other information furnished or to be furnished to Buyer pursuant to this Agreement or in connection with the transactions contemplated hereunder contains, or will as of the Closing Date contain, any untrue statement or a material fact, or omits, or will as of the Closing Date omit, to state a material fact necessary to make the statements of facts contained therein not misleading.

5.1.13 Creditors. Except as set forth in Section 7, all bills and invoices for goods and services related to or which are a part of the Assets, if any, shall be paid; all Creditors shall be paid; all employees (if any) and salaries, wages, bonuses, vacation pay and benefits accrued up to the date of Closing shall be paid; all withholdings, payroll taxes, unemployment insurance, worker's compensation benefits, and all other similar payments shall be paid current to the date of Closing; and no claims by Creditors shall exist which may encumber the Assets.

5.1.14 Organization. Seller has been duly formed and presently exists as an Arizona corporation, and has the full right and authority to enter into this Agreement, to consummate the sale contemplated herein and to observe and perform all of its covenants and obligations hereunder. The person executing this Agreement and any other document required hereby has full authority to act on behalf of and to bind the Seller in and to the obligations imposed on it by this Agreement.

5.1.15 Commissions. Seller has made no agreements respecting commissions or brokerage fees in connection herewith.

5.1.16 Environmental Regulations. In addition to all other covenants, warranties and representations of Seller herein, Seller hereby represents and warrants to the

Buyer that the Assets to be conveyed hereunder are, to the knowledge and belief of Seller, in compliance with all current applicable environmental, health and safety laws and regulations.

5.2 Buyer's Representations.

Buyer hereby represents to Seller as follows:

5.2.1 Authority. Buyer has been duly formed and presently exists as a municipal corporation under the laws of the state of Arizona, and the entering into of this Agreement and the performance of Buyer's obligations hereunder have been duly authorized by all proper and necessary actions, and do not violate any applicable governmental statute, rule, regulation, ordinance, contract or other restriction. The person executing this Agreement and any other documents required hereby has full authority to act on behalf of and to bind the Buyer in and to the obligations imposed on it by this Agreement.

5.2.2 Commissions. Buyer has made no agreements respecting Commissions or brokerage fees in connection herewith.

Section 6. Indemnification.

6.1 Seller.

Seller shall indemnify, defend and hold Buyer harmless against and in respect of:

6.1.1 All liabilities and obligations of, or claims against, the Assets not expressly assumed by the Buyer herein;

6.1.2 Any damage or deficiency prior to Closing resulting from any misrepresentation, breach of warranty or nonfulfillment of any agreement on the part of the Seller hereunder or from any misrepresentation in or omission from any certificate or other instrument furnished or to be furnished to the Buyer under this Agreement; and

6.1.3 All actions, suits, proceedings, demands, assessments, judgments, costs and expenses incident to any of the foregoing or any obligations, claims or liabilities of Seller in connection with the Assets transferred hereunder arising out of the Business prior to the date of Closing.

Buyer shall promptly notify Seller in writing of any claim, act or notice which could give rise to a claim of indemnification under this Agreement. Buyer shall not settle, pay or confess judgment with regard to such claim if Buyer receives from Seller within fifteen (15) days after the aforesaid notice of such claim a statement in writing by Seller that Seller will diligently defend the claim. If Seller desires to contest the claim, it shall do so at its sole cost and expense without

reimbursement of the defense as reasonably required by Buyer. If Seller shall fail to successfully contest a claim as provided for above; pay a claim or final judgment rendered against it; or remove any lien or attachment within ten (10) days after imposition, then Buyer may, but shall not be obligated to, pay any such claim, judgment or lien. In the event of such payment by Buyer, Buyer shall be entitled to an offset in the amount so paid by Buyer, plus costs, actual attorneys' fees and costs, and interest at the legal rate in connection therewith, against the next installment payment due under the Promissory Note, if any. In the event Buyer claims any such offset hereunder, Buyer shall so notify Seller in writing. Any amount due Buyer not paid by such offset shall be immediately due and payable by Seller. This provision shall survive Closing.

