

**ORIGINAL  
NEW APPLICATION**



0000120280

**ARIZONA CORPORATION COMMISSION**



W-01782A-10-0465

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

2010 NOV 15 P 4: 51

RECEIVED

**FINANCING APPLICATION**

ABRIA WATER COMPANY INC

UTILITY NAME

\_\_\_\_\_  
DOCKET NO(S)

You must complete ALL items in the application according to the instructions provided. If you have any questions regarding the application please call (602) 542-4251 for Staff assistance.

IN ORDER TO PROCESS YOUR APPLICATION  
PLEASE FORWARD THE ORIGINAL  
AND THIRTEEN COPIES OF THE  
APPLICATION PLUS  
THREE PACKETS OF THE SUPPORTING  
DOCUMENTATION TO:

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL CENTER  
1200 WEST WASHINGTON STREET  
PHOENIX, ARIZONA 85007

Arizona Corporation Commission  
**DOCKETED**

NOV 15 2010

DOCKETED BY NR

1. The applicant's exact name and the address of its principal business office.

Abra Water Co., Inc. P.O.Box 385 Paulden, Arizona 86334

2. Name and address of the person authorized, on behalf of applicant, to receive notices and communications regarding the application.

Kevan Larson, President  
[Kevanlarson@cableone.net](mailto:Kevanlarson@cableone.net)  
928-713-2788

3. A full description of the financings debt proposed to be issued showing the kind, nature, and amount, the interest and date of maturity, call features, and other detailed information regarding the financing itself. An explanation of the assets of the company will be encumbered by the financing. A schedule of interest and principle payments with a schedule of expected draw downs for the loans.

See attached loan documentation, amortization schedule and draw down schedule.

4. A complete description of the uses of the net proceeds, including descriptions of plant, property, or other assets to be acquired. Provide any capital expenditure budget that supports the proposed use of proceeds.

The loan will be used to purchase arsenic media for the existing filtration system. See attached bids for arsenic media removal and replacement.

5. A statement that demonstrates why the financing is:

- a. Within the corporate powers of the applicant;

The Company is a corporation duly organized under the laws of the State of Arizona and has authority by its Articles of Incorporation and by Corporate Resolution. See attached statement.

- b. Compatible with the public interest;

It is in the best interest of the customers that are served by Abra Water for the Company to provide potable water that meets the federal requirements for arsenic removal. See attached statement

c. Compatible with sound financial practices;

Abra Water Company Inc. has obtained loans that are at current market rates. The company's loans for arsenic media will be paid through the proposed rate application before the Corporation Commission.

d. Compatible with the proper performance by the applicant of service as a public service corporation and will not impair its ability to perform that service.

This loan will allow Abra Water Company Inc. to continue to provide water which meets the federal clean water requirements. It will allow the company to continue to perform its service to its customers and the community. Lack of approval would impair the Company's ability to perform its public service. The Company would also be in violation of federal and state laws if the company cannot acquire a loan to purchase the required arsenic media..

6. The name and address of any person receiving, or entitle to, a fee for service in connection with the issuance or sale of the financing and a demonstration that such fees do not exceed customary fees for such service in an arms-length transaction and are reasonable.

No fees or benefits are being paid for this loan. The fees charged annually by the banks will be \$300.00 dollar's.

7. Provide a copy of any documents to be executed in the matter.

See attached documents.

8. Provide the most recent balance sheet and income statement showing booked amounts and pro forma adjustments to record and show the effect of the transaction..

The company's accountant has provided pro forma statements, current balance sheets and income statements which are attached. The pro forma statements are compiled using a 5% and 8% interest rate, the best and worst scenario.

9. The Commission requires the Company to notice customers of the financing application.

Attached is a copy of the notice sent to the customers and the Afficaviates of Published and receipts.

**Promissory Note's**

Chase Bank

Loan amount \$50,000.00

Interest Rate Variable.

The note will be at a rate of 1.450 percentage points over the Index / prime rate. Current prime rate is 3.25 percentage points.

Term Ten year renewal.

Late Charge 10 days late / 5% of regular payment plus default rate margin of 3%

Monthly payments \$100.00 dollars Minimum monthly payment

National Bank

Loan amount \$25,000.00

Interest Rate Variable

The note will be at a rate of 2.750 percentage points over the Index/ prime rate. Current prime rate is 3.25 percentage points.

Term Renewed Annually

Late Charge 10 days late / 5% of regular payment plus default rate margin of 3%

Monthly payments \$100.00 dollars Minimum monthly payment

## **Loan proceeds will be used to purchase arsenic media.**

### **Bids**

#### 1) Canyon State Filtration, LLC

Scope of work: Remove 220 cubic foot of spent MetSorb media. Canyon State Filtration to dispose of spent media, tank inspection and installation of 220 cubic foot of MetSorb media.

Price: \$69,300.00

Option: Labor only no arsenic media.

Water Company to purchase new arsenic media. Canyon State Filtration, LLC to install 220 cubic foot of media, inspect tank and dispose of spent media.

Price: \$18,700.00

#### 2) Layne Water

Scope of work: Remove 220 cubic foot of spent MetSorb media. Dispose of spent media, tank inspection and installation of 220 cubic foot of LaneRT Arsenic Removal Media.

Price: \$73,670.80

Option: Replace two tanks every year and a half 110 cubic feet of media.

Scope of work: Remove 110 cubic foot of spent MeSorb media. . Dispose of spent media, tank inspection and installation of 110 cubic foot of LaneRT Arsenic Removal Media.

Price: \$41,488.75

In the United States, arsenic is most commonly found in the ground waters of the southwest.<sup>[47]</sup> Increased levels of skin cancer have been associated with arsenic exposure, even at levels below the 10 part per billion drinking water standard.<sup>[48]</sup> According to a recent film funded by the US Superfund, millions of private wells have unknown arsenic levels, and in some areas of the US, over 20% of wells may contain levels that exceed established limits.<sup>[49]</sup>

Low-level exposure to arsenic at concentrations found commonly in US drinking water compromises the initial immune response to H1N1 or swine flu infection according to NIEHS-supported scientists. People exposed to arsenic in their drinking water may be at increased risk for more serious illness or death in response to infection from the virus.<sup>[50]</sup>

According to Peter Ravenscroft of the Department of Geography at the University of Cambridge,<sup>[53]</sup> roughly 80 million people worldwide consume between 10 and 50 parts per billion arsenic in their drinking water. If they all consumed exactly 10 parts per billion arsenic in their drinking water, the previously cited multiple epidemiological study analysis would predict an additional 2,000 cases of bladder cancer alone. This represents a clear underestimate of the overall impact, since it does not include lung or skin cancer, and explicitly underestimates the exposure. Those exposed to levels of arsenic above the current WHO standard should weigh the costs and benefits of arsenic remediation.

Epidemiological studies have suggested a correlation between chronic consumption of drinking water contaminated with arsenic and the incidence of all leading causes of mortality. The literature provides reason to believe arsenic exposure is causative in the pathogenesis of diabetes.

In 1974, Congress passed the Safe Drinking Water Act. This law requires EPA to determine the level of contaminants in drinking water at which no adverse health effects are likely to occur. These non-enforceable health goals, based solely on possible health risks and exposure over a lifetime with an adequate margin of safety, are called maximum contaminant level goals (MCLG). Contaminants are any physical, chemical, biological or radiological substances or matter in water.

The MCLG for arsenic is zero. EPA has set this level of protection based on the best available science to prevent potential health problems. Based on the MCLG, EPA has set an enforceable regulation for arsenic, called a maximum contaminant level (MCL), at 0.010 mg/L or 10 ppb. MCLs are set as close to the health goals as possible, considering cost, benefits and the ability of public water systems to detect and remove contaminants using suitable treatment technologies.

The Arsenic and Clarifications to Compliance and New Source Contaminants Monitoring Final Rule, the regulation for arsenic, became effective in 2002. The Safe Drinking Water Act requires EPA to enforce these regulations for the protection of American Citizens.

## Canyon State Filtration, LLC

225 Montazona Trail

Sedona, AZ 86351

T: 928.572.7373 F: 928.637.6617

[www.canyonstatefiltration.com](http://www.canyonstatefiltration.com)

Date: June 4, 2010

Dear Mr. Larson,

Re: Arsenic Removal Plant Maintenance

As you are aware, since 2006 the EPA reduced the Maximum Contaminant Level from 50 parts per billion ("ppb") to 10 ppb for arsenic in drinking water. Since then, arsenic removal technologies have quickly evolved with absorption using an iron or titanium based media quickly earning the position as the leading technology as the absorption process requires the least amount of daily monitoring and minimum chemicals. Although the operations of an absorption plant are often fairly simple, the maintenance is generally time-consuming and costly for water utility companies.

At Canyon State Filtration we focus on the removal and installation of various media from existing arsenic removal plants. Our clients benefit from our deep operating experience in this very demanding and often challenging process. Since each project has its own complexities, Canyon State Filtration is a solutions provider and turn-key operator in the maintenance of arsenic removal treatment plants. We are based locally in Arizona allowing us to pass on cost savings to our customers while providing a customer-focused approach to each project. For all of these factors, we believe that you will find us as an invaluable resource in the maintenance of your arsenic removal treatment plants.

Canyon State Filtration's inception began from the owner and operator of Big Park Water Company in Sedona, a locally owned and managed Arizona water utility company serving over 3,000 customers. Through the installation and operation of our own arsenic removal treatment plants over the past several years, we have developed the skills and knowledge to effectively remove old and install new arsenic media. It is from our own experience that we understood the need for a reliable and experienced company to perform cost-effective media "changeouts," or otherwise known as a "rebed," for arsenic absorption facilities.

Canyon State Filtration would enjoy meeting and discussing with you our experience and capabilities. We believe we are the most reliable, lowest cost and most responsive arsenic media maintenance company in Arizona. We appreciate your time and consideration and look forward to hearing from you.

Sincerely,



Howard Ripy

Manager

Canyon State Filtration, LLC



Canyon State Filtration, LLC

# Canyon State Filtration, LLC

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225 Montazona Trail  
Sedona, AZ 86351  
Phone: 928.592.7373  
Fax: 928.637.6617  
Internet: [www.canyonstatefiltration.com](http://www.canyonstatefiltration.com)

*Providing simple solutions to tackle your arsenic media removal needs*

## Arsenic Quick Facts

In 2006 the EPA Maximum Contaminate Level (MCL) for Arsenic was lowered from 50 parts per billion to 10 parts per billion. This had a significant impact on water utility providers in the Southwest requiring significant capital investment in arsenic removal systems.

## Absorption Media Specialists

Canyon State Filtration, LLC focuses on the replacement of absorptive arsenic media. We service the full spectrum of water utility companies and municipalities in Arizona. In addition, we also work with other providers of water services including schools, mobile home parks, hotels and camp grounds to maintain compliance with state and federal arsenic requirements.

## Deep Operational Experience

Canyon State Filtration, LLC was started by the owner / operator of Big Park Water Company in Sedona, AZ. It is from our experience in servicing our own treatment vessels over the past several years that we realized the need for a competent and knowledgeable team to perform effective treatment maintenance. We believe that we have developed the proper techniques and solutions to quickly and efficiently exchange media beds in absorption treatment plants. We understand the need for swift turnaround time for your treatment system, especially during high demand months. That's why we offer 24 hour service to ensure we meet your demands.

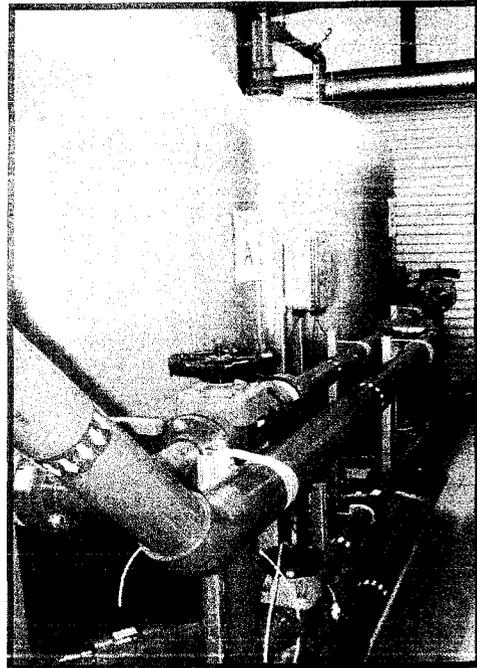
## Complete Set of Services

Canyon State Filtration, LLC can provide a variety of services for your arsenic absorption plant. Our services include:

- Removal of all absorption medias
- Reloading of absorption media and under bedding
- Landfill disposal permitting
- Parts replacement
- Treatment plant monitoring
- Service contracts

## Benefits to You

- Reduce your labor expenses
- Free up your operator's time, allowing them to focus on other important operational processes
- Lower your environmental costs
- Eliminate expensive one-time maintenance expenditures
- Create worry-free operations for your arsenic equipment



(Above: Arsenic Treatment Plant-Well #3 designed, built and maintained by Big Park Water Company)

*We are a solutions provider to meet your arsenic removal needs working in-line with specific local, state and federal requirements.*

*It is our job to ensure the removal of arsenic media from your treatment vessels is safe and worry free.*

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*Call us today at 928.592.7373 to schedule an appointment*



Canyon State Filtration, LLC

# Canyon State Filtration, LLC

225 Montazona Trail

Sedona, AZ 86351

T: 928-592-7373 F: 928-637-6617

www.canyonstatefiltration.com

## Proposal for Arsenic Media Change Out

October 21, 2010

### General Terms

- a. Company. The word "Company" shall refer to the Abra Water Company whose principal place of business is located in Paulden, AZ.
- b. Company's Authorized Representative. The words "Company's Authorized Representative" shall refer to any officer of the Company, and any of the Company's Engineers, any Division Manager or Superintendent of the Company and/or such other person(s) designated in writing as the "Company's Authorized Representative" by the President or any Vice President of the Company.
- c. CSF. The acronym "CSF" shall refer to Canyon State Filtration, LLC employed to do the work as specified herein.
- d. ATP. The acronym "ATP" shall refer to the Arsenic Treatment Plant located as described herein by street address or cross streets.
- e. Proposal – The "Proposal" shall refer to all text and only the text included in this document.
- f. ATP Site – The "ATP Site" shall refer to the ATP located near the Southwest corner of the intersection of US Highway 89 and Big Chino Road.

### Scope of Work

The scope of work described herein pertains only to the ATP Site. CSF will be responsible for the permitting, removal of 220ft<sup>3</sup> of spent MetSorb media, disposal, tank inspection and installation of:

Option 1: 220ft<sup>3</sup> of MetSorb media manufactured by Graver Technologies or

Option 2: media supplied by the Company

In addition, CSF will supply and install the required under bedding.

Prior to the arrival of CSF on the job for the change out, it will be the responsibility of CSF to submit all documentation for the proper permitting to dispose of the spent media. Three (3) weeks prior to removal of the exhausted media CSF will submit a sample of spent media for lab testing. CSF will be responsible for all costs associated in performing a Toxicity Characteristic



Canyon State Filtration, LLC

Leaching Procedure (TCLP) to ensure that the spent media meets all federal guidelines to classify the spent media as non-hazardous material. CSF believes from experience that the media will be considered non-hazardous material, in the event that the media is determined as hazardous material it will result in additional charges. The additional charges due to hazardous material will be discussed with the Company for approval prior to the start of removing the spent media. Failure of the Company to provide access for a grab sample of spent media prior to the CSF crew arrival will result in additional charges and may delay disposal of the spent media.

Once the spent media has been approved for disposal, CSF will schedule with the Company a date and timeframe in which the work will be performed. Upon arrival of CSF at the ATP Site it will be the responsibility of the Company to ensure that the vessel is offline so that the CSF crew may begin performing the removal of the spent media and installation of the new media. Once the spent media is removed from the vessel, CSF will visually inspect the condition of the vessel's interior and distribution laterals and make notice to the Company of any issues. Any parts replacement, if needed, are not covered under this proposal.

Initial backwashing of the new media will be performed by CSF. CSF personnel will make available the procedure for backwashing to the Company in the event that the Company discovers a need to perform backwashing during the life of the new media. CSF's proposal assumes that the onsite backwash facility is adequate for the required backwash volume and should be empty at the time CSF arrives onsite. Should this not be the case, additional charges may apply.

CSF will be responsible for the transportation and disposal of the spent media to the permitted landfill. Upon completion of disposal of the spent media, CSF will provide the Company with written documentation of the spent media's final destination.

### **District Responsibilities**

The following is a list of responsibilities of the Company as part of the Proposal:

- a. Three weeks prior to the removal date of spent media by CSF, the Company will provide CSF with access for sampling of the spent media at the ATP Site to be used for TCLP testing.
- b. Allow for adequate space at the ATP Site for CSF to station its equipment and vehicles, which may require moving mobile equipment.
- c. Have the Company's Authorized Representative onsite to assist in answering potential questions that may arise during the three to four day change out process.
- d. Ensure that the backwash facility is empty at the time CSF arrives onsite.
- e. All requirements for chlorination and bacti sampling will be the responsibility of the Company.

Should these responsibilities of the Company not be met, additional charges may apply.



**Price and Payment Terms**

The prices listed below is a lump sum for permitting, labor and materials for the removal and disposal of the spent media and installation of the new media.

**Option 1:**

The total cost to remove and dispose of the spent media, supply and install 220ft<sup>3</sup> of new MetSorb media manufactured by Graver Technologies is **\$69,300.00**.

**Option 2:**

The total cost to remove and dispose of the spent media, install new media supplied by the Company is **\$18,700.00**.

Pricing does not include applicable state and local taxes. It will be the responsibility of the Company to inform CSF of exemptions for applicable taxes.

Proposal is valid for 60 days upon delivery of this bid. Terms of payment will be agreed upon once the Company is ready to accept CSF's bid proposal.

Canyon State Filtration, LLC

By:

Howard King  
Manager

Date:

10/21/2010





Water Treatment Division

**LayneWater**™ Design, Develop, Deliver



*Your partner in  
water solutions  
...since 1882.*



## **ARSENIC REMOVAL MEDIA REPLACEMENT**

*A PROPOSAL TO:  
ABRA WATER COMPANY*

**June 30, 2010**

**Layne Christensen Company**

50 Bearfoot Road • Northborough, MA • Phone: 800-216-5505 • Fax: 508-393-1795



Water Treatment Division

June 30, 2010

Mr. Kevan Larson  
Abra Water Company  
PO Box 515  
Paulden, Arizona 86334

**RE: Media Replacement for Abra's Arsenic Removal System**

Dear Kevan,

I appreciate the opportunity to provide you with a quote to replace your current arsenic removal media with our LayneRT media. Layne Christensen developed LayneRT, a revolutionary new media, specifically to remove arsenic from drinking water. LayneRT is a long lasting, high capacity media that provides rapid arsenic adsorption kinetics without generating fines, requires no backwashing (no onsite residuals) and is regenerable (a Phoenix based regeneration facility is currently being constructed). Based on an iron impregnated, macroporous resin, LayneRT maximizes capacity while minimizing operation and maintenance expenses.

In addition to arsenic treatment, the Layne Water Treatment Division offers a full line of water-related services and products including hydrological studies, site selection, well design, drilling, well development, contaminant removal, pump installation, repair and maintenance, as well as water treatment services and maintenance (more information is available at [www.laynewater.com](http://www.laynewater.com)).

Enclosed you will find the following:

- LayneRT Brochure, MSDS and WQA Gold Seal Certificate
- Our LayneRT bed life estimate
- Proposal for the replacement of your arsenic removal media which includes the replacement of one train (110 cuft) or both (220 cuft). Both proposals include detailed pricing for the installation of LayneRT
- Proposal for the regeneration of exhausted LayneRT
- Layne's standard terms and conditions, and;
- CTI proposal to handle both the removal of the current arsenic removal media, associated disposal costs and installation of LayneRT.

If you have any questions, please feel free to contact me at (602) 332.3174.

Warmest Regards,

Lisa Culbert  
National Marketing Manager – Services  
Water Treatment Division  
Layne Christensen Company

**Layne Christensen Company**



**Water Treatment Division**

Purchaser or in the event any proceeding is brought against the Purchaser, voluntarily or involuntarily under the bankruptcy or any insolvency laws, Seller shall be entitled to cancel any order then outstanding at any time during the period allowed for filing claims against the estate and shall receive reimbursement for its reasonable and proper cancellation charges.

**CHANGES:**

Seller reserves the right to change or modify the design and construction of its Products and to substitute other suitable materials.

**DRAWINGS:**

If drawings are furnished with this proposal, they are submitted only to show the general style, arrangement and approximate dimensions of the equipment offered. No work is to be based upon proposal drawings. Foundation or assembly drawings certified by the Seller will be furnished, when required, after final acceptance of Purchaser's order. It is the Purchaser's responsibility to verify that the data given on certified drawings is suitable for applicable installation conditions. Any changes made after the order is released for manufacture will be subject to extra charges.

**TITLE/RISK OF LOSS/DEFAULT:**

Unless otherwise specified by Seller, delivery will be made F.O.B. point of shipment to Purchaser. Title to right of possession and ownership of Products covered herein shall remain vested in Seller until the entire purchase price herein provided for shall have been paid in full in cash, and the Purchaser agrees to do all acts necessary to perfect and maintain such right and title in the Seller. In case of failure or refusal to make payments when due, then and in any such event the whole of the unpaid portion of the purchase price shall, at Seller's option, become immediately due and payable and in case of such default on Purchaser's part, Seller shall thereupon have the right to enter the premises upon which such property shall be installed and take possession of and remove the same without legal process. This equipment shall retain its character as personal property regardless of its mode of attachment. Risk of loss or damage shall pass to Purchaser on delivery to carrier.

**TAXES:**

In addition to any price specified herein, Purchaser shall pay the gross amount of any present, or future sales, use, excess, value added or other similar tax applicable to the price, sale or delivery of any Products or their use by Seller or Purchaser, or Purchaser shall furnish Seller with a tax exempt certificate acceptable to the taxing authorities.

**CANCELLATION:**

Any order placed with Seller may be cancelled by the Purchaser only upon payment of reasonable cancellation charges, which shall take into account expenses already incurred and commitments made by the Seller.

**RETURNED GOODS:**

Unused Products of current manufacture may be returned for credit only upon written consent of Seller and with transportation charges prepaid. All such returns shall be subject to a handling charge and reduced by the amount of assembly charges involved in the original equipment, dismantling charges involved in placing the material back in stock, the amount of unusable materials, plus a charge equal to any transportation costs which Seller paid in making original shipments. Products which are obsolete or made to special order are not returnable.

**GENERAL:**

The terms and conditions hereof cancel and supersede all previous understandings or agreements relating to the Products covered hereunder, written or oral, between Seller and Purchaser and contain the entire understanding of the parties hereto. No waiver, alteration, deletion or modification of or addition to any of the provisions hereof shall be binding unless in writing and signed by a duly authorized representative of the Seller. If any term, provision or condition contained herein shall, to any expert, be invalid or unenforceable, the remainder of the terms, provisions and conditions hereof other than those which are invalid or unenforceable, shall not be affected thereby and each term, provision and condition of this order shall be valid and enforceable to the fullest extent permitted by law. This order and all rights and obligations of the parties shall be construed and interpreted under and pursuant to the laws of the State of Kansas.

THE END

Rev. 01/01

**Layne Christensen Company**

50 Bearfoot Rd • Northborough, MA 01532 • Phone: (866) 216-5505 • Fax: (508) 393-1795



Water Treatment Division

## Bed Life Estimation

Reference#: 14010-01

Opportunity: ABRA

### Water Analysis Parameters Required for Estimate

Total Arsenic	17.0	ppb
As(III)	N.D.	ppb
As(V)	17.0	ppb

### Significant Competing Ions

Silica (SiO <sub>2</sub> )	46	ppm (as Silicon = 21.8 ppm)*
Phosphate (PO <sub>4</sub> )	66	ppb (as P = 22 ppb)
pH	7.5	

### Other helpful parameters:

Iron	22.0	ppb (> 300 pre-treat (could cause fouling of bed))
Manganese	20.0	ppb (> 50 pre-treat (could cause fouling of bed))

Estimated Bed Volumes to 10 ppb arsenic breakthrough based upon parameters listed above: 84,480 BV

Based on the water usage (90,000 gpd) and amount of media in the lead columns (110 cuft total), the LayneRT will need to be regenerated in 3.78 years.

Signature of person responsible for estimate: Kevin Osborn

Date: 05/20/2010

*Note: The above estimate is based upon the parameters provided to Layne Christensen Company. Incomplete water analysis will greatly affect the accuracy of the bed life estimate. Actual performance of LayneRT under field conditions may differ from the number quoted therefore media performance is not warranted. This estimate is not a guarantee of performance since water quality parameters for particular source of water can vary over time and may adversely impact LayneRT performance. This estimate is for informational purposes only. With this estimate Layne is NOT responsible for early exhaustion of the media*

**Layne Christensen Company**

50 Bearfoot Road • Northborough, MA • Phone: 800-216-5505 • Fax: 508-393-1795



Water Treatment Division

Date: 06/30/2010  
 Quotation #: 060910-02

To	From
Kevan Larson Abra Water Company PO Box 515 Paulden, AZ 86334	Lisa Culbert Layne Water Treatment Division <a href="mailto:lculbert@laynewater.com">lculbert@laynewater.com</a> (800) 216-5505 (602) 332-3174

	Description	Unit Price	Total
220	LayneRT Arsenic Removal Media (ft <sup>3</sup> )	\$310	\$68,200
	<b>Media Installation</b>		
4	Labor (per person per day)	\$860	\$3,440
4	Per Diem (per person)	\$150	\$600
2	Air Supply (per day)	\$75	\$150
4	50 lb bags of garnet underbedding	\$16	\$64
336	Mileage	\$0.55	\$184.80
6	Hours Travel Time (2 laborers)	\$172	\$1,032
		<b>Subtotal</b>	<b>\$73,670.80</b>
		<b>S&amp;H</b>	<b>TBD</b>
		<b>Total</b>	<b>\$73,670.80</b>

**Terms and Conditions**

- Prices do not include shipping (unless otherwise stated)
- Quote expires one (1) year from date of quote
- Payment terms are in advance via credit card, wire transfer or net 30 Days upon approval
- Current delivery is 4-6 weeks after receipt of your order.
- See attached for more Terms & Conditions

**Layne Christensen Company**

50 Bearfoot Road • Northborough, MA • Phone: 800-216-5505 • Fax: 508-393-1795



Water Treatment Division

Date: 06/30/2010  
 Quotation #: 060910-01

To	From
Kevan Larson Abra Water Company PO Box 515 Paulden, AZ 86334	Lisa Culbert Layne Water Treatment Division <a href="mailto:lculbert@laynewater.com">lculbert@laynewater.com</a> (800) 216-5505 (602) 332-3174

Description		Unit Price	Total
110	LayneRT Arsenic Removal Media (ft <sup>3</sup> )	\$350	\$38,500
<b>Media Installation</b>			
2	Labor (per person per day)	\$860	\$1,720
2	Per Diem (per person)	\$150	\$300
1	Air Supply (per day)	\$75	\$75
2	50 lb bags of gamet underbedding	\$16	\$32
185	Mileage	\$0.55	\$101.75
5	Hours Travel Time (2 laborers)	\$172	\$860.00
		Subtotal	\$41,588.75
		S&H	TBD
		<b>Total</b>	<b>\$41,588.75</b>

**Terms and Conditions**

- Prices do not include shipping (unless otherwise stated)
- Quote expires one (1) year from date of quote
- Payment terms are in advance via credit card, wire transfer or net 30 Days upon approval
- Current delivery is 4-6 weeks after receipt of your order.
- See attached for more Terms & Conditions

**Layne Christensen Company**

50 Bearfoot Road • Northborough, MA • Phone: 800-216-5505 • Fax: 508-393-1795

**CT**<sub>inc.</sub>

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**C h e m i c a l T r a n s p o r t a t i o n , I n c .**

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For the crew to mobilize, service two vessels and return, the total cost would be approximately \$4,400.00 excluding waste disposal, bin rental, transportation and profiling. If the crew stays the night and services all four vessels the total cost, excluding waste transportation, bin rental, disposal and profiling would be approximately \$7,200.00. Add roughly \$1,500.00 to either option to cover the cost of transporting, profiling and disposing of the old media.

Lisa, thank you for allowing Chemical Transportation, Inc. the opportunity to accommodate your environmental needs. If you have any questions or require additional information, please feel welcome to contact me at your convenience.

Sincerely,

Pat McCarl  
Manager of Quality Assurance

1945 E. Jackson Street – Phoenix, AZ 85034  
TEL (480) 784-4833 FAX (602) 275-1666

505 Sandstone Avenue – Farmington, NM 87401  
TEL (505) 327-2676 FAX (505) 327-2681

A Subsidiary of



P.O. Drawer 397 – Rillito, AZ 85654  
TEL (520) 682-4101 FAX (520) 682-3509

400 Inglewood Drive, Suite E – El Paso, TX 79927  
TEL (915) 860-1161 FAX (915) 860-1401

Highway 66, M.P. 321 – St. Johns, AZ 85936  
TEL (928) 337-2712 FAX (928) 337-3465



Water Treatment Division

**LAYNE CHRISTENSEN COMPANY – WATER TREATMENT DIVISION**

**STANDARD TERMS AND CONDITIONS OF SALE**

**ACCEPTANCE:**

Sale of any products or services (hereafter, the "Products") by Layne Christensen Company – Water Treatment Division ("Seller") to Purchaser shall be subject to the terms and conditions of sale contained herein. No change in or addition to these terms shall be binding upon Seller unless specifically accepted in writing by Seller. Seller objects in advance to any additional or different terms proposed in Purchaser's order.

**PRICING:**

Prices shall be Seller's price in effect at time of shipment unless otherwise specified in Seller's written quotation. Quotations automatically expire 30 calendar days from quotation date and may be canceled at any time by written notice.

**FORCE MAJEURE LIMITATION:**

Seller shall not be liable for any loss, damage or expense resulting from delay or failure in the performance of Seller's obligations hereunder if such delay or failure is due to acts of God or the public enemy, strikes, labor troubles, fire, explosions, riots, war, governmental orders or restrictions, shortages of materials or labor, delay in transportation, theft, accidents or any other cause which is beyond Seller's reasonable control. Upon the occurrence of any such event preventing the Seller from performing all of its then outstanding contracts, the Seller shall then be entitled to perform such of its contracts as it may select and shall incur no liability to the Purchaser by reason of performing contracts other than this agreement. The Seller's total liability for damages related to the performance of or failure to perform this agreement shall be limited to the amount of the contract price. **IN NO EVENT SHALL THE SELLER BE LIABLE FOR LOSS OF PROFITS BY REASON OF PLANT SHUTDOWN, NON-OPERATION OR INCREASE IN EXPENSE OF OPERATION OF OTHER EQUIPMENT OR FACILITIES OR FOR ANY SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES.**

**DELIVERY:**

Shipping dates are estimates only and are based on Seller's projected production schedules and commitments by suppliers. **DELAY IN SHIPMENT OR VARIANCE FROM SHIPPING SCHEDULE SHALL NOT BE CAUSE FOR CANCELLATION OR CLAIM FOR DAMAGE.** Receipt by the Purchaser of any Products shall constitute acceptance of delivery and waiver of any claims due to delay.

**WARRANTY:**

Products manufactured by the Seller and sold under this agreement are warranted to be free from defects in materials and workmanship for one year from the date of shipment to the Purchaser. Goods manufactured by other than Seller and sold under this agreement are warranted only to the extent of such manufacturer's warranty. Seller's obligation is limited to repair or replacement F.O.B. Seller's plant when examination of any such Products shall disclose them to Seller's satisfaction to have been defective and Purchaser shall have promptly notified Seller of the discovery of any such defect. At Seller's option, such Products shall be returned to Seller, transportation charges prepaid, for such examination. This warranty is conditioned upon the Purchaser making full and complete payment to Seller pursuant to the payment terms hereof and does not apply to any Products which have been opened, disassembled, repaired or altered by anyone other than Seller or subjected to misuse or abuse. Corrosion, erosion, deterioration from unusual causes, normal wear and tear, or operating conditions more severe than those for which the product is designed are expressly excluded from this warranty. Warranty on product repairs or replacement parts shall extend for the unexpired warranty period of the original product. **THERE ARE NO WARRANTIES EXPRESS OR IMPLIED WHICH EXTEND BEYOND THOSE EXPRESSLY STATED HEREIN, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.**

**PAYMENTS:**

Terms of payment are net 30 days. The maximum legal rate of interest and all costs of collection (including attorney's fees) shall be charged on past due accounts. All orders are subject to the continuing approval of Seller's credit department. If Purchaser is in default in any payment, Seller may declare all payments for work completed immediately due and payable, stop all further work until payments are brought current and/or require advance payment for future shipments. Where delivery is prevented or delayed by Purchaser, in such event storage of goods shall be at Purchaser's expense and risk. If the financial condition of the Purchaser at any time does not in the judgment of Seller justify continuance of production or shipment on the terms of payment set forth herein, Seller may require full or partial payment in advance or shall be entitled to cancel any order then outstanding and shall receive reimbursement for its reasonable and proper cancellation charges. In the event of bankruptcy or insolvency of the

**Layne Christensen Company**

50 Bearfoot Rd • Northborough, MA 01532 • Phone: (866) 216-5505 • Fax: (508) 393-1795

**CT** inc.

**C h e m i c a l T r a n s p o r t a t i o n , I n c .**

June 23, 2010

Ms. Lisa Culbert, National Marketing Manager - Services  
Layne Christensen Company  
50 Bearfoot Road  
Northborough, Massachusetts 01532

[LCulbert@LayneWater.com](mailto:LCulbert@LayneWater.com)  
[DTharan@MCLTechnology.com](mailto:DTharan@MCLTechnology.com)

RE: Proposal No. I0-584-PM  
Exchange Filter Media/Abra Water Site – Paulden, Arizona

Dear Ms. Culbert:

Thanks for spending so much of your time helping me understand the specifics of this project. Being that we have not visited the site, I'm proceeding with this proposal based on several assumptions. Among them are:

- Each tank has a hatch that is large enough to permit a technician to enter
- There is sufficient room in the building to permit us to set up a small scaffold, ladders and other similar items that will permit us to safely access the tanks
- The internal plumbing is configured such that a technician can enter and work in the vessels without excessive hazard to himself
- The new media will be available onsite and in small packages, less than 100 pounds each, permitting us to hand load it into the vessels
- Layne Christensen will coordinate cooperative efforts between Chemical Transportation, Inc. (CT) and the facility Operator. This especially includes transferring water into the emptied vessels to protect them as the gravel media is being added and providing for sanitation protocols
- There are no unforeseen barriers or obstacles that will inhibit our ability to work efficiently

Generally speaking, in a single eleven-hour day a four-man crew could travel to the site, empty and refill two vessels and return home. Alternately, after staying the night locally, they could service the last two vessels and return home. Provided below are the rates that would be applicable to this project along with estimated total costs. At your request I have provided approximate total costs for refilling all four vessels and for servicing only two of them. The estimates provided are for budgetary purposes only. CT will bill this project on a time and materials basis.

• Guzzler Air Mover - Travel Time	\$95.00 per hour
• Guzzler – Onsite Pumping	\$165.00 per hour
• Guzzler Fuel Surcharge	Currently @ 19%
• Support/Crew Truck	\$85.00 per day plus \$0.49 per mile
• Confined Space Rescue Gear	\$350.00 per day
• Disposable Flex Hose/100' Roll	\$200.00 per roll
• General Tool Charge	\$50.00 per day
• Air Monitor	\$175.00 per day
• Bin Spot	\$510.00
• Fuel Surcharge	Currently @ 19%
• Bin Liner	\$25.00 each
• Bin Rental	\$5.00 per day
• Disposal Profile and Analysis	\$220.00
• Transportation/Non-Hazardous - Landfill	\$700.00
• Fuel Surcharge	Currently @ 19%
• Disposal/Non-Hazardous Solids	\$35.00 per ton
• Supervisor	\$45.00 per hour plus O.T.
• Technicians	\$40.00 per hour plus O.T.
• Personal Protective Equipment	\$45.00 per man per day
• Per Diem	\$125.00 per man per day

A Subsidiary of



1945 E. Jackson Street – Phoenix, AZ 85034  
TEL (480) 784-4833 FAX (602) 275-1666

P.O. Drawer 397 – Rillito, AZ 85654  
TEL (520) 682-4101 FAX (520) 682-3509

400 Inglewood Drive, Suite E – El Paso, TX 79927  
TEL (915) 860-1161 FAX (915) 860-1401

505 Sandstone Avenue – Farmington, NM 87401  
TEL (505) 327-2676 FAX (505) 327-2681

Highway 66, M.P. 321 – St. Johns, AZ 85936  
TEL (928) 337-2712 FAX (928) 337-3465



Water Treatment Division

Date: 06/30/2010  
Quotation #: 060910-03

To	From
Kevan Larson Abra Water Company PO Box 515 Paulden, AZ 86334	Lisa Culbert Layne Water Treatment Division <a href="mailto:lculbert@laynewater.com">lculbert@laynewater.com</a> (800) 216-5505 (602) 332-3174

	Description	Unit Price	Total
110	Regenerated LayneRT Arsenic Removal Media (ft <sup>3</sup> )	\$250	\$27,500
		Subtotal	\$27,500
		S&H	TBD
		<b>Total</b>	<b>\$27,500</b>

**Terms and Conditions**

- Prices do not include installation or shipping (unless otherwise stated)
- Quote expires one (1) year from date of quote
- Payment terms are in advance via credit card, wire transfer or net 30 Days upon approval
- Current delivery is 4-6 weeks after receipt of your order.
- See attached for more Terms & Conditions

**Layne Christensen Company**

50 Bearfoot Road • Northborough, MA • Phone: 800-216-5505 • Fax: 508-393-1795



50 Bearfoot Road  
Northborough, MA 01532  
800-216-5505 508-393-5115

# Material Safety Data Sheet

complies with  
OSHA's Hazard Communication Standard,  
29 CFR 1910.1200

**IDENTITY** (As Used on Label and List)



**LayneRT**

CAS #

Hybrid Ion Exchange Resin

**SECTION 1 Manufacturer's Name & Contact Information**

**SolmeteX Hazard Rating**

**Scale**

SolmeteX <i>A Division of Layne Christensen</i> 50 Bearfoot Road Northborough, MA 01532, USA	Emergency Telephone Number:	Toxicity	1	4 = Extreme 3 = High 2 = Moderate 1 = Slight 0 = Insignificant
	508-393-5115	Fire	1	
	Telephone # for Information:	Reactivity	0	
	508-393-5115	Special	-	
Date Prepared:	February 2009			

**SECTION II Ingredients/Identity Information**

Components (Specific Chemical Identity: Common Name(s))	OSHA	PEL	ACGIH TLV	Other Limits
Quaternary amine styrene divinylbenzene copolymer in the Sulfate/Iron Oxide Form - 35% - 65% Water - 35% - 65%	N/A	N/A	N/A	N/A

**SECTION III Physical/Chemical Characteristics**

Boiling Point	N/A	Specific Gravity (H <sub>2</sub> O = 1)	Approx 1.6	Solubility in Water	Negligible
Vapor Pressure (mm Hg)	N/A	Evaporation Rate (Butyl Acetate =	N/A	Melting Point	N/A
Vapor Density (AIR = 1)	N/A	Appearance and Odor	Spherical beads dark brown, slight amine odor when new		

**SECTION IV Fire and Explosion Hazard Data**

Flash Point (Method Used)	None	Flammable Limits auto/ign. 427°C / 800° F (estimated) No flash point	LEL	UEL
			N/A	N/A
Extinguishing Media	CO <sub>2</sub> Dry chemical, Water fog			
Special Fire Fighting Procedures	Wear MSHA /NIOSH approved, pressure demand, self contained breathing apparatus			
Unusual Fire and Explosion Hazards	None			

**SECTION V - Reactivity Data**

Stability	Stable	Conditions to Avoid	Avoid temperatures over 220°C (424°F)
Incompatibility (Materials to Avoid)	Avoid contact with concentrated nitric acid, or strong oxidizing agents.		
Hazardous Decomposition or Byproducts	CO, CO <sub>2</sub> , Styrene monomer, N(CH <sub>2</sub> OH), NH <sub>3</sub> , Divinylbenzene		
Hazardous Polymerization	Will not occur	Conditions to Avoid	N/A

<b>SECTION - VI Health Hazard Data</b>							
Route(s) of Entry: N/A		Inhalation?	N/A	Skin?	N/A	Ingestion?	N/A
Health Hazards (Acute and Chronic)		Eye Contact: Like other foreign bodies, particles may cause mechanical irritation of the eye					
Carcinogenicity	N/A	NTP?	N/A	IARC Monographs?	N/A	OSHA Regulated?	N/A
Signs and Symptoms of Exposure		N/A					
Medical Conditions Generally Aggravated By Exposure		Eye Contact: Like other foreign bodies, particles may cause mechanical irritation of the eye					
Emergency and First Aid Procedures		Eye contact: Flush with large amount of water for at least 15 minutes. Consult physician if irritation persists					
<b>SECTION VII - Precautions for Safe Handling and Use</b>							
Steps to be Taken in Case Material is Released or Spilled: Resin beads on floor may mechanically cause floor to be slippery. Use care to avoid falls. Sweep up and transfer to containers for recovery or disposal							
Waste Disposal Method				Dispose of in accordance with Federal, State and Local Regulations			
Precautions to be Taken in Handling and Storing:				Keep drums and plastic bags sealed to prevent drying or moisture loss.			
Other Precautions:				Store below 49° (120°F) and above 0°C (32°F)			
<b>SECTION VIII - Control Measures</b>							
Respiratory Protection (Specify Type)				None			
Ventilation		Local Exhaust	Normal room ventilation		Special	N/A	
		Mechanical (General)	N/A		Other	N/A	
Protective Glove:		Cloth gloves		Eye Protection:		Safety glasses (ANSI Z 87.1)	
Other Protective Clothing or Equipment				None			
Work/Hygienic Practices				Cleanliness is recommended.			
<b>SECTION IX – Regulatory Information</b>							
Workplace Classification: <a href="http://www.osha.gov/OshStd_toc/OSHA_Std_toc.html">http://www.osha.gov/OshStd_toc/OSHA_Std_toc.html</a>				Non-Hazardous under 29 CFR 1910.1200			
DOT Classification: <a href="http://www.dot.gov/">http://www.dot.gov/</a>				Non-Regulated under 49 CFR 172.101 (Class 50 – Harmonized Code 3914.00.0000)			
RCRA Hazardous Waste No: <a href="http://www.epa.gov/rcraonline/">http://www.epa.gov/rcraonline/</a>				Not Listed (40 CFR 261.33)			
CERCLA Hazardous Substance: <a href="http://www.epa.gov/superfund/whatis/cercla.htm">http://www.epa.gov/superfund/whatis/cercla.htm</a>				Not Listed (40 CFR 302.4)			
SARA Toxic Chemical: <a href="http://www.epa.gov/swercepp/rules/epera.html">http://www.epa.gov/swercepp/rules/epera.html</a>				Not Listed (40 CFR 372.65)			
SARA Extremely Hazardous Substance:				Not Listed (40 CFR 355)			
OSHA Specifically Regulated Substance: <a href="http://www.osha.gov/">http://www.osha.gov/</a>				Not Listed (29 CFR 1910)			
TSCA Status: <a href="http://www.epa.gov/region5/defs/html/tsc.htm">http://www.epa.gov/region5/defs/html/tsc.htm</a>				Listed on the TSCA Inventory			

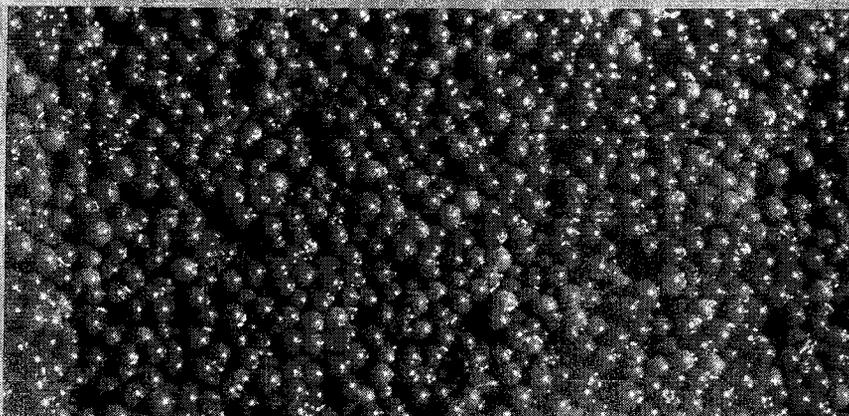
Abbreviations Used:

ACGIH TLV - American Conference of Government Industrial Hygienists Threshold Limit Value; ANSI - American National Standards Institute; CAS RN - Chemical Abstracts Registry Number; CERCLA - Comprehensive Environmental Response Compensation, and Liability Act; CFR - Code of Federal Regulations; DOT - Department of Transportation; IARC - International Agency for Research on Cancer; LEL - Lower Explosive Limit; MSHA - Mine Safety and Health Administration; N/A - Not Applicable; NIOSH - National Institute of Occupational Safety and Health; NTP - National Toxicology Program; OSHA PEL - Occupational Safety and Health Administration Permissible Exposure Limit; RCRA - Resource Conservation and Recovery Act; SARA - Superfund Amendments and Reauthorization Act; TSCA - Toxic Substances Control Act; UEL - Upper Explosive Limit.