6.2 Buyer.

Buyer shall indemnify, defend and hold Seller harmless against and in respect of:

6.2.1 Any costs, expenses, damages or deficiencies resulting from any misrepresentation, breach of warranty or nonfulfillment of any agreement on the part of Buyer hereunder or from any misrepresentation in or omission from any certificate or other instrument furnished or to be furnished to Seller under this Agreement.

Seller shall promptly notify Buyer in writing of any claim, act or notice which could give rise to a claim of indemnification under this Agreement. Seller shall not settle, pay or confess judgment with regard to such claim if Seller receives from Buyer within fifteen (15) days after the aforesaid notice of such claim a statement in writing by Buyer that Buyer will diligently defend the claim. If Buyer desires to contest the claim, it shall do so at its sole cost and expense without reimbursement from Seller and shall keep Seller advised as to the status of the defense as reasonably required by Seller. If Buyer shall fail to successfully contest a claim as provided for above; pay a claim or final judgment rendered against it; or remove any lien or attachment within ten (10) days after imposition, then Seller may, but shall not be obligated to, pay any such claim, judgment or lien. In the event of such payment by Seller, the amount of such payment plus costs, and actual attorneys' fees together with interest thereon at the legal rate per annum shall be added to the next payment due by Buyer under the Promissory Note. This provision shall survive Closing.

Section 7. Aid in Construction Agreements.

7.1 Seller's Responsibility.

7.1.1 Seller shall be responsible for satisfying and obtaining the release of all Aid in Construction Agreements prior to Closing.

7.1.2 At Closing, Seller shall provide Buyer a certificate listing those Aid in Construction Agreements which have been released.

Section 8. Escrow Agent.

8.1 Closing Agent.

The Escrow Agent shall serve as the Closing agent for this transaction.

8.2 Delivery of Transfer Instruments.

The Transfer Instruments and any other documents required by this Agreement or applicable laws shall be placed by the parties into escrow with the Escrow Agent and shall be delivered to the appropriate party upon Closing.

8.3 Other.

The Escrow Agent agrees to do all things reasonably required by the terms of this Agreement to close this transaction.

Section 9. Closing Date.

The Closing of this sale shall take place on or before the 31st day of December, 2010. In the event all regulatory approvals have not been obtained before December 1, 2010, then the Closing date and the proration date shall be extended to a date mutually agreeable to the parties, which date must be within five (5) business days after such approvals are obtained.

Section 10. Closing Documents.

10.1 Seller's Deposits.

Prior to Closing, Seller shall deposit in escrow for delivery to Buyer, the following:

10.1.1 The Transfer Instruments required by this Agreement.

10.1.2 Any other documents or instruments required by this Agreement, including a list of Seller's Assets to be transferred to Buyer, but excluding Seller's tangible personal property not to be included within this sale.

10.2 Buyer's Deposits.

Prior to Closing, Buyer shall deposit in escrow for delivery to Seller the following:

10.2.1 All sums required of Buyer to close this transaction.

10.2.2 Such Transfer Instruments as are required of Buyer.

10.2.3 Any other instruments necessary to or reasonably required by Seller to effectuate the transaction contemplated herein.

Section 11. Costs.

Costs of Closing and/or expenses connected with the transfer of the property and the sale thereof shall be divided between Buyer and Seller, and paid through escrow, as follows:

11.1 Attorneys' Fees.

Each party shall pay its own attorneys' fees and costs.

11.2 Escrow Fees.

The escrow fee and all filing and recording fees shall be divided equally between Buyer and Seller, to the extent that such recording fees or filing fees are for the Transfer Instruments. If any recording fees or filing fees are necessary as a result of recordings required to clear title, they shall be paid by Seller.

11.3 Title Insurance.

The premium for the standard title insurance policies required to be provided by this Agreement shall be divided equally between the Parties. Buyer shall pay the difference between the standard premium and an extended premium, if any.

Section 12. Prorations.

All of the following in 12.1 and 12.2 shall be prorated as of 12:01 a.m., on December 31, 2010:

12.1 Taxes.

All current real estate taxes against the Property. Any delinquent taxes, penalties and interest thereon for the Property shall be paid by Seller on or before Closing.