# Arsenic Removal

## LayneRT™ Arsenic Removal Media



### The LayneRT Difference:

- NSF/ANSI Standard 61 Certified
- Longest lasting
- Highest capacity
- Lowest operating cost
- Proven iron chemistry
- No fines
- No backwash
- Regenerable
- Limits liability associated with disposal
- Optimal flow dynamics
- Rapid adsorption kinetics
- Spent media passes Toxicity Characteristic Leaching Procedure (TCLP)
- Low pressure drop

### Meet the Arsenic MCL using the Best Arsenic Removal Media Available

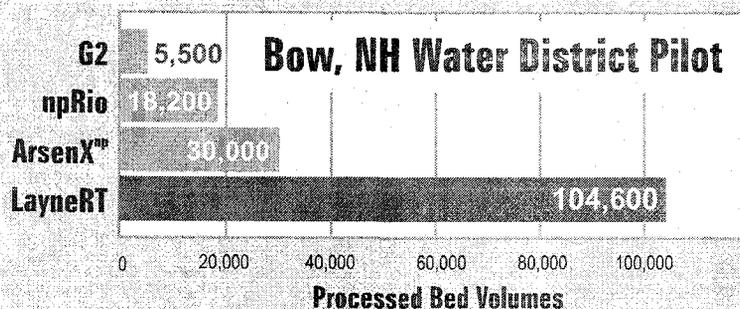
The LayneRT™ difference: LayneRT has been developed as a significant improvement on the efficiency and longevity of adsorptive arsenic media, thus lowering the operating cost associated with removing arsenic (arsenate and arsenite) from water. Its ideal blend of selectivity and durability means that LayneRT can reliably and efficiently reduce arsenic to safe consumption levels.

LayneRT is a long lasting, high capacity technology that provides rapid adsorption kinetics without generating any fines. Not only does LayneRT provide optimal flow dynamics, no backwashing (no onsite residuals), and a low pressure drop, but it is also regenerable, thereby mitigating the liability associated with waste disposal.



Certified to NSF/ANSI 61

### LayneRT™ Out-Performs All Current Technologies



ADI - G2 - Data from the EPA study at Bow EPA/600/R-08/006 (2007)



*Experienced  
Equipped  
Committed*



## Comparison of Arsenic Sorbents

Sorbent	LayneRT	GFO/Sorb33	GFH	Adsorbis
Company	SolmeteXWater	Severn Trent, AdEdge	US Filter	Dow
Material	Hybrid Resin Bead	Granular	Granular	Granular
Backwash	Not Required	Yes	Yes	Yes
Arsenic Residuals	No	Yes (backwashed fines)	Yes (backwashed fines)	Yes (backwashed fines)
Disposal	Regenerable/Return/Landfill	Landfill	Landfill	Landfill
Regenerable	Yes	No	No	No
Minimum Contact Time	2 minutes	4 minutes	4 minutes	2 minutes
Chemistry	Hydrous Iron Oxide	Hydrous Iron Oxide	Hydrous Iron Oxide	Titanium Dioxide

**Material:** LayneRT is comprised of a hybrid resin bead that is attrition resistant and does not generate fines. Media comprised of granulated materials are friable and generate fines, which can lead to increased backpressure during operation requiring backwash, additional system complexity and more frequent maintenance.

**No Backwash Required:** Backwash requirements add operational complexity, and generate fines containing an arsenic residual.

**Arsenic Residuals:** LayneRT requires no backwash and does not generate arsenic-containing fines.

**Disposal:** LayneRT may be returned for environmentally responsible disposal. Although most spent media pass TCLP, research supports that they leach arsenic under actual landfill conditions. "TCLP Underestimates Leaching of Arsenic from Solid Residuals Under Landfill Conditions" Ghosh A., Mukitbi M., Ela W., Environ. Sci. Technol., 2004, 38(17), pp 4677-82.

**Regenerable:** Regeneration lowers long-term operating and maintenance costs and reduces the volume of solid waste by a factor of ten!

**Minimum Contact Time:** A lower contact time enables systems using LayneRT to have a smaller system footprint, reducing facility requirements.

**Chemistry:** Hydrous metal oxides are the industry accepted chemistry for binding arsenic.

### The Layne Media Assurance Program

The annual media regeneration costs of PLS systems using LayneRT can be determined by completing a pilot test on the site to be treated. Our Pilot /Performance program is unique in the industry and is illustrative of our confidence in our technologies and in the systems that we install. Pilot evaluations, which are usually completed in 3-6 months, provide enough information for Layne to warrant your annual media regeneration costs under certain conditions.



Contact your regional  
**Layne Christensen Company**  
water treatment representative:

Western (800) 336-5374  
Central (800) 407-4449  
Eastern (800) 269-4590  
Southern (800) 581-0081

For residential applications, contact:

**SolmeteXWater**  
A Division of Layne Christensen Company

(800) 216-5505

[www.solmetex.com](http://www.solmetex.com)  
[www.laynewater.com](http://www.laynewater.com)

Characteristic	Value
Structure	Macroporous Polystyrene Bead
Functional Group	Hydrous Iron Oxide
Bulk Density (as sold)	790-840 g/l (49-52 lb/cu ft)
Minimum Contact Time	2 minutes
Operating Temperature Range	1-80° C (33-172° F)
Particle Size	300 -1200 microns
Operating pH Range	5.5 - 8.5

Severn Trent, AdEdge, US Filter and Dow trademarks are the property of their respective owners. All services and products of Layne Christensen Company are subject to change without notice.

**WQA GOLD SEAL  
CERTIFICATE OF COMPLIANCE**

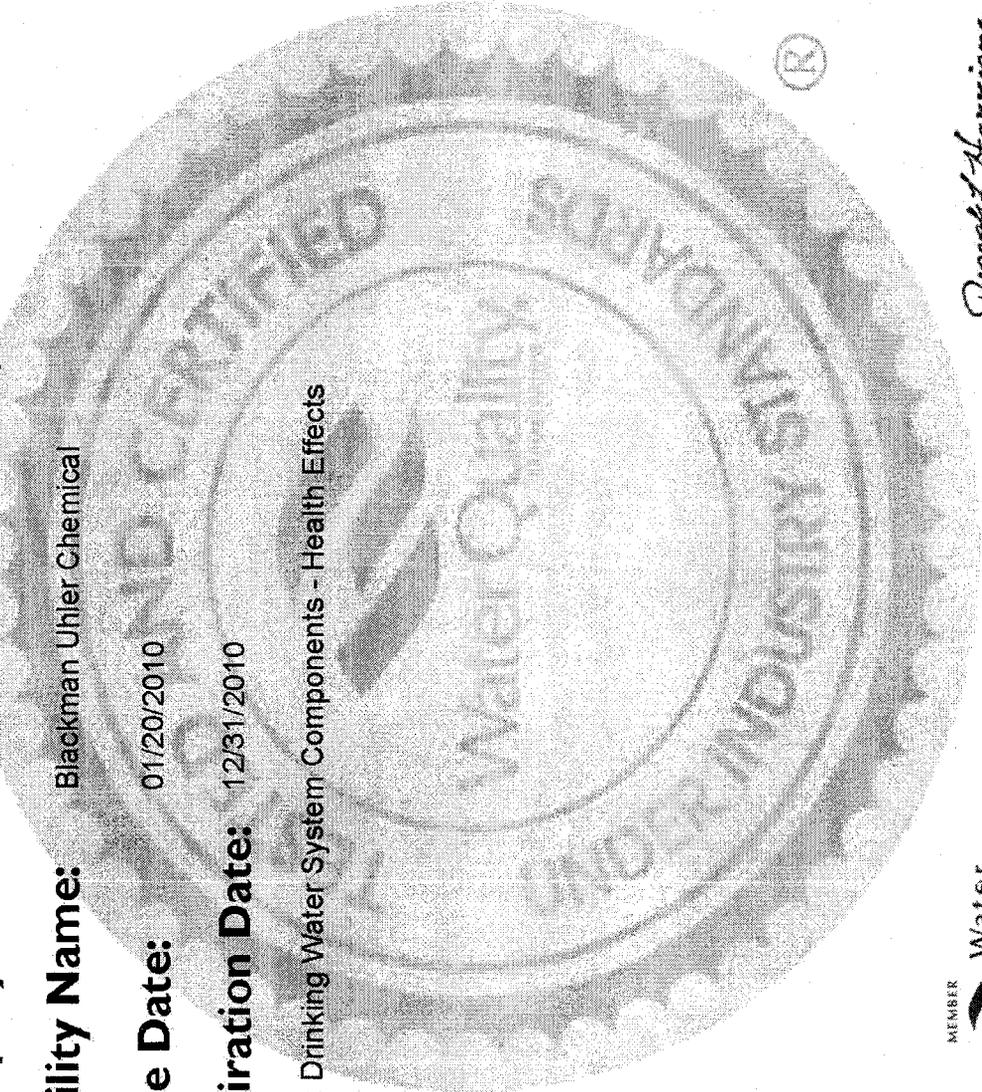
**Company Name:** SolmeteX, Inc., A Division of Layne Christensen

**Facility Name:** Blackman Uhler Chemical

**Issue Date:** 01/20/2010

**Expiration Date:** 12/31/2010

Standard: NSF/ANSI-61 : Drinking Water System Components - Health Effects  
Model: LayneRT



*Joseph A. Harrison*

Signature

### Statement of Financing and Authority.

The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Arizona.

The Borrower has the requisite corporate power and authority to own and operate its properties and assets, to carry out its business as such business is being conducted, and to carry out the terms and conditions applicable to it under the Documents. The execution, delivery and performance of the Documents by Borrower have been duly authorized by requisite corporate action on the part of Borrower.

There is no pending or threatened litigation or other legal proceedings against the Borrower in Maricopa or Yavapai counties or in the United States District Court. There are no judgments, orders or decrees of any court or governmental agency to which Borrower is party that would conflict with or prevent closing the loans or conflict with Documents.

The Borrower is in substantial compliance with federal, state and county taxation laws and authorities.

The Borrower is in substantial compliance with the Department of Environmental Quality. Borrower sends monthly bacteria samples to approved state labs. Borrower has also entered into DEQ's monitoring assistance program (MAP) which results in water sampling to meet state and federal requirements.

The execution and delivery of the Documents by Borrower and consummation by Borrower of the transactions contemplated by the Documents will not conflict with or result in a violation of any applicable law or rule affecting Borrower.

The execution and delivery of the Documents by Borrower and consummation by Borrower of the transactions contemplated by the Documents will not conflict with nor result in a violation of Borrower's Articles of Incorporation.

The execution and delivery of the Documents by Borrower will not conflict nor result in a violation of any contract, indenture, instrument or other agreement to which Borrower is a party or by which it is bound. The Documents constitute legal, valid and binding obligations of Borrower enforceable in accordance with their terms.

## Fees for Services Statement

There is no one being paid a fee for the acquirement of the loans.

Chase and National banks will charge a \$300.00 dollar fee annually.

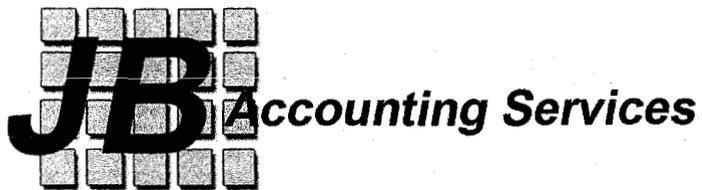
## **Financial and pro forma statements.**

JB Accounting Services.

2009 Balance and income statements

2009 pro forma statements for 5% and 8% loans

Amortizations / payment schedule's for 5% and 8% loans.



Owner: Joseph R Blanco

Date: July 16, 2010

Abra Water Co., Inc.  
PO Box 515  
Paulden, AZ 86334

Re: ProForma Statements

Dear Abra Water Co., Inc.:

Enclosed you will find copies of the P&L and Balance Sheet for 2009, along with proforma statements projecting what the P&L and Balance Sheet would have reported if a new loan of \$75,000 was received with 8% interest over 3 years.

If you have any questions, please call at the phone number listed below.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Joseph R. Blanco', is written over the printed name.

Joseph R Blanco

Encl: ProForma Statements

P&L 2009

Balance Sheet 2009

Loan Amortization Schedule on Requested New Loan

**Abra Water Co., Inc.**  
**Profit & Loss**  
 January through December 2009

Jan - Dec 09

<b>Ordinary Income/Expense</b>	
<b>Income</b>	
400 · Operating Revenue	
461 · Metered Water Sales	214,644.96
474 · Other Water Revenue	
474-1 · Establishment Fees	4,640.00
474-2 · Re-connect Fees	4,920.00
474-3 · NSF Revenue	120.00
474-4 · Reimbursed Expenses	14.25
474-6 · Misc. Income	30.00
474-7 · Installations	
474-10 · Arsenic Tariff	3,200.00
474-71 · Hook-up Fees	2,800.00
Total 474-7 · Installations	6,000.00
474-9 · Late Fees	1,215.10
Total 474 · Other Water Revenue	16,939.35
Total 400 · Operating Revenue	231,584.31
<b>Total Income</b>	231,584.31
<b>Gross Profit</b>	231,584.31
<b>Expense</b>	
WIFA Admin Fees #920084-04	3,832.46
WIFA Admin Fees #920113-06	6,856.85
4001 · *Reconciliation Discrepancies	-95.00
401 · Operating Expenses	
601 · Salaries & Wages	
6011 · Wages - Employees	28,705.00
Total 601 · Salaries & Wages	28,705.00
615 · Purchased Power	
6151 · APS	19,811.29
Total 615 · Purchased Power	19,811.29
618 · Chemicals	602.21
620 · Materials & Supplies	
Materials	1,163.11
Well expense	876.33
626 · Materials & Supplies - Other	34,242.90
Total 620 · Materials & Supplies	36,282.40
621 · Office Supplies/Expense	
6120 · Bank Service Charges	45.00
6122 · Postage	2,653.65
6123 · Credit Card Processing Fees	1,692.08
6127 · Office Supplies	1,155.09
6129 · Customer Bad Checks	10.00
6131 · Corporation Expense	374.18
6340 · Telephone	1,992.65
6341 · Office Utilities	207.11
621 · Office Supplies/Expense - Other	162.16
Total 621 · Office Supplies/Expense	8,291.92
630 · Contractual Services - Billing	706.42
631 · Contractual Services - Prof	
6311 · Accounting	1,050.00
6313 · Legal Fees	228.83
631 · Contractual Services - Prof - Other	5,040.00
Total 631 · Contractual Services - Prof	6,318.83
635 · Contractual Services - Testing	5,571.11

**Abra Water Co., Inc.**  
**Profit & Loss**  
 January through December 2009

	Jan - Dec 09
<b>6360 · Contractual Services - Other</b>	
6361 · Contract Labor	5,839.94
6363 · Management Fees	65,220.00
<b>Total 6360 · Contractual Services - Other</b>	71,059.94
<b>641 · Rents</b>	
6411 · State Land Lease	6,308.82
6415 · Office Rent Expense	12,000.00
<b>Total 641 · Rents</b>	18,308.82
<b>650 · Transportation Expense</b>	
6501 · Gasoline	2,577.40
6503 · Vehicle Repairs	852.74
650 · Transportation Expense - Other	3,864.30
<b>Total 650 · Transportation Expense</b>	7,294.44
<b>657 · Insurance - General Liability</b>	
6571 · Liability Insurance	1,787.00
<b>Total 657 · Insurance - General Liability</b>	1,787.00
<b>670 · Bad Debt Expense</b>	1,446.00
<b>699 · Uncategorized Expenses</b>	1.14
<b>Total 401 · Operating Expenses</b>	206,186.52
<b>403 · Depreciation Expense</b>	36,106.89
<b>408 · Taxes Other Than Income</b>	
4081 · Property Taxes	6,506.26
4082 · Payroll Expenses*OE	2,870.00
4083 · Sales Tax	0.00
<b>Total 408 · Taxes Other Than Income</b>	9,176.26
<b>409.10 · Income Tax, Util Op Inc</b>	50.00
<b>Total Expense</b>	262,113.98
<b>Net Ordinary Income</b>	-30,529.67
<b>Other Income/Expense</b>	
<b>Other Income</b>	
419 · Interest and Dividend Income	123.81
<b>Total Other Income</b>	123.81
<b>Other Expense</b>	
426 · Misc Nonutility Expenses	
Refunds-Cash	
Cust. Service Line Refund	0.00
<b>Total Refunds-Cash</b>	0.00
<b>Total 426 · Misc Nonutility Expenses</b>	0.00
427 · Interest Expense	
427-1 · Interest Expense-Big Chino Loan	1,116.67
427-2 · Interest Expense-WIFA#04	1,532.98
427-3 · Interest Expense-WIFA#06	5,942.60
427 · Interest Expense - Other	743.13
<b>Total 427 · Interest Expense</b>	9,335.38
<b>Total Other Expense</b>	9,335.38
<b>Net Other Income</b>	-9,211.57
<b>Net Income</b>	-39,741.24

**Abra Water Co., Inc.**  
**Balance Sheet**  
 As of December 31, 2009

Dec 31, 09

**ASSETS**

**Current Assets**

**Checking/Savings**

**131 - Bank Accounts**

131-1 - Checking-Stockmen's	16,221.69
131-2 - Customer Deposit Savings	13,593.09
131-3 - Hook Up Fee Savings Account	12,996.65
131-4 - Hook Up Fee - Checking	2,518.27
131-5 - Stockmen's Bank - Construction	2,842.96
131-6 - Hook Up Fee Arsenic	13,894.90

**Total 131 - Bank Accounts** 62,067.56

**Total Checking/Savings** 62,067.56

**Other Current Assets**

Pre-Paid Rents/Lease	1,581.37
Prepaid Property Tax	6,706.99
WIFA Reserve #920084-04	12,119.20
WIFA Reserve #920113-06	11,603.46
141 - Customer Accts Rec	22,207.17
143 - Accum Prov Uncollectable accts	-3,073.00
151 - Plant Materials & Supplies	22,799.04

**Total Other Current Assets** 73,944.23

**Total Current Assets** 136,011.79

**Fixed Assets**

**100 - Fixed Assets**

**101 - Utility Plant in Service**

301 - Organization Costs	508.00
302 - Franchises	787.00
303 - Land and Land Rights	15,044.14
304 - Structures & Improvements	72,786.66
307 - Wells and Springs	63,078.39
311 - Electric Pumping Equipment	50,876.99
320 - Water Treatment Equipment	145,001.72
320.2 - Solution Chemical Feeder	4,654.12
330.1 - Storage Tanks	197,625.95
331 - Trans & Dist Mains	659,578.07
333 - Services{36}	133,378.17
334 - Meters and Meters Installations	35,125.47
339 - Other Plant and Misc. Equipment	9,890.11
340 - Office Furniture & Fixtures	277.50
340.1 - Computers & Software	6,097.72
341 - Transportation Equipment	20,279.99
343 - Tools & Work Equipment	65.00
348 - Other Tangible Equipment	4,545.00
101 - Utility Plant in Service - Other	94.82

**Total 101 - Utility Plant in Service** 1,419,694.82

**108 - Accum Depr - Util Plant** -502,484.52

**Total 100 - Fixed Assets** 917,210.30

**Total Fixed Assets** 917,210.30

**TOTAL ASSETS** 1,053,222.09

**LIABILITIES & EQUITY**

**Liabilities**

**Current Liabilities**

**Other Current Liabilities**

**235 - Customer Deposits** 12,243.51

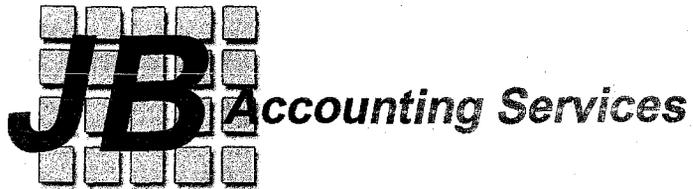
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Accrual Basis

**Abra Water Co., Inc.**  
**Balance Sheet**  
As of December 31, 2009

	Dec 31, 09
<b>236 · Accrued Taxes</b>	
236-1 · Sales Tax Payable{124}	1,055.57
236-2 · Payroll Liabilities*OE	3,383.11
<b>Total 236 · Accrued Taxes</b>	4,438.68
<b>Total Other Current Liabilities</b>	16,682.19
<b>Total Current Liabilities</b>	16,682.19
<b>Long Term Liabilities</b>	
<b>224 · Long Term Liabilities</b>	
224-1 · Big Chino Land Co.	6,783.95
224-3 · WIFA Loan - # 920084-04	123,954.74
224-5 · WIFA Loan - # 920113-06	224,738.71
<b>Total 224 · Long Term Liabilities</b>	355,477.40
<b>250 · Deferred Credits</b>	
271 · Contributions in Aid of Const	320,236.60
272 · Less Amort of Contributions	-200,894.97
<b>Total 250 · Deferred Credits</b>	119,341.63
<b>252 · Advances in Aid to Const</b>	
252-1 · Main Line Ext	231,450.28
252-3 · Service Line	57,225.00
<b>Total 252 · Advances in Aid to Const</b>	288,675.28
<b>Total Long Term Liabilities</b>	763,494.31
<b>Total Liabilities</b>	780,176.50
<b>Equity</b>	
201 · Common Stock Issued	10,000.00
211 · Paid in Capital in Excess	322,307.27
3900 · Retained Earnings	-12,437.44
3901 · Adjustments to RE	
439 · Adjustments for Prior Years	-7,083.00
<b>Total 3901 · Adjustments to RE</b>	-7,083.00
<b>Net Income</b>	-39,741.24
<b>Total Equity</b>	273,045.59
<b>TOTAL LIABILITIES &amp; EQUITY</b>	1,053,222.09



Owner: Joseph R Blanco

Date: July 16, 2010

Abra Water Co., Inc.  
PO Box 515  
Paulden, AZ 86334

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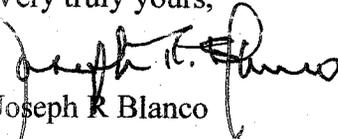
Re: ProForma Statements

Dear Abra Water Co., Inc.:

Enclosed you will find copies of the P&L and Balance Sheet for 2009, along with proforma statements projecting what the P&L and Balance Sheet would have reported if a new loan of \$75,000 was received with 8% interest over 3 years.

If you have any questions, please call at the phone number listed below.

Very truly yours,

  
Joseph R Blanco

Encl: ProForma Statements

P&L 2009

Balance Sheet 2009

Loan Amortization Schedule on Requested New Loan

Abra Water Co., Inc.  
Profit & Loss ProForma  
January through December 2009(2)

Income:		
	Operating Revenue	214644.96
	Other Water Revenue	<u>16939.35</u>
	<b>Total Operating Revenue</b>	<b>231584.31</b>
Operating Expenses:		
	Wages	28705.00
	Purchased Power	19811.29
	Chemicals	602.21
	Materials & Supplies:	
	Materials	1163.11
	Well Expense	876.33
	<b>Materials &amp; Supplies-Other(1)</b>	<b><u>32142.84</u></b>
	<b>Total Materials &amp; Supplies</b>	<b>34182.28</b>
	Office Supplies/Expense	8291.92
	Contractual Services-Billing	706.42
	Contractual Services-Prof-Other	6318.83
	Contractual Services-Testing	5571.11
	Contractual Services-Other	71059.94
	Rents	18308.82
	Transportation Expense	7294.44
	Liability Insurance	1787.00
	Bad Debts	1446.00
	Depreciation	36106.89
	Taxes	9176.26
	Interest:	
	WIFA #04	1532.98
	WIFA #06	5942.60
	Big Chino	1116.67
	Other	743.13
	<b>New Media Loan(1)</b>	<b><u>5167.53</u></b>
	<b>Total Interest</b>	<b>14502.91</b>
	<b>New Loan Administrative Fees(1)</b>	<b>250.00</b>
	WIFA Adm. Fees	10689.31
	Misc:	
	Discrepancies	(95.00)
	Uncategorized	<u>1.14</u>
	<b>Total Misc Expense</b>	<b>(93.86)</b>
	Income Tax	<u>50.00</u>
	<b>Total Operating Expense</b>	<b><u>274766.77</u></b>
	<b>Net Ordinary Income/(Loss)</b>	<b><u>(43182.46)</u></b>
Other Income:		
	Interest Income	<u>123.81</u>
Net Income/(Loss)		<b><u><u>(43058.65)</u></u></b>

- (1) ProForma reports expenses associated with loan of \$75,000 at 8% over 3 years used to purchase filtering media. The filtering media lasts 28 months. Therefore, the media expense is \$2678.57(75000/28) per month and \$32142.84(2678.57 x 12) for the year. Total interest on loan is \$5167.53 with a total of administrative fees on the loan of \$250.
- (2) All income and expenses on ProForma statement are the actual amounts for the year 2009 except for the expenses in bold print associated with the new loan expenses and the media expense purchased by the new loan.

Abra Water Co., Inc.  
Balance Sheet ProForma  
January through December 2009(2)

ASSETS:

Current Assets:			
Bank Accounts	62067.56		
<b>PrePaid Media(1)</b>	<b>42857.16</b>		
Other Current Assets(1)	79734.47		
			184659.19
Fixed Assets	1419694.82		
Accumulated Depreciation	(502484.52)		
Net Fixed Assets			917210.30
<b>TOTAL ASSETS</b>			<b><u>1101869.49</u></b>

LIABILITIES & EQUITY:

Current Liabilities			16682.19
Long-Term Liabilities:			
Big Chino	6783.95		
WIFA #04	123954.74		
WIFA #06	224738.71		
<b>New Loan(1)</b>	<b>51964.81</b>		
Total Long-Term Liabilities			407442.21
Deferred Credits:			
Contributions in Aid of Const	320236.60		
Less: Amort of Contrib	(200894.97)		
Total Deferred Credits			119341.63
Advances In Aid to Const:			
Main Line	231450.28		
Service Line	57225.00		
Total Advances			288675.28
Total Liabilities			832141.31
Equity:			
Common Stock	10000.00		
Excess Paid in Capital	322307.27		
Retained Earning:			
Beginning Bal	(12437.44)		
Prior Year Adj	(7083.00)		
Net Income/(Loss)	(43058.65)		
Total Retained Earnings			(62579.09)
Total Equity			269728.18
			<b><u>1101869.49</u></b>

- (1) ProForma reports additional balance sheet amounts for new loan and pre-paid media filter costs. The new PrePaid Media costs is the purchase of \$75000 in media expenses net the amount of prepaid expenses deducted for 12 months(32142.84). Other Current Assets are increased due to less proforma media expenses expensed in 2009 as compared to actual media expenses in 2009. The new loan balance is net of proforma principal payments.
- (2) Balance Sheets amounts are actual amounts for the year 2009 except for proforma amounts in bold print.

advertisement

Mortgage Rates				FHA Rates			
	Rate	APR			Rate	APR	
30 Year Fixed	3.500%	3.850%	Amerisave	30 Year Fixed	3.750%	4.263%	Amerisave
15 Year Fixed	3.250%	3.377%	Amerisave	15 Year Fixed	3.500%	3.746%	Amerisave
3 Year ARM	2.000%	3.139%	Amerisave	3 Year ARM	3.000%	3.042%	Amerisave

\*1250K loan Jumbo \$420K loan FL 80% CLTV Effective 11/09/2010 Terms apply



Amortization table for \$75,000.00 borrowed on Dec 01, 2010 @ 8.00%

Month / Year	Payment	Principal Paid	Interest Paid	Total Interest	Balance
Jan. 2011	\$2,350.23	\$1,850.23	\$500.00	\$500.00	\$73,149.77
Feb. 2011	\$2,350.23	\$1,862.56	\$487.67	\$987.67	\$71,287.21
Mar. 2011	\$2,350.23	\$1,874.98	\$475.25	\$1,462.91	\$69,412.23
April 2011	\$2,350.23	\$1,887.48	\$462.75	\$1,925.66	\$67,524.75
May 2011	\$2,350.23	\$1,900.06	\$450.17	\$2,375.83	\$65,624.69
June 2011	\$2,350.23	\$1,912.73	\$437.50	\$2,813.32	\$63,711.96
July 2011	\$2,350.23	\$1,925.48	\$424.75	\$3,238.07	\$61,786.48
Aug. 2011	\$2,350.23	\$1,938.32	\$411.91	\$3,649.98	\$59,848.16
Sept. 2011	\$2,350.23	\$1,951.24	\$398.99	\$4,048.97	\$57,896.92
Oct. 2011	\$2,350.23	\$1,964.25	\$385.98	\$4,434.95	\$55,932.67
Nov. 2011	\$2,350.23	\$1,977.34	\$372.88	\$4,807.83	\$53,955.33
Dec. 2011	\$2,350.23	\$1,990.53	\$359.70	\$5,167.53	\$51,964.81
Jan. 2012	\$2,350.23	\$2,003.80	\$346.43	\$5,513.97	\$49,961.01
Feb. 2012	\$2,350.23	\$2,017.15	\$333.07	\$5,847.04	\$47,943.86
Mar. 2012	\$2,350.23	\$2,030.60	\$319.63	\$6,166.67	\$45,913.25
April 2012	\$2,350.23	\$2,044.14	\$306.09	\$6,472.75	\$43,869.12
May 2012	\$2,350.23	\$2,057.77	\$292.46	\$6,765.21	\$41,811.35
June 2012	\$2,350.23	\$2,071.49	\$278.74	\$7,043.96	\$39,739.86
July 2012	\$2,350.23	\$2,085.29	\$264.93	\$7,308.89	\$37,654.57
Aug. 2012	\$2,350.23	\$2,099.20	\$251.03	\$7,559.92	\$35,555.37
Sept. 2012	\$2,350.23	\$2,113.19	\$237.04	\$7,796.96	\$33,442.18
Oct. 2012	\$2,350.23	\$2,127.28	\$222.95	\$8,019.90	\$31,314.90
Nov. 2012	\$2,350.23	\$2,141.46	\$208.77	\$8,228.67	\$29,173.44
Dec. 2012	\$2,350.23	\$2,155.74	\$194.49	\$8,423.16	\$27,017.70
Jan. 2013	\$2,350.23	\$2,170.11	\$180.12	\$8,603.28	\$24,847.58
Feb. 2013	\$2,350.23	\$2,184.58	\$165.65	\$8,768.93	\$22,663.02
Mar. 2013	\$2,350.23	\$2,199.14	\$151.09	\$8,920.01	\$20,463.87
April 2013	\$2,350.23	\$2,213.80	\$136.43	\$9,056.44	\$18,250.07
May 2013	\$2,350.23	\$2,228.56	\$121.67	\$9,178.11	\$16,021.51
June 2013	\$2,350.23	\$2,243.42	\$106.81	\$9,284.92	\$13,778.10
July 2013	\$2,350.23	\$2,258.37	\$91.85	\$9,376.77	\$11,519.72
Aug. 2013	\$2,350.23	\$2,273.43	\$76.80	\$9,453.57	\$9,246.29
Sept. 2013	\$2,350.23	\$2,288.59	\$61.64	\$9,515.21	\$6,957.71
Oct. 2013	\$2,350.23	\$2,303.84	\$46.38	\$9,561.60	\$4,663.86
Nov. 2013	\$2,350.23	\$2,319.20	\$31.03	\$9,592.62	\$2,334.66
Dec. 2013	\$2,350.23	\$2,334.66	\$15.56	\$9,608.19	\$0.00

Location of article:  
<http://www.bankrate.com/calculators/mortgages/amortization-calculator.aspx>

Abra Water Co., Inc.  
Profit & Loss ProForma  
January through December (2)

Income:			
	Operating Revenue		214644.96
	Other Water Revenue		<u>16939.35</u>
	<b>Total Operating Revenue</b>		<b>231584.31</b>
Operating Expenses:			
	Wages		28705.00
	Purchased Power		19811.29
	Chemicals		602.21
	Materials & Supplies:		
	Materials	1163.11	
	Well Expense	876.33	
	<b>Materials &amp; Supplies-Other(1)</b>	<b><u>32142.84</u></b>	
	<b>Total Materials &amp; Supplies</b>		<b>34182.28</b>
	Office Supplies/Expense		8291.92
	Contractual Services-Billing		706.42
	Contractual Services-Prof-Other		6318.83
	Contractual Services-Testing		5571.11
	Contractual Services-Other		71059.94
	Rents		18308.82
	Transporation Expense		7294.44
	Liability Insurance		1787.00
	Bad Debts		1446.00
	Depreciation		36106.89
	Taxes		9176.26
	Interest:		
	WIFA #04	1532.98	
	WIFA #06	5942.60	
	Big Chino	1116.67	
	Other	743.13	
	<b>New Media Loan(1)</b>	<b><u>3210.33</u></b>	
	<b>Total Interest</b>		<b>12545.71</b>
	<b>New Loan Administrative Fees(1)</b>		<b>250.00</b>
	WIFA Adm. Fees		10689.31
	Misc:		
	Discrepancies	(95.00)	
	Uncategorized	<u>1.14</u>	
	<b>Total Misc Expense</b>		<b>(93.86)</b>
	Income Tax		<u>50.00</u>
	<b>Total Operating Expense</b>		<b><u>272809.57</u></b>
	<b>Net Ordinary Income/(Loss)</b>		<b><u>(41225.26)</u></b>
Other Income:			
	Interest Income		<u>123.81</u>
<b>Net Income/(Loss)</b>			<b><u><u>(41101.45)</u></u></b>

- (1) ProForma reports expenses associated with loan of \$75,000 at 5% over 3 years used to purchase filtering media. The filtering media lasts 28 months. Therefore, the media expense is \$2678.57(75000/28) per month and \$32142.84(2678.57 x 12) for the year. Total interest on loan is \$3,210.33 with a total of administrative fees on the loan of \$250.
- (2) All income and expenses on ProForma statement are the actual amounts for the year 2009 except for the expenses in bold print associated with the new loan expenses and the media expense purchased by the new loan.

Abra Water Co., Inc.  
Balance Sheet ProForma  
January through December (2)

ASSETS:

Current Assets:

Bank Accounts	62067.56	
<b>PrePaid Media(1)</b>	<b>42857.16</b>	
Other Current Assets(1)	80963.38	
		185888.10

Fixed Assets	1419694.82	
Accumulated Depreciation	(502484.52)	
Net Fixed Assets		917210.30
<b>TOTAL ASSETS</b>		<b>1103098.40</b>

LIABILITIES & EQUITY:

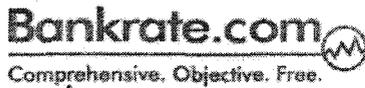
Current Liabilities		16682.19
Long-Term Liabilities:		
Big Chino	6783.95	
WIFA #04	123954.74	
WIFA #06	224738.71	
<b>New Loan(1)</b>	<b>51236.52</b>	
Total Long-Term Liabilities		406713.92
Deferred Credits:		
Contributions in Aid of Const	320236.60	
Less: Amort of Contrib	(200894.97)	
Total Deferred Credits		119341.63
Advances In Aid to Const:		
Main Line	231450.28	
Service Line	57225.00	
Total Advances		288675.28
Total Liabilities		831413.02
Equity:		
Common Stock		10000.00
Excess Paid in Capital		322307.27
Retained Earning:		
Beginning Bal	(12437.44)	
Prior Year Adj	(7083.00)	
Net Income/(Loss)	(41101.45)	
Total Retained Earnings		(60621.89)
Total Equity		271685.38
		<b>1103098.40</b>

- (1) ProForma reports additional balance sheet amounts for new loan and pre-paid media filter costs. The new PrePaid Media costs is the purchase of \$75000 in media expenses net the amount of prepaid expenses deducted for 12 months(32142.84). Other Current Assets are increased due to less proforma media expenses expensed in 2009 as compared , to actual media expenses in 2009. The new loan balance is net of proforma principal payments.
- (2) Balance Sheets amounts are actual amounts for the year 2009 except for proforma amounts in bold print.

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Mortgage Rates		Rate	APR		FHA Rates		Rate	APR	
30 Year Fixed	3.500%	3.850%	Amerisave	30 Year Fixed	3.750%	4.263%	Amerisave		
15 Year Fixed	3.250%	3.377%	Amerisave	15 Year Fixed	3.500%	3.746%	Amerisave		
3 Year ARM	2.000%	3.139%	Amerisave	3 Year ARM	3.000%	3.042%	Amerisave		

\$260K loan, Jumbo \$420K loan, FL 80% CLTV, Effective 11/09/2010, Terms apply



Amortization table for \$75,000.00 borrowed on Dec 01, 2010 @ 5.00%

Month / Year	Payment	Principal Paid	Interest Paid	Total Interest	Balance
Jan. 2011	\$2,247.82	\$1,935.32	\$312.50	\$312.50	\$73,064.68
Feb. 2011	\$2,247.82	\$1,943.38	\$304.44	\$616.94	\$71,121.30
Mar. 2011	\$2,247.82	\$1,951.48	\$296.34	\$913.27	\$69,169.82
April 2011	\$2,247.82	\$1,959.61	\$288.21	\$1,201.48	\$67,210.21
May 2011	\$2,247.82	\$1,967.77	\$280.04	\$1,481.53	\$65,242.44
June 2011	\$2,247.82	\$1,975.97	\$271.84	\$1,753.37	\$63,266.46
July 2011	\$2,247.82	\$1,984.21	\$263.61	\$2,016.98	\$61,282.25
Aug. 2011	\$2,247.82	\$1,992.47	\$255.34	\$2,272.32	\$59,289.78
Sept. 2011	\$2,247.82	\$2,000.78	\$247.04	\$2,519.36	\$57,289.01
Oct. 2011	\$2,247.82	\$2,009.11	\$238.70	\$2,758.07	\$55,279.89
Nov. 2011	\$2,247.82	\$2,017.48	\$230.33	\$2,988.40	\$53,262.41
Dec. 2011	\$2,247.82	\$2,025.89	\$221.93	\$3,210.33	\$51,236.52
Jan. 2012	\$2,247.82	\$2,034.33	\$213.49	\$3,423.81	\$49,202.19
Feb. 2012	\$2,247.82	\$2,042.81	\$205.01	\$3,628.82	\$47,159.38
Mar. 2012	\$2,247.82	\$2,051.32	\$196.50	\$3,825.32	\$45,108.06
April 2012	\$2,247.82	\$2,059.87	\$187.95	\$4,013.27	\$43,048.19
May 2012	\$2,247.82	\$2,068.45	\$179.37	\$4,192.64	\$40,979.74
June 2012	\$2,247.82	\$2,077.07	\$170.75	\$4,363.38	\$38,902.67
July 2012	\$2,247.82	\$2,085.72	\$162.09	\$4,525.48	\$36,816.95
Aug. 2012	\$2,247.82	\$2,094.41	\$153.40	\$4,678.88	\$34,722.54
Sept. 2012	\$2,247.82	\$2,103.14	\$144.68	\$4,823.56	\$32,619.40
Oct. 2012	\$2,247.82	\$2,111.90	\$135.91	\$4,959.47	\$30,507.49
Nov. 2012	\$2,247.82	\$2,120.70	\$127.11	\$5,086.59	\$28,386.79
Dec. 2012	\$2,247.82	\$2,129.54	\$118.28	\$5,204.87	\$26,257.25
Jan. 2013	\$2,247.82	\$2,138.41	\$109.41	\$5,314.27	\$24,118.84
Feb. 2013	\$2,247.82	\$2,147.32	\$100.50	\$5,414.77	\$21,971.52
Mar. 2013	\$2,247.82	\$2,156.27	\$91.55	\$5,506.32	\$19,815.25
April 2013	\$2,247.82	\$2,165.25	\$82.56	\$5,588.88	\$17,650.00
May 2013	\$2,247.82	\$2,174.28	\$73.54	\$5,662.42	\$15,475.72
June 2013	\$2,247.82	\$2,183.34	\$64.48	\$5,726.90	\$13,292.38
July 2013	\$2,247.82	\$2,192.43	\$55.38	\$5,782.29	\$11,099.95
Aug. 2013	\$2,247.82	\$2,201.57	\$46.25	\$5,828.54	\$8,898.38
Sept. 2013	\$2,247.82	\$2,210.74	\$37.08	\$5,865.61	\$6,687.64
Oct. 2013	\$2,247.82	\$2,219.95	\$27.87	\$5,893.48	\$4,467.69
Nov. 2013	\$2,247.82	\$2,229.20	\$18.62	\$5,912.10	\$2,238.49
Dec. 2013	\$2,247.82	\$2,238.49	\$9.33	\$5,921.42	\$0.00

Location of article:  
<http://www.bankrate.com/calculators/mortgages/amortization-calculator.aspx>

## **Publication and notices to customers**

Affidavit of Publication

Affidavit of Mailing and Publication.