12.2 Other.

12.2.1 Insurance shall be canceled by Seller as of Closing.

12.2.2 Utility service shall be transferred by Seller to Buyer as of Closing.

12.2.3 Utility deposits, if any, shall be returned to Seller, and Buyer shall make its own arrangements.

12.2.4 Maintenance contracts for services, supplies or Equipment as listed on Exhibit "M", as approved by Buyer in writing, shall be prorated as of Closing.

12.2.5 Personal property tax shall be prorated as of Closing.

12.2.6 Billing and collections shall be prorated as of Closing.

Section 13. Risk of Loss.

13.1 Prior to Closing.

The risk of loss for damage by fire or other casualty, or the taking by eminent domain, until Closing, shall be assumed by and shall be the responsibility of Seller. Upon the happening of any material loss and within ten (10) business days after notification thereof, Buyer may elect in writing to terminate this Agreement or close the sale. If any election to terminate the Agreement is made, any money on deposit shall be returned to Buyer with accrued interest thereon and this Agreement shall thereupon become null and void. In the alternative, if an election to proceed with Closing is made by Buyer, any insurance proceeds and/or condemnation award in connection with the loss shall be given to Buyer, but there shall be no adjustment to the Purchase Price.

13.2 After Closing.

The risk of loss or damage by fire or other casualty, or the taking by eminent domain, shall be assumed by Buyer after the Closing date.

Section 14. Insurance.

Buyer shall place its own insurance coverage on the property or bring it under Buyer's program of self-insurance and Seller shall terminate any insurance coverage it may have as of Closing. Escrow Agent shall not be responsible for monitoring this change.

Section 15. Assignment of Agreement.

The rights of any party under this Agreement are not assignable without the written consent of the other party, which may be withheld with or without cause.

Section 16. Default.

16.1.1 Non-Monetary Default. For the purposes of this Section 16, a "Non-Monetary Default" shall mean the failure of Seller to close this transaction after Buyer has tendered full performance when that failure is the result of any bona fide action by a third party encumbering the Property by creating a cloud on the title which is not practicably susceptible to financial satisfaction prior to Closing and which did not exist when the preliminary Title Report was received by Buyer.

16.1.2 Monetary Default. For the purpose of this Section 16, a "Monetary Default" shall mean the failure of Seller to close this transaction after Buyer has tendered full performance, when that failure is a result of a monetary lien or encumbrance upon the Property, which lien or encumbrance was not disclosed in the Preliminary Title Report when received by Buyer and which can be cured by the application of a portion of the Closing proceeds.

16.1.3 Seller's Willful Refusal. For the purpose of this Section 16, "Seller's Willful Refusal" shall mean the failure of Seller to close this transaction, without cause, after Buyer has tendered full performance.

16.1.4 Remedies. In the event of a Default by Seller, Buyer's exclusive remedies shall be as follows:

16.1.4.1 In the event of a Non-Monetary Default, Buyer shall have ten (10) business days following such default in which to elect in writing to terminate this Agreement or waive the Non-Monetary Default and close this transaction. In the event Buyer elects to terminate this Agreement, any money on deposit shall be returned to buyer, with all interest thereon, and this Agreement shall thereupon be null and void. If Buyer elects to waive the Non-Monetary Default and close the transaction, then the sale shall close within ten (10) business days after Buyer's written notice to close. There shall be no adjustment in the Purchase Price and Buyer shall accept whatever title Seller may be able to convey. If Seller still refuses or is unable to close, then Buyer may elect to pursue Buyer's legal and equitable remedies.

16.1.4.2 In the event of a Monetary Default, the Escrow Agent is hereby instructed to withhold from Seller's proceeds from the Closing a sufficient amount to cure the Monetary Default.

16.1.4.3 In the event of Seller's Willful Refusal, then Buyer shall be entitled to pursue its legal and equitable remedies as they may be available at law.

16.2 Buyer's Default.

In the event Buyer fails to close this transaction, Seller shall be entitled to pursue all its rights and remedies at law and in equity. The parties specifically agree that the provisions of A.R.S. Section 33-741, et seq. shall not apply to this Agreement.

Section 17. Customer Deposits.

17.1 Seller's Responsibility.

17.1.1 Seller shall retain all customer deposits and meter deposits and Buyer shall not receive any credit against the Purchase Price therefor.

17.1.2 Seller shall be responsible for refunding all customer deposits and meter deposits. Seller shall be entitled to offset customer deposits and meter deposits against amounts due from customers.

Section 18. Employees and Independent Contracts.

18.1 All employees will be terminated upon the effective date of transfer of the Business Assets to Buyer.

18.2 All independent contracts will be cancelled upon the effective date of transfer of the Business Assets to Buyer.

Section 19. Miscellaneous Provisions.

19.1 Notices.

All notices and communications hereunder shall be in writing and shall be given by personal delivery or mailed first class, registered or certified mail, postage prepaid, and shall be deemed received upon the earlier of actual delivery or one hundred twenty (120) hours after deposit in the United States Mail as aforesaid. Notices to Seller or Buyer as the case may be shall be delivered or mailed to the addresses set forth in Section 1 of this Agreement. In addition, a copy of the notice shall be mailed or delivered to the Escrow Agent as set forth in Section 1, and a copy shall also be sent to:

For RINCON RANCH
Dale Calvert
3750 S. Old Spanish Trail
Tucson, Arizona 85730-5638

City Attorney's Office
City of Tucson
P.O. Box 27210
Tucson, Arizona 85726-7210

19.2 Nature of Agreement.

19.2.1 Agreement Negotiated. The terms and provisions of this Agreement represent the results of negotiations between Seller and Buyer, each of which has been represented by counsel or the representation of its own choosing and none of which have acted under duress or compulsion, whether legal, economic or otherwise. Consequently, the terms and provisions of this Agreement shall be interpreted and construed in accordance with their usual and customary meanings, and Seller and Buyer hereby waive the application of any rule of law which would otherwise be applicable in connection with the interpretation and construction of the Agreement, including (without limitation) any rule of law to the effect that ambiguous or conflicting terms or provisions contained in this Agreement shall be

interpreted or construed against the party whose attorney prepared the executed draft or any earlier draft thereof.

19.2.2 Integration. All understandings and agreements heretofore had between the parties are merged into this Agreement which alone fully and completely expresses their agreement; the same is entered into after full investigation and neither party is relying upon any statements or representations by the other not embodied in this Agreement.

19.2.3 Other Inducements. The parties agree that there are no promises, inducements, representations or agreements in connection with this Agreement except those specifically set forth herein in writing.

19.2.4 Modification. This Agreement may not be changed orally, but only by an agreement in writing, signed by the parties.

19.2.5 Other Agreements. Seller shall not enter into any contracts, leases, agreements or amendments to existing agreements or encumbrances affecting the Property while this Agreement remains in force or subsequent to Closing of this transaction without the express written consent of Buyer, other than to remove a matter which the Title Insurer required be removed to Close.

19.3 Relation of Parties.

19.3.1 No Agency. It is expressly agreed and understood by the parties hereto that neither party is the agent, partner, nor joint venture partner of the other. It is also expressly agreed and understood that neither Seller nor Buyer has any obligations or duties to the other except as specifically provided for in this Agreement.

19.4 Attorneys' Fees.

If any party defaults hereunder, the defaulting party shall pay the other party's reasonable attorneys' fees, expert witness fees, travel and accommodation expenses, deposition and trial transcript costs, costs of court and other similar costs or fees paid or incurred by the non-defaulting party by reason of or in connection with the default (whether or not legal or other proceedings are instituted). In the event any party hereto finds it necessary to bring an action at law or other proceeding against the other party to enforce any of the terms, covenants or conditions hereof or any instrument executed in pursuance of this Agreement, or by reason of any breach hereunder, the party prevailing in any such action or other proceedings shall be paid all costs and reasonable attorneys' fees by the defaulting party, and in the event any judgment is secured by such prevailing party, all such costs and attorneys' fees shall be included in any such judgment, with attorneys' fees to be set by the court and not by the jury. In the event the parties elect to arbitrate a dispute, then this section shall also apply to arbitration, except that the provisions referring to a court shall refer to the arbitrator.