**AFFIDAVIT OF PUBLICATION**

STATE OF ARIZONA )  
County of Yavapai ) ss.

I, **Marcia Molzan**, being first duly sworn on her oath says:  
That she is the **Legal Advertising Assistant** of **VERDE VALLEY NEWSPAPERS, INC.**, an Arizona corporation, which owns and publishes the **Verde Independent/Bugle**, a three times a week newspaper published in the City of Cottonwood, County of Yavapai that the notice attached hereto, namely,

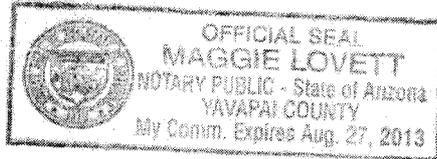
**PUBLIC NOTICE**  
**APPLICATION FOR AN ORDER AUTHORIZING THE ISSUANCE**  
**OF Seventy five thousand dollars (\$75,000.00)**

has, to the personal knowledge of affidavit, been published in the news paper aforesaid, according to law, on 26 day of August, 2010 to 26 day of September, 2010 both inclusive without change, interruption or omission, amounting in all 1 insertions, made on the following dates:  
September 26, 2010

By: Marcia Molzan  
Dated this 30<sup>th</sup> day of September, 2010

By: Maggie Lovett  
Notary Public

My commission expires:



**PUBLIC NOTICE OF AN APPLICATION FOR AN ORDER AUTHORIZING THE ISSUANCE OF Seventy five thousand dollars (\$75,000.00) BY Agua Water Company Incorporated, Agua Water Company Incorporated filed an Application with the Arizona Corporation Commission ("Commission") for an order authorizing Applicant to issue available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's offices in Paulden, Arizona. Intervention in the Commission's proceedings on the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission, which must be served upon applicant and which, a minimum, shall contain the following information:**

1. The name and address and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant. The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on or before the 15th day after the notice.

TTY: Publish: 9/26, 2010

ORIGINAL



0000118680

RECEIVED

Abra Water Co., Inc.  
P.O. Box 515  
Pauden, Arizona 86334  
(928)636-2557 voice & fax

2010 OCT -1 P 2: 25

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

Docket Control  
#W-1782A-10-0224

Arizona Corporation Commission  
DOCKETED

OCT 7 2010

DOCKETED BY

October 4, 2010

Arizona Corporation Commission  
Rate Increase Division

re: Affidavit of Mailing and Publication

Dear ACC,

This Affidavit of Mailing certifies that I, Rod Yarbrow, on September 27, 2010, personally mailed to each current customer of Abra Water Co., Inc., the attached Customer Notification of its rate increase application with the Arizona Corporation Commission.

I also herein certify that Abra Water Co., Inc. published the attached Customer Notification on September 26, 2010 (see enclosed Affidavit of Publication).

\_\_\_\_\_  
Rod Yarbrow-Sec/Treas  
Abra Water Co., Inc.

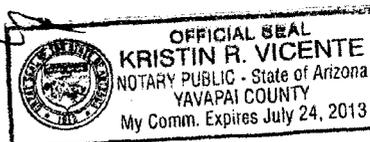
Notary Acknowledgment

State of Arizona  
County of Yavapai

On 10/4/2010 before me, Kristin Vicente, a Notary Public, personally appeared Rod Yarbrow who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the state of Arizona that the foregoing paragraph is true and correct.  
WITNESS my hand and official seal.

Signature of Notary:



**PUBLIC NOTICE OF THE APPLICATION OF ABRA WATER  
COMPANY, INC. FOR APPROVAL OF A RATE INCREASE.  
(DOCKET NO. W-01782A-10-0224)**

On June 4, 2010, Abra Water Company, Inc. ("Abra" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a permanent increase in its water rates and charges, using a test year ending December 31, 2009. Abra's rate application requests an increase of \$90,137.24 over total test year revenues. Abra's application states that its unaudited results show an operating loss of \$37,071 for the test year. Under Abra's proposed rates, the minimum monthly charge for a customer served by a 5/8" x 3/4" meter would increase from \$11.55 to \$17.50, and the commodity rates assessed to such a customer would increase from \$2.37 to \$3.25 per thousand gallons usage up to 3,000 gallons, from \$2.55 to \$3.50 per thousand gallons for usage between 3,001 and 10,000 gallons, and from \$2.78 to \$3.75 per thousand gallons for usage exceeding 10,000 gallons. The application states that a rate increase is needed due to inflation, compliance with Federal regulations, increased operating costs, and a decrease in customer base. Under Abra's proposed rates, customers served by other meter sizes would also experience increases in both minimum monthly charges and commodity rates.

The Commission's Utilities Division Staff ("Staff") has not yet made a recommendation regarding Abra's application, and the Commission is not bound by the proposals made by Abra, Staff, or any intervenors. The Commission will issue a Decision regarding Abra's application following consideration of testimony and evidence presented at an evidentiary hearing. The final rates approved by the Commission may be higher or lower than those proposed by Abra.

A copy of the application is available at Abra's offices at 25005 North Hwy 89, Paulden, Arizona, and at the Commission's offices at 1200 West Washington Street, Phoenix, Arizona, for public inspection during regular business hours, and on the internet via the Commission website ([www.azcc.gov](http://www.azcc.gov)) using the e-docket function.

The Commission will hold a hearing on the application on **February 17, 2011, at 10:00 a.m.**, at the Commission's offices, 1200 West Washington Street, Room 100, Phoenix, Arizona. Public comments will be taken on the first day of the hearing. Written public comments may be submitted via e-mail (visit [http://www.azcc.gov/divisions/utilities/forms/public\\_comment.pdf](http://www.azcc.gov/divisions/utilities/forms/public_comment.pdf) for instructions), or by mailing a letter referencing Docket No. W-01782A-10-0224 to: Arizona Corporation Commission, Consumer Services Section, 1200 West Washington Street, Phoenix, Arizona, 85007. If you require assistance, you may contact the Consumer Services Section at 1-800-222-7000 or 602-542-4251.

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. If you wish to intervene, you must file an original and 13 copies of a written motion to intervene with the Commission no later than **October 29, 2010**, and send a copy of the motion to Abra or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. Your name, address, and telephone number and the name, address, and telephone number of any person upon whom service of documents is to be made, if not yourself;

2. A short statement of your interest in the proceeding (e.g., a customer of Abra, etc.); and
3. A statement certifying that you have mailed a copy of the motion to intervene to Abra or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before **October 29, 2010**. If representation by counsel is required by Rule 31 of the Rules of the Arizona Supreme Court, intervention will be conditioned upon the intervenor's obtaining counsel to represent the intervenor. For information about requesting intervention, visit the Commission's website at

<http://www.azcc.gov/divisions/utilities/forms/interven.pdf>.

The granting of intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator Shaylin Bernal, E-mail [sabernal@azcc.gov](mailto:sabernal@azcc.gov), voice phone number 602-542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

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**PUBLIC NOTICE OF AN APPLICATION FOR AN  
ORDER AUTHORIZING THE ISSUANCE OF  
Seventy-five Thousand dollars (\$75,000.00)  
BY ABRA WATER CO., INC.**

Abra Water Co., Inc ("Applicant") filed an Application with the Arizona Corporation Commission ("Commission") for an order authorizing Applicant to issue \$75,000.00 line of credit secured by a note and deed of trust. The Application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's offices in Paulden, Arizona.

Intervention in the Commission's proceedings on the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon Applicant and which, at a minimum, shall contain the following information:

1. The name, address and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15<sup>th</sup> day after this notice.

PUBLIC NOTICE  
OF  
AN APPLICATION FOR AN ORDER  
AUTHORIZING THE ISSUANCE OF  
\_Seventy five thousand dollars (\$75,000.00)\_  
BY \_Abra Water Company Incorporated.

\_Abra Water Company Incorporated filed an Application with the Arizona Corporation Commission ("Commission") for an order authorizing Applicant to issue \$75,000.00 line of credit secured by a note and deed of trust. The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's offices in Paulden, Arizona.

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The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15<sup>th</sup> day after this notice

**Arizona Department of Environmental Quality  
Drinking Water Monitoring and Protection Unit  
Mail Code 5415B-2  
1110 West Washington Street  
Phoenix, AZ 85007**

**Drinking Water Compliance Status Report**

<b>System Name</b>	<b>System Type</b>	<b>System Compliance</b>
ABRA WATER CO INC	<input checked="" type="checkbox"/> Community	<input type="checkbox"/> Yes, to PWS #
13001	<input type="checkbox"/> Non-transient Non-community	<input checked="" type="checkbox"/> No
	<input type="checkbox"/> Transient Non-community	

<b>Sanitary Survey</b>	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
<b>Sanitary Survey</b>	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies

Comments: The system has installed arsenic treatment on EPDS002, is on quarterly monitoring and is in compliance with the arsenic MCL.

<b>Sanitary Survey</b>	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
<b>Date</b>	6-26-09	<b>Inspector</b>
		Adam Klatzker, NRO

Major unresolved/ongoing operation and maintenance deficiencies:

<input type="checkbox"/> unable to maintain 20psi	<input type="checkbox"/> inadequate storage
<input type="checkbox"/> cross connection/backflow problems	<input type="checkbox"/> surface water treatment rule
<input type="checkbox"/> treatment deficiencies	<input type="checkbox"/> ATC/AOC
<input type="checkbox"/> certified operator	<input type="checkbox"/> other =

Comments: During the last sanitary survey, recommendations were made on the distribution system (replace sample tap with a nonthreaded tap) and finished water (resize vent screen).

<b>Administrative Order</b>	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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Comments: None

<b>Population Served</b>	1512
<b>Service Connections</b>	623
<b>Number of Meters</b>	2
<b>Number of Valves</b>	2
<b>Number of Outlets</b>	1995
<b>Number of Assets (Meters, Valves, Outlets)</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

<b>By Whom Reported</b>	Donna Calderon, Manager 
<b>Drinking Water Monitoring and Protection Unit</b>	
<b>Phone</b>	602-771-4641
<b>Date</b>	March 19, 2010

Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and PWS is in compliance.

Based upon the monitoring and reporting deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or PWS is not in compliance.

Based upon the operation and maintenance deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or PWS is not in compliance.

*This compliance status report does not guarantee the water quality for this system in the future, and does not reflect the status of any other water system owned by this utility company.*

## **Documents to be Executed.**

Corporate Resolution

Promissory Note

Commercial Security Agreement

Commercial Guaranty: Abra Water Co., Inc.

Commercial Guaranty: Personal  
(Additional guarantors Kevan Larson and Robbi Larson)

PROMISSORY NOTE

COPY

Borrower:

Lender: NATIONAL BANK OF ARIZONA, a national banking association
Gurley Street Office
102 WEST GURLEY STREET
PRESCOTT, AZ 86301

Principal Amount:

Date of Note:

PROMISE TO PAY.

ARIZONA, a national banking association ("Lender"), or order, jointly and severally promise to pay to NATIONAL BANK OF ARIZONA, a national banking association ("Lender"), or order, in lawful money of the United States of America, the principal amount of \$\_\_\_\_\_, together with interest on the unpaid principal balance from \_\_\_\_\_

PAYMENT. Subject to any payment changes resulting from changes in the Index, Borrower will pay this loan in accordance with the following payment schedule, which calculates interest on the unpaid principal balances as described in the "INTEREST CALCULATION METHOD" using the interest rates described in this paragraph: 84 monthly consecutive principal and interest payments in the initial amount of \$\_\_\_\_\_, beginning May \_\_\_\_\_, 19\_\_\_\_, with interest calculated on the unpaid principal balances using an interest rate of \_\_\_\_\_ per annum based on a year of 360 days; and one principal and interest payment of \$\_\_\_\_\_ with interest calculated on the unpaid principal balances using an interest rate based on the 7 year LIBOR/Swap rate. Lender's LIBOR/Swap rate is to be strictly interpreted and is not intended to serve any other purpose other than providing an index to determine the interest rate used herein. Lender's LIBOR/Swap rate may not necessarily be the same as the quoted offer side in the Eurodollar time deposit market by any particular institution or service applicable to any interest period. As used herein, Lender's LIBOR/Swap rate shall mean the rate per annum quoted by Lender as Lender's 7 year LIBOR/Swap rate based upon the LIBOR/Swap rate as quoted for U.S. Dollars by Bloomberg or other comparable pricing services selected by Lender (currently 3.297%), plus a margin of 3.250 percentage points, adjusted if necessary for the minimum and maximum rate limitations resulting in an initial interest rate of 6.547% per annum based on a year of 360 days; and one principal and interest payment of \$\_\_\_\_\_ with interest calculated on the unpaid principal balances using an interest rate based on the 7 year LIBOR/Swap rate. Lender's LIBOR/Swap rate is to be strictly interpreted and is not intended to serve any other purpose other than providing an index to determine the interest rate used herein. Lender's LIBOR/Swap rate may not necessarily be the same as the quoted offer side in the Eurodollar time deposit market by any particular institution or service applicable to any interest period. As used herein, Lender's LIBOR/Swap rate shall mean the rate per annum quoted by Lender as Lender's 7 year LIBOR/Swap rate based upon the LIBOR/Swap rate as quoted for U.S. Dollars by Bloomberg or other comparable pricing services selected by Lender (currently 3.297%), plus a margin of 3.250 percentage points, adjusted if necessary for the minimum and maximum rate limitations for this loan, resulting in an initial interest rate of 6.547% per annum based on a year of 360 days. This estimated final payment is based on the assumption that all payments will be made exactly as scheduled and that the index does not change; the actual final payment will be for all principal and accrued interest not yet paid, together with any other unpaid amounts under this Note. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

VARIABLE INTEREST RATE. The interest rate on this Note is subject to change from time to time based on changes in an independent index which is the 7 year LIBOR/Swap rate. Lender's LIBOR/Swap rate is to be strictly interpreted and is not intended to serve any other purpose other than providing an index to determine the interest rate used herein. Lender's LIBOR/Swap rate may not necessarily be the same as the quoted offer side in the Eurodollar time deposit market by any particular institution or service applicable to any interest period. As used herein, Lender's LIBOR/Swap rate shall mean the rate per annum quoted by Lender as Lender's 7 year LIBOR/Swap rate based upon the LIBOR/Swap rate as quoted for U.S. Dollars by Bloomberg or other comparable pricing services selected by Lender (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notifying Borrower. Lender will tell Borrower the current index rate upon Borrower's request. The interest rate change will not occur more often than each seven years. Borrower understands that Lender may make loans based on other rates as well. The Index currently is 3.297% per annum. The interest rate or rates to be applied to the unpaid principal balance during this Note will be the rate or rates set forth herein in the "Payment" section. Notwithstanding any other provision of this Note, after the first payment stream, the interest rate for each subsequent payment stream will be effective as of the last payment date of the just-ending payment stream. NOTICE: Under no circumstances will the interest rate on this Note be less than 6.000% per annum or more than the maximum rate allowed by applicable law. Whenever increases occur in the interest rate, Lender, at its option, may do one or more of the following: (A) increase Borrower's payments to ensure Borrower's loan will pay off by its original final maturity date, (B) increase Borrower's payments to cover accruing interest, (C) increase the number of Borrower's payments, and (D) continue Borrower's payments at the same amount and increase Borrower's final payment.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method. This calculation method results in a higher effective interest rate than the numeric interest rates stated in this Note.

EFFECTIVE RATE. Borrower agrees to an effective rate of interest that is the rate specified in this Note plus any additional rate resulting from any other charges in the nature of interest paid or to be paid in connection with this Note.

PREPAYMENT PENALTY; MINIMUM INTEREST CHARGE. In any event, even upon full prepayment of this Note, Borrower understands that Lender is entitled to a minimum interest charge of \$250.00. Upon prepayment of this Note, Lender is entitled to the following prepayment penalty: "Prepayment" shall be defined as the following: Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. If Borrower pre-pays all or any portion of the outstanding principal balance for any reason, whether voluntarily or involuntarily and whether directly or through another related or unrelated person or entity, with the proceeds of financing from a bank or other financial institution other than Lender prior to the date one (1) year following the date of this Note, Borrower shall pay to Lender a prepayment premium equal to 5.000% of the amount so prepaid at the time of such prepayment. If Borrower pre-pays all or any portion of the outstanding principal balance with the proceeds of financing from a financial institution other than Lender on or after the date one (1) year following the date of this Note and prior to the date two (2) years following the date of this Note, Borrower shall pay to Lender a prepayment premium equal to 4.000% of the amount so prepaid at the time of such prepayment. If Borrower pre-pays all or any portion of the outstanding principal balance with the proceeds of financing from a financial institution other than Lender on or after the date two (2) years following the date of this Note and prior to the date three (3) years following the date of this Note, Borrower shall pay to Lender a prepayment premium equal to 3.000% of the amount so prepaid at the time of such prepayment. If Borrower pre-pays all or any portion of the outstanding principal balance with the proceeds of financing from a financial institution other than Lender on or after the date three (3) years following the date of this Note and prior to the date four (4) years following the date of this Note, Borrower shall pay to Lender a prepayment premium equal to 2.000% of the amount so prepaid at the time of such prepayment. If Borrower pre-pays all or any portion of the outstanding principal balance with the proceeds of financing from a financial institution other than Lender on or after the date four (4) years following the date of this Note and prior to the date five (5) years

**PROMISSORY NOTE  
(Continued)**

Page 2

Following the date of this Note, Borrower shall pay to Lender a prepayment premium equal to 1.000% of the amount so prepaid at the time of such prepayment. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed. Other than Borrower's obligation to pay any minimum interest charge and prepayment penalty, Borrower may pay all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: NATIONAL BANK OF ARIZONA, a national banking association, Gurley Street Office, 102 WEST GURLEY STREET, PRESCOTT, AZ 86301.

**LATE CHARGE.** If a payment is 10 days or more late, Borrower will be charged 10.000% of the regularly scheduled payment.

**INTEREST AFTER DEFAULT.** Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased to 18.000% per annum based on a year of 360 days. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

**DEFAULT.** Each of the following shall constitute an event of default ("Event of Default") under this Note:

**Payment Default.** Borrower fails to make any payment when due under this Note.

**Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

**Default in Favor of Third Parties.** Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

**Environmental Default.** Failure of any party to comply with or perform when due any term, obligation, covenant or condition contained in any environmental agreement executed in connection with any loan.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

**Death or Insolvency.** The death of Borrower or the dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any Guarantor of any of the indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

**Adverse Change.** A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

**Insecurity.** Lender in good faith believes itself insecure.

**Cure Provisions.** If any default, other than a default in payment is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after Lender sends written notice to Borrower demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

**LENDER'S RIGHTS.** Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

**ATTORNEYS' FEES; EXPENSES.** Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. However, Borrower will only pay attorneys' fees of an attorney not Lender's salaried employee, to whom the matter is referred after Borrower's default. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

**GOVERNING LAW.** This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Arizona without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Arizona.

**DISHONORED ITEM FEE.** Borrower will pay a fee to Lender of \$32.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

**RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

**COLLATERAL**

**PROMISSORY NOTE  
(Continued)**

**DISPUTE RESOLUTION.** This section contains a jury waiver, arbitration clause, and a class action waiver. **READ IT CAREFULLY.**

This dispute resolution provision shall supersede and replace any prior "Jury Waiver," "Judicial Reference," "Class Action Waiver," "Arbitration," "Dispute Resolution," or similar alternative dispute agreement or provision between or among the parties.

**JURY TRIAL WAIVER; CLASS ACTION WAIVER.** As permitted by applicable law, each party waives their respective rights to a trial before a jury in connection with any Dispute (as "Dispute" is hereinafter defined), and Disputes shall be resolved by a judge sitting without a jury. If a court determines that this provision is not enforceable for any reason and at any time prior to trial of the Dispute, but not later than 30 days after entry of the order determining this provision is unenforceable, any party shall be entitled to move the court for an order compelling arbitration and staying or dismissing such litigation pending arbitration ("Arbitration Order"). If permitted by applicable law, each party also waives the right to litigate in court or an arbitration proceeding any Dispute as a class action, either as a member of a class or as a representative, or to act as a private attorney general.

**ARBITRATION.** If a claim, dispute, or controversy arises between us with respect to this Agreement, related agreements, or any other agreement or business relationship between any of us whether or not related to the subject matter of this Agreement (all of the foregoing, a "Dispute"), and only if a jury trial waiver is not permitted by applicable law or ruling by a court, any of us may require that the Dispute be resolved by binding arbitration before a single arbitrator at the request of any party. By agreeing to arbitrate a Dispute, each party gives up any right that party may have to a jury trial, as well as other rights that party would have in court that are not available or are more limited in arbitration, such as the rights to discovery and to appeal.

Arbitration shall be commenced by filing a petition with, and in accordance with the applicable arbitration rules of, JAMS or National Arbitration Forum ("Administrator") as selected by the initiating party. If the parties agree, arbitration may be commenced by appointment of a licensed attorney who is selected by the parties and who agrees to conduct the arbitration without an Administrator. Disputes include matters (i) relating to a deposit account, application for or denial of credit, enforcement of any of the obligations we have to each other, compliance with applicable laws and/or regulations, performance or services provided under any agreement by any party, (ii) based on or arising from an alleged tort, or (iii) involving either of our employees, agents, affiliates, or assigns of a party. However, Disputes do not include the validity, enforceability, meaning, or scope of this arbitration provision and such matters may be determined only by a court. If a third party is a party to a Dispute, we each will consent to including the third party in the arbitration proceeding for resolving the Dispute with the third party. Venue for the arbitration proceeding shall be at a location determined by mutual agreement of the parties or, if no agreement, in the city and state where lender or bank is headquartered.

After entry of an Arbitration Order, the non-moving party shall commence arbitration. The moving party shall, at its discretion, also be entitled to commence arbitration but is under no obligation to do so, and the moving party shall not in any way be adversely prejudiced by electing not to commence arbitration. The arbitrator: (i) will hear and rule on appropriate dispositive motions for judgment on the pleadings, for failure to state a claim, or for full or partial summary judgment; (ii) will render a decision and any award applying applicable law; (iii) will give effect to any limitations period in determining any Dispute or defense; (iv) shall enforce the doctrines of compulsory counterclaim, res-judicata, and collateral estoppel, if applicable; (v) with regard to motions and the arbitration hearing, shall apply rules of evidence governing civil cases; and (vi) will apply the law of the state specified in the agreement giving rise to the Dispute. Filing of a petition for arbitration shall not prevent any party from (i) seeking and obtaining from a court of competent jurisdiction (notwithstanding ongoing arbitration) provisional or ancillary remedies including but not limited to injunctive relief, property preservation orders, foreclosure, eviction, attachment, replevin, garnishment, and/or the appointment of a receiver, (ii) pursuing non-judicial foreclosure, or (iii) availing itself of any self-help remedies such as setoff and repossession. The exercise of such rights shall not constitute a waiver of the right to submit any Dispute to arbitration.

Judgment upon an arbitration award may be entered in any court having jurisdiction except that, if the arbitration award exceeds \$4,000,000, any party shall be entitled to a de novo appeal of the award before a panel of three arbitrators. To allow for such appeal, if the award (including Administrator, arbitrator, and attorney's fees and costs) exceeds \$4,000,000, the arbitrator will issue a written, reasoned decision supporting the award, including a statement of authority and its application to the Dispute. A request for de novo appeal must be filed with the arbitrator within 30 days following the date of the arbitration award; if such a request is not made within that time period, the arbitration decision shall become final and binding. On appeal, the arbitrators shall review the award de novo, meaning that they shall reach their own findings of fact and conclusions of law rather than deferring in any manner to the original arbitrator. Appeal of an arbitration award shall be pursuant to the rules of the Administrator or, if the Administrator has no such rules, then the JAMS arbitration appellate rules shall apply.

Arbitration under this provision concerns a transaction involving interstate commerce and shall be governed by the Federal Arbitration Act, 9 U.S.C. § 1 et seq. This arbitration provision shall survive any termination, amendment, or expiration of this Agreement. If the terms of this provision vary from the Administrator's rules, this arbitration provision shall control.

**RELIANCE.** Each party (i) certifies that no one has represented to such party that the other party would not seek to enforce jury and class action waivers in the event of suit, and (ii) acknowledges that it and the other party have been induced to enter into this Agreement by, among other things, the mutual waivers, agreements, and certifications in this section.

**WAIVER OF CLAIMS, BORROWER.** (i) REPRESENTS THAT BORROWER AND ITS AFFILIATES HAVE NO DEFENSES TO OR SETOFFS AGAINST ANY INDEBTEDNESS OR OTHER OBLIGATIONS OWING TO LENDER OR ITS AFFILIATES (THE "OBLIGATIONS"), NOR CLAIMS AGAINST LENDER OR ITS AFFILIATES FOR ANY MATTER WHATSOEVER, RELATED OR UNRELATED TO THE OBLIGATIONS, AND (ii) RELEASES LENDER AND ITS AFFILIATES FROM ALL CLAIMS, CAUSES OF ACTION, AND COSTS, IN LAW OR EQUITY, EXISTING AS OF THE DATE OF THIS AGREEMENT WHICH BORROWER AND ITS AFFILIATES HAVE OR MAY HAVE BY REASON OF ANY MATTER OF ANY CONCEIVABLE KIND OR CHARACTER WHATSOEVER, RELATED OR UNRELATED TO THE OBLIGATIONS, INCLUDING THE SUBJECT MATTER OF THIS AGREEMENT. THE FOREGOING RELEASE DOES NOT APPLY, HOWEVER, TO CLAIMS FOR FUTURE PERFORMANCE OF EXPRESS CONTRACTUAL OBLIGATIONS THAT MATURE AFTER THE DATE HEREOF THAT ARE OWING TO BORROWER OR ITS AFFILIATES BY LENDER OR ITS AFFILIATES.

**ON-LINE BANKING - LOAN PAYMENTS.** From time to time, Lender may (but shall not be required to) permit loan payments to be made through its online banking website. Lender may impose and change limitations on making online loan payments, such as minimum or maximum payment amounts, the types of accounts from which loan payments may be made, and the types of payments that may be made online (i.e., ordinary installment payments, principal-only payments, or other types of payments). Whether online payments are permitted, and Lender's applicable terms and restrictions if such payments are permitted, will be reflected in the features available online when a user logs into the online banking website.

**ADDITIONAL PROVISIONS**

**SUCCESSOR INTERESTS.** The terms of this Note shall be binding upon Borrower, and upon Borrower's personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

**GENERAL PROVISIONS.** If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Each Borrower understands and agrees that, with or without notice

**PROMISSORY NOTE  
(Continued)**

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to Borrower, Lender may with respect to any other Borrower (a) make one or more additional secured or unsecured loans or otherwise extend additional credit; (b) alter, compromise, renew, extend, accelerate, or otherwise change one or more times the time for payment or other terms of any indebtedness, including increases and decreases of the rate of interest on the indebtedness; (c) exchange, enforce, waive, subordinate, fail or decide not to perfect, and release any security, with or without the substitution of new collateral; (d) apply such security and direct the order or manner of sale thereof, including without limitation, any non-judicial sale permitted by the terms of the controlling security agreements, as Lender in its discretion may determine; (e) release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or other guarantors on any terms or in any manner Lender may choose; and (f) determine how, when and what application of payments and credits shall be made on any other indebtedness owing by such other Borrower. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

**PRIOR TO SIGNING THIS NOTE, EACH BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. EACH BORROWER AGREES TO THE TERMS OF THE NOTE.**

**BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.**

**BORROWER:**

This document may be executed by the maker in counterpart, each which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**COMMERCIAL GUARANTY****COPY****Borrower:****Lender:**

NATIONAL BANK OF ARIZONA, a national banking  
 association  
 Gurley Street Office  
 102 WEST GURLEY STREET  
 PRESCOTT, AZ 86301

**Guarantor:**

**CONTINUING GUARANTEE OF PAYMENT AND PERFORMANCE.** For good and valuable consideration, Guarantor absolutely and unconditionally guarantees full and punctual payment and satisfaction of Guarantor's Share of the Indebtedness of Borrower, or any one or more of them, to Lender, and the performance and discharge of all Borrower's obligations under the Note and the Related Documents. This is a guaranty of payment and performance and not of collection, so Lender can enforce this Guaranty against Guarantor even when Lender has not exhausted Lender's remedies against anyone else obligated to pay the Indebtedness or against any collateral securing the Indebtedness, this Guaranty or any other guaranty of the Indebtedness. Guarantor will make any payments to Lender or its order, on demand, in legal tender of the United States of America, in same-day funds, without set-off or deduction or counterclaim, and will otherwise perform Borrower's obligations under the Note and Related Documents. Under this Guaranty, Guarantor's obligations are continuing.

**INDEBTEDNESS.** The word "Indebtedness" as used in this Guaranty means all of the principal amount outstanding from time to time and at any one or more times, accrued unpaid interest thereon and all collection costs and legal expenses related thereto permitted by law, attorneys' fees, arising from any and all debts, liabilities and obligations of every nature or form, now existing or hereafter arising or acquired, that Borrower individually or collectively or interchangeably with others, owes or will owe Lender. "Indebtedness" includes, without limitation, loans, advances, debts, overdraft indebtedness, credit card indebtedness, lease obligations, liabilities and obligations under any interest rate protection agreements or foreign currency exchange agreements or commodity price protection agreements, other obligations, and liabilities of Borrower, or any one or more of them, and any present or future judgments against Borrower, or any one or more of them, future advances, loans or transactions that renew, extend, modify, refinance, consolidate or substitute these debts, liabilities and obligations whether voluntarily or involuntarily incurred; due or to become due by their terms or acceleration; absolute or contingent; liquidated or unliquidated; determined or undetermined; direct or indirect; primary or secondary in nature or arising from a guaranty or surety; secured or unsecured; joint or several or joint and several; evidenced by a negotiable or non-negotiable instrument or writing; originated by Lender or another or others; barred or unenforceable against Borrower for any reason whatsoever; for any transactions that may be voidable for any reason (such as infancy, insanity, ultra vires or otherwise); and originated then reduced or extinguished and then afterwards increased or reinstated.

If Lender presently holds one or more guaranties, or hereafter receives additional guaranties from Guarantor, Lender's rights under all guaranties shall be cumulative. This Guaranty shall not (unless specifically provided below to the contrary) affect or invalidate any such other guaranties. Guarantor's liability will be Guarantor's aggregate liability under the terms of this Guaranty and any such other unexpired guaranties.

**GUARANTOR'S SHARE OF THE INDEBTEDNESS.** The words "Guarantor's Share of the Indebtedness" as used in this Guaranty mean an amount not to exceed the principal amount of the Indebtedness that is outstanding from time to time and at any one or more times. "Guarantor's Share of the Indebtedness" also includes all accrued unpaid interest on the Indebtedness and all collection costs, expenses and attorneys' fees whether or not there is a lawsuit, and if there is a lawsuit, any fees and costs for trial and appeals paid or incurred by Lender for the collection of the Indebtedness, the realization on any collateral securing the Indebtedness or any guaranty of the Indebtedness (including this Guaranty), or the enforcement of this Guaranty.

Guarantor's Share of the Indebtedness will only be reduced by sums actually paid by Guarantor under this Guaranty, but will not be reduced by sums from any other source including, but not limited to, sums realized from any collateral securing the Indebtedness or this Guaranty, or payments by anyone other than Guarantor, or reductions by operation of law, judicial order or equitable principles. Lender has the sole and absolute discretion to determine how sums shall be applied among guaranties of the Indebtedness.

The above limitation on liability is not a restriction on the amount of the Note of Borrower to Lender either in the aggregate or at any one time.

**CONTINUING GUARANTY.** THIS IS A "CONTINUING GUARANTY" UNDER WHICH GUARANTOR AGREES TO GUARANTEE THE FULL AND PUNCTUAL PAYMENT, PERFORMANCE AND SATISFACTION OF THE GUARANTOR'S SHARE OF THE INDEBTEDNESS OF BORROWER, OR ANY ONE OR MORE OF THEM, TO LENDER, NOW EXISTING OR HEREAFTER ARISING OR ACQUIRED, ON A CONTINUING BASIS. ACCORDINGLY, ANY PAYMENTS MADE ON THE INDEBTEDNESS WILL NOT DISCHARGE OR DIMINISH GUARANTOR'S OBLIGATIONS AND LIABILITY UNDER THIS GUARANTY FOR ANY REMAINING AND SUCCEEDING INDEBTEDNESS EVEN WHEN ALL OR PART OF THE OUTSTANDING INDEBTEDNESS MAY BE A ZERO BALANCE FROM TIME TO TIME.

**DURATION OF GUARANTY.** This Guaranty will take effect when received by Lender without the necessity of any acceptance by Lender, or any notice to Guarantor or to Borrower, and will continue in full force until all the Indebtedness incurred or contracted before receipt by Lender of any notice of revocation shall have been fully and finally paid and satisfied and all of Guarantor's other obligations under this Guaranty shall have been performed in full. If Guarantor elects to revoke this Guaranty, Guarantor may only do so in writing. Guarantor's written notice of revocation must be mailed to Lender, by certified mail, at Lender's address listed above or such other place as Lender may designate in writing. Written revocation of this Guaranty will apply only to new Indebtedness created after actual receipt by Lender of Guarantor's written revocation. For this purpose and without limitation, the term "new Indebtedness" does not include the Indebtedness which at the time of notice of revocation is contingent, unliquidated, undetermined or not due and which later becomes absolute, liquidated, determined or due. For this purpose and without limitation, "new Indebtedness" does not include all or part of the Indebtedness that is: incurred by Borrower prior to revocation; incurred under a commitment that became binding before revocation; any renewals, extensions, substitutions, and modifications of the Indebtedness. This Guaranty shall bind Guarantor's estate as to the Indebtedness created both before and after Guarantor's death or incapacity, regardless of Lender's actual notice of Guarantor's death. Subject to the foregoing, Guarantor's executor or administrator or other legal representative may terminate this Guaranty in the same manner in which Guarantor might have terminated it and with the same effect. Release of any other guarantor or termination of any other guaranty of the Indebtedness shall not affect the liability of Guarantor under this Guaranty. A revocation Lender receives from any one or more Guarantors shall not affect the liability of any remaining Guarantors under this Guaranty. It is anticipated that fluctuations may occur in the aggregate amount of the Indebtedness covered by this Guaranty, and Guarantor specifically acknowledges and agrees that reductions in the amount of the Indebtedness, even to zero dollars (\$0.00), shall not constitute a termination of this Guaranty. This Guaranty is binding upon Guarantor and Guarantor's heirs, successors and assigns so long as any of the Guarantor's Share of the Indebtedness remains unpaid and even though the Guarantor's Share of the Indebtedness may from time to time be zero dollars (\$0.00).

**GUARANTOR'S AUTHORIZATION TO LENDER.** Guarantor authorizes Lender, either before or after any revocation hereof, without notice or

**COMMERCIAL GUARANTY**  
**(Continued)**

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demand and without lessening Guarantor's liability under this Guaranty, from time to time: (A) prior to revocation as set forth above, to make one or more additional secured or unsecured loans to Borrower, to lease equipment or other goods to Borrower, or otherwise to extend additional credit to Borrower; (B) to alter, compromise, renew, extend, accelerate, or otherwise change one or more times the time for payment or other terms of the Indebtedness or any part of the Indebtedness, including increases and decreases of the rate of interest on the Indebtedness; extensions may be repeated and may be for longer than the original loan term; (C) to take and hold security for the payment of this Guaranty or the Indebtedness, and exchange, enforce, waive, subordinate, fail or decide not to perfect, and release any such security, with or without the substitution of new collateral; (D) to release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or other guarantors on any terms or in any manner Lender may choose; (E) to determine how, when and what application of payments and credits shall be made on the Indebtedness; (F) to apply such security and direct the order or manner of sale thereof, including without limitation, any nonjudicial sale permitted by the terms of the controlling security agreement or deed of trust, as Lender in its discretion may determine; (G) to sell, transfer, assign or grant participations in all or any part of the Indebtedness; and (H) to assign or transfer this Guaranty in whole or in part.

**GUARANTOR'S REPRESENTATIONS AND WARRANTIES.** Guarantor represents and warrants to Lender that (A) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (B) this Guaranty is executed at Borrower's request and not at the request of Lender; (C) Guarantor has full power, right and authority to enter into this Guaranty; (D) the provisions of this Guaranty do not conflict with or result in a default under any agreement or other instrument binding upon Guarantor and do not result in a violation of any law, regulation, court decree or order applicable to Guarantor; (E) Guarantor has not and will not, without the prior written consent of Lender, sell, lease, assign, encumber, hypothecate, transfer, or otherwise dispose of all or substantially all of Guarantor's assets; or any interest therein; (F) upon Lender's request, Guarantor will provide to Lender financial and credit information in form acceptable to Lender, and all such financial information which currently has been, and all future financial information which will be provided to Lender is and will be true and correct in all material respects and fairly present Guarantor's financial condition as of the dates the financial information is provided; (G) no material adverse change has occurred in Guarantor's financial condition since the date of the most recent financial statements provided to Lender and no event has occurred which may materially adversely affect Guarantor's financial condition; (H) no litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Guarantor is pending or threatened; (I) Lender has made no representation to Guarantor as to the creditworthiness of Borrower; and (J) Guarantor has established adequate means of obtaining from Borrower on a continuing basis information regarding Borrower's financial condition. Guarantor agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Guarantor's risks under this Guaranty, and Guarantor further agrees that, absent a request for information, Lender shall have no obligation to disclose to Guarantor any information or documents acquired by Lender in the course of its relationship with Borrower.

**GUARANTOR'S WAIVERS.** Except as prohibited by applicable law, Guarantor waives any right to require Lender (A) to continue lending money or to extend other credit to Borrower; (B) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of the Indebtedness or of any nonpayment related to any collateral, or notice of any action or nonaction on the part of Borrower, Lender, any surety, endorser, or other guarantor in connection with the Indebtedness or in connection with the creation of new or additional loans or obligations; (C) to resort for payment or to proceed directly or at once against any person, including Borrower or any other guarantor; (D) to proceed directly against or exhaust any collateral held by Lender from Borrower, any other guarantor, or any other person; (E) to give notice of the terms, time, and place of any public or private sale of personal property security held by Lender from Borrower or to comply with any other applicable provisions of the Uniform Commercial Code; (F) to pursue any other remedy within Lender's power; or (G) to commit any act or omission of any kind, or at any time, with respect to any matter whatsoever.

Guarantor also waives any and all rights or defenses based on suretyship or impairment of collateral including, but not limited to, any rights or defenses arising by reason of (A) any "one action" or "anti-deficiency" law or any other law which may prevent Lender from bringing any action, including a claim for deficiency, against Guarantor, before or after Lender's commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale; (B) any election of remedies by Lender which destroys or otherwise adversely affects Guarantor's subrogation rights or Guarantor's rights to proceed against Borrower for reimbursement, including without limitation, any loss of rights Guarantor may suffer by reason of any law limiting, qualifying, or discharging the Indebtedness; (C) any disability or other defense of Borrower, of any other guarantor, or of any other person, or by reason of the cessation of Borrower's liability from any cause whatsoever, other than payment in full in legal tender, of the Indebtedness; (D) any right to claim discharge of the Indebtedness on the basis of unjustified impairment of any collateral for the Indebtedness; (E) any statute of limitations, if at any time any action or suit brought by Lender against Guarantor is commenced, there is outstanding Indebtedness which is not barred by any applicable statute of limitations; or (F) any defenses given to guarantors at law or in equity other than actual payment and performance of the Indebtedness. If payment is made by Borrower, whether voluntarily or otherwise, or by any third party, on the Indebtedness and thereafter Lender is forced to remit the amount of that payment to Borrower's trustee in bankruptcy or to any similar person under any federal or state bankruptcy law or law for the relief of debtors, the Indebtedness shall be considered unpaid for the purpose of the enforcement of this Guaranty.

In addition to the waivers set forth above, Guarantor expressly waives, to the extent permitted by Arizona law, all of Guarantor's rights under sections 12-1641 through 12-1646 inclusive, 44-142 of the Arizona Revised Statutes, and Rule 17(f) of the Arizona Rules of Civil Procedure, as now enacted or hereafter modified, amended or replaced.

Guarantor further waives and agrees not to assert or claim at any time any deductions to the amount guaranteed under this Guaranty for any claim of setoff, counterclaim, counter demand, recoupment or similar right, whether such claim, demand or right may be asserted by the Borrower, the Guarantor, or both.

**GUARANTOR'S UNDERSTANDING WITH RESPECT TO WAIVERS.** Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of its significance and consequences and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law or public policy.

**RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Guarantor's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Guarantor holds jointly with someone else and all accounts Guarantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Guarantor authorizes Lender, to the extent permitted by applicable law, to hold these funds if there is a default, and Lender may apply the funds in these accounts to pay what Guarantor owes under the terms of this Guaranty.

**SUBORDINATION OF BORROWER'S DEBTS TO GUARANTOR.** Guarantor agrees that the Indebtedness, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Borrower, whether or not Borrower becomes insolvent. Guarantor hereby expressly subordinates any claim Guarantor may have against Borrower, upon any account whatsoever, to any claim that Lender may now or hereafter have against Borrower. In the event of insolvency and consequent liquidation of the assets of Borrower, through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Borrower applicable to the payment of the claims of both Lender and Guarantor shall be paid to Lender and shall be first applied by Lender to the Indebtedness. Guarantor does hereby assign to Lender all claims which it may have or acquire against Borrower or against any assignee or trustee in

**COMMERCIAL GUARANTY  
(Continued)**

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bankruptcy of Borrower; provided however, that such assignment shall be effective only for the purpose of assuring to Lender full payment in legal tender of the indebtedness. If Lender so requests, any notes or credit agreements now or hereafter evidencing any debts or obligations of Borrower to Guarantor shall be marked with a legend that the same are subject to this Guaranty and shall be delivered to Lender. Guarantor agrees, and Lender is hereby authorized, in the name of Guarantor, from time to time to file financing statements and continuation statements and to execute documents and to take such other actions as Lender deems necessary or appropriate to perfect, preserve and enforce its rights under this Guaranty.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Guaranty:

**Amendments.** This Guaranty, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of or amendment to this Guaranty shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Attorneys' Fees; Expenses.** Guarantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Guaranty. Lender may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. However, Guarantor will only pay attorneys' fees of an attorney not Lender's salaried employee, to whom the matter is referred after Guarantor's default. Guarantor also shall pay all court costs and such additional fees as may be directed by the court.

**Caption Headings.** Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.

**Governing Law.** This Guaranty will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Arizona without regard to its conflicts of law provisions.

**Integration.** Guarantor further agrees that Guarantor has read and fully understands the terms of this Guaranty; Guarantor has had the opportunity to be advised by Guarantor's attorney with respect to this Guaranty; the Guaranty fully reflects Guarantor's intentions and parol evidence is not required to interpret the terms of this Guaranty. Guarantor hereby indemnifies and holds Lender harmless from all losses, claims, damages, and costs (including Lender's attorneys' fees) suffered or incurred by Lender as a result of any breach by Guarantor of the warranties, representations and agreements of this paragraph.

**Interpretation.** In all cases where there is more than one Borrower or Guarantor, then all words used in this Guaranty in the singular shall be deemed to have been used in the plural where the context and construction so require; and where there is more than one Borrower named in this Guaranty or when this Guaranty is executed by more than one Guarantor, the words "Borrower" and "Guarantor" respectively shall mean all and any one or more of them. The words "Guarantor," "Borrower," and "Lender" include the heirs, successors, assigns, and transferees of each of them. If a court finds that any provision of this Guaranty is not valid or should not be enforced, that fact by itself will not mean that the rest of this Guaranty will not be valid or enforced. Therefore, a court will enforce the rest of the provisions of this Guaranty even if a provision of this Guaranty may be found to be invalid or unenforceable. If any one or more of Borrower or Guarantor are corporations, partnerships, limited liability companies, or similar entities, it is not necessary for Lender to inquire into the powers of Borrower or Guarantor or of the officers, directors, partners, managers, or other agents acting or purporting to act on their behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed under this Guaranty.

**Notices.** Any notice required to be given under this Guaranty shall be given in writing, and, except for revocation notices by Guarantor, shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Guaranty. All revocation notices by Guarantor shall be in writing and shall be effective upon delivery to Lender as provided in the section of this Guaranty entitled "DURATION OF GUARANTY." Any party may change its address for notices under this Guaranty by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Guarantor agrees to keep Lender informed at all times of Guarantor's current address. Unless otherwise provided or required by law, if there is more than one Guarantor, any notice given by Lender to any Guarantor is deemed to be notice given to all Guarantors.

**No Waiver by Lender.** Lender shall not be deemed to have waived any rights under this Guaranty unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Guaranty shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Guaranty. No prior waiver by Lender, nor any course of dealing between Lender and Guarantor, shall constitute a waiver of any of Lender's rights or of any of Guarantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Guaranty, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

**Successors and Assigns.** Subject to any limitations stated in this Guaranty on transfer of Guarantor's interest, this Guaranty shall be binding upon and inure to the benefit of the parties, their successors and assigns.

**DISPUTE RESOLUTION.** This section contains a jury waiver, arbitration clause, and a class action waiver. **READ IT CAREFULLY.**

This dispute resolution provision shall supersede and replace any prior "Jury Waiver," "Judicial Reference," "Class Action Waiver," "Arbitration," "Dispute Resolution," or similar alternative dispute agreement or provision between or among the parties.

**JURY TRIAL WAIVER; CLASS ACTION WAIVER.** As permitted by applicable law, each party waives their respective rights to a trial before a jury in connection with any Dispute (as "Dispute" is hereinafter defined), and Disputes shall be resolved by a judge sitting without a jury. If a court determines that this provision is not enforceable for any reason and at any time prior to trial of the Dispute, but not later than 30 days after entry of the order determining this provision is unenforceable, any party shall be entitled to move the court for an order compelling arbitration and staying or dismissing such litigation pending arbitration ("Arbitration Order"). If permitted by applicable law, each party also waives the right to litigate in court or an arbitration proceeding any Dispute as a class action, either as a member of a class or as a representative, or to act as a private attorney general.

**ARBITRATION.** If a claim, dispute, or controversy arises between us with respect to this Agreement, related agreements, or any other agreement or business relationship between any of us whether or not related to the subject matter of this Agreement (all of the foregoing, a "Dispute"), and only if a jury trial waiver is not permitted by applicable law or ruling by a court, any of us may require that the Dispute be resolved by binding arbitration before a single arbitrator at the request of any party. By agreeing to arbitrate a Dispute, each party gives up any right that party may have to a jury trial, as well as other rights that party would have in court that are not available or are more limited

**COMMERCIAL GUARANTY  
(Continued)**

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in arbitration, such as the rights to discovery and to appeal.

Arbitration shall be commenced by filing a petition with, and in accordance with the applicable arbitration rules of, JAMS or National Arbitration Forum ("Administrator") as selected by the initiating party. If the parties agree, arbitration may be commenced by appointment of a licensed attorney who is selected by the parties and who agrees to conduct the arbitration without an Administrator. Disputes include matters (i) relating to a deposit account, application for or denial of credit, enforcement of any of the obligations we have to each other, compliance with applicable laws and/or regulations, performance or services provided under any agreement by any party, (ii) based on or arising from an alleged tort, or (iii) involving either of our employees, agents, affiliates, or assigns of a party. However, Disputes do not include the validity, enforceability, meaning, or scope of this arbitration provision and such matters may be determined only by a court. If a third party is a party to a Dispute, we each will consent to including the third party in the arbitration proceeding for resolving the Dispute with the third party. Venue for the arbitration proceeding shall be at a location determined by mutual agreement of the parties or, if no agreement, in the city and state where lender or bank is headquartered.

After entry of an Arbitration Order, the non-moving party shall commence arbitration. The moving party shall, at its discretion, also be entitled to commence arbitration but is under no obligation to do so, and the moving party shall not in any way be adversely prejudiced by electing not to commence arbitration. The arbitrator: (i) will hear and rule on appropriate dispositive motions for judgment on the pleadings, for failure to state a claim, or for full or partial summary judgment; (ii) will render a decision and any award applying applicable law; (iii) will give effect to any limitations period in determining any Dispute or defense; (iv) shall enforce the doctrines of compulsory counterclaim, res judicata, and collateral estoppel, if applicable; (v) with regard to motions and the arbitration hearing, shall apply rules of evidence governing civil cases; and (vi) will apply the law of the state specified in the agreement giving rise to the Dispute. Filing of a petition for arbitration shall not prevent any party from (i) seeking and obtaining from a court of competent jurisdiction (notwithstanding ongoing arbitration) provisional or ancillary remedies including but not limited to injunctive relief, property preservation orders, foreclosure, eviction, attachment, replevin, garnishment, and/or the appointment of a receiver, (ii) pursuing non-judicial foreclosure, or (iii) availing itself of any self-help remedies such as setoff and repossession. The exercise of such rights shall not constitute a waiver of the right to submit any Dispute to arbitration.

Judgment upon an arbitration award may be entered in any court having jurisdiction except that, if the arbitration award exceeds \$4,000,000, any party shall be entitled to a de novo appeal of the award before a panel of three arbitrators. To allow for such appeal, if the award (including Administrator, arbitrator, and attorney's fees and costs) exceeds \$4,000,000, the arbitrator will issue a written, reasoned decision supporting the award, including a statement of authority and its application to the Dispute. A request for de novo appeal must be filed with the arbitrator within 30 days following the date of the arbitration award; if such a request is not made within that time period, the arbitration decision shall become final and binding. On appeal, the arbitrators shall review the award de novo, meaning that they shall reach their own findings of fact and conclusions of law rather than deferring in any manner to the original arbitrator. Appeal of an arbitration award shall be pursuant to the rules of the Administrator or, if the Administrator has no such rules, then the JAMS arbitration appellate rules shall apply.

Arbitration under this provision concerns a transaction involving interstate commerce and shall be governed by the Federal Arbitration Act, 9 U.S.C. § 1 et seq. This arbitration provision shall survive any termination, amendment, or expiration of this Agreement. If the terms of this provision vary from the Administrator's rules, this arbitration provision shall control.

**RELIANCE.** Each party (i) certifies that no one has represented to such party that the other party would not seek to enforce jury and class action waivers in the event of suit, and (ii) acknowledges that it and the other party have been induced to enter into this Agreement by, among other things, the mutual waivers, agreements, and certifications in this section.

**WAIVER OF CLAIMS. GUARANTOR (i) REPRESENTS THAT GUARANTOR AND GUARANTOR'S AFFILIATES HAVE NO DEFENSES TO OR SETOFFS AGAINST ANY INDEBTEDNESS OR OTHER OBLIGATIONS OWING TO LENDER OR ITS AFFILIATES (THE "OBLIGATIONS"), NOR CLAIMS AGAINST LENDER OR ITS AFFILIATES FOR ANY MATTER WHATSOEVER, RELATED OR UNRELATED TO THE OBLIGATIONS, AND (ii) RELEASES LENDER AND LENDER'S AFFILIATES FROM ALL CLAIMS, CAUSES OF ACTION, AND COSTS, IN LAW OR EQUITY, EXISTING AS OF THE DATE OF THIS AGREEMENT WHICH GUARANTOR HAS OR MAY HAVE BY REASON OF ANY MATTER OF ANY CONCEIVABLE KIND OR CHARACTER WHATSOEVER, RELATED OR UNRELATED TO THE OBLIGATIONS, INCLUDING THE SUBJECT MATTER OF THIS AGREEMENT. THE FOREGOING RELEASE DOES NOT APPLY, HOWEVER, TO CLAIMS FOR FUTURE PERFORMANCE OF EXPRESS CONTRACTUAL OBLIGATIONS THAT MATURE AFTER THE DATE HEREOF THAT ARE OWING TO GUARANTOR BY LENDER OR ITS AFFILIATES.**

**DEFINITIONS.** The following capitalized words and terms shall have the following meanings when used in this Guaranty. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Guaranty shall have the meanings attributed to such terms in the Uniform Commercial Code:

**Borrower.** The word "Borrower" means JOHN C. STALLINGS and JEFFREY W. SPARKS and includes all co-signers and co-makers signing the Note and all their successors and assigns.

**Guarantor.** The word "Guarantor" means everyone signing this Guaranty, including without limitation JEFFREY WALTER SPARKS, as Trustee of the J.W. SPARKS REVOCABLE LIVING TRUST, dated November 3, 1993, and in each case, any signer's successors and assigns.

**Guarantor's Share of the Indebtedness.** The words "Guarantor's Share of the Indebtedness" mean Guarantor's indebtedness to Lender as more particularly described in this Guaranty.

**Guaranty.** The word "Guaranty" means this guaranty from Guarantor to Lender.

**Indebtedness.** The word "Indebtedness" means Borrower's indebtedness to Lender as more particularly described in this Guaranty.

**Lender.** The word "Lender" means NATIONAL BANK OF ARIZONA, a national banking association, its successors and assigns.

**Note.** The word "Note" means Notes or Credit Agreements from Borrower to Lender together with all renewals of, extensions of, modifications of, refinancings of, consolidations of and substitutions for the Notes or Credit Agreements.

**Related Documents.** The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

**COMMERCIAL GUARANTY  
(Continued)**

EACH UNDERSIGNED GUARANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS GUARANTY AND AGREES TO ITS TERMS. IN ADDITION, EACH GUARANTOR UNDERSTANDS THAT THIS GUARANTY IS EFFECTIVE UPON GUARANTOR'S EXECUTION AND DELIVERY OF THIS GUARANTY TO LENDER AND THAT THE GUARANTY WILL CONTINUE UNTIL TERMINATED IN THE MANNER SET FORTH IN THE SECTION TITLED "DURATION OF GUARANTY". NO FORMAL ACCEPTANCE BY LENDER IS NECESSARY TO MAKE THIS GUARANTY EFFECTIVE.

**GUARANTOR:**

[Faint, illegible text, likely a signature or stamp area]

# COMMERCIAL GUARANTY

**Borrower:** Abra Water Company, Inc.  
P.O. Box 515  
Paulden, AZ 86334

**Lender:** JPMorgan Chase Bank, NA  
Chino Valley LPO  
31 Butterfield Road  
Chino Valley, AZ 86323

**Guarantor:** Kevan Larson  
22425 N Malapai Ridge Rd  
Paulden, AZ 86334

**AMOUNT OF GUARANTY.** The amount of this Guaranty is Unlimited.

**CONTINUING UNLIMITED GUARANTY.** For good and valuable consideration, Kevan Larson ("Guarantor") absolutely and unconditionally guarantees and promises to pay to JPMorgan Chase Bank, NA ("Lender") or its order, in legal tender of the United States of America, the indebtedness (as that term is defined below) of Abra Water Company, Inc. ("Borrower") to Lender on the terms and conditions set forth in this Guaranty. Under this Guaranty, the liability of Guarantor is unlimited and the obligations of Guarantor are continuing.

**INDEBTEDNESS GUARANTEED.** The indebtedness guaranteed by this Guaranty includes any and all of Borrower's indebtedness to Lender and is used in the most comprehensive sense and means and includes any and all of Borrower's liabilities, obligations and debts to Lender, now existing or hereinafter incurred or created, including, without limitation, all loans, advances, interest, costs, debts, overdraft indebtedness, credit card indebtedness, lease obligations, other obligations, and liabilities of Borrower, or any of them, and any present or future judgments against Borrower, or any of them; and whether any such indebtedness is voluntarily or involuntarily incurred, due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined; whether Borrower may be liable individually or jointly with others, or primarily or secondarily, or as guarantor or surety; whether recovery on the indebtedness may be or may become barred or unenforceable against Borrower for any reason whatsoever; and whether the indebtedness arises from transactions which may be voidable on account of infancy, insanity, ultra vires, or otherwise.

**NATURE OF GUARANTY.** This Guaranty is a guaranty of payment and not of collection. Therefore, the Lender can insist that the Guarantor pay immediately, and the Lender is not required to attempt to collect first from the Borrower, any collateral, or any other person liable for the indebtedness.

**OTHER GUARANTIES.** If Lender presently holds one or more guaranties, or hereafter receives additional guaranties from Guarantor, the rights of Lender under all guaranties shall be cumulative. This Guaranty shall not (unless specifically provided below to the contrary) affect or invalidate any such other guaranties. The liability of Guarantor will be the aggregate liability of Guarantor under the terms of this Guaranty and any such other unexpired guaranties.

**DURATION OF GUARANTY.** This Guaranty will take effect when received by Lender without the necessity of any acceptance by Lender, or any notice to Guarantor or to Borrower, and will continue in full force until all indebtedness incurred or contracted before receipt by Lender of any notice of revocation shall have been fully and finally paid and satisfied and all of Guarantor's other obligations under this Guaranty shall have been performed in full. If Guarantor elects to revoke this Guaranty, Guarantor may only do so in writing. Guarantor's written notice of revocation must be mailed to Lender, by certified mail, at Lender's address listed above or such other place as Lender may designate in writing. Written revocation of this Guaranty will apply only to advances or new indebtedness created after actual receipt by Lender of Guarantor's written revocation. For this purpose and without limitation, the term "new indebtedness" does not include indebtedness which at the time of notice of revocation is contingent, unliquidated, undetermined or not due and which later becomes absolute, liquidated, determined or due. This Guaranty will continue to bind Guarantor for all indebtedness incurred by Borrower or committed by Lender prior to receipt of Guarantor's written notice of revocation, including any extensions, renewals, substitutions or modifications of the indebtedness. All renewals, extensions, substitutions, and modifications of the indebtedness granted after Guarantor's revocation, are contemplated under this Guaranty and, specifically will not be considered to be new indebtedness. This Guaranty shall bind Guarantor's estate as to indebtedness created both before and after Guarantor's death or incapacity, regardless of Lender's actual notice of Guarantor's death. Subject to the foregoing, Guarantor's executor or administrator or other legal representative may terminate this Guaranty in the same manner in which Guarantor might have terminated it and with the same effect. Release of any other guarantor or termination of any other guaranty of the indebtedness shall not affect the liability of Guarantor under this Guaranty. A revocation Lender receives from any one or more Guarantors shall not affect the liability of any remaining Guarantors under this Guaranty. Guarantor shall be liable, jointly and severally, with Borrower and any other guarantor of all or any part of the indebtedness, and release of any other guarantor of all or any part of the indebtedness, or termination or revocation of any other guaranty of all or any part of the indebtedness, shall not affect the liability of Guarantor under this Guaranty. ~~It is anticipated that fluctuations may occur in the aggregate amount of indebtedness covered by this Guaranty, and Guarantor specifically acknowledges and agrees that reductions in the amount of indebtedness, even to zero dollars (\$0.00), prior to Guarantor's written revocation of this Guaranty shall not constitute a termination of this Guaranty.~~ This Guaranty is binding upon Guarantor and Guarantor's heirs, successors and assigns so long as any of the guaranteed indebtedness remains unpaid and even though the indebtedness guaranteed may from time to time be zero dollars (\$0.00)..

**GUARANTOR'S AUTHORIZATION TO LENDER.** Guarantor authorizes Lender, either before or after any revocation hereof, without notice or demand and without lessening Guarantor's liability under this Guaranty, from time to time: (A) prior to revocation as set forth above, to make one or more additional secured or unsecured loans to Borrower, to lease equipment or other goods to Borrower, or otherwise to extend additional credit to Borrower; (B) to alter, compromise, renew, extend, accelerate, or otherwise change one or more times the time for payment or other terms of the indebtedness or any part of the indebtedness, including increases and decreases of the rate of interest on the indebtedness; extensions may be repeated and may be for longer than the original loan term; (C) to take and hold security for the payment of this Guaranty or the indebtedness, and exchange, enforce, waive, subordinate, fail or decide not to perfect, and release any such security, with or without the substitution of new collateral, and release the Borrower, with or without the assumption of the indebtedness by any other entity; (D) to release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or other guarantors on any terms or in any manner Lender may choose; (E) to determine how, when and what application of payments and credits shall be made on the indebtedness (F) to apply such security and direct the order or manner of sale thereof, including without limitation, any nonjudicial sale permitted by the terms of the controlling security agreement or deed of trust, as Lender in its discretion may determine; (G) to sell, transfer, assign or grant participations in all or any part of the indebtedness; and (H) to assign or transfer this Guaranty in whole or in part.

**GUARANTOR'S REPRESENTATIONS AND WARRANTIES.** Guarantor represents and warrants to Lender that (A) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (B) this Guaranty is executed at Borrower's request and not at the request of Lender; (C) Guarantor has full power, right and authority to enter into this Guaranty; (D) the provisions of this Guaranty do not conflict with or result in a default under any agreement or other instrument binding upon Guarantor and do not result in a violation of any law, regulation, court decree or order applicable to Guarantor; (E) Guarantor has not and will not, without the prior written consent of Lender, sell, lease, assign, encumber, hypothecate, transfer, or otherwise dispose of all or substantially all of Guarantor's assets, or any interest therein; (F) upon Lender's request, Guarantor will provide to Lender financial and credit information in form acceptable to Lender, and all such financial information which currently has been, and all future financial information which will be provided to

card indebtedness, lease obligations, other obligations, and liabilities of Borrower, or any of them, and any present or future judgments against Borrower, or any of them; and whether any such Indebtedness is voluntarily or involuntarily incurred, due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined; whether Borrower may be liable individually or jointly with others, or primarily or secondarily, or as guarantor or surety; whether recovery on the Indebtedness may be or may become barred or unenforceable against Borrower for any reason whatsoever; and whether the Indebtedness arises from transactions which may be voidable on account of infancy, insanity, ultra vires, or otherwise.

**NATURE OF GUARANTY.** This Guaranty is a guaranty of payment and not of collection. Therefore, the Lender can insist that the Guarantor pay immediately, and the Lender is not required to attempt to collect first from the Borrower, any collateral, or any other person liable for the Indebtedness.

**OTHER GUARANTIES.** If Lender presently holds one or more guaranties, or hereafter receives additional guaranties from Guarantor, the rights of Lender under all guaranties shall be cumulative. This Guaranty shall not (unless specifically provided below to the contrary) affect or invalidate any such other guaranties. The liability of Guarantor will be the aggregate liability of Guarantor under the terms of this Guaranty and any such other unexpired guaranties.

**DURATION OF GUARANTY.** This Guaranty will take effect when received by Lender without the necessity of any acceptance by Lender, or any notice to Guarantor or to Borrower, and will continue in full force until all Indebtedness incurred or contracted before receipt by Lender of any notice of revocation shall have been fully and finally paid and satisfied and all of Guarantor's other obligations under this Guaranty shall have been performed in full. If Guarantor elects to revoke this Guaranty, Guarantor may only do so in writing. Guarantor's written notice of revocation must be mailed to Lender, by certified mail, at Lender's address listed above or such other place as Lender may designate in writing. Written revocation of this Guaranty will apply only to advances or new Indebtedness created after actual receipt by Lender of Guarantor's written revocation. For this purpose and without limitation, the term "new Indebtedness" does not include Indebtedness which at the time of notice of revocation is contingent, unliquidated, undetermined or not due and which later becomes absolute, liquidated, determined or due. This Guaranty will continue to bind Guarantor for all Indebtedness incurred by Borrower or committed by Lender prior to receipt of Guarantor's written notice of revocation, including any extensions, renewals, substitutions or modifications of the Indebtedness. All renewals, extensions, substitutions, and modifications of the Indebtedness granted after Guarantor's revocation, are contemplated under this Guaranty and, specifically will not be considered to be new Indebtedness. This Guaranty shall bind Guarantor's estate as to Indebtedness created both before and after Guarantor's death or incapacity, regardless of Lender's actual notice of Guarantor's death. Subject to the foregoing, Guarantor's executor or administrator or other legal representative may terminate this Guaranty in the same manner in which Guarantor might have terminated it and with the same effect. Release of any other guarantor or termination of any other guaranty of the Indebtedness shall not affect the liability of Guarantor under this Guaranty. A revocation Lender receives from any one or more Guarantors shall not affect the liability of any remaining Guarantors under this Guaranty. Guarantor shall be liable, jointly and severally, with Borrower and any other guarantor of all or any part of the Indebtedness, and release of any other guarantor of all or any part of the Indebtedness, or termination or revocation of any other guaranty of all or any part of the Indebtedness, shall not affect the liability of Guarantor under this Guaranty. It is anticipated that fluctuations may occur in the aggregate amount of Indebtedness covered by this Guaranty, and Guarantor specifically acknowledges and agrees that reductions in the amount of Indebtedness, even to zero dollars (\$0.00), prior to Guarantor's written revocation of this Guaranty shall not constitute a termination of this Guaranty. This Guaranty is binding upon Guarantor and Guarantor's heirs, successors and assigns so long as any of the guaranteed Indebtedness remains unpaid and even though the Indebtedness guaranteed may from time to time be zero dollars (\$0.00)..

**GUARANTOR'S AUTHORIZATION TO LENDER.** Guarantor authorizes Lender, either before or after any revocation hereof, without notice or demand and without lessening Guarantor's liability under this Guaranty, from time to time: (A) prior to revocation as set forth above, to make one or more additional secured or unsecured loans to Borrower, to lease equipment or other goods to Borrower, or otherwise to extend additional credit to Borrower; (B) to alter, compromise, renew, extend, accelerate, or otherwise change one or more times the time for payment or other terms of the Indebtedness or any part of the Indebtedness, including increases and decreases of the rate of interest on the Indebtedness; extensions may be repeated and may be for longer than the original loan term; (C) to take and hold security for the payment of this Guaranty or the Indebtedness, and exchange, enforce, waive, subordinate, fail or decide not to perfect, and release any such security, with or without the substitution of new collateral, and release the Borrower, with or without the assumption of the Indebtedness by any other entity; (D) to release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or other guarantors on any terms or in any manner Lender may choose; (E) to determine how, when and what application of payments and credits shall be made on the Indebtedness (F) to apply such security and direct the order or manner of sale thereof, including without limitation, any nonjudicial sale permitted by the terms of the controlling security agreement or deed of trust, as Lender in its discretion may determine; (G) to sell, transfer, assign or grant participations in all or any part of the Indebtedness; and (H) to assign or transfer this Guaranty in whole or in part.

**GUARANTOR'S REPRESENTATIONS AND WARRANTIES.** Guarantor represents and warrants to Lender that (A) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (B) this Guaranty is executed at Borrower's request and not at the request of Lender; (C) Guarantor has full power, right and authority to enter into this Guaranty; (D) the provisions of this Guaranty do not conflict with or result in a default under any agreement or other instrument binding upon Guarantor and do not result in a violation of any law, regulation, court decree or order applicable to Guarantor; (E) Guarantor has not and will not, without the prior written consent of Lender, sell, lease, assign, encumber, hypothecate, transfer, or otherwise dispose of all or substantially all of Guarantor's assets, or any interest therein; (F) upon Lender's request, Guarantor will provide to Lender financial and credit information in form acceptable to Lender, and all such financial information which currently has been, and all future financial information which will be provided to Lender is and will be true and correct in all material respects and fairly present Guarantor's financial condition as of the dates the financial information is provided; (G) no material adverse change has occurred in Guarantor's financial condition since the date of the most recent financial statements provided to Lender and no event has occurred which may materially adversely affect Guarantor's financial condition; (H) no litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Guarantor is pending or threatened; (I) Lender has made no representation to Guarantor as to the creditworthiness of Borrower; (J) Guarantor has established adequate means of obtaining from Borrower on a continuing basis information regarding Borrower's financial condition; and (K) as of the date hereof, and after giving effect to this Guaranty, (1) Guarantor is and will be solvent, (2) the fair saleable value of Guarantor's assets exceeds and will continue to exceed Guarantor's liabilities (both fixed and contingent), (3) Guarantor is and will continue to be able to pay Guarantor's debts as they mature, and (4) if Guarantor is not an individual, Guarantor has and will continue to have sufficient capital to carry on its business and all businesses in which it is about to engage. Guarantor agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Guarantor's risks under this Guaranty, and Guarantor further agrees that Lender shall have no obligation to disclose to Guarantor any information or documents acquired by Lender in the course of its relationship with Borrower.

**GUARANTOR'S WAIVERS.** Except as prohibited by applicable law, Guarantor waives any right to require Lender (A) to continue lending money or to extend other credit to Borrower; (B) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of the Indebtedness or of any nonpayment related to any collateral, or notice of any action or nonaction on the part of Borrower, Lender, any surety, endorser, or other guarantor in connection with the Indebtedness or in connection with the creation of new or additional loans or obligations; (C) to resort for payment or to proceed directly, initially or at once against Borrower, any surety, endorser, guarantor, or other person, including but not limited to, any right to request or require Lender to commence, prosecute and/or enforce any action against Borrower, any surety, endorser, guarantor or other person; (D) to proceed directly against or exhaust any collateral held by Lender from Borrower, any other guarantor, or any other person; (E) to give notice of the terms, time, and place of any public or private sale of personal property security held by Lender from Borrower or to comply with any other applicable provisions of the Uniform Commercial Code; (F) to pursue any other remedy within Lender's power; or (G) to commit any act or omission of any kind, or at any time, with respect to any matter whatsoever.

The Guarantor agrees that the provisions of this Guaranty are severable, and in any action or proceeding involving any state corporate law, or any state, federal or foreign bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of the Guarantor under this Guaranty would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of the Guarantor's liability under this Guaranty, then, notwithstanding any other provision of this Guaranty to the contrary, the amount of such liability shall, without any further action by the Guarantor or the Lender, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding.

Guarantor also waives any and all rights or defenses arising by reason of (A) any "one action" or "anti-deficiency" law or any other law which may prevent Lender from bringing any action, including a claim for deficiency, against Guarantor, before or after Lender's commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale; (B) any election of remedies by Lender which destroys or otherwise adversely affects Guarantor's subrogation rights or Guarantor's rights to proceed against Borrower for reimbursement, including without limitation, any loss of rights Guarantor may suffer by reason of any law limiting, qualifying, or discharging the Indebtedness; (C) any disability or other defense of Borrower, of any other guarantor, or of any other person, or by reason of the cessation of Borrower's liability from any cause whatsoever, other than payment in full in legal tender, of the Indebtedness; (D) any right to claim discharge of the Indebtedness on the basis of unjustified impairment of any collateral for the Indebtedness; (E) any statute of limitations, if at any time any action or suit brought by Lender against Guarantor is commenced there is outstanding Indebtedness of Borrower to Lender which is not barred by any applicable statute of limitations; (F) any right to claim the Guaranty is conditioned on anyone else executing this or any other guaranty; or (G) any rights or defenses at law or in equity given to guarantors, or given to sureties to the extent such rights or defenses are available to a guarantor, other than actual payment and performance of the Indebtedness. If payment is made by Borrower, whether voluntarily or otherwise, or by any third party, on the Indebtedness and thereafter Lender is forced to remit the amount of that payment to Borrower's trustee in bankruptcy or to any similar person under any federal or state bankruptcy law or law for the relief of debtors, the Indebtedness shall be considered unpaid for the purpose of the enforcement of this Guaranty.

In addition to the waivers set forth above, Guarantor expressly waives, to the extent permitted by Arizona law, all of Guarantor's rights under sections 12-1641 through 12-1646, inclusive, 44-142, and 47-3605 of the Arizona Revised Statutes, and Rule 17f of the Arizona Revised Statutes Rules of Civil Procedure.

Guarantor further waives and agrees not to assert or claim at any time any deductions to the amount guaranteed under this Guaranty for any claim of setoff, counterclaim, counter demand, recoupment or similar right, whether such claim, demand or right may be asserted by the Borrower, the Guarantor, or both.

**GUARANTOR'S UNDERSTANDING WITH RESPECT TO WAIVERS.** Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of its significance and consequences and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law or public policy.

**RIGHT OF SETOFF.** Guarantor grants to Lender a security interest in, as well as a right of setoff against, and hereby assigns, conveys, delivers, pledges and transfers to Lender, as security for repayment of the Indebtedness, all Guarantor's right, title and interest in and to all Guarantor's accounts (whether checking, savings, or some other account) with Lender or any subsidiary or affiliate of JPMorgan Chase & Co. (each hereinafter referred to as a "Lender Affiliate") and all other obligations at any time owing by Lender or any Lender Affiliate to Guarantor. This includes all accounts Guarantor holds jointly with someone else and all accounts Guarantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which the grant of a security interest would be prohibited by law. Guarantor authorizes Lender, without prior notice to Guarantor and irrespective of (i) whether or not Lender has made any demand under this Guaranty or the Related Documents or (ii) whether such Indebtedness is contingent, matured or unmatured, to the extent permitted by law, to collect, charge and/or setoff all sums owing on the Indebtedness against any and all such accounts and other obligations, and, at Lender's option, to administratively freeze or direct a Lender Affiliate to administratively freeze all such accounts and other obligations to allow Lender to protect Lender's security interest, collection, charge and setoff rights provided in this paragraph.

**SUBORDINATION OF BORROWER'S DEBTS TO GUARANTOR.** Guarantor agrees that the Indebtedness of Borrower to Lender, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Borrower, whether or not Borrower becomes insolvent. Guarantor hereby expressly subordinates any claim Guarantor may have against Borrower, upon any account whatsoever, to any claim that Lender may now or hereafter have against Borrower. In the event of insolvency and consequent liquidation of the assets of Borrower, through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Borrower applicable to the payment of the claims of both Lender and Guarantor shall be paid to Lender and shall be first applied by Lender to the Indebtedness of Borrower to Lender. Guarantor does hereby assign to Lender all claims which it may have or acquire against Borrower or against any assignee or trustee in bankruptcy of Borrower; provided however, that such assignment shall be effective only for the purpose of assuring to Lender full payment in legal tender of the Indebtedness. If Lender so requests, any notes or credit agreements now or hereafter evidencing any debts or obligations of Borrower to Guarantor shall be marked with a legend that the same are subject to this Guaranty and shall be delivered to Lender. Guarantor agrees, and Lender is hereby authorized, in the name of Guarantor, from time to time to file financing statements and continuation statements and to execute documents and to take such other actions as Lender deems necessary or appropriate to perfect, preserve and enforce its rights under this Guaranty.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Guaranty:

**Amendments.** This Guaranty, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of or amendment to this Guaranty shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Attorneys' Fees; Expenses.** Guarantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Guaranty. Lender may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. However, Guarantor will only pay attorneys' fees of an attorney not Lender's salaried employee, to whom the matter is referred after Guarantor's default. Guarantor also shall pay all court costs and such additional fees as may be directed by the court.

**Caption Headings.** Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.

**Integration.** Guarantor further agrees that Guarantor has read and fully understands the terms of this Guaranty; Guarantor has had the opportunity to be advised by Guarantor's attorney with respect to this Guaranty; the Guaranty fully reflects Guarantor's intentions and parol evidence is not required to interpret the terms of this Guaranty. Guarantor hereby indemnifies and holds Lender harmless from all losses, claims, damages, and costs (including Lender's attorneys' fees) suffered or incurred by Lender as a result of any breach by Guarantor of the warranties, representations and agreements of this paragraph.

than actual payment and performance of the indebtedness. If payment is made by the party, on the indebtedness and thereafter Lender is forced to remit the amount of that payment to Borrower's trustee in bankruptcy or to any similar person under any federal or state bankruptcy law or law for the relief of debtors, the indebtedness shall be considered unpaid for the purpose of the enforcement of this Guaranty.

In addition to the waivers set forth above, Guarantor expressly waives, to the extent permitted by Arizona law, all of Guarantor's rights under sections 12-1641 through 12-1646, inclusive, 44-142, and 47-3605 of the Arizona Revised Statutes, and Rule 17f of the Arizona Revised Statutes Rules of Civil Procedure.

Guarantor further waives and agrees not to assert or claim at any time any deductions to the amount guaranteed under this Guaranty for any claim of setoff, counterclaim, counter demand, recoupment or similar right, whether such claim, demand or right may be asserted by the Borrower, the Guarantor, or both.

**GUARANTOR'S UNDERSTANDING WITH RESPECT TO WAIVERS.** Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of its significance and consequences and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law or public policy.

**RIGHT OF SETOFF.** Guarantor grants to Lender a security interest in, as well as a right of setoff against, and hereby assigns, conveys, delivers, pledges and transfers to Lender, as security for repayment of the indebtedness, all Guarantor's right, title and interest in and to all Guarantor's accounts (whether checking, savings, or some other account) with Lender or any subsidiary or affiliate of JPMorgan Chase & Co. (each hereinafter referred to as a "Lender Affiliate") and all other obligations at any time owing by Lender or any Lender Affiliate to Guarantor. This includes all accounts Guarantor holds jointly with someone else and all accounts Guarantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which the grant of a security interest would be prohibited by law. Guarantor authorizes Lender, without prior notice to Guarantor and irrespective of (i) whether or not Lender has made any demand under this Guaranty or the Related Documents or (ii) whether such indebtedness is contingent, matured or unmatured, to the extent permitted by law, to collect, charge and/or setoff all sums owing on the indebtedness against any and all such accounts and other obligations, and, at Lender's option, to administratively freeze or direct a Lender Affiliate to administratively freeze all such accounts and other obligations to allow Lender to protect Lender's security interest, collection, charge and setoff rights provided in this paragraph.

**SUBORDINATION OF BORROWER'S DEBTS TO GUARANTOR.** Guarantor agrees that the indebtedness of Borrower to Lender, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Borrower, whether or not Borrower becomes insolvent. Guarantor hereby expressly subordinates any claim Guarantor may have against Borrower, upon any account whatsoever, to any claim that Lender may now or hereafter have against Borrower. In the event of insolvency and consequent liquidation of the assets of Borrower, through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Borrower applicable to the payment of the claims of both Lender and Guarantor shall be paid to Lender and shall be first applied by Lender to the indebtedness of Borrower to Lender. Guarantor does hereby assign to Lender all claims which it may have or acquire against Borrower or against any assignee or trustee in bankruptcy of Borrower; provided however, that such assignment shall be effective only for the purpose of assuring to Lender full payment in legal tender of the indebtedness. If Lender so requests, any notes or credit agreements now or hereafter evidencing any debts or obligations of Borrower to Guarantor shall be marked with a legend that the same are subject to this Guaranty and shall be delivered to Lender. Guarantor agrees, and Lender is hereby authorized, in the name of Guarantor, from time to time to file financing statements and continuation statements and to execute documents and to take such other actions as Lender deems necessary or appropriate to perfect, preserve and enforce its rights under this Guaranty.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Guaranty:

**Amendments.** This Guaranty, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of or amendment to this Guaranty shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Attorneys' Fees; Expenses.** Guarantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Guaranty. Lender may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. However, Guarantor will only pay attorneys' fees of an attorney not Lender's salaried employee, to whom the matter is referred after Guarantor's default. Guarantor also shall pay all court costs and such additional fees as may be directed by the court.

**Caption Headings.** Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.

**Integration.** Guarantor further agrees that Guarantor has read and fully understands the terms of this Guaranty; Guarantor has had the opportunity to be advised by Guarantor's attorney with respect to this Guaranty; the Guaranty fully reflects Guarantor's intentions and parol evidence is not required to interpret the terms of this Guaranty. Guarantor hereby indemnifies and holds Lender harmless from all losses, claims, damages, and costs (including Lender's attorneys' fees) suffered or incurred by Lender as a result of any breach by Guarantor of the warranties, representations and agreements of this paragraph.

**Interpretation.** In all cases where there is more than one Borrower or Guarantor, then all words used in this Guaranty in the singular shall be deemed to have been used in the plural where the context and construction so require; and where there is more than one Borrower named in this Guaranty or when this Guaranty is executed by more than one Guarantor, the words "Borrower" and "Guarantor" respectively shall mean all and any one or more of them. The words "Guarantor," "Borrower," and "Lender" include the heirs, successors, assigns, and transferees of each of them. If a court finds that any provision of this Guaranty is not valid or should not be enforced, that fact by itself will not mean that the rest of this Guaranty will not be valid or enforced. Therefore, a court will enforce the rest of the provisions of this Guaranty even if a provision of this Guaranty may be found to be invalid or unenforceable. If any one or more of Borrower or Guarantor are corporations, partnerships, limited liability companies, or similar entities, it is not necessary for Lender to inquire into the powers of Borrower or Guarantor or of the officers, directors, partners, managers, or other agents acting or purporting to act on their behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed under this Guaranty.

**Notices.** Any notice required to be given under this Guaranty shall be given in writing, and, except for revocation notices by Guarantor, shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Guaranty. All revocation notices by Guarantor shall be in writing and shall be effective upon delivery to Lender as provided in the section of this Guaranty entitled "DURATION OF GUARANTY." Any party may change its address for notices under this Guaranty by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Guarantor agrees to keep Lender informed at all times of Guarantor's current address. Unless otherwise provided or required by law, if there is more than one Guarantor, any notice given by Lender to any Guarantor is deemed to be notice given to all Guarantors.

**No Waiver by Lender.** Lender shall not be deemed to have waived any rights under this Guaranty unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other

**COMMERCIAL GUARANTY  
(Continued)**

Page 3

right. A waiver by Lender of a provision of this Guaranty shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Guaranty. No prior waiver by Lender, nor any course of dealing between Lender and Guarantor, shall constitute a waiver of any of Lender's rights or of any of Guarantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Guaranty, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

**Successors and Assigns.** Subject to any limitations stated in this Guaranty on transfer of Guarantor's interest, this Guaranty shall be binding upon and inure to the benefit of the parties, their successors and assigns.

**JURY WAIVER.** THE UNDERSIGNED AND LENDER (BY ITS ACCEPTANCE HEREOF) HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) BETWEEN OR AMONG THE UNDERSIGNED AND LENDER ARISING OUT OF OR IN ANY WAY RELATED TO THIS DOCUMENT, THE RELATED DOCUMENTS, OR ANY RELATIONSHIP BETWEEN OR AMONG THE UNDERSIGNED AND LENDER WHETHER ANY SUCH RIGHT NOW OR HEREAFTER EXISTS. THIS PROVISION IS A MATERIAL INDUCEMENT TO LENDER TO PROVIDE THE FINANCING EVIDENCED BY THIS DOCUMENT AND THE RELATED DOCUMENTS.

**GOVERNING LAW.** The Lender's loan production office for this transaction is located at the address and in the State (the "LPO State") indicated in the LPO address or the loan production office address on the first page of this document. This document will be governed by and interpreted in accordance with federal law and the laws of the LPO State, except for matters related to interest and the exportation of interest, which matters shall be governed by and interpreted in accordance with federal law (including, but not limited to, statutes, regulations, interpretations and opinions) and the laws of the State of Ohio. However, if there is ever a question about whether any provision of this document is valid or enforceable, the provision that is questioned will be governed by whichever state or federal law would find the provision to be valid and enforceable. The loan transaction which is evidenced by this document has been made in the State of Ohio.