19.5 Construction.

19.5.1 Time. Time is of the essence of this agreement. However, if any action is required to be taken on a Saturday, Sunday or legal holiday, the action shall be deemed timely taken if it is taken on the next regular business day.

19.5.2 Headings. The headings of this Agreement have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof. Whenever a personal pronoun is used in any one gender, it shall be deemed to include all other genders as the case may require, and the singular shall include the plural, and vice versa, unless the context indicates to the contrary.

19.5.3 Adverbs. Whenever the terms "herein", "hereunder", "hereof", "therefore" or similar terms are used, they shall refer to this entire Agreement as a whole and shall not refer solely to any particular section.

19.5.4 Exhibits. All recitals, schedules and exhibits to this Agreement are fully incorporated herein as though set forth at length herein.

19.5.5 State Law. This offer and the contract and conveyance provided for herein if it is accepted shall be governed by the laws of the State of Arizona.

19.5.6 Counterparts. This Agreement may be executed in counterparts, and the signature of any person required by this Agreement shall be effective if signed on any and/or all counterparts. All counterparts together shall be considered one and the same Agreement.

Section 20. Inspection, Acceptance and Maintenance of Assets.

20.1 Buyer.

Buyer acknowledges that as of the date of this Agreement, it will have inspected the condition of such of the Assets as it deems reasonably necessary, and accepts the Assets in such condition, subject to Section 5 of this Agreement.

20.2 Seller.

Seller agrees to maintain the condition of the Assets in their current condition, ordinary wear excepted, to the date of Closing.

Section 21. Other Terms.

21.1 Receivables.

Buyer acknowledges that the records to be transferred to Buyer will contain information which may be needed by Seller from time to time. Buyer therefore agrees that Seller will have the right to reasonable access to such information during regular business hours after Closing.

21.2 Confidentiality.

Each party agrees to protect the proprietary information of the other to which it may have access and to maintain the confidentiality thereof.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date set forth above.

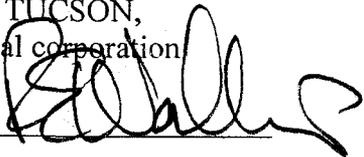
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SELLER:

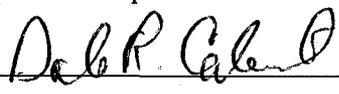
CITY OF TUCSON,
a municipal corporation

RINCON RANCH ESTATES WATER
COMPANY, Inc.
an Arizona corporation

By: _____



By: _____



Its: Mayor

Its: President

DATE: JUNE 8, 2010

ATTEST:

CITY CLERK

Date: JUNE 8, 2010

APPROVED AS TO FORM:

CITY ATTORNEY



Exhibit B
Customer Notice

Rincon Ranch Estates Water Co., Inc.

9420 E. Golf Links Road
PMB 322
TUCSON, AZ 85730

Voice (520) 298-0173

PUBLIC NOTICE OF AN APPLICATION FOR THE SALE OF ASSETS AND THE CANCELLATION OF THE CERTIFICATE OF CONVENIENCE AND NECESSITY BY RINCON RANCH ESTATES WATER COMPANY

Rincon Ranch Estates Water Company has filed with the Arizona Corporation Commission ("Commission") an application for authority to sell its assets and cancel its Certificate of Convenience and Necessity to provide water utility service. Rincon Ranch Estates Water Company's water system has been sold to the City of Tucson. If the application is granted, the City of Tucson would be the exclusive provider of water utility service to your area and will establish its own rates and charges.

If you have any claims against Rincon Ranch Estates Water Company, including claims for refunds of security deposits, service line and meter installations (Water Only) or main extension agreements and you have not already been contacted by the Company, you must present your claim to Rincon Ranch Estates Water Company on or before October 10th, 2010.

Direct your claim(s) to Rincon Ranch Estates Water Company
C/O Dale R. Calvert
2970 N. Swan Road #220
Tucson, AZ 85712

Approval of the application may be given without a hearing. If you have any questions or concerns about this application, have any objections to its approval or would like to request information on intervention in the proceeding, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 602-542-4251 or toll free 1-800-222-7000.