**VENUE.** If there is a lawsuit, the undersigned agrees to submit to the jurisdiction of the courts of the county in the LPO State in which the Lender's loan production office is located.

**INFORMATION WAIVER.** Lender may provide, without any limitation whatsoever, to any one or more purchasers of any indebtedness, potential purchasers of any indebtedness, or affiliates of JPMorgan Chase & Co., any information or knowledge Lender may have about Guarantor or about any matter relating to the indebtedness, and Guarantor hereby waives any right to privacy Guarantor may have with respect to such matters.

**EXAMPLES OF INDEBTEDNESS, INCLUDING DEPOSIT ACCOUNT INDEBTEDNESS, LOAN INDEBTEDNESS, ETC., TOGETHER WITH EXCLUSION OF BORROWER'S CONSUMER INDEBTEDNESS.** Guarantor agrees the indebtedness as described herein in the paragraph captioned "Indebtedness Guaranteed" is used in its most comprehensive sense. As examples, and not as limitation, the indebtedness of Borrower includes: (a) any overdraft in any deposit account of Borrower, accruing for any reason; (b) any obligations, including any overdraft in any deposit account of Borrower, related to Automated Clearing House ("ACH") services or products, deposit account services or products, or treasury management services or products, including any agreement with respect thereto; (c) any transaction (including any agreement with respect thereto) between Borrower and the Lender or JPMorgan Chase & Co., or any of its subsidiaries or affiliates or their successors, which is a rate swap, basis swap, forward rate transaction, commodity swap, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures (each a "Rate Management Transaction"); (d) any obligation related to any loan or credit transaction (including any agreement with respect thereto), whether evidenced by a promissory note, credit agreement, letter of credit application, or any other agreement; (e) any obligation related to commercial credit card transactions (including an agreement with respect thereto); (f) any obligation related to any lease (including an agreement with respect thereto); (g) any obligation related to any guaranty of the obligations of others by Borrower; (h) any obligation under a Related Document; and (i) all other obligations of Borrower to Lender. The indebtedness shall not include credit, obligations, liabilities, or indebtedness of the Borrower incurred primarily for personal, family or household purposes.

**REPORTS TO CREDIT BUREAUS.** Guarantor acknowledges that Lender may report information to credit bureaus about term loan or line of credit evidenced by the Note and about any indebtedness. Late payments, missed payments, or other defaults on the Note or other indebtedness may be reflected in the credit reports of Guarantor.

**DEFINITIONS.** The following capitalized words and terms shall have the following meanings when used in this Guaranty. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Guaranty shall have the meanings attributed to such terms in the Uniform Commercial Code:

**Borrower.** The word "Borrower" means Abra Water Company, Inc., and all other persons and entities signing the Note in whatever capacity.

**Guarantor.** The word "Guarantor" means each and every person or entity signing this Guaranty, including without limitation Kevan Larson.

**Guaranty.** The word "Guaranty" means this guaranty from Guarantor to Lender.

**Indebtedness.** The word "Indebtedness" means Borrower's indebtedness to Lender as more particularly described in this Guaranty.

**Lender.** The word "Lender" means JPMorgan Chase Bank, NA, its successors and assigns.

**Related Documents.** The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the indebtedness.

**GUARANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS COMMERCIAL GUARANTY AND GUARANTOR AGREES TO ITS TERMS. THIS COMMERCIAL GUARANTY IS DATED OCTOBER 25, 2010.**

GUARANTOR:

X  
Kevan Larson

# CORPORATE RESOLUTION

**Borrower:** Abra Water Company, Inc.  
P.O. Box 515  
Paulden, AZ 86334

**Lender:** JPMorgan Chase Bank, NA  
Chino Valley LPO  
31 Butterfield Road  
Chino Valley, AZ 86323

**Corporation:** Big Chino Land Co., Inc.  
22425 N Malapai Ridge Rd  
Paulden, AZ 86334

## I. THE UNDERSIGNED, DO HEREBY CERTIFY THAT:

**THE CORPORATION'S EXISTENCE.** The complete and correct name of the Corporation is Big Chino Land Co., Inc. ("Corporation"). The Corporation is a corporation for profit which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the State of Arizona. The Corporation is duly authorized to transact business in all other states in which the Corporation is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which the Corporation is doing business. Specifically, the Corporation is, and at all times shall be, duly qualified as a foreign corporation in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. The Corporation has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. The Corporation maintains an office at 22425 N Malapai Ridge Rd, Paulden, AZ 86334. Unless the Corporation has designated otherwise in writing, the principal office is the office at which the Corporation keeps its books and records. The Corporation will notify Lender prior to any change in the location of The Corporation's state of organization or any change in The Corporation's name. The Corporation shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to the Corporation and The Corporation's business activities.

**RESOLUTIONS ADOPTED.** At a meeting of the Directors of the Corporation, or if the Corporation is a close corporation having no Board of Directors then at a meeting of the Corporation's shareholders, duly called and held on **October 25, 2010**, at which a quorum was present and voting, or by other duly authorized action in lieu of a meeting, the resolutions set forth in this Resolution were adopted.

**OFFICER.** The following named person is an officer of Big Chino Land Co., Inc.:

<u>NAMES</u>	<u>TITLES</u>	<u>AUTHORIZED</u>	<u>ACTUAL SIGNATURES</u>
Kevan Larson	President	Y X	

**ACTIONS AUTHORIZED.** The authorized person listed above may enter into any agreements of any nature with Lender, and those agreements will bind the Corporation. Specifically, but without limitation, the authorized person is authorized, empowered, and directed to do the following for and on behalf of the Corporation:

**Borrow Money.** To borrow and incur any indebtedness or credit accommodations from time to time from Lender, on such terms as may be agreed upon between the Corporation and Lender, such sum or sums of money as in their judgment should be borrowed or incurred, including without limitation, entering into reimbursement agreements related to letters of credit.

**Execute Notes.** To execute and deliver to Lender the promissory note or notes, or other evidence of the Corporation's credit accommodations, on Lender's forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any of the Corporation's indebtedness to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit accommodations.

**Guaranty.** To guarantee or act as surety for loans or other financial accommodations to any person or entity from Lender on such guarantee or surety terms as may be agreed upon with Lender.

**Grant Security.** To mortgage, pledge, transfer, endorse, hypothecate, or otherwise encumber and deliver to Lender any property now or hereafter belonging to the Corporation or in which the Corporation now or hereafter may have an interest, including without limitation all real property and all personal property (tangible or intangible) of the Corporation, as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed (including any amendments to or modifications, renewals, and extensions of such promissory notes), or any other or further indebtedness of the Corporation, any other person or any other entity owed to Lender at any time, however the same may be evidenced. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated, encumbered or otherwise secured or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu of any property theretofore mortgaged, pledged, transferred, endorsed, hypothecated or encumbered.

**Execute Security Documents.** To execute and deliver to Lender the forms of mortgage, deed of trust, pledge agreement, hypothecation agreement, and other security agreements and financing statements which Lender may require and which shall evidence the terms and conditions under and pursuant to which such liens and encumbrances, or any of them, are given; and also to execute and deliver to Lender any other written instruments, any chattel paper, or any other collateral, of any kind or nature, which Lender may deem necessary or proper in connection with or pertaining to the giving of the liens and encumbrances.

**Subordination.** To subordinate, in all respects, any and all present and future indebtedness, obligations, liabilities, claims, rights, and demands of any kind which may be owed, now or hereafter, from any person or entity to the Corporation to all present and future indebtedness, obligations, liabilities, claims, rights, and demands of any kind which may be owed, now or hereafter, from such person or entity to Lender ("Subordinated Indebtedness"), together with subordination by the Corporation of any and all security interests of any kind, whether now existing or hereafter acquired, securing payment or performance of the Subordinated Indebtedness; all on such subordination terms as may be agreed upon between the Corporation's Officers and Lender and in such amounts as in his or her judgment should be subordinated.

**Deposit Accounts.** To open one or more depository accounts in the Corporation's name and sign and deliver all documents or items required to fulfill the conditions of all banking business, including without limitation the initiation of wire transfers, until authority is revoked by action of the Corporation on written notice to Lender.

**Negotiate Items.** To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Corporation or in which the Corporation may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the Corporation's account with Lender, or to cause such other disposition of the proceeds derived therefrom as he or she may deem advisable.

**Further Acts.** In the case of lines of credit, to designate additional collateral to be pledged to Lender.

22425 N Malapai Ridge Rd, Paulden, AZ 86334. Unless the Corporation has designated otherwise in writing, the principal office is the office at which the Corporation keeps its books and records. The Corporation will notify Lender prior to any change in the location of The Corporation's state of organization or any change in The Corporation's name. The Corporation shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to the Corporation and The Corporation's business activities.

**RESOLUTIONS ADOPTED.** At a meeting of the Directors of the Corporation, or if the Corporation is a close corporation having no Board of Directors then at a meeting of the Corporation's shareholders, duly called and held on **October 25, 2010**, at which a quorum was present and voting, or by other duly authorized action in lieu of a meeting, the resolutions set forth in this Resolution were adopted.

**OFFICER.** The following named person is an officer of Big Chino Land Co., Inc.:

<u>NAMES</u>	<u>TITLES</u>	<u>AUTHORIZED</u>	<u>ACTUAL SIGNATURES</u>
Kevan Larson	President	Y X	

**ACTIONS AUTHORIZED.** The authorized person listed above may enter into any agreements of any nature with Lender, and those agreements will bind the Corporation. Specifically, but without limitation, the authorized person is authorized, empowered, and directed to do the following for and on behalf of the Corporation:

**Borrow Money.** To borrow and incur any indebtedness or credit accommodations from time to time from Lender, on such terms as may be agreed upon between the Corporation and Lender, such sum or sums of money as in their judgment should be borrowed or incurred, including without limitation, entering into reimbursement agreements related to letters of credit.

**Execute Notes.** To execute and deliver to Lender the promissory note or notes, or other evidence of the Corporation's credit accommodations, on Lender's forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any of the Corporation's indebtedness to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit accommodations.

**Guaranty.** To guarantee or act as surety for loans or other financial accommodations to any person or entity from Lender on such guarantee or surety terms as may be agreed upon with Lender.

**Grant Security.** To mortgage, pledge, transfer, endorse, hypothecate, or otherwise encumber and deliver to Lender any property now or hereafter belonging to the Corporation or in which the Corporation now or hereafter may have an interest, including without limitation all real property and all personal property (tangible or intangible) of the Corporation, as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed (including any amendments to or modifications, renewals, and extensions of such promissory notes), or any other or further indebtedness of the Corporation, any other person or any other entity owed to Lender at any time, however the same may be evidenced. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated, encumbered or otherwise secured or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu of any property theretofore mortgaged, pledged, transferred, endorsed, hypothecated or encumbered.

**Execute Security Documents.** To execute and deliver to Lender the forms of mortgage, deed of trust, pledge agreement, hypothecation agreement, and other security agreements and financing statements which Lender may require and which shall evidence the terms and conditions under and pursuant to which such liens and encumbrances, or any of them, are given; and also to execute and deliver to Lender any other written instruments, any chattel paper, or any other collateral, of any kind or nature, which Lender may deem necessary or proper in connection with or pertaining to the giving of the liens and encumbrances.

**Subordination.** To subordinate, in all respects, any and all present and future indebtedness, obligations, liabilities, claims, rights, and demands of any kind which may be owed, now or hereafter, from any person or entity to the Corporation to all present and future indebtedness, obligations, liabilities, claims, rights, and demands of any kind which may be owed, now or hereafter, from such person or entity to Lender ("Subordinated Indebtedness"), together with subordination by the Corporation of any and all security interests of any kind, whether now existing or hereafter acquired, securing payment or performance of the Subordinated Indebtedness; all on such subordination terms as may be agreed upon between the Corporation's Officers and Lender and in such amounts as in his or her judgment should be subordinated.

**Deposit Accounts.** To open one or more depository accounts in the Corporation's name and sign and deliver all documents or items required to fulfill the conditions of all banking business, including without limitation the initiation of wire transfers, until authority is revoked by action of the Corporation on written notice to Lender.

**Negotiate Items.** To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Corporation or in which the Corporation may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the Corporation's account with Lender, or to cause such other disposition of the proceeds derived therefrom as he or she may deem advisable.

**Further Acts.** In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances under such lines, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements as the officer may in his or her discretion deem reasonably necessary or proper in order to carry into effect the provisions of this Resolution.

**ASSUMED BUSINESS NAMES.** The Corporation has filed or recorded all documents or filings required by law relating to all assumed business names used by the Corporation. Excluding the name of the Corporation, the following is a complete list of all assumed business names under which the Corporation does business: **None.**

**NOTICES TO LENDER.** The Corporation will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (A) change in the Corporation's name; (B) change in the Corporation's assumed business name(s); (C) change in the management of the Corporation; (D) change in the authorized signer(s); (E) change in the Corporation's principal office address; (F) change in the Corporation's state of organization; (G) conversion of the Corporation to a new or different type of business entity; or (H) change in any other aspect of the Corporation that directly or indirectly relates to any agreements between the Corporation and Lender. No change in the Corporation's name or state of organization will take effect until after Lender has received notice.

**CERTIFICATION CONCERNING OFFICERS AND RESOLUTIONS.** The officer named above is duly elected, appointed, or employed by or for the Corporation, as the case may be, and occupies the position set opposite his or her respective name. This Resolution now stands of record on the books of the Corporation, is in full force and effect, and has not been modified or revoked in any manner whatsoever.

**NO CORPORATE SEAL.** The Corporation has no corporate seal, and therefore, no seal is affixed to this Resolution.

**CONTINUING VALIDITY.** Any and all acts authorized pursuant to this Resolution and performed prior to the passage of this Resolution are hereby ratified and approved. This Resolution shall be continuing, shall remain in full force and effect and Lender may rely on it until written notice of its revocation shall have been delivered to and received by Lender at Lender's address shown above (or such addresses as Lender may designate from time to time). Any such notice shall not affect any of the Corporation's agreements or commitments in effect at the time notice

**CORPORATE RESOLUTION  
(Continued)**

is given.

**IN TESTIMONY WHEREOF, I have hereunto set my hand and attest that the signature set opposite the name listed above is his or her genuine signature.**

**I have read all the provisions of this Resolution, and I personally and on behalf of the Corporation certify that all statements and representations made in this Resolution are true and correct. This Corporate Resolution is dated October 25, 2010.**

**CERTIFIED TO AND ATTESTED BY:**

By: \_\_\_\_\_  
**Authorized Signer for Big Chino Land Co., Inc.**

**NOTE: If the officer signing this Resolution is designated by the foregoing document as one of the officers authorized to act on the Corporation's behalf, it is advisable to have this Resolution signed by at least one non-authorized officer of the Corporation.**

# COMMERCIAL GUARANTY

**Borrower:** Abra Water Company, Inc.  
P.O. Box 515  
Paulden, AZ 86334

**Lender:** JPMorgan Chase Bank, NA  
Chino Valley LPO  
31 Butterfield Road  
Chino Valley, AZ 86323

**Guarantor:** Kevan Larson  
22425 N Malapai Ridge Rd  
Paulden, AZ 86334

**AMOUNT OF GUARANTY.** The amount of this Guaranty is Unlimited.

**CONTINUING UNLIMITED GUARANTY.** -For good and valuable consideration, Kevan Larson ("Guarantor") absolutely and unconditionally guarantees and promises to pay to JPMorgan Chase Bank, NA ("Lender") or its order, in legal tender of the United States of America, the indebtedness (as that term is defined below) of Abra Water Company, Inc. ("Borrower") to Lender on the terms and conditions set forth in this Guaranty. Under this Guaranty, the liability of Guarantor is unlimited and the obligations of Guarantor are continuing.

**INDEBTEDNESS GUARANTEED.** The Indebtedness guaranteed by this Guaranty includes any and all of Borrower's indebtedness to Lender and is used in the most comprehensive sense and means and includes any and all of Borrower's liabilities, obligations and debts to Lender, now existing or hereinafter incurred or created, including, without limitation, all loans, advances, interest, costs, debts, overdraft indebtedness, credit card indebtedness, lease obligations, other obligations, and liabilities of Borrower, or any of them, and any present or future judgments against Borrower, or any of them; and whether any such Indebtedness is voluntarily or involuntarily incurred, due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined; whether Borrower may be liable individually or jointly with others, or primarily or secondarily, or as guarantor or surety; whether recovery on the Indebtedness may be or may become barred or unenforceable against Borrower for any reason whatsoever; and whether the Indebtedness arises from transactions which may be voidable on account of infancy, insanity, ultra vires, or otherwise.

**NATURE OF GUARANTY.** This Guaranty is a guaranty of payment and not of collection. Therefore, the Lender can insist that the Guarantor pay immediately, and the Lender is not required to attempt to collect first from the Borrower, any collateral, or any other person liable for the Indebtedness.

**OTHER GUARANTIES.** If Lender presently holds one or more guaranties, or hereafter receives additional guaranties from Guarantor, the rights of Lender under all guaranties shall be cumulative. This Guaranty shall not (unless specifically provided below to the contrary) affect or invalidate any such other guaranties. The liability of Guarantor will be the aggregate liability of Guarantor under the terms of this Guaranty and any such other unexpired guaranties.

**DURATION OF GUARANTY.** This Guaranty will take effect when received by Lender without the necessity of any acceptance by Lender, or any notice to Guarantor or to Borrower, and will continue in full force until all Indebtedness incurred or contracted before receipt by Lender of any notice of revocation shall have been fully and finally paid and satisfied and all of Guarantor's other obligations under this Guaranty shall have been performed in full. If Guarantor elects to revoke this Guaranty, Guarantor may only do so in writing. Guarantor's written notice of revocation must be mailed to Lender, by certified mail, at Lender's address listed above or such other place as Lender may designate in writing. Written revocation of this Guaranty will apply only to advances or new Indebtedness created after actual receipt by Lender of Guarantor's written revocation. For this purpose and without limitation, the term "new Indebtedness" does not include Indebtedness which at the time of notice of revocation is contingent, unliquidated, undetermined or not due and which later becomes absolute, liquidated, determined or due. This Guaranty will continue to bind Guarantor for all Indebtedness incurred by Borrower or committed by Lender prior to receipt of Guarantor's written notice of revocation, including any extensions, renewals, substitutions or modifications of the Indebtedness. All renewals, extensions, substitutions, and modifications of the Indebtedness granted after Guarantor's revocation, are contemplated under this Guaranty and, specifically will not be considered to be new Indebtedness. This Guaranty shall bind Guarantor's estate as to Indebtedness created both before and after Guarantor's death or incapacity, regardless of Lender's actual notice of Guarantor's death. Subject to the foregoing, Guarantor's executor or administrator or other legal representative may terminate this Guaranty in the same manner in which Guarantor might have terminated it and with the same effect. Release of any other guarantor or termination of any other guaranty of the Indebtedness shall not affect the liability of Guarantor under this Guaranty. A revocation Lender receives from any one or more Guarantors shall not affect the liability of any remaining Guarantors under this Guaranty. Guarantor shall be liable, jointly and severally, with Borrower and any other guarantor of all or any part of the Indebtedness, and release of any other guarantor of all or any part of the Indebtedness, or termination or revocation of any other guaranty of all or any part of the Indebtedness, shall not affect the liability of Guarantor under this Guaranty. ~~It is anticipated that fluctuations may occur in the aggregate amount of Indebtedness covered by this Guaranty, and Guarantor specifically acknowledges and agrees that reductions in the amount of Indebtedness, even to zero dollars (\$0.00), prior to Guarantor's written revocation of this Guaranty shall not constitute a termination of this Guaranty.~~ This Guaranty is binding upon Guarantor and Guarantor's heirs, successors and assigns so long as any of the guaranteed indebtedness remains unpaid and even though the Indebtedness guaranteed may from time to time be zero dollars (\$0.00)..

**GUARANTOR'S AUTHORIZATION TO LENDER.** Guarantor authorizes Lender, either before or after any revocation hereof, without notice or demand and without lessening Guarantor's liability under this Guaranty, from time to time: (A) prior to revocation as set forth above, to make one or more additional secured or unsecured loans to Borrower, to lease equipment or other goods to Borrower, or otherwise to extend additional credit to Borrower; (B) to alter, compromise, renew, extend, accelerate, or otherwise change one or more times the time for payment or other terms of the Indebtedness or any part of the Indebtedness, including increases and decreases of the rate of interest on the Indebtedness; extensions may be repeated and may be for longer than the original loan term; (C) to take and hold security for the payment of this Guaranty or the Indebtedness, and exchange, enforce, waive, subordinate, fail or decide not to perfect, and release any such security, with or without the substitution of new collateral, and release the Borrower, with or without the assumption of the Indebtedness by any other entity; (D) to release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorser, or other guarantors on any terms or in any manner Lender may choose; (E) to determine how, when and what application of payments and credits shall be made on the Indebtedness (F) to apply such security and direct the order or manner of sale thereof, including without limitation, any nonjudicial sale permitted by the terms of the controlling security agreement or deed of trust, as Lender in its discretion may determine; (G) to sell, transfer, assign or grant participations in all or any part of the Indebtedness; and (H) to assign or transfer this Guaranty in whole or in part.

**GUARANTOR'S REPRESENTATIONS AND WARRANTIES.** Guarantor represents and warrants to Lender that (A) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (B) this Guaranty is executed at Borrower's request and not at the request of Lender; (C) Guarantor has full power, right and authority to enter into this Guaranty; (D) the provisions of this Guaranty do not conflict with or result in a default under any agreement or other instrument binding upon Guarantor and do not result in a violation of any law, regulation, court decree or order applicable to Guarantor; (E) Guarantor has not and will not, without the prior written consent of Lender, sell, lease, assign, encumber, hypothecate, transfer, or otherwise dispose of all or substantially all of Guarantor's assets, or any interest therein; (F) upon Lender's request, Guarantor will provide to Lender financial and credit information in form acceptable to Lender, and all such financial information

card indebtedness, lease obligations, other obligations, and liabilities of Borrower, or any of them, and any present or future judgments against Borrower, or any of them; and whether any such indebtedness is voluntarily or involuntarily incurred, due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined; whether Borrower may be liable individually or jointly with others, or primarily or secondarily, or as guarantor or surety; whether recovery on the indebtedness may be or may become barred or unenforceable against Borrower for any reason whatsoever; and whether the indebtedness arises from transactions which may be voidable on account of infancy, insanity, ultra vires, or otherwise.

**NATURE OF GUARANTY.** This Guaranty is a guaranty of payment and not of collection. Therefore, the Lender can insist that the Guarantor pay immediately, and the Lender is not required to attempt to collect first from the Borrower, any collateral, or any other person liable for the Indebtedness.

**OTHER GUARANTIES.** If Lender presently holds one or more guaranties, or hereafter receives additional guaranties from Guarantor, the rights of Lender under all guaranties shall be cumulative. This Guaranty shall not (unless specifically provided below to the contrary) affect or invalidate any such other guaranties. The liability of Guarantor will be the aggregate liability of Guarantor under the terms of this Guaranty and any such other unexpired guaranties.

**DURATION OF GUARANTY.** This Guaranty will take effect when received by Lender without the necessity of any acceptance by Lender, or any notice to Guarantor or to Borrower, and will continue in full force until all Indebtedness incurred or contracted before receipt by Lender of any notice of revocation shall have been fully and finally paid and satisfied and all of Guarantor's other obligations under this Guaranty shall have been performed in full. If Guarantor elects to revoke this Guaranty, Guarantor may only do so in writing. Guarantor's written notice of revocation must be mailed to Lender, by certified mail, at Lender's address listed above or such other place as Lender may designate in writing. Written revocation of this Guaranty will apply only to advances or new Indebtedness created after actual receipt by Lender of Guarantor's written revocation. For this purpose and without limitation, the term "new Indebtedness" does not include Indebtedness which at the time of notice of revocation is contingent, unliquidated, undetermined or not due and which later becomes absolute, liquidated, determined or due. This Guaranty will continue to bind Guarantor for all Indebtedness incurred by Borrower or committed by Lender prior to receipt of Guarantor's written notice of revocation, including any extensions, renewals, substitutions or modifications of the Indebtedness. All renewals, extensions, substitutions, and modifications of the Indebtedness granted after Guarantor's revocation, are contemplated under this Guaranty and, specifically will not be considered to be new Indebtedness. This Guaranty shall bind Guarantor's estate as to Indebtedness created both before and after Guarantor's death or incapacity, regardless of Lender's actual notice of Guarantor's death. Subject to the foregoing, Guarantor's executor or administrator or other legal representative may terminate this Guaranty in the same manner in which Guarantor might have terminated it and with the same effect. Release of any other guarantor or termination of any other guaranty of the Indebtedness shall not affect the liability of Guarantor under this Guaranty. A revocation Lender receives from any one or more Guarantors shall not affect the liability of any remaining Guarantors under this Guaranty. Guarantor shall be liable, jointly and severally, with Borrower and any other guarantor of all or any part of the Indebtedness, and release of any other guarantor of all or any part of the Indebtedness, or termination or revocation of any other guaranty of all or any part of the Indebtedness, shall not affect the liability of Guarantor under this Guaranty. It is anticipated that fluctuations may occur in the aggregate amount of Indebtedness covered by this Guaranty, and Guarantor specifically acknowledges and agrees that reductions in the amount of Indebtedness, even to zero dollars (\$0.00), prior to Guarantor's written revocation of this Guaranty shall not constitute a termination of this Guaranty. This Guaranty is binding upon Guarantor and Guarantor's heirs, successors and assigns so long as any of the guaranteed Indebtedness remains unpaid and even though the Indebtedness guaranteed may from time to time be zero dollars (\$0.00)..

**GUARANTOR'S AUTHORIZATION TO LENDER.** Guarantor authorizes Lender, either before or after any revocation hereof, without notice or demand and without lessening Guarantor's liability under this Guaranty, from time to time: (A) prior to revocation as set forth above, to make one or more additional secured or unsecured loans to Borrower, to lease equipment or other goods to Borrower, or otherwise to extend additional credit to Borrower; (B) to alter, compromise, renew, extend, accelerate, or otherwise change one or more times the time for payment or other terms of the Indebtedness or any part of the Indebtedness, including increases and decreases of the rate of interest on the Indebtedness; extensions may be repeated and may be for longer than the original loan term; (C) to take and hold security for the payment of this Guaranty or the Indebtedness, and exchange, enforce, waive, subordinate, fail or decide not to perfect, and release any such security, with or without the substitution of new collateral, and release the Borrower, with or without the assumption of the Indebtedness by any other entity; (D) to release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or other guarantors on any terms or in any manner Lender may choose; (E) to determine how, when and what application of payments and credits shall be made on the Indebtedness (F) to apply such security and direct the order or manner of sale thereof, including without limitation, any nonjudicial sale permitted by the terms of the controlling security agreement or deed of trust, as Lender in its discretion may determine; (G) to sell, transfer, assign or grant participations in all or any part of the Indebtedness; and (H) to assign or transfer this Guaranty in whole or in part.

**GUARANTOR'S REPRESENTATIONS AND WARRANTIES.** Guarantor represents and warrants to Lender that (A) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (B) this Guaranty is executed at Borrower's request and not at the request of Lender; (C) Guarantor has full power, right and authority to enter into this Guaranty; (D) the provisions of this Guaranty do not conflict with or result in a default under any agreement or other instrument binding upon Guarantor and do not result in a violation of any law, regulation, court decree or order applicable to Guarantor; (E) Guarantor has not and will not, without the prior written consent of Lender, sell, lease, assign, encumber, hypothecate, transfer, or otherwise dispose of all or substantially all of Guarantor's assets, or any interest therein; (F) upon Lender's request, Guarantor will provide to Lender financial and credit information in form acceptable to Lender, and all such financial information which currently has been, and all future financial information which will be provided to Lender is and will be true and correct in all material respects and fairly present Guarantor's financial condition as of the dates the financial information is provided; (G) no material adverse change has occurred in Guarantor's financial condition since the date of the most recent financial statements provided to Lender and no event has occurred which may materially adversely affect Guarantor's financial condition; (H) no litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Guarantor is pending or threatened; (I) Lender has made no representation to Guarantor as to the creditworthiness of Borrower; (J) Guarantor has established adequate means of obtaining from Borrower on a continuing basis information regarding Borrower's financial condition; and (K) as of the date hereof, and after giving effect to this Guaranty, (1) Guarantor is and will be solvent, (2) the fair saleable value of Guarantor's assets exceeds and will continue to exceed Guarantor's liabilities (both fixed and contingent), (3) Guarantor is and will continue to be able to pay Guarantor's debts as they mature, and (4) if Guarantor is not an individual, Guarantor has and will continue to have sufficient capital to carry on its business and all businesses in which it is about to engage. Guarantor agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Guarantor's risks under this Guaranty, and Guarantor further agrees that Lender shall have no obligation to disclose to Guarantor any information or documents acquired by Lender in the course of its relationship with Borrower.

**GUARANTOR'S WAIVERS.** Except as prohibited by applicable law, Guarantor waives any right to require Lender (A) to continue lending money or to extend other credit to Borrower; (B) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of the Indebtedness or of any nonpayment related to any collateral, or notice of any action or nonaction on the part of Borrower, Lender, any surety, endorser, or other guarantor in connection with the Indebtedness or in connection with the creation of new or additional loans or obligations; (C) to resort for payment or to proceed directly, initially or at once against Borrower, any surety, endorser, guarantor, or other person, including but not limited to, any right to request or require Lender to commence, prosecute and/or enforce any action against Borrower, any surety, endorser, guarantor or other person; (D) to proceed directly against or exhaust any collateral held by Lender from Borrower, any other guarantor, or any other person; (E) to give notice of the terms, time, and place of any public or private sale of personal property security held by Lender from Borrower or to comply with any other applicable provisions of the Uniform Commercial Code; (F) to pursue any other remedy within Lender's power; or (G) to commit any act or omission of any kind, or at any time, with respect to any matter whatsoever.

**COMMERCIAL GUARANTY  
(Continued)**

The Guarantor agrees that the provisions of this Guaranty are severable, and in any action or proceeding involving any state corporate law, or any state, federal or foreign bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of the Guarantor under this Guaranty would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of the Guarantor's liability under this Guaranty, then, notwithstanding any other provision of this Guaranty to the contrary, the amount of such liability shall, without any further action by the Guarantor or the Lender, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding.

Guarantor also waives any and all rights or defenses arising by reason of (A) any "one action" or "anti-deficiency" law or any other law which may prevent Lender from bringing any action, including a claim for deficiency, against Guarantor, before or after Lender's commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale; (B) any election of remedies by Lender which destroys or otherwise adversely affects Guarantor's subrogation rights or Guarantor's rights to proceed against Borrower for reimbursement, including without limitation, any loss of rights Guarantor may suffer by reason of any law limiting, qualifying, or discharging the Indebtedness; (C) any disability or other defense of Borrower, of any other guarantor, or of any other person, or by reason of the cessation of Borrower's liability from any cause whatsoever, other than payment in full in legal tender, of the Indebtedness; (D) any right to claim discharge of the Indebtedness on the basis of unjustified impairment of any collateral for the Indebtedness; (E) any statute of limitations, if at any time any action or suit brought by Lender against Guarantor is commenced there is outstanding Indebtedness of Borrower to Lender which is not barred by any applicable statute of limitations; (F) any right to claim the Guaranty is conditioned on anyone else executing this or any other guaranty; or (G) any rights or defenses at law or in equity given to guarantors, or given to sureties to the extent such rights or defenses are available to a guarantor, other than actual payment and performance of the Indebtedness. If payment is made by Borrower, whether voluntarily or otherwise, or by any third party, on the Indebtedness and thereafter Lender is forced to remit the amount of that payment to Borrower's trustee in bankruptcy or to any similar person under any federal or state bankruptcy law or law for the relief of debtors, the Indebtedness shall be considered unpaid for the purpose of the enforcement of this Guaranty.

In addition to the waivers set forth above, Guarantor expressly waives, to the extent permitted by Arizona law, all of Guarantor's rights under sections 12-1641 through 12-1646, inclusive, 44-142, and 47-3605 of the Arizona Revised Statutes, and Rule 17f of the Arizona Revised Statutes Rules of Civil Procedure.

Guarantor further waives and agrees not to assert or claim at any time any deductions to the amount guaranteed under this Guaranty for any claim of setoff, counterclaim, counter demand, recoupment or similar right, whether such claim, demand or right may be asserted by the Borrower, the Guarantor, or both.

**GUARANTOR'S UNDERSTANDING WITH RESPECT TO WAIVERS.** Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of its significance and consequences and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law or public policy.

**RIGHT OF SETOFF.** Guarantor grants to Lender a security interest in, as well as a right of setoff against, and hereby assigns, conveys, delivers, pledges and transfers to Lender, as security for repayment of the Indebtedness, all Guarantor's right, title and interest in and to all Guarantor's accounts (whether checking, savings, or some other account) with Lender or any subsidiary or affiliate of JPMorgan Chase & Co. (each hereinafter referred to as a "Lender Affiliate") and all other obligations at any time owing by Lender or any Lender Affiliate to Guarantor. This includes all accounts Guarantor holds jointly with someone else and all accounts Guarantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which the grant of a security interest would be prohibited by law. Guarantor authorizes Lender, without prior notice to Guarantor and irrespective of (i) whether or not Lender has made any demand under this Guaranty or the Related Documents or (ii) whether such Indebtedness is contingent, matured or unmatured, to the extent permitted by law, to collect, charge and/or setoff all sums owing on the Indebtedness against any and all such accounts and other obligations, and, at Lender's option, to administratively freeze or direct a Lender Affiliate to administratively freeze all such accounts and other obligations to allow Lender to protect Lender's security interest, collection, charge and setoff rights provided in this paragraph.

**SUBORDINATION OF BORROWER'S DEBTS TO GUARANTOR.** Guarantor agrees that the Indebtedness of Borrower to Lender, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Borrower, whether or not Borrower becomes insolvent. Guarantor hereby expressly subordinates any claim Guarantor may have against Borrower, upon any account whatsoever, to any claim that Lender may now or hereafter have against Borrower. In the event of insolvency and consequent liquidation of the assets of Borrower, through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Borrower applicable to the payment of the claims of both Lender and Guarantor shall be paid to Lender and shall be first applied by Lender to the Indebtedness of Borrower to Lender. Guarantor does hereby assign to Lender all claims which it may have or acquire against Borrower or against any assignee or trustee in bankruptcy of Borrower; provided however, that such assignment shall be effective only for the purpose of assuring to Lender full payment in legal tender of the Indebtedness. If Lender so requests, any notes or credit agreements now or hereafter evidencing any debts or obligations of Borrower to Guarantor shall be marked with a legend that the same are subject to this Guaranty and shall be delivered to Lender. Guarantor agrees, and Lender is hereby authorized, in the name of Guarantor, from time to time to file financing statements and continuation statements and to execute documents and to take such other actions as Lender deems necessary or appropriate to perfect, preserve and enforce its rights under this Guaranty.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Guaranty:

**Amendments.** This Guaranty, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of or amendment to this Guaranty shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Attorneys' Fees; Expenses.** Guarantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Guaranty. Lender may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. However, Guarantor will only pay attorneys' fees of an attorney not Lender's salaried employee, to whom the matter is referred after Guarantor's default. Guarantor also shall pay all court costs and such additional fees as may be directed by the court.

**Caption Headings.** Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.

**Integration.** Guarantor further agrees that Guarantor has read and fully understands the terms of this Guaranty; Guarantor has had the opportunity to be advised by Guarantor's attorney with respect to this Guaranty; the Guaranty fully reflects Guarantor's intentions and parol evidence is not required to interpret the terms of this Guaranty. Guarantor hereby indemnifies and holds Lender harmless from all losses, claims, damages, and costs (including Lender's attorneys' fees) suffered or incurred by Lender as a result of any breach by Guarantor of the warranties, representations and covenants of this Guaranty.

than actual payment and performance of the indebtedness. If payment is made by Borrower, whether voluntarily or otherwise, or by any third party, on the indebtedness and thereafter Lender is forced to remit the amount of that payment to Borrower's trustee in bankruptcy or to any similar person under any federal or state bankruptcy law or law for the relief of debtors, the indebtedness shall be considered unpaid for the purpose of the enforcement of this Guaranty.

In addition to the waivers set forth above, Guarantor expressly waives, to the extent permitted by Arizona law, all of Guarantor's rights under sections 12-1641 through 12-1646, inclusive, 44-142, and 47-3605 of the Arizona Revised Statutes, and Rule 17f of the Arizona Revised Statutes Rules of Civil Procedure.

Guarantor further waives and agrees not to assert or claim at any time any deductions to the amount guaranteed under this Guaranty for any claim of setoff, counterclaim, counter demand, recoupment or similar right, whether such claim, demand or right may be asserted by the Borrower, the Guarantor, or both.

**GUARANTOR'S UNDERSTANDING WITH RESPECT TO WAIVERS.** Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of its significance and consequences and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law or public policy.

**RIGHT OF SETOFF.** Guarantor grants to Lender a security interest in, as well as a right of setoff against, and hereby assigns, conveys, delivers, pledges and transfers to Lender, as security for repayment of the indebtedness, all Guarantor's right, title and interest in and to all Guarantor's accounts (whether checking, savings, or some other account) with Lender or any subsidiary or affiliate of JPMorgan Chase & Co. (each hereinafter referred to as a "Lender Affiliate") and all other obligations at any time owing by Lender or any Lender Affiliate to Guarantor. This includes all accounts Guarantor holds jointly with someone else and all accounts Guarantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which the grant of a security interest would be prohibited by law. Guarantor authorizes Lender, without prior notice to Guarantor and irrespective of (i) whether or not Lender has made any demand under this Guaranty or the Related Documents or (ii) whether such indebtedness is contingent, matured or unmatured, to the extent permitted by law, to collect, charge and/or setoff all sums owing on the indebtedness against any and all such accounts and other obligations, and, at Lender's option, to administratively freeze or direct a Lender Affiliate to administratively freeze all such accounts and other obligations to allow Lender to protect Lender's security interest, collection, charge and setoff rights provided in this paragraph.

**SUBORDINATION OF BORROWER'S DEBTS TO GUARANTOR.** Guarantor agrees that the indebtedness of Borrower to Lender, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Borrower, whether or not Borrower becomes insolvent. Guarantor hereby expressly subordinates any claim Guarantor may have against Borrower, upon any account whatsoever, to any claim that Lender may now or hereafter have against Borrower. In the event of insolvency and consequent liquidation of the assets of Borrower, through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Borrower applicable to the payment of the claims of both Lender and Guarantor shall be paid to Lender and shall be first applied by Lender to the indebtedness of Borrower to Lender. Guarantor does hereby assign to Lender all claims which it may have or acquire against Borrower or against any assignee or trustee in bankruptcy of Borrower; provided however, that such assignment shall be effective only for the purpose of assuring to Lender full payment in legal tender of the indebtedness. If Lender so requests, any notes or credit agreements now or hereafter evidencing any debts or obligations of Borrower to Guarantor shall be marked with a legend that the same are subject to this Guaranty and shall be delivered to Lender. Guarantor agrees, and Lender is hereby authorized, in the name of Guarantor, from time to time to file financing statements and continuation statements and to execute documents and to take such other actions as Lender deems necessary or appropriate to perfect, preserve and enforce its rights under this Guaranty.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Guaranty:

**Amendments.** This Guaranty, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of or amendment to this Guaranty shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Attorneys' Fees; Expenses.** Guarantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Guaranty. Lender may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. However, Guarantor will only pay attorneys' fees of an attorney not Lender's salaried employee, to whom the matter is referred after Guarantor's default. Guarantor also shall pay all court costs and such additional fees as may be directed by the court.

**Caption Headings.** Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.

**Integration.** Guarantor further agrees that Guarantor has read and fully understands the terms of this Guaranty; Guarantor has had the opportunity to be advised by Guarantor's attorney with respect to this Guaranty; the Guaranty fully reflects Guarantor's intentions and parole evidence is not required to interpret the terms of this Guaranty. Guarantor hereby indemnifies and holds Lender harmless from all losses, claims, damages, and costs (including Lender's attorneys' fees) suffered or incurred by Lender as a result of any breach by Guarantor of the warranties, representations and agreements of this paragraph.

**Interpretation.** In all cases where there is more than one Borrower or Guarantor, then all words used in this Guaranty in the singular shall be deemed to have been used in the plural where the context and construction so require; and where there is more than one Borrower named in this Guaranty or when this Guaranty is executed by more than one Guarantor, the words "Borrower" and "Guarantor" respectively shall mean all and any one or more of them. The words "Guarantor," "Borrower," and "Lender" include the heirs, successors, assigns, and transferees of each of them. If a court finds that any provision of this Guaranty is not valid or should not be enforced, that fact by itself will not mean that the rest of this Guaranty will not be valid or enforced. Therefore, a court will enforce the rest of the provisions of this Guaranty even if a provision of this Guaranty may be found to be invalid or unenforceable. If any one or more of Borrower or Guarantor are corporations, partnerships, limited liability companies, or similar entities, it is not necessary for Lender to inquire into the powers of Borrower or Guarantor or of the officers, directors, partners, managers, or other agents acting or purporting to act on their behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed under this Guaranty.

**Notices.** Any notice required to be given under this Guaranty shall be given in writing, and, except for revocation notices by Guarantor, shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Guaranty. All revocation notices by Guarantor shall be in writing and shall be effective upon delivery to Lender as provided in the section of this Guaranty entitled "DURATION OF GUARANTY." Any party may change its address for notices under this Guaranty by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Guarantor agrees to keep Lender informed at all times of Guarantor's current address. Unless otherwise provided or required by law, if there is more than one Guarantor, any notice given by Lender to any Guarantor is deemed to be notice given to all Guarantors.

**No Waiver by Lender.** Lender shall not be deemed to have waived any rights under this Guaranty unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other

**COMMERCIAL GUARANTY  
(Continued)**

right. A waiver by Lender of a provision of this Guaranty shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Guaranty. No prior waiver by Lender, nor any course of dealing between Lender and Guarantor, shall constitute a waiver of any of Lender's rights or of any of Guarantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Guaranty, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

**Successors and Assigns.** Subject to any limitations stated in this Guaranty on transfer of Guarantor's interest, this Guaranty shall be binding upon and inure to the benefit of the parties, their successors and assigns.

**JURY WAIVER.** THE UNDERSIGNED AND LENDER (BY ITS ACCEPTANCE HEREOF) HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) BETWEEN OR AMONG THE UNDERSIGNED AND LENDER ARISING OUT OF OR IN ANY WAY RELATED TO THIS DOCUMENT, THE RELATED DOCUMENTS, OR ANY RELATIONSHIP BETWEEN OR AMONG THE UNDERSIGNED AND LENDER WHETHER ANY SUCH RIGHT NOW OR HEREAFTER EXISTS. THIS PROVISION IS A MATERIAL INDUCEMENT TO LENDER TO PROVIDE THE FINANCING EVIDENCED BY THIS DOCUMENT AND THE RELATED DOCUMENTS.

**GOVERNING LAW.** The Lender's loan production office for this transaction is located at the address and in the State (the "LPO State") indicated in the LPO address or the loan production office address on the first page of this document. This document will be governed by and interpreted in accordance with federal law and the laws of the LPO State, except for matters related to interest and the exportation of interest, which matters shall be governed by and interpreted in accordance with federal law (including, but not limited to, statutes, regulations, interpretations and opinions) and the laws of the State of Ohio. However, if there is ever a question about whether any provision of this document is valid or enforceable, the provision that is questioned will be governed by whichever state or federal law would find the provision to be valid and enforceable. The loan transaction which is evidenced by this document has been made in the State of Ohio.

**VENUE.** If there is a lawsuit, the undersigned agrees to submit to the jurisdiction of the courts of the county in the LPO State in which the Lender's loan production office is located.

**INFORMATION WAIVER.** Lender may provide, without any limitation whatsoever, to any one or more purchasers of any Indebtedness, potential purchasers of any Indebtedness, or affiliates of JPMorgan Chase & Co., any information or knowledge Lender may have about Guarantor or about any matter relating to the Indebtedness, and Guarantor hereby waives any right to privacy Guarantor may have with respect to such matters.

**EXAMPLES OF INDEBTEDNESS, INCLUDING DEPOSIT ACCOUNT INDEBTEDNESS, LOAN INDEBTEDNESS, ETC., TOGETHER WITH EXCLUSION OF BORROWER'S CONSUMER INDEBTEDNESS.** Guarantor agrees the Indebtedness as described herein in the paragraph captioned "Indebtedness Guaranteed" is used in its most comprehensive sense. As examples, and not as limitation, the Indebtedness of Borrower includes: (a) any overdraft in any deposit account of Borrower, accruing for any reason, (b) any obligations, including any overdraft in any deposit account of Borrower, related to Automated Clearing House ("ACH") services or products, deposit account services or products, or treasury management services or products, including any agreement with respect thereto; (c) any transaction (including any agreement with respect thereto) between Borrower and the Lender or JPMorgan Chase & Co., or any of its subsidiaries or affiliates or their successors, which is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures (each a "Rate Management Transaction"); (d) any obligation related to any loan or credit transaction (including any agreement with respect thereto), whether evidenced by a promissory note, credit agreement, letter of credit application, or any other agreement; (e) any obligation related to commercial credit card transactions (including an agreement with respect thereto); (f) any obligation related to any lease (including an agreement with respect thereto); (g) any obligation related to any guaranty of the obligations of others by Borrower; (h) any obligation under a Related Document; and (i) all other obligations of Borrower to Lender. The Indebtedness shall not include credit, obligations, liabilities, or indebtedness of the Borrower incurred primarily for personal, family or household purposes.

**REPORTS TO CREDIT BUREAUS.** Guarantor acknowledges that Lender may report information to credit bureaus about term loan or line of credit evidenced by the Note and about any Indebtedness. Late payments, missed payments, or other defaults on the Note or other Indebtedness may be reflected in the credit reports of Guarantor.

**DEFINITIONS.** The following capitalized words and terms shall have the following meanings when used in this Guaranty. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Guaranty shall have the meanings attributed to such terms in the Uniform Commercial Code:

**Borrower.** The word "Borrower" means Abra Water Company, Inc., and all other persons and entities signing the Note in whatever capacity.

**Guarantor.** The word "Guarantor" means each and every person or entity signing this Guaranty, including without limitation Kevan Larson.

**Guaranty.** The word "Guaranty" means this guaranty from Guarantor to Lender.

**Indebtedness.** The word "Indebtedness" means Borrower's indebtedness to Lender as more particularly described in this Guaranty.

**Lender.** The word "Lender" means JPMorgan Chase Bank, NA, its successors and assigns.

**Related Documents.** The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

**GUARANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS COMMERCIAL GUARANTY AND GUARANTOR AGREES TO ITS TERMS. THIS COMMERCIAL GUARANTY IS DATED OCTOBER 25, 2010.**

**GUARANTOR:**

X  
Kevan Larson

# COMMERCIAL GUARANTY

**Borrower:** Abra Water Company, Inc.  
P.O. Box 515  
Paulden, AZ 86334

**Lender:** JPMorgan Chase Bank, NA  
Chino Valley LPO  
31 Butterfield Road  
Chino Valley, AZ 86323

**Guarantor:** Robbi Larson  
22425 N Malapai Ridge Rd  
Paulden, AZ 86334

**AMOUNT OF GUARANTY.** The amount of this Guaranty is Unlimited.

**CONTINUING UNLIMITED GUARANTY.** - For good and valuable consideration, Robbi Larson ("Guarantor") absolutely and unconditionally guarantees and promises to pay to JPMorgan Chase Bank, NA ("Lender") or its order, in legal tender of the United States of America, the Indebtedness (as that term is defined below) of Abra Water Company, Inc. ("Borrower") to Lender on the terms and conditions set forth in this Guaranty. Under this Guaranty, the liability of Guarantor is unlimited and the obligations of Guarantor are continuing.

**INDEBTEDNESS GUARANTEED.** The Indebtedness guaranteed by this Guaranty includes any and all of Borrower's indebtedness to Lender and is used in the most comprehensive sense and means and includes any and all of Borrower's liabilities, obligations and debts to Lender, now existing or hereinafter incurred or created, including, without limitation, all loans, advances, interest, costs, debts, overdraft indebtedness, credit card indebtedness, lease obligations, other obligations, and liabilities of Borrower, or any of them, and any present or future judgments against Borrower, or any of them; and whether any such Indebtedness is voluntarily or involuntarily incurred, due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined; whether Borrower may be liable individually or jointly with others, or primarily or secondarily, or as guarantor or surety; whether recovery on the Indebtedness may be or may become barred or unenforceable against Borrower for any reason whatsoever; and whether the Indebtedness arises from transactions which may be voidable on account of infancy, insanity, ultra vires, or otherwise.

**NATURE OF GUARANTY.** This Guaranty is a guaranty of payment and not of collection. Therefore, the Lender can insist that the Guarantor pay immediately, and the Lender is not required to attempt to collect first from the Borrower, any collateral, or any other person liable for the Indebtedness.

**OTHER GUARANTIES.** If Lender presently holds one or more guaranties, or hereafter receives additional guaranties from Guarantor, the rights of Lender under all guaranties shall be cumulative. This Guaranty shall not (unless specifically provided below to the contrary) affect or invalidate any such other guaranties. The liability of Guarantor will be the aggregate liability of Guarantor under the terms of this Guaranty and any such other untermintated guaranties.

**DURATION OF GUARANTY.** This Guaranty will take effect when received by Lender without the necessity of any acceptance by Lender, or any notice to Guarantor or to Borrower, and will continue in full force until all Indebtedness incurred or contracted before receipt by Lender of any notice of revocation shall have been fully and finally paid and satisfied and all of Guarantor's other obligations under this Guaranty shall have been performed in full. If Guarantor elects to revoke this Guaranty, Guarantor may only do so in writing. Guarantor's written notice of revocation must be mailed to Lender, by certified mail, at Lender's address listed above or such other place as Lender may designate in writing. Written revocation of this Guaranty will apply only to advances or new Indebtedness created after actual receipt by Lender of Guarantor's written revocation. For this purpose and without limitation, the term "new Indebtedness" does not include Indebtedness which at the time of notice of revocation is contingent, unliquidated, undetermined or not due and which later becomes absolute, liquidated, determined or due. This Guaranty will continue to bind Guarantor for all Indebtedness incurred by Borrower or committed by Lender prior to receipt of Guarantor's written notice of revocation, including any extensions, renewals, substitutions or modifications of the Indebtedness. All renewals, extensions, substitutions, and modifications of the Indebtedness granted after Guarantor's revocation, are contemplated under this Guaranty and, specifically will not be considered to be new Indebtedness. This Guaranty shall bind Guarantor's estate as to Indebtedness created both before and after Guarantor's death or incapacity, regardless of Lender's actual notice of Guarantor's death. Subject to the foregoing, Guarantor's executor or administrator or other legal representative may terminate this Guaranty in the same manner in which Guarantor might have terminated it and with the same effect. Release of any other guarantor or termination of any other guaranty of the Indebtedness shall not affect the liability of Guarantor under this Guaranty. A revocation Lender receives from any one or more Guarantors shall not affect the liability of any remaining Guarantors under this Guaranty. Guarantor shall be liable, jointly and severally, with Borrower and any other guarantor of all or any part of the Indebtedness, and release of any other guarantor of all or any part of the Indebtedness, or termination or revocation of any other guaranty of all or any part of the Indebtedness, shall not affect the liability of Guarantor under this Guaranty. ~~It is anticipated that fluctuations may occur in the aggregate amount of Indebtedness covered by this Guaranty, and Guarantor specifically acknowledges and agrees that reductions in the amount of Indebtedness, even to zero dollars (\$0.00), prior to Guarantor's written revocation of this Guaranty shall not constitute a termination of this Guaranty.~~ This Guaranty is binding upon Guarantor and Guarantor's heirs, successors and assigns so long as any of the guaranteed Indebtedness remains unpaid and even though the Indebtedness guaranteed may from time to time be zero dollars (\$0.00)..

**GUARANTOR'S AUTHORIZATION TO LENDER.** Guarantor authorizes Lender, either before or after any revocation hereof, **without notice or demand and without lessening Guarantor's liability under this Guaranty, from time to time:** (A) prior to revocation as set forth above, to make one or more additional secured or unsecured loans to Borrower, to lease equipment or other goods to Borrower, or otherwise to extend additional credit to Borrower; (B) to alter, compromise, renew, extend, accelerate, or otherwise change one or more times the time for payment or other terms of the Indebtedness or any part of the Indebtedness, including increases and decreases of the rate of interest on the Indebtedness; extensions may be repeated and may be for longer than the original loan term; (C) to take and hold security for the payment of this Guaranty or the Indebtedness, and exchange, enforce, waive, subordinate, fail or decide not to perfect, and release any such security, with or without the substitution of new collateral, and release the Borrower, with or without the assumption of the Indebtedness by any other entity; (D) to release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or other guarantors on any terms or in any manner Lender may choose; (E) to determine how, when and what application of payments and credits shall be made on the Indebtedness (F) to apply such security and direct the order or manner of sale thereof, including without limitation, any nonjudicial sale permitted by the terms of the controlling security agreement or deed of trust, as Lender in its discretion may determine; (G) to sell, transfer, assign or grant participations in all or any part of the Indebtedness; and (H) to assign or transfer this Guaranty in whole or in part.

**GUARANTOR'S REPRESENTATIONS AND WARRANTIES.** Guarantor represents and warrants to Lender that (A) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (B) this Guaranty is executed at Borrower's request and not at the request of Lender; (C) Guarantor has full power, right and authority to enter into this Guaranty; (D) the provisions of this Guaranty do not conflict with or result in a default under any agreement or other instrument binding upon Guarantor and do not result in a violation of any law, regulation, court decree or order applicable to Guarantor; (E) Guarantor has not and will not, without the prior written consent of Lender, sell, lease, assign, encumber, hypothecate, transfer, or otherwise dispose of all or substantially all of Guarantor's assets, or any interest therein; (F) upon Lender's request, Guarantor will provide to Lender financial and credit information in form acceptable to Lender, and all such financial information shall be true and correct in all material respects; and (G) Guarantor will not, without the prior written consent of Lender, assign or transfer this Guaranty in whole or in part.

card indebtedness, lease obligations, other obligations, and liabilities of Borrower, or any of them, and any present or future judgments against Borrower, or any of them; and whether any such Indebtedness is voluntarily or involuntarily incurred, due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined; whether Borrower may be liable individually or jointly with others, or primarily or secondarily, or as guarantor or surety; whether recovery on the Indebtedness may be or may become barred or unenforceable against Borrower for any reason whatsoever; and whether the Indebtedness arises from transactions which may be voidable on account of infancy, insanity, ultra vires, or otherwise.

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**OTHER GUARANTIES.** If Lender presently holds one or more guaranties, or hereafter receives additional guaranties from Guarantor, the rights of Lender under all guaranties shall be cumulative. This Guaranty shall not (unless specifically provided below to the contrary) affect or invalidate any such other guaranties. The liability of Guarantor will be the aggregate liability of Guarantor under the terms of this Guaranty and any such other unexpired guaranties.

**DURATION OF GUARANTY.** This Guaranty will take effect when received by Lender without the necessity of any acceptance by Lender, or any notice to Guarantor or to Borrower, and will continue in full force until all Indebtedness incurred or contracted before receipt by Lender of any notice of revocation shall have been fully and finally paid and satisfied and all of Guarantor's other obligations under this Guaranty shall have been performed in full. If Guarantor elects to revoke this Guaranty, Guarantor may only do so in writing. Guarantor's written notice of revocation must be mailed to Lender, by certified mail, at Lender's address listed above or such other place as Lender may designate in writing. Written revocation of this Guaranty will apply only to advances or new Indebtedness created after actual receipt by Lender of Guarantor's written revocation. For this purpose and without limitation, the term "new Indebtedness" does not include Indebtedness which at the time of notice of revocation is contingent, unliquidated, undetermined or not due and which later becomes absolute, liquidated, determined or due. This Guaranty will continue to bind Guarantor for all Indebtedness incurred by Borrower or committed by Lender prior to receipt of Guarantor's written notice of revocation, including any extensions, renewals, substitutions or modifications of the Indebtedness. All renewals, extensions, substitutions, and modifications of the Indebtedness granted after Guarantor's revocation, are contemplated under this Guaranty and, specifically will not be considered to be new Indebtedness. This Guaranty shall bind Guarantor's estate as to Indebtedness created both before and after Guarantor's death or incapacity, regardless of Lender's actual notice of Guarantor's death. Subject to the foregoing, Guarantor's executor or administrator or other legal representative may terminate this Guaranty in the same manner in which Guarantor might have terminated it and with the same effect. Release of any other guarantor or termination of any other guaranty of the Indebtedness shall not affect the liability of Guarantor under this Guaranty. A revocation Lender receives from any one or more Guarantors shall not affect the liability of any remaining Guarantors under this Guaranty. Guarantor shall be liable, jointly and severally, with Borrower and any other guarantor of all or any part of the Indebtedness, and release of any other guarantor of all or any part of the Indebtedness, or termination or revocation of any other guaranty of all or any part of the Indebtedness, shall not affect the liability of Guarantor under this Guaranty. It is anticipated that fluctuations may occur in the aggregate amount of Indebtedness covered by this Guaranty, and Guarantor specifically acknowledges and agrees that reductions in the amount of Indebtedness, even to zero dollars (\$0.00), prior to Guarantor's written revocation of this Guaranty shall not constitute a termination of this Guaranty. This Guaranty is binding upon Guarantor and Guarantor's heirs, successors and assigns so long as any of the guaranteed Indebtedness remains unpaid and even though the Indebtedness guaranteed may from time to time be zero dollars (\$0.00)..

**GUARANTOR'S AUTHORIZATION TO LENDER.** Guarantor authorizes Lender, either before or after any revocation hereof, **without notice or demand and without lessening Guarantor's liability under this Guaranty, from time to time:** (A) prior to revocation as set forth above, to make one or more additional secured or unsecured loans to Borrower, to lease equipment or other goods to Borrower, or otherwise to extend additional credit to Borrower; (B) to alter, compromise, renew, extend, accelerate, or otherwise change one or more times the time for payment or other terms of the Indebtedness or any part of the Indebtedness, including increases and decreases of the rate of interest on the Indebtedness; extensions may be repeated and may be for longer than the original loan term; (C) to take and hold security for the payment of this Guaranty or the Indebtedness, and exchange, enforce, waive, subordinate, fail or decide not to perfect, and release any such security, with or without the substitution of new collateral, and release the Borrower, with or without the assumption of the Indebtedness by any other entity; (D) to release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or other guarantors on any terms or in any manner Lender may choose; (E) to determine how, when and what application of payments and credits shall be made on the Indebtedness (F) to apply such security and direct the order or manner of sale thereof, including without limitation, any nonjudicial sale permitted by the terms of the controlling security agreement or deed of trust, as Lender in its discretion may determine; (G) to sell, transfer, assign or grant participations in all or any part of the Indebtedness; and (H) to assign or transfer this Guaranty in whole or in part.

**GUARANTOR'S REPRESENTATIONS AND WARRANTIES.** Guarantor represents and warrants to Lender that (A) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (B) this Guaranty is executed at Borrower's request and not at the request of Lender; (C) Guarantor has full power, right and authority to enter into this Guaranty; (D) the provisions of this Guaranty do not conflict with or result in a default under any agreement or other instrument binding upon Guarantor and do not result in a violation of any law, regulation, court decree or order applicable to Guarantor; (E) Guarantor has not and will not, without the prior written consent of Lender, sell, lease, assign, encumber, hypothecate, transfer, or otherwise dispose of all or substantially all of Guarantor's assets, or any interest therein; (F) upon Lender's request, Guarantor will provide to Lender financial and credit information in form acceptable to Lender, and all such financial information which currently has been, and all future financial information which will be provided to Lender is and will be true and correct in all material respects and fairly present Guarantor's financial condition as of the dates the financial information is provided; (G) no material adverse change has occurred in Guarantor's financial condition since the date of the most recent financial statements provided to Lender and no event has occurred which may materially adversely affect Guarantor's financial condition; (H) no litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Guarantor is pending or threatened; (I) Lender has made no representation to Guarantor as to the creditworthiness of Borrower; (J) Guarantor has established adequate means of obtaining from Borrower on a continuing basis information regarding Borrower's financial condition; and (K) as of the date hereof, and after giving effect to this Guaranty, (1) Guarantor is and will be solvent, (2) the fair saleable value of Guarantor's assets exceeds and will continue to exceed Guarantor's liabilities (both fixed and contingent), (3) Guarantor is and will continue to be able to pay Guarantor's debts as they mature, and (4) if Guarantor is not an individual, Guarantor has and will continue to have sufficient capital to carry on its business and all businesses in which it is about to engage. Guarantor agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Guarantor's risks under this Guaranty, and Guarantor further agrees that Lender shall have no obligation to disclose to Guarantor any information or documents acquired by Lender in the course of its relationship with Borrower.

**GUARANTOR'S WAIVERS.** Except as prohibited by applicable law, Guarantor waives any right to require Lender (A) to continue lending money or to extend other credit to Borrower; (B) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of the Indebtedness or of any nonpayment related to any collateral, or notice of any action or nonaction on the part of Borrower, Lender, any surety, endorser, or other guarantor in connection with the Indebtedness or in connection with the creation of new or additional loans or obligations; (C) to resort for payment or to proceed directly, initially or at once against Borrower, any surety, endorser, guarantor, or other person, including but not limited to, any right to request or require Lender to commence, prosecute and/or enforce any action against Borrower, any surety, endorser, guarantor or other person; (D) to proceed directly against or exhaust any collateral held by Lender from Borrower, any other guarantor, or any other person; (E) to give notice of the terms, time, and place of any public or private sale of personal property security held by Lender from Borrower or to comply with any other applicable provisions of the Uniform Commercial Code; (F) to pursue any other remedy within Lender's power; or (G) to commit any act or omission of any kind, or at any time, with respect to any matter whatsoever.

## COMMERCIAL GUARANTY (Continued)

The Guarantor agrees that the provisions of this Guaranty are severable, and in any action or proceeding involving any state corporate law, or any state, federal or foreign bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of the Guarantor under this Guaranty would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of the Guarantor's liability under this Guaranty, then, notwithstanding any other provision of this Guaranty to the contrary, the amount of such liability shall, without any further action by the Guarantor or the Lender, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding.

Guarantor also waives any and all rights or defenses arising by reason of (A) any "one action" or "anti-deficiency" law or any other law which may prevent Lender from bringing any action, including a claim for deficiency, against Guarantor, before or after Lender's commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale; (B) any election of remedies by Lender which destroys or otherwise adversely affects Guarantor's subrogation rights or Guarantor's rights to proceed against Borrower for reimbursement, including without limitation, any loss of rights Guarantor may suffer by reason of any law limiting, qualifying, or discharging the Indebtedness; (C) any disability or other defense of Borrower, of any other guarantor, or of any other person, or by reason of the cessation of Borrower's liability from any cause whatsoever, other than payment in full in legal tender, of the Indebtedness; (D) any right to claim discharge of the Indebtedness on the basis of unjustified impairment of any collateral for the Indebtedness; (E) any statute of limitations, if at any time any action or suit brought by Lender against Guarantor is commenced there is outstanding Indebtedness of Borrower to Lender which is not barred by any applicable statute of limitations; (F) any right to claim the Guaranty is conditioned on anyone else executing this or any other guaranty; or (G) any rights or defenses at law or in equity given to guarantors, or given to sureties to the extent such rights or defenses are available to a guarantor, other than actual payment and performance of the Indebtedness. If payment is made by Borrower, whether voluntarily or otherwise, or by any third party, on the Indebtedness and thereafter Lender is forced to remit the amount of that payment to Borrower's trustee in bankruptcy or to any similar person under any federal or state bankruptcy law or law for the relief of debtors, the Indebtedness shall be considered unpaid for the purpose of the enforcement of this Guaranty.

In addition to the waivers set forth above, Guarantor expressly waives, to the extent permitted by Arizona law, all of Guarantor's rights under sections 12-1641 through 12-1646, inclusive, 44-142, and 47-3605 of the Arizona Revised Statutes, and Rule 17f of the Arizona Revised Statutes Rules of Civil Procedure.

Guarantor further waives and agrees not to assert or claim at any time any deductions to the amount guaranteed under this Guaranty for any claim of setoff, counterclaim, counter demand, recoupment or similar right, whether such claim, demand or right may be asserted by the Borrower, the Guarantor, or both.

**GUARANTOR'S UNDERSTANDING WITH RESPECT TO WAIVERS.** Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of its significance and consequences and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law or public policy.

**RIGHT OF SETOFF.** Guarantor grants to Lender a security interest in, as well as a right of setoff against, and hereby assigns, conveys, delivers, pledges and transfers to Lender, as security for repayment of the Indebtedness, all Guarantor's right, title and interest in and to all Guarantor's accounts (whether checking, savings, or some other account) with Lender or any subsidiary or affiliate of JPMorgan Chase & Co. (each hereinafter referred to as a "Lender Affiliate") and all other obligations at any time owing by Lender or any Lender Affiliate to Guarantor. This includes all accounts Guarantor holds jointly with someone else and all accounts Guarantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which the grant of a security interest would be prohibited by law. Guarantor authorizes Lender, without prior notice to Guarantor and irrespective of (i) whether or not Lender has made any demand under this Guaranty or the Related Documents or (ii) whether such Indebtedness is contingent, matured or unmatured, to the extent permitted by law, to collect, charge and/or setoff all sums owing on the Indebtedness against any and all such accounts and other obligations, and, at Lender's option, to administratively freeze or direct a Lender Affiliate to administratively freeze all such accounts and other obligations to allow Lender to protect Lender's security interest, collection, charge and setoff rights provided in this paragraph.

**SUBORDINATION OF BORROWER'S DEBTS TO GUARANTOR.** Guarantor agrees that the Indebtedness of Borrower to Lender, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Borrower, whether or not Borrower becomes insolvent. Guarantor hereby expressly subordinates any claim Guarantor may have against Borrower, upon any account whatsoever, to any claim that Lender may now or hereafter have against Borrower. In the event of insolvency and consequent liquidation of the assets of Borrower, through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Borrower applicable to the payment of the claims of both Lender and Guarantor shall be paid to Lender and shall be first applied by Lender to the Indebtedness of Borrower to Lender. Guarantor does hereby assign to Lender all claims which it may have or acquire against Borrower or against any assignee or trustee in bankruptcy of Borrower; provided however, that such assignment shall be effective only for the purpose of assuring to Lender full payment in legal tender of the Indebtedness. If Lender so requests, any notes or credit agreements now or hereafter evidencing any debts or obligations of Borrower to Guarantor shall be marked with a legend that the same are subject to this Guaranty and shall be delivered to Lender. Guarantor agrees, and Lender is hereby authorized, in the name of Guarantor, from time to time to file financing statements and continuation statements and to execute documents and to take such other actions as Lender deems necessary or appropriate to perfect, preserve and enforce its rights under this Guaranty.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Guaranty:

**Amendments.** This Guaranty, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of or amendment to this Guaranty shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Attorneys' Fees; Expenses.** Guarantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Guaranty. Lender may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. However, Guarantor will only pay attorneys' fees of an attorney not Lender's salaried employee, to whom the matter is referred after Guarantor's default. Guarantor also shall pay all court costs and such additional fees as may be directed by the court.

**Caption Headings.** Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.

**Integration.** Guarantor further agrees that Guarantor has read and fully understands the terms of this Guaranty; Guarantor has had the opportunity to be advised by Guarantor's attorney with respect to this Guaranty; the Guaranty fully reflects Guarantor's intentions and parol evidence is not required to interpret the terms of this Guaranty. Guarantor hereby indemnifies and holds Lender harmless from all losses, claims, damages, and costs (including Lender's attorneys' fees) suffered or incurred by Lender as a result of any breach by Guarantor of the

than actual payment and performance of the Indebtedness. If payment is made by Borrower, whether voluntarily or otherwise, or by any third party, on the Indebtedness and thereafter Lender is forced to remit the amount of that payment to Borrower's trustee in bankruptcy or to any similar person under any federal or state bankruptcy law or law for the relief of debtors, the Indebtedness shall be considered unpaid for the purpose of the enforcement of this Guaranty.

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**Attorneys' Fees; Expenses.** Guarantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Guaranty. Lender may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. However, Guarantor will only pay attorneys' fees of an attorney not Lender's salaried employee, to whom the matter is referred after Guarantor's default. Guarantor also shall pay all court costs and such additional fees as may be directed by the court.

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**Interpretation.** In all cases where there is more than one Borrower or Guarantor, then all words used in this Guaranty in the singular shall be deemed to have been used in the plural where the context and construction so require; and where there is more than one Borrower named in this Guaranty or when this Guaranty is executed by more than one Guarantor, the words "Borrower" and "Guarantor" respectively shall mean all and any one or more of them. The words "Guarantor," "Borrower," and "Lender" include the heirs, successors, assigns, and transferees of each of them. If a court finds that any provision of this Guaranty is not valid or should not be enforced, that fact by itself will not mean that the rest of this Guaranty will not be valid or enforced. Therefore, a court will enforce the rest of the provisions of this Guaranty even if a provision of this Guaranty may be found to be invalid or unenforceable. If any one or more of Borrower or Guarantor are corporations, partnerships, limited liability companies, or similar entities, it is not necessary for Lender to inquire into the powers of Borrower or Guarantor or of the officers, directors, partners, managers, or other agents acting or purporting to act on their behalf, and any Indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed under this Guaranty.

**Notices.** Any notice required to be given under this Guaranty shall be given in writing, and, except for revocation notices by Guarantor, shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Guaranty. All revocation notices by Guarantor shall be in writing and shall be effective upon delivery to Lender as provided in the section of this Guaranty entitled "DURATION OF GUARANTY." Any party may change its address for notices under this Guaranty by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Guarantor agrees to keep Lender informed at all times of Guarantor's current address. Unless otherwise provided or required by law, if there is more than one Guarantor, any notice given by Lender to any Guarantor is deemed to be notice given to all Guarantors.

**No Waiver by Lender.** Lender shall not be deemed to have waived any rights under this Guaranty unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other

**COMMERCIAL GUARANTY  
(Continued)**

right. A waiver by Lender of a provision of this Guaranty shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Guaranty. No prior waiver by Lender, nor any course of dealing between Lender and Guarantor, shall constitute a waiver of any of Lender's rights or of any of Guarantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Guaranty, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

**Successors and Assigns.** Subject to any limitations stated in this Guaranty on transfer of Guarantor's interest, this Guaranty shall be binding upon and inure to the benefit of the parties, their successors and assigns.

**JURY WAIVER.** THE UNDERSIGNED AND LENDER (BY ITS ACCEPTANCE HEREOF) HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) BETWEEN OR AMONG THE UNDERSIGNED AND LENDER ARISING OUT OF OR IN ANY WAY RELATED TO THIS DOCUMENT, THE RELATED DOCUMENTS, OR ANY RELATIONSHIP BETWEEN OR AMONG THE UNDERSIGNED AND LENDER WHETHER ANY SUCH RIGHT NOW OR HEREAFTER EXISTS. THIS PROVISION IS A MATERIAL INDUCEMENT TO LENDER TO PROVIDE THE FINANCING EVIDENCED BY THIS DOCUMENT AND THE RELATED DOCUMENTS.

**GOVERNING LAW.** The Lender's loan production office for this transaction is located at the address and in the State (the "LPO State") indicated in the LPO address or the loan production office address on the first page of this document. This document will be governed by and interpreted in accordance with federal law and the laws of the LPO State, except for matters related to interest and the exportation of interest, which matters shall be governed by and interpreted in accordance with federal law (including, but not limited to, statutes, regulations, interpretations and opinions) and the laws of the State of Ohio. However, if there is ever a question about whether any provision of this document is valid or enforceable, the provision that is questioned will be governed by whichever state or federal law would find the provision to be valid and enforceable. The loan transaction which is evidenced by this document has been made in the State of Ohio.

**VENUE.** If there is a lawsuit, the undersigned agrees to submit to the jurisdiction of the courts of the county in the LPO State in which the Lender's loan production office is located.

**INFORMATION WAIVER.** Lender may provide, without any limitation whatsoever, to any one or more purchasers of any Indebtedness, potential purchasers of any Indebtedness, or affiliates of JPMorgan Chase & Co., any information or knowledge Lender may have about Guarantor or about any matter relating to the Indebtedness, and Guarantor hereby waives any right to privacy Guarantor may have with respect to such matters.

**EXAMPLES OF INDEBTEDNESS, INCLUDING DEPOSIT ACCOUNT INDEBTEDNESS, LOAN INDEBTEDNESS, ETC., TOGETHER WITH EXCLUSION OF BORROWER'S CONSUMER INDEBTEDNESS.** Guarantor agrees the Indebtedness as described herein in the paragraph captioned "Indebtedness Guaranteed" is used in its most comprehensive sense. As examples, and not as limitation, the Indebtedness of Borrower includes: (a) any overdraft in any deposit account of Borrower, accruing for any reason, (b) any obligations, including any overdraft in any deposit account of Borrower, related to Automated Clearing House ("ACH") services or products, deposit account services or products, or treasury management services or products, including any agreement with respect thereto; (c) any transaction (including any agreement with respect thereto) between Borrower and the Lender or JPMorgan Chase & Co., or any of its subsidiaries or affiliates or their successors, which is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures (each a "Rate Management Transaction"); (d) any obligation related to any loan or credit transaction (including any agreement with respect thereto), whether evidenced by a promissory note, credit agreement, letter of credit application, or any other agreement; (e) any obligation related to commercial credit card transactions (including an agreement with respect thereto); (f) any obligation related to any lease (including an agreement with respect thereto); (g) any obligation related to any guaranty of the obligations of others by Borrower; (h) any obligation under a Related Document; and (i) all other obligations of Borrower to Lender. The Indebtedness shall not include credit, obligations, liabilities, or indebtedness of the Borrower incurred primarily for personal, family or household purposes.

**REPORTS TO CREDIT BUREAUS.** Guarantor acknowledges that Lender may report information to credit bureaus about term loan or line of credit evidenced by the Note and about any Indebtedness. Late payments, missed payments, or other defaults on the Note or other Indebtedness may be reflected in the credit reports of Guarantor.

**DEFINITIONS.** The following capitalized words and terms shall have the following meanings when used in this Guaranty. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Guaranty shall have the meanings attributed to such terms in the Uniform Commercial Code:

**Borrower.** The word "Borrower" means Abra Water Company, Inc., and all other persons and entities signing the Note in whatever capacity.

**Guarantor.** The word "Guarantor" means each and every person or entity signing this Guaranty, including without limitation Robbi Larson.

**Guaranty.** The word "Guaranty" means this guaranty from Guarantor to Lender.

**Indebtedness.** The word "Indebtedness" means Borrower's indebtedness to Lender as more particularly described in this Guaranty.

**Lender.** The word "Lender" means JPMorgan Chase Bank, NA, its successors and assigns.

**Related Documents.** The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

**GUARANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS COMMERCIAL GUARANTY AND GUARANTOR AGREES TO ITS TERMS. THIS COMMERCIAL GUARANTY IS DATED OCTOBER 25, 2010.**

GUARANTOR:

x   
Robbi Larson

# PROMISSORY NOTE

**Borrower:** Abra Water Company, Inc.  
P.O. Box 515  
Paulden, AZ 86334

**Lender:** JPMorgan Chase Bank, NA  
Chino Valley LPO  
31 Butterfield Road  
Chino Valley, AZ 86323

**Date of Note:** October 25, 2010

**Principal Amount:** \$50,000.00

**PROMISE TO PAY.** Abra Water Company, Inc. ("Borrower") promises to pay to JPMorgan Chase Bank, NA ("Lender"), or order, in lawful money of the United States of America, the principal amount of Fifty Thousand & 00/100 Dollars (\$50,000.00) or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of each advance.

**PAYMENT.** Borrower will pay this loan in accordance with the following payment schedule:

Payments of accrued interest or \$100.00, whichever is greater, but not to exceed the then outstanding balance of this Note, shall be payable monthly, beginning on November 25, 2010, and on the same calendar day monthly thereafter until the Final Availability Date. The term "Final Availability Date", as used herein, means the date of Lender's notice to Borrower of the Final Availability Date, which notice shall be effective as of the date thereof and shall be deposited on the date set forth in such notice in the United States mail, first class postage prepaid, addressed to Borrower. Until the earlier of the Final Availability Date or the occurrence of any default, Borrower may borrow, pay down and reborrow under this Note. As of the date of the notice from Lender stating the Final Availability Date, no further advances under this line of credit will be available. Thereafter, on the same calendar day as payments were due prior to the Final Availability Date, monthly payments shall be due with each payment equal to the greater amount of (1) \$250.00, or (2) the aggregate sum of (a) accrued interest, plus (b) 1/60th of the unpaid principal balance immediately following the Final Availability Date.

Payments and any other credits shall be allocated among principal, interest and fees at the discretion of Lender unless otherwise required by applicable law. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at Lender's address shown on loan account statements sent to the Borrower, Lender's address shown in any payment coupon book provided to the Borrower, or at such other place as Lender may designate in writing.

**VARIABLE INTEREST RATE.** The interest rate on this Note is subject to change from time to time based on changes in an index which is the Prime Rate (the "Index"). "Prime Rate" shall mean the rate announced from time to time by Lender as its prime rate (which rate may not be the lowest, best or most favorable rate of interest which Lender may charge on loans to its customers). Each change in the rate to be charged on this Note will become effective without notice on the same day as the index changes. The interest rate to be applied to the unpaid principal balance of this Note will be at a rate of 1.450 percentage points over the index. NOTICE: Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law.

**EFFECTIVE RATE.** Borrower agrees to an effective rate of interest that is the rate specified in this Note plus any additional rate resulting from any other charges in the nature of interest paid or to be paid in connection with this Note.

**PREPAYMENT.** Borrower may pay without fee all or a portion of the principal amount owed hereunder earlier than it is due. All prepayments shall be applied to the indebtedness in such order and manner as Lender may from time to time determine in its sole discretion. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Business Banking Loan Servicing Disputed Accounts Department, P.O. Box 33035 Louisville, KY 40232-9891.

**LATE CHARGE.** If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment or \$25.00, whichever is greater.

**INTEREST AFTER DEFAULT.** Upon the occurrence of any Event of Default, including, but not limited to, (i) any material adverse change in the business assets, affairs, prospects or financial condition of Borrower or any guarantor, (ii) failing to provide financial statements, copies of Federal tax returns and other information relating to the financial condition, properties and affairs of the Borrower, any guarantor or grantor, as provided for in this Note and/or any Related Document, or (iii) failure to pay upon final maturity, Lender may, at Lender's option and if permitted by applicable law, a) add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the rate provided in this Note, including any increased rate, and/or b), increase the interest rate on this Note by 3.000 percentage points (the "Default Rate Margin"). The Default Rate Margin shall also apply to each succeeding interest rate change that would have applied had there been no Event of Default. However, in no event will the interest rate exceed the maximum interest rate allowed under applicable law.

**DEFAULT.** Each of the following shall constitute an event of default ("Event of Default") under this Note:

**Payment Default.** Borrower fails to make any payment when due under this Note.

**Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

**Transfer of Assets.** Borrower leases, sells, or otherwise conveys, or agrees to lease, sell, or otherwise convey, a material part of its assets or business outside of the ordinary course of business.

**Defaults with Respect to Third Parties.** Borrower fails to make any payment when due or fails to comply with or to perform any term, obligation, covenant or condition contained in any agreement between any other person and Borrower.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter

**Judgments or Decrees.** One or more judgments or decrees shall be entered against the Borrower and such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal.

**Insolvency.** The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the

... of the date hereof and shall be deposited on the date set forth in such notice in the United States mail, first class postage prepaid, addressed to Borrower. Until the earlier of the Final Availability Date or the occurrence of any default, Borrower may borrow, pay down and reborrow under this Note. As of the date of the notice from Lender stating the Final Availability Date, no further advances under this line of credit will be available. Thereafter, on the same calendar day as payments were due prior to the Final Availability Date, monthly payments shall be due with each payment equal to the greater amount of (1) \$250.00, or (2) the aggregate sum of (a) accrued interest, plus (b) 1/60th of the unpaid principal balance immediately following the Final Availability Date.

Payments and any other credits shall be allocated among principal, interest and fees at the discretion of Lender unless otherwise required by applicable law. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at Lender's address shown on loan account statements sent to the Borrower, Lender's address shown in any payment coupon book provided to the Borrower, or at such other place as Lender may designate in writing.

**VARIABLE INTEREST RATE.** The interest rate on this Note is subject to change from time to time based on changes in an index which is the Prime Rate (the "Index"). "Prime Rate" shall mean the rate announced from time to time by Lender as its prime rate (which rate may not be the lowest, best or most favorable rate of interest which Lender may charge on loans to its customers). Each change in the rate to be charged on this Note will become effective without notice on the same day as the index changes. **The interest rate to be applied to the unpaid principal balance of this Note will be at a rate of 1.450 percentage points over the Index.** NOTICE: Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law.

**EFFECTIVE RATE.** Borrower agrees to an effective rate of interest that is the rate specified in this Note plus any additional rate resulting from any other charges in the nature of interest paid or to be paid in connection with this Note.

**PREPAYMENT.** Borrower may pay without fee all or a portion of the principal amount owed hereunder earlier than it is due. All prepayments shall be applied to the indebtedness in such order and manner as Lender may from time to time determine in its sole discretion. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Business Banking Loan Servicing Disputed Accounts Department, P.O. Box 33035 Louisville, KY 40232-9891.

**LATE CHARGE.** If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment or \$25.00, whichever is greater.

**INTEREST AFTER DEFAULT.** Upon the occurrence of any Event of Default, including, but not limited to, (i) any material adverse change in the business assets, affairs, prospects or financial condition of Borrower or any guarantor, (ii) failing to provide financial statements, copies of Federal tax returns and other information relating to the financial condition, properties and affairs of the Borrower, any guarantor or grantor, as provided for in this Note and/or any Related Document, or (iii) failure to pay upon final maturity, Lender may, at Lender's option and if permitted by applicable law, a) add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the rate provided in this Note, including any increased rate, and/or b), increase the interest rate on this Note by 3.000 percentage points (the "Default Rate Margin"). The Default Rate Margin shall also apply to each succeeding interest rate change that would have applied had there been no Event of Default. However, in no event will the interest rate exceed the maximum interest rate allowed under applicable law.

**DEFAULT.** Each of the following shall constitute an event of default ("Event of Default") under this Note:

**Payment Default.** Borrower fails to make any payment when due under this Note.

**Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

**Transfer of Assets.** Borrower leases, sells, or otherwise conveys, or agrees to lease, sell, or otherwise convey, a material part of its assets or business outside of the ordinary course of business.

**Defaults with Respect to Third Parties.** Borrower fails to make any payment when due or fails to comply with or to perform any term, obligation, covenant or condition contained in any agreement between any other person and Borrower.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

**Judgments or Decrees.** One or more judgments or decrees shall be entered against the Borrower and such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal.

**Insolvency.** The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure, replevin, repossession, attachment, levy, execution, or forfeiture proceedings, whether by judicial proceeding, self-help, or any other method, by any creditor of Borrower, or by any governmental agency against the Collateral or any other assets of Borrower. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Failure to Comply with Laws.** Borrower fails to comply with all applicable statutes, laws, ordinances and governmental rules, regulations and orders to which it is subject or which are applicable to its business, property and assets.

**Change in Ownership.** Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

**Adverse Change.** A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

**Events Affecting Guarantor.** Any of the preceding Events of Default occurs with respect to any guarantor of the indebtedness as if the word "guarantor" were substituted for the word "Borrower" in such Event of Default, or any guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty.

**Events Affecting Grantor.** Any of the preceding Events of Default occurs with respect to any grantor, pledgor or obligor of the indebtedness as if "grantor", "pledgor" or "obligor" were substituted for the word "Borrower" in such Event of Default, or any grantor, pledgor, or obligor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Related Document or agreement.

**Insecurity.** Lender in good faith believes itself insecure.

**PROMISSORY NOTE  
(Continued)**

**LENDER'S RIGHTS.** Upon the occurrence of any Event of Default, Lender may declare the entire unpaid principal balance on this Note and the Indebtedness and all accrued unpaid interest immediately due, without notice (except that in the case of any Event of Default of the type described in the DEFAULT - Insolvency section herein, such acceleration shall be automatic and not at Lender's option), and then Borrower will pay that amount. Additionally, upon the occurrence of any Event of Default and until the entire unpaid principal balance on this Note and the Indebtedness is paid in full, without notice or demand and without waiving any other right or remedy, Lender may, at Lender's option, elect to impose increases in the interest rate pursuant to and as set forth in the section of this Note captioned "INTEREST AFTER DEFAULT" and, if included in this Note, the section captioned "PERFORMANCE BASED RATE CHANGES. Borrower shall be liable for any deficiency remaining after disposition of any collateral which Lender may choose to realize upon.

**ATTORNEYS' FEES; EXPENSES.** Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. However, Borrower will only pay attorneys' fees of an attorney not Lender's salaried employee, to whom the matter is referred after Borrower's default. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

**DISHONORED ITEM FEE.** Borrower will pay a fee to Lender of \$25.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

**RIGHT OF SETOFF.** Borrower grants to Lender a security interest in, as well as a right of setoff against, and hereby assigns, conveys, delivers, pledges and transfers to Lender, as security for repayment of the Indebtedness, all Borrower's right, title and interest in and to all Borrower's accounts (whether checking, savings, or some other account) with Lender or any subsidiary or affiliate of JPMorgan Chase & Co. (each hereinafter referred to as a "Lender Affiliate") and all other obligations at any time owing by Lender or any Lender Affiliate to Borrower. This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which the grant of a security interest would be prohibited by law. Borrower authorizes Lender, without prior notice to Borrower and irrespective of (i) whether or not Lender has made any demand under this Note or the Related Documents or (ii) whether such Indebtedness is contingent, matured or unmatured, to the extent permitted by law, to collect, charge and/or setoff all sums owing on the Indebtedness against any and all such accounts and other obligations, and, at Lender's option, to administratively freeze or direct a Lender Affiliate to administratively freeze all such accounts and other obligations to allow Lender to protect Lender's security interest, collection, charge and setoff rights provided in this paragraph.

**COLLATERAL.** Borrower acknowledges this Note is secured by security interest in and lien upon all collateral described in any Related Document.

**LINE OF CREDIT.** This Note evidences a revolving line of credit. The unpaid principal balance of this Note shall increase and decrease with each new advance and payment hereunder, as the case may be. Subject to the terms hereof, Borrower may borrow, repay and reborrow hereunder. Advances under this Note, as well as directions for payment from Borrower's accounts, may be requested orally or in writing by Borrower or by an authorized person. Lender may, but need not, require that all oral requests be confirmed in writing. Borrower agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of Borrower's accounts with Lender. Lender will have no obligation to advance funds under this Note if: (A) Borrower or any guarantor is in default under the terms of this Note or any agreement that Borrower or any guarantor has with Lender, including any agreement made in connection with the signing of this Note; (B) Borrower or any guarantor ceases doing business or is insolvent; (C) any guarantor seeks, claims or otherwise attempts to limit, modify or revoke such guarantor's guarantee of this Note or any other loan with Lender; (D) Borrower has applied funds provided pursuant to this Note for purposes other than those authorized by Lender; or (E) Lender in good faith believes itself insecure.

**CREDIT ADVANCES.** Borrower may obtain credit advances under this Note, in amounts of not less than One Hundred Dollars (\$100.00), pursuant to the following methods of advancement, which may be available from time to time:

**Credit Line Checks.** Writing a preprinted "Credit Line Check" that Lender will supply to Borrower.

**Telephone Request.** Requesting a credit advance from this Note by telephone. Except for transactions covered by the federal Electronic Fund Transfers Act and unless otherwise agreed in your deposit account agreement, Borrower acknowledges and agrees that Lender does not accept responsibility for the authenticity of telephone instructions and that Lender will not be liable for any loss, expense, or cost arising out of any telephone request, including any fraudulent or unauthorized telephone request, when acting upon such instructions believed to be genuine.

**Requests in Person.** Requesting an advance in person at any of Lender's authorized locations.

**Bank Card Access.** Using any specially issued "bank card" to receive a cash advance or to make purchases.

**On-Line Access.** Requesting an advance through the internet or other electronic transfer communication medium.

**CREDIT HOLDS.** Notwithstanding anything to the contrary in this Note, Lender may apply all payments and credits in accordance with the standard operating procedures of Lender and with the requirements of applicable law. For billing and interest accrual purposes, credit for the payment is given on the Business Day the payment is processed and posted to the account. Nevertheless, after processing Lender may elect to verify the receipt of good funds or otherwise elect to place a "credit hold" on such payments before releasing any payment amount as available credit for additional advances on the line of credit.

Lender makes the following line of credit payments available for readvance the next Business Day after processing: (a) electronic payments, (b) payments made on Chase.com, and (c) payments made at any branch office of Lender if made (i) by check drawn upon a deposit account with Lender or (ii) in cash. Lender currently places a credit hold on most other payments for a period of seven days commencing on the Business Day the payment is processed; provided that when the day following the seventh day of the credit hold period is not a Business Day, then the payment amount will not be available for additional advances until the next Business Day.

Lender may change its credit hold policy from time to time and will advise Borrower, including by inclusion of a message on the billing statement for this Note. To preclude an overdraft during the credit hold period Borrower must remember the portion of each payment intended to reduce the principal balance may not be immediately available for additional advances on the line of credit. The balance available for advances can be verified by contacting the Lender on-line, by telephone or in person at a branch location.

**LIMITATIONS ON THE USE OF METHODS AND ADVANCEMENTS.** Lender reserves the right not to honor requests for advances in the following circumstances:

**Credit Limit Violation.** The advance would result in aggregate outstanding advances in excess of the amount of this Note.

**Stolen Access Items.** Borrower's Credit Line Checks, bank card or other advance mechanisms have been reported lost or stolen.

**Unauthorized Signatures.** Borrower's access mechanism is not used by an authorized signer.

**RIGHT OF SETOFF.** Borrower grants to Lender a security interest in, as well as a right of setoff against, and hereby assigns, conveys, delivers, pledges and transfers to Lender, as security for repayment of the Indebtedness, all Borrower's right, title and interest in and to all Borrower's accounts (whether checking, savings, or some other account) with Lender or any subsidiary or affiliate of JPMorgan Chase & Co. (each hereinafter referred to as a "Lender Affiliate") and all other obligations at any time owing by Lender or any Lender Affiliate to Borrower. This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which the grant of a security interest would be prohibited by law. Borrower authorizes Lender, without prior notice to Borrower and irrespective of (i) whether or not Lender has made any demand under this Note or the Related Documents or (ii) whether such Indebtedness is contingent, matured or unmatured, to the extent permitted by law, to collect, charge and/or setoff all sums owing on the Indebtedness against any and all such accounts and other obligations, and, at Lender's option, to administratively freeze or direct a Lender Affiliate to administratively freeze all such accounts and other obligations to allow Lender to protect Lender's security interest, collection, charge and setoff rights provided in this paragraph.

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**Credit Limit Violation.** The advance would result in aggregate outstanding advances in excess of the amount of this Note.

**Stolen Access Items.** Borrower's Credit Line Checks, bank card or other advance mechanisms have been reported lost or stolen.

**Unauthorized Signatures.** Borrower's access mechanism is not used by an authorized signer.

**Termination or Suspension.** Borrower is in default or would be so if Lender made the advance.

**Transaction Violation.** Borrower requests an advance which is less than the minimum amount required by this Note.

**Post-dated Request.** Borrower's Credit Line Check is post-dated, provided, however, if a post-dated Credit Line Check is paid and as a result any other Credit Line Check is returned or not paid, Lender is not responsible.

If Lender pays any advance under these conditions, Borrower must repay Lender, subject to applicable laws, for the amount of the advance. The advance itself will be evidence of Borrower's debt to Lender together with this Note. Lender's liability, if any, for wrongful dishonor of an advance is limited to Borrower's actual damages. Dishonor for any reason as provided in this Note is not wrongful dishonor.

**ACCOUNT.** The term "Account" as used herein means the line of credit established pursuant to this Note.

**ANNUAL FEE.** A non-refundable Annual Fee of One Hundred Fifty Dollars (\$ 150.00 ) may be charged to your Account at the following times: The Annual Fee is payable in advance for each year at any year that advances are available under this Note or at any time there remains a principal amount outstanding under this Note. The Annual Fee may be charged to the Account not more than one time in each calendar year. No refund of any part of the Annual Fee will be made in the event of cancellation of the Account for any reason.

**OVERLIMIT FEE.** At its discretion, from time to time, Lender may charge Borrower a fee when any advance increases the principal balance in excess of the maximum principal amount of this Note. If Lender should make any advance in excess of the maximum principal amount of this Note, the making of the advance shall not be deemed to constitute an increase in the maximum principal amount of this Note and shall be due and payable upon demand. The overlimit fee is \$25.00.

**STOP PAYMENT CHARGE.** A stop payment charge of \$25.00 will be assessed and charged directly to the Account for each check written against the Account upon which a stop payment order is issued.

**ADDITIONAL EXPENSES.** Expenses paid by Lender in connection with the Note, including without limitation, expenses in processing and/or filing any security documents, may be charged directly to the undersigned's depository account ten (10) days after Lender notifies the undersigned of

# PROMISSORY NOTE

**Borrower:** Abra Water Company, Inc.  
P.O. Box 515  
Paulden, AZ 86334

**Lender:** JPMorgan Chase Bank, NA  
Chino Valley LPO  
31 Butterfield Road  
Chino Valley, AZ 86323

**Date of Note: October 25, 2010**

**Principal Amount: \$50,000.00**

**PROMISE TO PAY.** Abra Water Company, Inc. ("Borrower") promises to pay to JPMorgan Chase Bank, NA ("Lender"), or order, in lawful money of the United States of America, the principal amount of Fifty Thousand & 00/100 Dollars (\$50,000.00) or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of each advance.

**PAYMENT.** Borrower will pay this loan in accordance with the following payment schedule:

Payments of accrued interest or \$100.00, whichever is greater, but not to exceed the then outstanding balance of this Note, shall be payable monthly, beginning on November 25, 2010, and on the same calendar day monthly thereafter until the Final Availability Date. The term "Final Availability Date", as used herein, means the date of Lender's notice to Borrower of the Final Availability Date, which notice shall be effective as of the date thereof and shall be deposited on the date set forth in such notice in the United States mail, first class postage prepaid, addressed to Borrower. Until the earlier of the Final Availability Date or the occurrence of any default, Borrower may borrow, pay down and reborrow under this Note. As of the date of the notice from Lender stating the Final Availability Date, no further advances under this line of credit will be available. Thereafter, on the same calendar day as payments were due prior to the Final Availability Date, monthly payments shall be due with each payment equal to the greater amount of (1) \$250.00, or (2) the aggregate sum of (a) accrued interest, plus (b) 1/60th of the unpaid principal balance immediately following the Final Availability Date.

Payments and any other credits shall be allocated among principal, interest and fees at the discretion of Lender unless otherwise required by applicable law. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at Lender's address shown on loan account statements sent to the Borrower, Lender's address shown in any payment coupon book provided to the Borrower, or at such other place as Lender may designate in writing.

**VARIABLE INTEREST RATE.** The interest rate on this Note is subject to change from time to time based on changes in an index which is the Prime Rate (the "Index"). "Prime Rate" shall mean the rate announced from time to time by Lender as its prime rate (which rate may not be the lowest, best or most favorable rate of interest which Lender may charge on loans to its customers). Each change in the rate to be charged on this Note will become effective without notice on the same day as the Index changes. The interest rate to be applied to the unpaid principal balance of this Note will be at a rate of 1.450 percentage points over the Index. NOTICE: Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law.

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**PREPAYMENT.** Borrower may pay without fee all or a portion of the principal amount owed hereunder earlier than it is due. All prepayments shall be applied to the indebtedness in such order and manner as Lender may from time to time determine in its sole discretion. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Business Banking Loan Servicing Disputed Accounts Department, P.O. Box 33035 Louisville, KY 40232-9891.

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**PREPAYMENT.** Borrower may pay without fee all or a portion of the principal amount owed hereunder earlier than it is due. All prepayments shall be applied to the Indebtedness in such order and manner as Lender may from time to time determine in its sole discretion. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Business Banking Loan Servicing Disputed Accounts Department, P.O. Box 33035 Louisville, KY 40232-9891.

**LATE CHARGE.** If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment or \$25.00, whichever is greater.

**INTEREST AFTER DEFAULT.** Upon the occurrence of any Event of Default, including, but not limited to, (i) any material adverse change in the business assets, affairs, prospects or financial condition of Borrower or any guarantor, (ii) failing to provide financial statements, copies of Federal tax returns and other information relating to the financial condition, properties and affairs of the Borrower, any guarantor or grantor, as provided for in this Note and/or any Related Document, or (iii) failure to pay upon final maturity, Lender may, at Lender's option and if permitted by applicable law, a) add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the rate provided in this Note, including any increased rate, and/or b), increase the interest rate on this Note by 3.000 percentage points (the "Default Rate Margin"). The Default Rate Margin shall also apply to each succeeding interest rate change that would have applied had there been no Event of Default. However, in no event will the interest rate exceed the maximum interest rate allowed under applicable law.

**DEFAULT.** Each of the following shall constitute an event of default ("Event of Default") under this Note:

**Payment Default.** Borrower fails to make any payment when due under this Note.

**Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

**Transfer of Assets.** Borrower leases, sells, or otherwise conveys, or agrees to lease, sell, or otherwise convey, a material part of its assets or business outside of the ordinary course of business.

**Defaults with Respect to Third Parties.** Borrower fails to make any payment when due or fails to comply with or to perform any term, obligation, covenant or condition contained in any agreement between any other person and Borrower.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter

**Judgments or Decrees.** One or more judgments or decrees shall be entered against the Borrower and such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal.

**Insolvency.** The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure, replevin, repossession, attachment, levy, execution, or forfeiture proceedings, whether by judicial proceeding, self-help, or any other method, by any creditor of Borrower, or by any governmental agency against the Collateral or any other assets of Borrower. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Failure to Comply with Laws.** Borrower fails to comply with all applicable statutes, laws, ordinances and governmental rules, regulations and orders to which it is subject or which are applicable to its business, property and assets.

**Change in Ownership.** Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

**Adverse Change.** A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

**Events Affecting Guarantor.** Any of the preceding Events of Default occurs with respect to any guarantor of the Indebtedness as if the word "guarantor" were substituted for the word "Borrower" in such Event of Default, or any guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty.

**Events Affecting Grantor.** Any of the preceding Events of Default occurs with respect to any grantor, pledgor or obligor of the Indebtedness as if "grantor", "pledgor" or "obligor" were substituted for the word "Borrower" in such Event of Default, or any grantor, pledgor, or obligor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Related Document or agreement.

**Insecurity.** Lender in good faith believes itself insecure.

**PROMISSORY NOTE  
(Continued)**

**LENDER'S RIGHTS.** Upon the occurrence of any Event of Default, Lender may declare the entire unpaid principal balance on this Note and the Indebtedness and all accrued unpaid interest immediately due, without notice (except that in the case of any Event of Default of the type described in the DEFAULT - Insolvency section herein, such acceleration shall be automatic and not at Lender's option), and then Borrower will pay that amount. Additionally, upon the occurrence of any Event of Default and until the entire unpaid principal balance on this Note and the Indebtedness is paid in full, without notice or demand and without waiving any other right or remedy, Lender may, at Lender's option, elect to impose increases in the interest rate pursuant to and as set forth in the section of this Note captioned "INTEREST AFTER DEFAULT" and, if included in this Note, the section captioned "PERFORMANCE BASED RATE CHANGES. Borrower shall be liable for any deficiency remaining after disposition of any collateral which Lender may choose to realize upon.

**ATTORNEYS' FEES; EXPENSES.** Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. However, Borrower will only pay attorneys' fees of an attorney not Lender's salaried employee, to whom the matter is referred after Borrower's default. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

**DISHONORED ITEM FEE.** Borrower will pay a fee to Lender of \$25.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

**RIGHT OF SETOFF.** Borrower grants to Lender a security interest in, as well as a right of setoff against, and hereby assigns, conveys, delivers, pledges and transfers to Lender, as security for repayment of the Indebtedness, all Borrower's right, title and interest in and to all Borrower's accounts (whether checking, savings, or some other account) with Lender or any subsidiary or affiliate of JPMorgan Chase & Co. (each hereinafter referred to as a "Lender Affiliate") and all other obligations at any time owing by Lender or any Lender Affiliate to Borrower. This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which the grant of a security interest would be prohibited by law. Borrower authorizes Lender, without prior notice to Borrower and irrespective of (i) whether or not Lender has made any demand under this Note or the Related Documents or (ii) whether such Indebtedness is contingent, matured or unmatured, to the extent permitted by law, to collect, charge and/or setoff all sums owing on the Indebtedness against any and all such accounts and other obligations, and, at Lender's option, to administratively freeze or direct a Lender Affiliate to administratively freeze all such accounts and other obligations to allow Lender to protect Lender's security interest, collection, charge and setoff rights provided in this paragraph.

**COLLATERAL.** Borrower acknowledges this Note is secured by security interest in and lien upon all collateral described in any Related Document.

**LINE OF CREDIT.** This Note evidences a revolving line of credit. The unpaid principal balance of this Note shall increase and decrease with each new advance and payment hereunder, as the case may be. Subject to the terms hereof, Borrower may borrow, repay and reborrow hereunder. Advances under this Note, as well as directions for payment from Borrower's accounts, may be requested orally or in writing by Borrower or by an authorized person. Lender may, but need not, require that all oral requests be confirmed in writing. Borrower agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of Borrower's accounts with Lender. Lender will have no obligation to advance funds under this Note if: (A) Borrower or any guarantor is in default under the terms of this Note or any agreement that Borrower or any guarantor has with Lender, including any agreement made in connection with the signing of this Note; (B) Borrower or any guarantor ceases doing business or is insolvent; (C) any guarantor seeks, claims or otherwise attempts to limit, modify or revoke such guarantor's guarantee of this Note or any other loan with Lender; (D) Borrower has applied funds provided pursuant to this Note for purposes other than those authorized by Lender; or (E) Lender in good faith believes itself insecure.

**CREDIT ADVANCES.** Borrower may obtain credit advances under this Note, in amounts of not less than One Hundred Dollars (\$100.00), pursuant to the following methods of advancement, which may be available from time to time:

**Credit Line Checks.** Writing a preprinted "Credit Line Check" that Lender will supply to Borrower.

**Telephone Request.** Requesting a credit advance from this Note by telephone. Except for transactions covered by the federal Electronic Fund Transfers Act and unless otherwise agreed in your deposit account agreement, **Borrower acknowledges and agrees that Lender does not accept responsibility for the authenticity of telephone instructions and that Lender will not be liable for any loss, expense, or cost arising out of any telephone request, including any fraudulent or unauthorized telephone request, when acting upon such instructions believed to be genuine.**

~~Requests in Person.~~ Requesting an advance in person at any of Lender's authorized locations.

**Bank Card Access.** Using any specially issued "bank card" to receive a cash advance or to make purchases.

**On-Line Access.** Requesting an advance through the internet or other electronic transfer communication medium.

**CREDIT HOLDS.** Notwithstanding anything to the contrary in this Note, Lender may apply all payments and credits in accordance with the standard operating procedures of Lender and with the requirements of applicable law. For billing and interest accrual purposes, credit for the payment is given on the Business Day the payment is processed and posted to the account. Nevertheless, after processing Lender may elect to verify the receipt of good funds or otherwise elect to place a "credit hold" on such payments before releasing any payment amount as available credit for additional advances on the line of credit.

Lender makes the following line of credit payments available for readvance the next Business Day after processing: (a) electronic payments, (b) payments made on Chase.com, and (c) payments made at any branch office of Lender if made (i) by check drawn upon a deposit account with Lender or (ii) in cash. Lender currently places a credit hold on most other payments for a period of seven days commencing on the Business Day the payment is processed; provided that when the day following the seventh day of the credit hold period is not a Business Day, then the payment amount will not be available for additional advances until the next Business Day.

Lender may change its credit hold policy from time to time and will advise Borrower, including by inclusion of a message on the billing statement for this Note. To preclude an overdraft during the credit hold period Borrower must remember the portion of each payment intended to reduce the principal balance may not be immediately available for additional advances on the line of credit. The balance available for advances can be verified by contacting the Lender on-line, by telephone or in person at a branch location.

**LIMITATIONS ON THE USE OF METHODS AND ADVANCEMENTS.** Lender reserves the right not to honor requests for advances in the following circumstances:

**Credit Limit Violation.** The advance would result in aggregate outstanding advances in excess of the amount of this Note.

**Stolen Access Items.** Borrower's Credit Line Checks, bank card or other advance mechanisms have been reported lost or stolen.

**Unauthorized Signatures.** Borrower's access mechanism is not used by an authorized signer.

**RIGHT OF SETOFF.** Borrower grants to Lender a security interest in, as well as a right of setoff against, and hereby assigns, conveys, delivers, pledges and transfers to Lender, as security for repayment of the Indebtedness, all Borrower's right, title and interest in and to all Borrower's accounts (whether checking, savings, or some other account) with Lender or any subsidiary or affiliate of JPMorgan Chase & Co. (each hereinafter referred to as a "Lender Affiliate") and all other obligations at any time owing by Lender or any Lender Affiliate to Borrower. This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which the grant of a security interest would be prohibited by law. Borrower authorizes Lender, without prior notice to Borrower and irrespective of (i) whether or not Lender has made any demand under this Note or the Related Documents or (ii) whether such Indebtedness is contingent, matured or unmatured, to the extent permitted by law, to collect, charge and/or setoff all sums owing on the Indebtedness against any and all such accounts and other obligations, and, at Lender's option, to administratively freeze or direct a Lender Affiliate to administratively freeze all such accounts and other obligations to allow Lender to protect Lender's security interest, collection, charge and setoff rights provided in this paragraph.

**COLLATERAL.** Borrower acknowledges this Note is secured by security interest in and lien upon all collateral described in any Related Document.

**LINE OF CREDIT.** This Note evidences a revolving line of credit. The unpaid principal balance of this Note shall increase and decrease with each new advance and payment hereunder, as the case may be. Subject to the terms hereof, Borrower may borrow, repay and reborrow hereunder. Advances under this Note, as well as directions for payment from Borrower's accounts, may be requested orally or in writing by Borrower or by an authorized person. Lender may, but need not, require that all oral requests be confirmed in writing. Borrower agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of Borrower's accounts with Lender. Lender will have no obligation to advance funds under this Note if: (A) Borrower or any guarantor is in default under the terms of this Note or any agreement that Borrower or any guarantor has with Lender, including any agreement made in connection with the signing of this Note; (B) Borrower or any guarantor ceases doing business or is insolvent; (C) any guarantor seeks, claims or otherwise attempts to limit, modify or revoke such guarantor's guarantee of this Note or any other loan with Lender; (D) Borrower has applied funds provided pursuant to this Note for purposes other than those authorized by Lender; or (E) Lender in good faith believes itself insecure.

**CREDIT ADVANCES.** Borrower may obtain credit advances under this Note, in amounts of not less than One Hundred Dollars (\$100.00), pursuant to the following methods of advancement, which may be available from time to time:

**Credit Line Checks.** Writing a preprinted "Credit Line Check" that Lender will supply to Borrower.

**Telephone Request.** Requesting a credit advance from this Note by telephone. Except for transactions covered by the federal Electronic Fund Transfers Act and unless otherwise agreed in your deposit account agreement, Borrower acknowledges and agrees that Lender does not accept responsibility for the authenticity of telephone instructions and that Lender will not be liable for any loss, expense, or cost arising out of any telephone request, including any fraudulent or unauthorized telephone request, when acting upon such instructions believed to be genuine.

**Requests in Person.** Requesting an advance in person at any of Lender's authorized locations.

**Bank Card Access.** Using any specially issued "bank card" to receive a cash advance or to make purchases.

**On-Line Access.** Requesting an advance through the internet or other electronic transfer communication medium.

**CREDIT HOLDS.** Notwithstanding anything to the contrary in this Note, Lender may apply all payments and credits in accordance with the standard operating procedures of Lender and with the requirements of applicable law. For billing and interest accrual purposes, credit for the payment is given on the Business Day the payment is processed and posted to the account. Nevertheless, after processing Lender may elect to verify the receipt of good funds or otherwise elect to place a "credit hold" on such payments before releasing any payment amount as available credit for additional advances on the line of credit.

Lender makes the following line of credit payments available for advance the next Business Day after processing: (a) electronic payments, (b) payments made on Chase.com, and (c) payments made at any branch office of Lender if made (i) by check drawn upon a deposit account with Lender or (ii) in cash. Lender currently places a credit hold on most other payments for a period of seven days commencing on the Business Day the payment is processed; provided that when the day following the seventh day of the credit hold period is not a Business Day, then the payment amount will not be available for additional advances until the next Business Day.

Lender may change its credit hold policy from time to time and will advise Borrower, including by inclusion of a message on the billing statement for this Note. To preclude an overdraft during the credit hold period Borrower must remember the portion of each payment intended to reduce the principal balance may not be immediately available for additional advances on the line of credit. The balance available for advances can be verified by contacting the Lender on-line, by telephone or in person at a branch location.

**LIMITATIONS ON THE USE OF METHODS AND ADVANCEMENTS.** Lender reserves the right not to honor requests for advances in the following circumstances:

**Credit Limit Violation.** The advance would result in aggregate outstanding advances in excess of the amount of this Note.

**Stolen Access Items.** Borrower's Credit Line Checks, bank card or other advance mechanisms have been reported lost or stolen.

**Unauthorized Signatures.** Borrower's access mechanism is not used by an authorized signer.

**Termination or Suspension.** Borrower is in default or would be so if Lender made the advance.

**Transaction Violation.** Borrower requests an advance which is less than the minimum amount required by this Note.

**Post-dated Request.** Borrower's Credit Line Check is post-dated, provided, however, if a post-dated Credit Line Check is paid and as a result any other Credit Line Check is returned or not paid, Lender is not responsible.

If Lender pays any advance under these conditions, Borrower must repay Lender, subject to applicable laws, for the amount of the advance. The advance itself will be evidence of Borrower's debt to Lender together with this Note. Lender's liability, if any, for wrongful dishonor of an advance is limited to Borrower's actual damages. Dishonor for any reason as provided in this Note is not wrongful dishonor.

**ACCOUNT.** The term "Account" as used herein means the line of credit established pursuant to this Note.

**ANNUAL FEE.** A non-refundable Annual Fee of One Hundred Fifty Dollars (\$ 150.00 ) may be charged to your Account at the following times: The Annual Fee is payable in advance for each year at any year that advances are available under this Note or at any time there remains a principal amount outstanding under this Note. The Annual Fee may be charged to the Account not more than one time in each calendar year. No refund of any part of the Annual Fee will be made in the event of cancellation of the Account for any reason.

**OVERLIMIT FEE.** At its discretion, from time to time, Lender may charge Borrower a fee when any advance increases the principal balance in excess of the maximum principal amount of this Note. If Lender should make any advance in excess of the maximum principal amount of this Note, the making of the advance shall not be deemed to constitute an increase in the maximum principal amount of this Note and shall be due and payable upon demand. The overlimit fee is \$25.00.

**STOP PAYMENT CHARGE.** A stop payment charge of \$25.00 will be assessed and charged directly to the Account for each check written against the Account upon which a stop payment order is issued.

**ADDITIONAL EXPENSES.** Expenses paid by Lender in connection with the Note, including without limitation, expenses in processing and/or filing any security documents, may be charged directly to the undersigned's depository account ten (10) days after Lender notifies the undersigned of

**PROMISSORY NOTE  
(Continued)**

said amount.

**MODIFICATION.** Any fees and charges and the time frames for imposition of such fees and charges set forth in this Note may be modified from time to time by Lender and shall not require the written acknowledgement or consent of Borrower. Any such modification shall be effective immediately upon any change made by Lender without prior written notice to Borrower.

**LATE CHARGES.** In the "Late Charge" provision set forth above, the following language is hereby added after the word "greater": "up to the maximum amount of Two Hundred Fifty Dollars (\$250.00) per late charge".

**OVERPAYMENTS.** No refund of any overpayment made by Borrower with the final payment on this Note will be required if the overpayment is less than \$1.00.

**FINANCIAL STATEMENTS.** Borrower shall furnish Lender with such financial statements and other related information at such frequencies and in such detail as Lender may reasonably request.

**ENFORCEABILITY AND ORGANIZATION.** Borrower is duly authorized to transact business in all states in which Borrower is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which Borrower is doing business. Borrower's execution, delivery and performance of this Note and all the Related Documents have been duly authorized by all necessary action by Borrower. This Note and all the Related Documents constitute legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms. If applicable, Borrower is an entity which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the state of its organization.

**INFORMATION WAIVER.** Lender may provide, without any limitation whatsoever, to any one or more purchasers, potential purchasers, or affiliates of JPMorgan Chase & Co., any information or knowledge Lender may have about the undersigned or about any matter relating to this document and the Related Documents, and the undersigned hereby waives any right to privacy the undersigned may have with respect to such matters.

**INDEBTEDNESS.** The word "indebtedness" means all principal, interest, and other amounts, costs and expenses payable under the Note or Related Documents, together with all renewals of, extensions of, modifications of, consolidations of and substitutions for the Note or Related Documents, together with interest on such amounts as provided in this Note, and all obligations, debts and liabilities, plus interest thereon, of Borrower or any one or more of them to Lender, as well as all claims by Lender against Borrower or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of this Note, whether voluntary or otherwise, whether due or not due, direct or indirect, absolute or contingent, liquidated or unliquidated and whether Borrower may be liable individually or jointly with others, whether obligated as guarantor, surety, accommodation party or otherwise and whether recovery upon such amounts may be or hereafter become barred by any statute of limitations, and whether the obligation to repay such amounts may be or hereafter become otherwise unenforceable; and further includes, without limitation, all principal, interest, and other amounts, costs and expenses payable under the Related Documents, whether executed by the Borrower or by any other person or entity, together with all renewals of, extensions of, modifications of, consolidations of and substitutions for the Related Documents, together with interest thereon as provided in the Related Documents.

**RELATED DOCUMENTS.** The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now existing or hereafter arising, executed in connection with the indebtedness.

**LIABILITIES FOR OBLIGATIONS UNDER RELATED DOCUMENTS.** Borrower also promises to pay to Lender all of the indebtedness. Borrower acknowledges that some of the Related Documents, pursuant to which indebtedness may arise, may be executed only by persons or entities other than the Borrower.

**PURPOSE.** Borrower agrees that no advances under this Note shall be used for personal, family or household purposes and that all advances hereunder shall be used solely for business, commercial, agricultural or other similar purposes.

**JURY WAIVER.** THE UNDERSIGNED AND LENDER (BY ITS ACCEPTANCE HEREOF) HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) BETWEEN OR AMONG THE UNDERSIGNED AND LENDER ARISING OUT OF OR IN ANY WAY RELATED TO THIS DOCUMENT, THE RELATED DOCUMENTS, OR ANY RELATIONSHIP BETWEEN OR AMONG THE UNDERSIGNED AND LENDER WHETHER ANY SUCH RIGHT NOW OR HEREAFTER EXISTS. THIS PROVISION IS A MATERIAL INDUCEMENT TO LENDER TO PROVIDE THE FINANCING EVIDENCED BY THIS DOCUMENT AND THE RELATED DOCUMENTS.

**GOVERNING LAW.** The Lender's loan production office for this transaction is located at the address and in the State (the "LPO State") indicated in the LPO address or the loan production office address on the first page of this document. This document will be governed by and interpreted in accordance with federal law and the laws of the LPO State, except for matters related to interest and the exportation of interest, which matters shall be governed by and interpreted in accordance with federal law (including, but not limited to, statutes, regulations, interpretations and opinions) and the laws of the State of Ohio. However, if there is ever a question about whether any provision of this document is valid or enforceable, the provision that is questioned will be governed by whichever state or federal law would find the provision to be valid and enforceable. The loan transaction which is evidenced by this document has been made in the State of Ohio.

**VENUE.** If there is a lawsuit, the undersigned agrees to submit to the jurisdiction of the courts of the county in the LPO State in which the Lender's loan production office is located.

**REDUCTIONS IN CREDIT AVAILABLE; FUTURE MODIFICATIONS; AND AMENDMENTS TO THIS NOTE.** Notwithstanding the provision of this Note requiring the signature of the party or parties to be bound by any agreement altering or amending this Note, Borrower agrees Lender shall have the right, from time to time, to modify this Note in its sole discretion as further described in the following paragraphs:

**Reductions in Credit Available.** Lender may reduce the maximum amount of principal available under the revolving line of credit evidenced by this Note, at any time, for any reason, and at the sole option and discretion of Lender, to the amount set forth in a Line Reduction Date notice (which amount will not be less than the principal balance outstanding on this Note as of the close of business on the Line Reduction Date). Such reduction in the maximum amount of principal available shall become effective as of close of business on the Line Reduction Date. Notwithstanding any such reduction, all other provisions of this Note shall remain in full force and effect, including the payment terms as set forth in this Note, and including Lender's right to declare Final Availability Date, or to elect to make future further reductions in the available credit. The words "Line Reduction Date" mean the date of Lender's Line Reduction Date notice to Borrower, which notice shall be effective as of the date thereof and shall be deposited on the date set forth in such notice in the United States mail, first class postage prepaid, addressed to Borrower.

**Future Modifications.** Lender shall have the right, from time to time, to renew, modify and/or extend this Note in its sole discretion (each a "Future Modification"), including, without limitation, the right to (a) increase the principal amount of this Note, (b) extend the Maturity Date, (c) reduce the interest rate temporarily and then increase the rate to no more than the amount provided for herein, (d) permanently reduce the interest rate, (e) modify the periodic payment terms, and/or (f) change fees and time frames for imposition of fees. Lender will inform Borrower

standing under and by virtue of the laws of the state of its organization.

**INFORMATION WAIVER.** Lender may provide, without any limitation whatsoever, to any one or more purchasers, potential purchasers, or affiliates of JPMorgan Chase & Co., any information or knowledge Lender may have about the undersigned or about any matter relating to this document and the Related Documents, and the undersigned hereby waives any right to privacy the undersigned may have with respect to such matters.

**INDEBTEDNESS.** The word "Indebtedness" means all principal, interest, and other amounts, costs and expenses payable under the Note or Related Documents, together with all renewals of, extensions of, modifications of, consolidations of and substitutions for the Note or Related Documents, together with interest on such amounts as provided in this Note, and all obligations, debts and liabilities, plus interest thereon, of Borrower or any one or more of them to Lender, as well as all claims by Lender against Borrower or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of this Note, whether voluntary or otherwise, whether due or not due, direct or indirect, absolute or contingent, liquidated or unliquidated and whether Borrower may be liable individually or jointly with others, whether obligated as guarantor, surety, accommodation party or otherwise and whether recovery upon such amounts may be or hereafter become barred by any statute of limitations, and whether the obligation to repay such amounts may be or hereafter become otherwise unenforceable; and further includes, without limitation, all principal, interest, and other amounts, costs and expenses payable under the Related Documents, whether executed by the Borrower or by any other person or entity, together with all renewals of, extensions of, modifications of, consolidations of and substitutions for the Related Documents, together with interest thereon as provided in the Related Documents.

**RELATED DOCUMENTS.** The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now existing or hereafter arising, executed in connection with the Indebtedness.

**LIABILITIES FOR OBLIGATIONS UNDER RELATED DOCUMENTS.** Borrower also promises to pay to Lender all of the Indebtedness. Borrower acknowledges that some of the Related Documents, pursuant to which Indebtedness may arise, may be executed only by persons or entities other than the Borrower.

**PURPOSE.** Borrower agrees that no advances under this Note shall be used for personal, family or household purposes and that all advances hereunder shall be used solely for business, commercial, agricultural or other similar purposes.

**JURY WAIVER.** THE UNDERSIGNED AND LENDER (BY ITS ACCEPTANCE HEREOF) HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) BETWEEN OR AMONG THE UNDERSIGNED AND LENDER ARISING OUT OF OR IN ANY WAY RELATED TO THIS DOCUMENT, THE RELATED DOCUMENTS, OR ANY RELATIONSHIP BETWEEN OR AMONG THE UNDERSIGNED AND LENDER WHETHER ANY SUCH RIGHT NOW OR HEREAFTER EXISTS. THIS PROVISION IS A MATERIAL INDUCEMENT TO LENDER TO PROVIDE THE FINANCING EVIDENCED BY THIS DOCUMENT AND THE RELATED DOCUMENTS.

**GOVERNING LAW.** The Lender's loan production office for this transaction is located at the address and in the State (the "LPO State") indicated in the LPO address or the loan production office address on the first page of this document. This document will be governed by and interpreted in accordance with federal law and the laws of the LPO State, except for matters related to interest and the exportation of interest, which matters shall be governed by and interpreted in accordance with federal law (including, but not limited to, statutes, regulations, interpretations and opinions) and the laws of the State of Ohio. However, if there is ever a question about whether any provision of this document is valid or enforceable, the provision that is questioned will be governed by whichever state or federal law would find the provision to be valid and enforceable. The loan transaction which is evidenced by this document has been made in the State of Ohio.

**VENUE.** If there is a lawsuit, the undersigned agrees to submit to the jurisdiction of the courts of the county in the LPO State in which the Lender's loan production office is located.

**REDUCTIONS IN CREDIT AVAILABLE; FUTURE MODIFICATIONS; AND AMENDMENTS TO THIS NOTE.** Notwithstanding the provision of this Note requiring the signature of the party or parties to be bound by any agreement altering or amending this Note, Borrower agrees Lender shall have the right, from time to time, to modify this Note in its sole discretion as further described in the following paragraphs:

**Reductions in Credit Available.** Lender may reduce the maximum amount of principal available under the revolving line of credit evidenced by this Note, at any time, for any reason, and at the sole option and discretion of Lender, to the amount set forth in a Line Reduction Date notice (which amount will not be less than the principal balance outstanding on this Note as of the close of business on the Line Reduction Date). Such reduction in the maximum amount of principal available shall become effective as of close of business on the Line Reduction Date. Notwithstanding any such reduction, all other provisions of this Note shall remain in full force and effect, including the payment terms as set forth in this Note, and including Lender's right to declare Final Availability Date, or to elect to make future further reductions in the available credit. The words "Line Reduction Date" mean the date of Lender's Line Reduction Date notice to Borrower, which notice shall be effective as of the date thereof and shall be deposited on the date set forth in such notice in the United States mail, first class postage prepaid, addressed to Borrower.

**Future Modifications.** Lender shall have the right, from time to time, to renew, modify and/or extend this Note in its sole discretion (each a "Future Modification"), including, without limitation, the right to (a) increase the principal amount of this Note, (b) extend the Maturity Date, (c) reduce the interest rate temporarily and then increase the rate to no more than the amount provided for herein, (d) permanently reduce the interest rate, (e) modify the periodic payment terms, and/or (f) change fees and time frames for imposition of fees. Lender will inform Borrower of any such Future Modification by written notice, which may take the form of inclusion of such Future Modification in the periodic loan account statement sent to the Borrower. Any use of the principal amount or any other feature of this Note after such notice shall constitute Borrower's acceptance of such Future Modification.

**Amendments to this Note.** Lender reserves the right to amend or modify the provisions of this Note at any time by mailing or delivering a copy of such amendment or modification to the Borrower. Such amendment or modification shall be binding on the Borrower thirty days after it is mailed or delivered.

**PERFORMANCE BASED RATE CHANGES.** Without limiting any other provision of this Note, the failure to comply with the payment provisions of this Note on two or more occasions may result in an increase in the interest rate. Lender at its discretion may elect to increase the rate on this Note by adding up to an additional three percent (3%). The increase shall be added to the margin related to the Index described in the variable interest rate section of this Note or, if this Note has a fixed rate, then the fixed rate shall increase. For example, following the second occasion when the full amount due on a billing statement is not received by Lender prior to the date of the next billing statement, Lender may elect to increase the interest rate on this Note. If Borrower thereafter promptly pays the amount due on its billing statements for a period of time acceptable to Lender, then at its discretion Lender may elect to decrease the interest rate. Lender may repeatedly increase, decrease and again increase the rate based on the payment performance of Borrower. Any such rate change shall be noted on the billing statement for the month when the change occurs. The rate increase is in addition to any other fee, charge, rate increase or remedy Lender has under the terms of this Note.

**GENERAL PROVISIONS.** If any part of this Note cannot be enforced, this fact will not affect the rest of this Note. It is agreed that any payment which would otherwise for any reason be deemed unlawful interest under applicable law shall be deemed to have been applied to the unpaid principal balance of this Note, or to other Indebtedness. The unpaid balance owing on this Note at any time may be evidenced by endorsements on this Note or by Lender's internal records, including daily computer print-outs. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be

**PROMISSORY NOTE  
(Continued)**

released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. Unless specifically permitted otherwise by the terms and conditions of this Note, no alteration of or amendment to this Note shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment. Borrower agrees and consents to Lender's sale or transfer, whether now or later, of this Note, or the Related Documents or of any participation interest in this Note or Related Documents to one or more purchasers, whether related or unrelated to Lender. Borrower waives any and all notices of sale of this Note, the Related Documents or of any participation interests, as well as any notices of any repurchases of this Note, the Related Documents, or of any participation interests. The obligations under this Note are joint and several.

**PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE.**

**BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.**

**BORROWER:**

**ABRA WATER COMPANY, INC.**

**BIG CHINO LAND CO., INC., Officer of Abra Water Company, Inc.**

**By:** \_\_\_\_\_  
**Kevan Larson, President of Big Chino Land Co., Inc.**

# COMMERCIAL SECURITY AGREEMENT

**Grantor:** Abra Water Company, Inc.  
P.O. Box 515  
Paulden, AZ 86334

**Lender:** JPMorgan Chase Bank, NA  
Chino Valley LPO  
31 Butterfield Road  
Chino Valley, AZ 86323

**THIS COMMERCIAL SECURITY AGREEMENT** dated October 25, 2010, is made and executed between Abra Water Company, Inc. ("Grantor") and JPMorgan Chase Bank, NA ("Lender").

**GRANT OF SECURITY INTEREST.** For valuable consideration, Grantor grants to Lender a security interest in the Collateral to secure the Indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

**COLLATERAL DESCRIPTION.** The word "Collateral" as used in this Agreement means the following described property, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located, in which Grantor is giving to Lender a security interest for the payment of the Indebtedness and performance of all other obligations under the Note and this Agreement:

**All Inventory, Chattel Paper, Accounts, Equipment and General Intangibles**

All of which "Collateral" shall have the meaning attributed to such word in the Uniform Commercial Code referenced in the section of this Agreement captioned "Definitions" (whenever such word appears in this Agreement, and whether the first letter of such word is upper case or lower case). In addition, the word "Collateral" also includes all the following, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

- (A) All accessions, attachments, accessories, tools, parts, supplies, replacements and additions to any of the collateral described herein, whether added now or later.
- (B) All products and produce of any of the property described in this Collateral section.
- (C) All accounts, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, or other disposition of any of the property described in this Collateral section.
- (D) All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral section, and sums due from a third party who has damaged or destroyed the Collateral or from that party's insurer, whether due to judgment, settlement or other process.
- (E) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

**CROSS-COLLATERALIZATION.** In addition to the Note, this Agreement secures all obligations, debts and liabilities, plus interest thereon, of Grantor to Lender, or any one or more of them, as well as all claims by Lender against Grantor or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of the Note, whether voluntary or otherwise, whether due or not due, direct or indirect, determined or undetermined, absolute or contingent, liquidated or unliquidated whether Grantor may be liable individually or jointly with others, whether obligated as guarantor, surety, accommodation party or otherwise, and whether recovery upon such amounts may be or hereafter may become barred by any statute of limitations, and whether the obligation to repay such amounts may be or hereafter may become otherwise unenforceable.

**RIGHT OF SETOFF.** Grantor grants to Lender a security interest in, as well as a right of setoff against, and hereby assigns, conveys, delivers, pledges and transfers to Lender, as security for repayment of the Indebtedness, all Grantor's right, title and interest in and to all Grantor's accounts (whether checking, savings, or some other account) with Lender or any subsidiary or affiliate of JPMorgan Chase & Co. (each hereinafter referred to as a "Lender Affiliate") and all other obligations at any time owing by Lender or any Lender Affiliate to Grantor. This includes all accounts Grantor holds jointly with someone else and all accounts Grantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which the grant of a security interest would be prohibited by law. Grantor authorizes Lender, without prior notice to Grantor and irrespective of (i) whether or not Lender has made any demand under this Agreement or the Related Documents or (ii) whether such Indebtedness is contingent, matured or unmatured, to the extent permitted by law, to collect, charge and/or setoff all sums owing on the Indebtedness against any and all such accounts and other obligations, and, at Lender's option, to administratively freeze or direct a Lender Affiliate to administratively freeze all such accounts

**THIS COMMERCIAL SECURITY AGREEMENT** dated October 25, 2010, is made and executed between **Abra Water Company, Inc. ("Grantor")** and **JPMorgan Chase Bank, NA ("Lender")**.

**GRANT OF SECURITY INTEREST.** For valuable consideration, Grantor grants to Lender a security interest in the Collateral to secure the Indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

**COLLATERAL DESCRIPTION.** The word "Collateral" as used in this Agreement means the following described property, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located, in which Grantor is giving to Lender a security interest for the payment of the Indebtedness and performance of all other obligations under the Note and this Agreement:

**All Inventory, Chattel Paper, Accounts, Equipment and General Intangibles**

All of which "Collateral" shall have the meaning attributed to such word in the Uniform Commercial Code referenced in the section of this Agreement captioned "Definitions" (whenever such word appears in this Agreement, and whether the first letter of such word is upper case or lower case). In addition, the word "Collateral" also includes all the following, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

- (A) All accessions, attachments, accessories, tools, parts, supplies, replacements and additions to any of the collateral described herein, whether added now or later.
- (B) All products and produce of any of the property described in this Collateral section.
- (C) All accounts, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, or other disposition of any of the property described in this Collateral section.
- (D) All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral section, and sums due from a third party who has damaged or destroyed the Collateral or from that party's insurer, whether due to judgment, settlement or other process.
- (E) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

**CROSS-COLLATERALIZATION.** In addition to the Note, this Agreement secures all obligations, debts and liabilities, plus interest thereon, of Grantor to Lender, or any one or more of them, as well as all claims by Lender against Grantor or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of the Note, whether voluntary or otherwise, whether due or not due, direct or indirect, determined or undetermined, absolute or contingent, liquidated or unliquidated whether Grantor may be liable individually or jointly with others, whether obligated as guarantor, surety, accommodation party or otherwise, and whether recovery upon such amounts may be or hereafter may become barred by any statute of limitations, and whether the obligation to repay such amounts may be or hereafter may become otherwise unenforceable.

**RIGHT OF SETOFF.** Grantor grants to Lender a security interest in, as well as a right of setoff against, and hereby assigns, conveys, delivers, pledges and transfers to Lender, as security for repayment of the Indebtedness, all Grantor's right, title and interest in and to all Grantor's accounts (whether checking, savings, or some other account) with Lender or any subsidiary or affiliate of JPMorgan Chase & Co. (each hereinafter referred to as a "Lender Affiliate") and all other obligations at any time owing by Lender or any Lender Affiliate to Grantor. This includes all accounts Grantor holds jointly with someone else and all accounts Grantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which the grant of a security interest would be prohibited by law. Grantor authorizes Lender, without prior notice to Grantor and irrespective of (i) whether or not Lender has made any demand under this Agreement or the Related Documents or (ii) whether such Indebtedness is contingent, matured or unmatured, to the extent permitted by law, to collect, charge and/or setoff all sums owing on the Indebtedness against any and all such accounts and other obligations, and, at Lender's option, to administratively freeze or direct a Lender Affiliate to administratively freeze all such accounts and other obligations to allow Lender to protect Lender's security interest, collection, charge and setoff rights provided in this paragraph.

**GRANTOR'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL.** With respect to the Collateral, Grantor covenants, agrees, represents and warrants to Lender that:

**Perfection of Security Interest.** Grantor hereby authorizes Lender to file such financing statements with respect

**COMMERCIAL SECURITY AGREEMENT  
(Continued)**

to the Collateral as Lender shall deem appropriate and Grantor shall take whatever other actions are requested by Lender to perfect and continue Lender's security interest in the Collateral. Upon request of Lender, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Grantor will note Lender's interest upon any and all chattel paper and instruments if not delivered to Lender for possession by Lender. **This is a continuing Security Agreement and will continue in effect even though all or any part of the indebtedness is paid in full and even though for a period of time Grantor may not be indebted to Lender.**

**Notices to Lender.** Grantor will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (1) change in Grantor's name; (2) change in Grantor's assumed business name(s); (3) change in the management of the Corporation Grantor; (4) change in the authorized signer(s); (5) change in Grantor's principal office address; (6) change in Grantor's state of organization; (7) conversion of Grantor to a new or different type of business entity; or (8) change in any other aspect of Grantor that directly or indirectly relates to any agreements between Grantor and Lender. No change in Grantor's name or state of organization will take effect until after Lender has received notice.

**No Violation.** The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party, and its certificate or articles of incorporation and bylaws do not prohibit any term or condition of this Agreement.

**Enforceability of Collateral.** To the extent the Collateral consists of accounts, chattel paper, or general intangibles, the Collateral is enforceable in accordance with its terms, is genuine, and fully complies with all applicable laws and regulations concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral. At the time any account becomes subject to a security interest in favor of Lender, the account shall be a good and valid account representing an undisputed, bona fide indebtedness incurred by the account debtor, for merchandise held subject to delivery instructions or previously shipped or delivered pursuant to a contract of sale, or for services previously performed by Grantor with or for the account debtor. So long as this Agreement remains in effect, Grantor shall not, without Lender's prior written consent, compromise, settle, adjust, or extend payment under or with regard to any such account. There shall be no setoffs or counterclaims against any of the Collateral, and no agreement shall have been made under which any deductions or discounts may be claimed concerning the Collateral except those disclosed to Lender in writing.

**Location of the Collateral.** Except in the ordinary course of Grantor's business, Grantor agrees to keep the Collateral (or to the extent the Collateral consists of intangible property such as accounts or general intangibles, the records concerning the Collateral) at Grantor's address shown above or at such other locations as are acceptable to Lender. Upon Lender's request, Grantor will deliver to Lender in form satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (1) all real property Grantor owns or is purchasing; (2) all real property Grantor is renting or leasing; ~~(3) all storage facilities Grantor owns, rents, leases, or uses; and~~ (4) all other properties where Collateral is or may be located. If the Collateral is equipment, such equipment shall be located at the addresses shown and shall not be attached to or incorporated into any real property in such a manner that it becomes a fixture thereon.

**Removal of the Collateral.** Except in the ordinary course of Grantor's business, including the sales of inventory, Grantor shall not remove the Collateral from its existing location without Lender's prior written consent. To the extent the Collateral consists of accounts or general intangibles, the Grantor shall not relocate the records concerning such Collateral from Grantor's address shown above without written notification to and approval of the Lender. To the extent that the Collateral consists of vehicles, or other titled property, Grantor shall not take or permit any action which would require application for certificates of title for the vehicles outside the State of Arizona, without Lender's prior written consent. Grantor shall, whenever requested, advise Lender of the exact location of the Collateral.

**Transactions Involving Collateral.** Except for inventory sold or accounts collected in the ordinary course of Grantor's business, or as otherwise provided for in this Agreement, Grantor shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral. While Grantor is not in default under this Agreement, Grantor may sell inventory, but only in the ordinary course of its business and only to buyers who qualify as a buyer in the ordinary course of business. A sale in the ordinary course of Grantor's business does not include a transfer in partial or total satisfaction of a debt or any bulk sale. Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge other than

Lender. No change in Grantor's name or state of organization will take effect until after Lender has received notice.

**No Violation.** The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party, and its certificate or articles of incorporation and bylaws do not prohibit any term or condition of this Agreement.

**Enforceability of Collateral.** To the extent the Collateral consists of accounts, chattel paper, or general intangibles, the Collateral is enforceable in accordance with its terms, is genuine, and fully complies with all applicable laws and regulations concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral. At the time any account becomes subject to a security interest in favor of Lender, the account shall be a good and valid account representing an undisputed, bona fide indebtedness incurred by the account debtor, for merchandise held subject to delivery instructions or previously shipped or delivered pursuant to a contract of sale, or for services previously performed by Grantor with or for the account debtor. So long as this Agreement remains in effect, Grantor shall not, without Lender's prior written consent, compromise, settle, adjust, or extend payment under or with regard to any such account. There shall be no setoffs or counterclaims against any of the Collateral, and no agreement shall have been made under which any deductions or discounts may be claimed concerning the Collateral except those disclosed to Lender in writing.

**Location of the Collateral.** Except in the ordinary course of Grantor's business, Grantor agrees to keep the Collateral (or to the extent the Collateral consists of intangible property such as accounts or general intangibles, the records concerning the Collateral) at Grantor's address shown above or at such other locations as are acceptable to Lender. Upon Lender's request, Grantor will deliver to Lender in form satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (1) all real property Grantor owns or is purchasing; (2) all real property Grantor is renting or leasing; (3) all storage facilities Grantor owns, rents, leases, or uses; and (4) all other properties where Collateral is or may be located. If the Collateral is equipment, such equipment shall be located at the addresses shown and shall not be attached to or incorporated into any real property in such a manner that it becomes a fixture thereon.

**Removal of the Collateral.** Except in the ordinary course of Grantor's business, including the sales of inventory, Grantor shall not remove the Collateral from its existing location without Lender's prior written consent. To the extent the Collateral consists of accounts or general intangibles, the Grantor shall not relocate the records concerning such Collateral from Grantor's address shown above without written notification to and approval of the Lender. To the extent that the Collateral consists of vehicles, or other titled property, Grantor shall not take or permit any action which would require application for certificates of title for the vehicles outside the State of Arizona, without Lender's prior written consent. Grantor shall, whenever requested, advise Lender of the exact location of the Collateral.

**Transactions Involving Collateral.** Except for inventory sold or accounts collected in the ordinary course of Grantor's business, or as otherwise provided for in this Agreement, Grantor shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral. While Grantor is not in default under this Agreement, Grantor may sell inventory, but only in the ordinary course of its business and only to buyers who qualify as a buyer in the ordinary course of business. A sale in the ordinary course of Grantor's business does not include a transfer in partial or total satisfaction of a debt or any bulk sale. Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than the security interest provided for in this Agreement, without the prior written consent of Lender. This includes security interests even if junior in right to the security interests granted under this Agreement. Unless waived by Lender, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Lender and shall not be commingled with any other funds; provided however, this requirement shall not constitute consent by Lender to any sale or other disposition. Upon receipt, Grantor shall immediately deliver any such proceeds to Lender.

**Title.** Grantor represents and warrants to Lender that Grantor holds good and marketable title to the Collateral, free and clear of all liens and encumbrances except for the lien of this Agreement. No financing statement covering any of the Collateral is on file in any public office other than those which reflect the security interest created by this Agreement or to which Lender has specifically consented. Grantor shall defend Lender's rights in the Collateral against the claims and demands of all other persons.

**Repairs and Maintenance.** Grantor agrees to keep and maintain, and to cause others to keep and maintain, the Collateral in good order, repair and condition at all times while this Agreement remains in effect. Grantor further agrees to pay when due all claims for work done on, or services rendered or material furnished in connection with the Collateral so that no lien or encumbrance may ever attach to or be filed against the Collateral.

**Inspection of Collateral.** Lender and Lender's designated representatives and agents shall have the right at all

**COMMERCIAL SECURITY AGREEMENT**  
**(Continued)**

reasonable times to examine, audit and inspect the Collateral wherever located. To the extent any of the following types of property are included in the Collateral, then as often as Lender shall require, in detail satisfactory to Lender, Grantor shall deliver to Lender schedules of accounts and general intangibles, including, without limitation, names and addresses of account debtors and aging reports, and lists and descriptions of the nature and location of inventory and equipment.

**Taxes, Assessments and Liens.** Grantor will pay when due all taxes, assessments and liens upon the Collateral, its use or operation, upon this Agreement, upon any promissory note or notes evidencing the Indebtedness, or upon any of the other Related Documents. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized in Lender's sole opinion. If the Collateral is subjected to a lien which is not discharged within fifteen (15) days, Grantor shall deposit with Lender cash, a sufficient corporate surety bond or other security satisfactory to Lender in an amount adequate to provide for the discharge of the lien plus any interest, costs attorneys' fees or other charges that could accrue as a result of foreclosure or sale of the Collateral. In any contest Grantor shall defend itself and Lender and shall satisfy any final adverse judgment before enforcement against the Collateral. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings. Grantor further agrees to furnish Lender with evidence that such taxes, assessments, and governmental and other charges have been paid in full and in a timely manner. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized.

**Compliance with Governmental Requirements.** Grantor shall comply promptly with all laws, ordinances, rules and regulations of all governmental authorities, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the Collateral, including all laws or regulations relating to the undue erosion of highly-erodible land or relating to the conversion of wetlands for the production of an agricultural product or commodity. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Lender's interest in the Collateral, in Lender's opinion, is not jeopardized.

**Hazardous Substances.** Grantor represents and warrants that the Collateral never has been, and never will be so long as this Agreement remains a lien on the Collateral, used in violation of any Environmental Laws, that the business operations of Grantor are not now, and have never been, the subject of any governmental authority's investigation regarding non-compliance with Environmental Laws, that Grantor is not aware of any material contingent liability related to the violation of any Environmental Law, and that the Collateral shall not be used for the improper or unlawful manufacture, storage, transportation, treatment, disposal, release or threatened release of any Hazardous Substance. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Collateral for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any Environmental Laws, and (2) agrees to indemnify and hold harmless Lender against any and all claims and losses resulting from a breach of this provision of this Agreement. This obligation to indemnify shall survive the payment of the Indebtedness and the satisfaction of this Agreement.

**Maintenance of Casualty Insurance.** Grantor shall procure and maintain all risks insurance, including without limitation fire, theft and liability coverage together with such other insurance as Lender may require with respect to the Collateral, in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least thirty (30) days' prior written notice to Lender and not including any disclaimer of the insurer's liability for failure to give such a notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest, Grantor will provide Lender with such loss payable or other endorsements as Lender may require. If Grantor at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may (but shall not be obligated to) obtain such insurance as Lender deems appropriate, including if Lender so chooses "single interest insurance," which will cover only Lender's interest in the Collateral.

**Application of Insurance Proceeds.** Grantor shall promptly notify Lender of any loss or damage to the Collateral. Lender may make such use of the proceeds of any such insurance as Lender may deem appropriate.

the discharge of the lien plus any interest, costs attorneys' fees or other charges that could accrue as a result of foreclosure or sale of the Collateral. In any contest Grantor shall defend itself and Lender and shall satisfy any final adverse judgment before enforcement against the Collateral. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings. Grantor further agrees to furnish Lender with evidence that such taxes, assessments, and governmental and other charges have been paid in full and in a timely manner. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized.

**Compliance with Governmental Requirements.** Grantor shall comply promptly with all laws, ordinances, rules and regulations of all governmental authorities, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the Collateral, including all laws or regulations relating to the undue erosion of highly-erodible land or relating to the conversion of wetlands for the production of an agricultural product or commodity. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Lender's interest in the Collateral, in Lender's opinion, is not jeopardized.

**Hazardous Substances.** Grantor represents and warrants that the Collateral never has been, and never will be so long as this Agreement remains a lien on the Collateral, used in violation of any Environmental Laws, that the business operations of Grantor are not now, and have never been, the subject of any governmental authority's investigation regarding non-compliance with Environmental Laws, that Grantor is not aware of any material contingent liability related to the violation of any Environmental Law, and that the Collateral shall not be used for the improper or unlawful manufacture, storage, transportation, treatment, disposal, release or threatened release of any Hazardous Substance. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Collateral for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any Environmental Laws, and (2) agrees to indemnify and hold harmless Lender against any and all claims and losses resulting from a breach of this provision of this Agreement. This obligation to indemnify shall survive the payment of the Indebtedness and the satisfaction of this Agreement.

**Maintenance of Casualty Insurance.** Grantor shall procure and maintain all risks insurance, including without limitation fire, theft and liability coverage together with such other insurance as Lender may require with respect to the Collateral, in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least thirty (30) days' prior written notice to Lender and not including any disclaimer of the insurer's liability for failure to give such a notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest, Grantor will provide Lender with such loss payable or other endorsements as Lender may require. If Grantor at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may (but shall not be obligated to) obtain such insurance as Lender deems appropriate, including if Lender so chooses "single interest insurance," which will cover only Lender's interest in the Collateral.

**Application of Insurance Proceeds.** Grantor shall promptly notify Lender of any loss or damage to the Collateral. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral, including accrued proceeds thereon, shall be held by Lender as part of the Collateral. If Lender consents to repair or replacement of the damaged or destroyed Collateral, Lender shall, upon satisfactory proof of expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration. If Lender does not consent to repair or replacement of the Collateral, Lender shall retain a sufficient amount of the proceeds to pay all of the Indebtedness, and shall pay the balance to Grantor. Any proceeds which have not been disbursed within six (6) months after their receipt and which Grantor has not committed to the repair or restoration of the Collateral shall be used to prepay the Indebtedness.

**Insurance Reserves.** Lender may require Grantor to maintain with Lender reserves for payment of insurance premiums, which reserves shall be created by monthly payments from Grantor of a sum estimated by Lender to be sufficient to produce, at least fifteen (15) days before the premium due date, amounts at least equal to the insurance premiums to be paid. If fifteen (15) days before payment is due, the reserve funds are insufficient, Grantor shall upon demand pay any deficiency to Lender. The reserve funds shall be held by Lender as a general deposit and shall constitute a non-interest-bearing account which Lender may satisfy by payment of the insurance premiums required to be paid by Grantor as they become due. Lender does not hold the reserve funds in trust for Grantor, and Lender is not the agent of Grantor for payment of the insurance premiums required to be paid by Grantor. The responsibility for the payment of premiums shall remain Grantor's sole responsibility.

**COMMERCIAL SECURITY AGREEMENT  
(Continued)**

the discharge or the lien of foreclosure or sale of the any final adverse judgment additional obligee under a furnish Lender with evidence

paid in full and in a timely manner, upon request of Lender, shall furnish to Lender reports on each existing policy of Grantor is in good faith cooperation as Lender may reasonably request including the following: (1) the name Lender's interest in the Collateral; (2) the amount of the policy; (3) the property insured; (4) the then

**Compliance with Government of which insurance has been obtained and the manner of determining that value; and and regulations of all governing the policy. In addition, Grantor shall upon request by Lender (however not more production, disposition, or an independent appraiser satisfactory to Lender determine, as applicable, the cash highly-erodible land or realty**

commodity. Grantor may **POSSESSION AND TO COLLECT ACCOUNTS.** Until the occurrence of any Event of during any proceeding, including the one provided below with respect to accounts, Grantor may have possession of the opinion, is not jeopardized. beneficial use of all the Collateral and may use it in any lawful manner not

**Hazardous Substances.** Grantor or the Related Documents, provided that Grantor's right to possession and so long as this Agreement grants any Collateral where possession of the Collateral by Lender is required by law to the business operations exist in such Collateral. Until otherwise notified by Lender, Grantor may collect any of authority's investigation reports. At any time and even though no Event of Default exists, Lender may exercise material contingent liabilities and to notify account debtors to make payments directly to Lender for application be used for the improper use of any Collateral, whether before or after an Event of threatened release of any Collateral, whether before or after an Event of threatened release of any Collateral based on Grantor's due diligence that purpose as Grantor shall request or as Lender, in Lender's sole discretion, shall releases and waives any circumstances, but failure to honor any request by Grantor shall not of itself be deemed becomes liable for cleanup reasonable care. Lender shall not be required to take any steps necessary to preserve harmless Lender against any prior parties, nor to protect, preserve or maintain any security interest given to Agreement. This obligation shall not be affected by this Agreement.

If any action or proceeding is commenced that would materially affect Lender's **Maintenance of Casualty** If Grantor fails to comply with any provision of this Agreement or any Related limitation fire, theft and limited to Grantor's failure to discharge or pay when due any amounts Grantor is respect to the Collateral, under this Agreement or any Related Documents, Lender on Grantor's behalf may (but a company or companies any action that Lender deems appropriate, to the extent permitted by applicable law, Lender from time to time charging or paying all taxes, liens, security interests, encumbrances and other claims, stipulations that coverages on the Collateral and paying all costs for insuring, maintaining and preserving the notice to Lender and not incurred or paid by Lender for such purposes will then bear interest at the rate insurance policy also shall the date incurred or paid by Lender to the date of repayment by Grantor. All such impaired in any way by any of the Indebtedness and, at Lender's option, will (A) be payable on demand, (B) be policies covering assets in Note and be apportioned among and be payable with any installment payments to such loss payable or otherwise the term of any applicable insurance policy, (2) the remaining term of the Note, or maintain any insurance agreement which will be due and payable at the Note's maturity. The Collateral also will such insurance as Lender deems appropriate. Such right shall be in addition to all other rights and remedies to which Lender will cover only Lender's interest and shall be exercisable by Lender to the extent permitted by applicable law.

**Application of Insurance** Grantor shall constitute an Event of Default under this Agreement: Collateral. Lender may make any payment when due under the Indebtedness. proceeds of any insurance of the Collateral. If Lender fails to comply with or to perform any other term, obligation, covenant or condition shall, upon satisfactory proof or in any of the Related Documents or to comply with or to perform any term, cost of repair or restoration condition contained in any other agreement between Lender and Grantor. retain a sufficient amount of any proceeds which have been received by Lender or its agents, representatives, attorneys or any other persons, or Any proceeds which have been received by Lender or its agents, representatives, attorneys or any other persons, or not committed to the repair, maintenance or restoration of the Collateral, shall be held in trust for Lender and shall be used to pay the cost of repair, maintenance or restoration of the Collateral, and shall be subject to the lien of Lender.

**Insurance Reserves.** Lender shall maintain reserves for the payment of insurance premiums, which reserves shall be sufficient to produce, at any time, a valid and perfected security interest or lien) at insurance premiums to be paid by Grantor. Grantor shall upon demand pay to Lender, or to a trust created for the benefit of Lender, the amount of insurance premiums required to be paid by Grantor, and shall maintain a separate fund of insurance premiums required to be paid by Grantor, which fund shall be held in trust for Lender and shall be used to pay the cost of repair, maintenance or restoration of the Collateral, and shall be subject to the lien of Lender. Grantor shall, upon demand, pay to Lender, or to a trust created for the benefit of Lender, the amount of insurance premiums required to be paid by Grantor, and shall maintain a separate fund of insurance premiums required to be paid by Grantor, which fund shall be held in trust for Lender and shall be used to pay the cost of repair, maintenance or restoration of the Collateral, and shall be subject to the lien of Lender.

the Collateral consisting of accounts. At any time and even though no Event of Default exists, Lender may exercise its rights to collect the accounts and to notify account debtors to make payments directly to Lender for application to the Indebtedness. If Lender at any time has possession of any Collateral, whether before or after an Event of Default, Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if Lender takes such action for that purpose as Grantor shall request or as Lender, in Lender's sole discretion, shall deem appropriate under the circumstances, but failure to honor any request by Grantor shall not of itself be deemed to be a failure to exercise reasonable care. Lender shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the Indebtedness.

**LENDER'S EXPENDITURES.** If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Grantor fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Agreement or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, to the extent permitted by applicable law, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand, (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy, (2) the remaining term of the Note, or (3) be treated as a balloon payment which will be due and payable at the Note's maturity. The Collateral also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default and shall be exercisable by Lender to the extent permitted by applicable law.

**DEFAULT.** Each of the following shall constitute an Event of Default under this Agreement:

**Payment Default.** Grantor fails to make any payment when due under the Indebtedness.

**Other Defaults.** Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this Agreement, the Note, or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

**Defective Collateralization.** This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

**Insolvency.** The dissolution or termination of Grantor's existence as a going business, the insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure, replevin, repossession, attachment, levy, execution, or forfeiture proceedings, whether by judicial proceeding, self-help, or any other method, by any creditor of Grantor, or by any governmental agency against the Collateral or any other assets of Grantor. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Grantor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Adverse Change.** A material adverse change occurs in Grantor's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

**Events Affecting Guarantor.** Any of the preceding Events of Default occurs with respect to any guarantor of the Indebtedness as if the word "guarantor" were substituted for the word "Grantor" in such Event of Default, or any guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the Indebtedness.

**Insecurity.** Lender in good faith believes itself insecure.

**RIGHTS AND REMEDIES ON DEFAULT.** If an Event of Default occurs under this Agreement at any time thereafter

**COMMERCIAL SECURITY AGREEMENT  
(Continued)**

THE UNDERSIGNED AND LENDER ARISING OUT OF OR IN ANY WAY RELATED TO THIS DOCUMENT, THE RELATED DOCUMENTS, OR ANY RELATIONSHIP BETWEEN OR AMONG THE UNDERSIGNED AND LENDER WHETHER ANY SUCH RIGHT NOW OR HEREAFTER EXISTS. THIS PROVISION IS A MATERIAL INDUCEMENT TO LENDER TO PROVIDE THE FINANCING EVIDENCED BY THIS DOCUMENT AND THE RELATED DOCUMENTS.

**GOVERNING LAW.** The Lender's loan production office for this transaction is located at the address and in the State (the "LPO State") indicated in the LPO address or the loan production office address on the first page of this document. This document will be governed by and interpreted in accordance with federal law and the laws of the LPO State, except for matters related to interest and the exportation of interest, which matters shall be governed by and interpreted in accordance with federal law (including, but not limited to, statutes, regulations, interpretations and opinions) and the laws of the State of Ohio. However, if there is ever a question about whether any provision of this document is valid or enforceable, the provision that is questioned will be governed by whichever state or federal law would find the provision to be valid and enforceable. The loan transaction which is evidenced by this document has been made in the State of Ohio.

**VENUE.** If there is a lawsuit, the undersigned agrees to submit to the jurisdiction of the courts of the county in the LPO State in which the Lender's loan production office is located.

**INFORMATION WAIVER.** Lender may provide, without any limitation whatsoever, to any one or more purchasers, potential purchasers, or affiliates of JPMorgan Chase & Co., any information or knowledge Lender may have about Grantor or about any matter relating to this Agreement, and Grantor hereby waives any right to privacy Grantor may have with respect to such matters.

**EXAMPLES OF INDEBTEDNESS, INCLUDING DEPOSIT ACCOUNT INDEBTEDNESS, LOAN INDEBTEDNESS, ETC..** Grantor agrees the Indebtedness described herein is used in its most comprehensive sense and means and includes any and all liabilities, obligations and debts of Borrower, or any one of them, to Lender, now existing or hereinafter incurred or created, whether any such Indebtedness is voluntarily or involuntarily incurred, due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined; whether Borrower may be liable individually or jointly with others, or primarily or secondarily, or as guarantor or surety; whether recovery on the Indebtedness may be or may become barred or unenforceable against Borrower for any reason whatsoever; and whether the Indebtedness arises from transactions which may be voidable on account of infancy, insanity, ultra vires, or otherwise. As examples, and not as limitation, the Indebtedness of Borrower includes: (a) any overdraft in any deposit account of Borrower, accruing for any reason, (b) any obligations, including any overdraft in any deposit account of Borrower, related to Automated Clearing House ("ACH") services or products, deposit account services or products, or treasury management services or products, including any agreement with respect thereto; (c) any transaction (including any agreement with respect thereto) between Borrower and the Lender or JPMorgan Chase & Co., or any of its subsidiaries or affiliates or their successors, which is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures (each a "Rate Management Transaction"); (d) any obligation related to any loan or credit transaction (including any agreement with respect thereto), whether evidenced by a promissory note, credit agreement, letter of credit application, or any other agreement; (e) any obligation related to commercial credit card transactions (including an agreement with respect thereto); (f) any obligation related to any lease (including an agreement with respect thereto); (g) any obligation related to any guaranty of the obligations of others by Borrower; (h) any obligation under a Related Document; and (i) all other obligations of Borrower to Lender.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Agreement:

**Amendments.** This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Attorneys' Fees; Expenses.** Grantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Grantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any

**VENUE.** If there is a lawsuit, the undersigned agrees to submit to the jurisdiction of the courts of the county in the LPO State in which the Lender's loan production office is located.

**INFORMATION WAIVER.** Lender may provide, without any limitation whatsoever, to any one or more purchasers, potential purchasers, or affiliates of JPMorgan Chase & Co., any information or knowledge Lender may have about Grantor or about any matter relating to this Agreement, and Grantor hereby waives any right to privacy Grantor may have with respect to such matters.

**EXAMPLES OF INDEBTEDNESS, INCLUDING DEPOSIT ACCOUNT INDEBTEDNESS, LOAN INDEBTEDNESS, ETC..**

Grantor agrees the Indebtedness described herein is used in its most comprehensive sense and means and includes any and all liabilities, obligations and debts of Borrower, or any one of them, to Lender, now existing or hereinafter incurred or created, whether any such Indebtedness is voluntarily or involuntarily incurred, due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined; whether Borrower may be liable individually or jointly with others, or primarily or secondarily, or as guarantor or surety; whether recovery on the Indebtedness may be or may become barred or unenforceable against Borrower for any reason whatsoever; and whether the Indebtedness arises from transactions which may be voidable on account of infancy, insanity, ultra vires, or otherwise. As examples, and not as limitation, the Indebtedness of Borrower includes: (a) any overdraft in any deposit account of Borrower, accruing for any reason, (b) any obligations, including any overdraft in any deposit account of Borrower, related to Automated Clearing House ("ACH") services or products, deposit account services or products, or treasury management services or products, including any agreement with respect thereto; (c) any transaction (including any agreement with respect thereto) between Borrower and the Lender or JPMorgan Chase & Co., or any of its subsidiaries or affiliates or their successors, which is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures (each a "Rate Management Transaction"); (d) any obligation related to any loan or credit transaction (including any agreement with respect thereto), whether evidenced by a promissory note, credit agreement, letter of credit application, or any other agreement; (e) any obligation related to commercial credit card transactions (including an agreement with respect thereto); (f) any obligation related to any lease (including an agreement with respect thereto); (g) any obligation related to any guaranty of the obligations of others by Borrower; (h) any obligation under a Related Document; and (i) all other obligations of Borrower to Lender.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Agreement:

**Amendments.** This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Attorneys' Fees; Expenses.** Grantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Grantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. However, Grantor will only pay attorneys' fees of an attorney not Lender's salaried employee, to whom the matter is referred after Grantor's default. Grantor also shall pay all court costs and such additional fees as may be directed by the court.

**Caption Headings.** Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

**No Waiver by Lender.** Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

**Notices.** Any notice required to be given under this Agreement shall be given in writing, and shall be effective

**COMMERCIAL SECURITY AGREEMENT**  
**(Continued)**

Lender shall have all the rights of a secured party under the Arizona Uniform Commercial Code. In addition and without limitation, Lender may exercise any one or more of the following rights and remedies:

**Accelerate Indebtedness.** Lender may declare the entire indebtedness, including any prepayment penalty which Grantor would be required to pay, immediately due and payable, without notice of any kind to Grantor (except that in the case of any Event of Default of the type described in the DEFAULT - Insolvency section herein, such acceleration shall be automatic and not at Lender's option).

**Assemble Collateral.** Lender may require Grantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Grantor to assemble the Collateral and make it available to Lender at a place to be designated by Lender. Lender also shall have full power to enter upon the property of Grantor to take possession of and remove the Collateral, and prior to completion of the removal, disable or otherwise secure the Collateral to prevent its use by Grantor or any third parties, with or without process of law, and with or without notice or demand. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Grantor agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Grantor after repossession.

**Sell the Collateral.** Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in Lender's own name or that of Grantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Grantor reasonable notice of the time after which any private sale or any other intended disposition of the Collateral is to be made. Lender may buy the Collateral, or any portion thereof, at public sale or, if the Collateral is of the type which is sold in a recognized market or subject to widely distributed price quotations, at private sale. Lender shall not be obligated to make any sale of the Collateral regardless of notice of sale having been given. Lender may adjourn any public or private sale by announcement at the time and place fixed therefor, and such sale may be made, without further notice, at such time and place announced at such adjournment. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

**Appoint Receiver.** To the extent permitted by applicable law Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the Rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

**Collect Revenues, Apply Accounts.** Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in Lender's discretion transfer any Collateral into Lender's own name or that of Lender's nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as Lender may determine. Upon notice from the Lender or upon any Event of Default, the Grantor agrees that all sums of money it receives on payment, settlement or otherwise related to any Collateral, including, without limitation, on any accounts, shall be held by Grantor as trustee for Lender without commingling with any of Grantor's funds and shall be immediately delivered to the Bank. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Lender may determine, whether or not Indebtedness or Collateral is then due. For these purposes, Lender may, on behalf of and in the name of Grantor, receive, open and dispose of mail addressed to Grantor; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender. Grantor acknowledges that the Lender shall not be obligated in any manner to make any demand, make any inquiry as to the nature and sufficiency of any payment received by Lender, present or file any claim, or take any other action to collect or enforce the payment of any amounts which may have been due relate to the Collateral, including without limitation, any amounts due on accounts.

other goods not covered by this Agreement at the time of repossession, Grantor agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Grantor after repossession.

**Sell the Collateral.** Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in Lender's own name or that of Grantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Grantor reasonable notice of the time after which any private sale or any other intended disposition of the Collateral is to be made. Lender may buy the Collateral, or any portion thereof, at public sale or, if the Collateral is of the type which is sold in a recognized market or subject to widely distributed price quotations, at private sale. Lender shall not be obligated to make any sale of the Collateral regardless of notice of sale having been given. Lender may adjourn any public or private sale by announcement at the time and place fixed therefor, and such sale may be made, without further notice, at such time and place announced at such adjournment. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

**Appoint Receiver.** To the extent permitted by applicable law Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the Rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

**Collect Revenues, Apply Accounts.** Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in Lender's discretion transfer any Collateral into Lender's own name or that of Lender's nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as Lender may determine. Upon notice from the Lender or upon any Event of Default, the Grantor agrees that all sums of money it receives on payment, settlement or otherwise related to any Collateral, including, without limitation, on any accounts, shall be held by Grantor as trustee for Lender without commingling with any of Grantor's funds and shall be immediately delivered to the Bank. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Lender may determine, whether or not Indebtedness or Collateral is then due. For these purposes, Lender may, on behalf of and in the name of Grantor, receive, open and dispose of mail addressed to Grantor; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender. Grantor acknowledges that the Lender shall not be obligated in any manner to make any demand, make any inquiry as to the nature and sufficiency of any payment received by Lender, present or file any claim, or take any other action to collect or enforce the payment of any amounts which may have been due relate to the Collateral, including without limitation, any amounts due on accounts.

**Obtain Deficiency.** If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Grantor for any deficiency remaining on the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement. Grantor shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

**Other Rights and Remedies.** Lender shall have all the rights and remedies of a secured creditor under the provisions of the Arizona Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

**Election of Remedies.** Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement, the Related Documents, or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy will not bar any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

**JURY WAIVER.** THE UNDERSIGNED AND LENDER (BY ITS ACCEPTANCE HEREOF) HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN

**COMMERCIAL SECURITY AGREEMENT**  
**(Continued)**

when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

**Power of Attorney.** Grantor hereby irrevocably appoints Lender as its true and lawful attorney-in-fact, such power of attorney being coupled with an interest, with full power of substitution to do the following in the place and stead of Grantor and in the name of Grantor: (a) to demand, collect, receive, receipt for, sue and recover all sums of money or other property which may now or hereafter become due, owing or payable from the Collateral; (b) to execute, sign and endorse any and all claims, instruments, receipts, checks, drafts or warrants issued in payment for the Collateral; (c) to settle or compromise any and all claims arising under the Collateral, and, in the place and stead of Grantor, to execute and deliver its release and settlement for the claim; (d) to file any claim or claims or to take any action or institute or take part in any proceedings, either in its own name or in the name of Grantor, or otherwise, which in the discretion of Lender may seem to be necessary or advisable; (e) to execute any documents or instruments necessary to perfect or continue Lender's security interest in the Collateral; and (f) to file such financing statements (including filing carbon, photographic or other reproduction of any financing statement or this Agreement for use as a financing statement) or other documents or instruments to perfect or continue Lender's security interest in the Collateral. This power is given as security for the Indebtedness, and the authority hereby conferred is and shall be irrevocable and shall remain in full force and effect until renounced by Lender.

**Indemnity.** Grantor hereby agrees to indemnify, defend and hold harmless Lender, and its officers, directors, shareholders, employees, agents and representatives (each an "Indemnified Person") from and against any and all liabilities, obligations, claims, losses, damages, penalties, actions, judgments, suites costs, expenses or disbursements of any kind or nature (collectively, the "Claims") which may be imposed on, incurred by or asserted against, any Indemnified Person (whether or not caused by any Indemnified Person's sole, concurrent or contributory negligence) arising in connection with this Agreement or the Collateral (including, without limitation, the enforcement of this Agreement and the Related Documents and the defense of any Indemnified Person's action and/or inactions in connection with this Agreement and the Related Documents), except to the limited extent that the Claims against the Indemnified Person are proximately caused by such Indemnified Person's gross negligence or willful misconduct. The indemnification provided for in this Section shall survive the termination of this Agreement and shall extend and continue to benefit each individual or entity who is or has at any time been an Indemnified Person hereunder.

**Severability.** If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

**Successors and Assigns.** Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Agreement and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the Indebtedness.

**Survival of Representations and Warranties.** All representations, warranties, and agreements made by Grantor in this Agreement shall survive the execution and delivery of this Agreement, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's Indebtedness shall be paid in full.

**Time is of the Essence.** Time is of the essence in the performance of this Agreement.

**DEFINITIONS.** The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in

the Collateral; (b) to execute, sign and endorse any and all claims, instruments, receipts, checks, drafts or warrants issued in payment for the Collateral; (c) to settle or compromise any and all claims arising under the Collateral, and, in the place and stead of Grantor, to execute and deliver its release and settlement for the claim; (d) to file any claim or claims or to take any action or institute or take part in any proceedings, either in its own name or in the name of Grantor, or otherwise, which in the discretion of Lender may seem to be necessary or advisable; (e) to execute any documents or instruments necessary to perfect or continue Lender's security interest in the Collateral; and (f) to file such financing statements (including filing carbon, photographic or other reproduction of any financing statement or this Agreement for use as a financing statement) or other documents or instruments to perfect or continue Lender's security interest in the Collateral. This power is given as security for the indebtedness, and the authority hereby conferred is and shall be irrevocable and shall remain in full force and effect until renounced by Lender.

**Indemnity.** Grantor hereby agrees to indemnify, defend and hold harmless Lender, and its officers, directors, shareholders, employees, agents and representatives (each an "Indemnified Person") from and against any and all liabilities, obligations, claims, losses, damages, penalties, actions, judgments, suites costs, expenses or disbursements of any kind or nature (collectively, the "Claims") which may be imposed on, incurred by or asserted against, any Indemnified Person (whether or not caused by any Indemnified Person's sole, concurrent or contributory negligence) arising in connection with this Agreement or the Collateral (including, without limitation, the enforcement of this Agreement and the Related Documents and the defense of any Indemnified Person's action and/or inactions in connection with this Agreement and the Related Documents), except to the limited extent that the Claims against the Indemnified Person are proximately caused by such Indemnified Person's gross negligence or willful misconduct. The indemnification provided for in this Section shall survive the termination of this Agreement and shall extend and continue to benefit each individual or entity who is or has at any time been an Indemnified Person hereunder.

**Severability.** If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

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**Time is of the Essence.** Time is of the essence in the performance of this Agreement.

**DEFINITIONS.** The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Arizona Uniform Commercial Code:

**Agreement.** The word "Agreement" means this Commercial Security Agreement, as this Commercial Security Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Commercial Security Agreement from time to time.

**Borrower.** The word "Borrower" means Abra Water Company, Inc., and all other persons and entities signing the Note in whatever capacity.

**Collateral.** The word "Collateral" means all of Grantor's right, title and interest in and to all the Collateral as described in the Collateral Description section of this Agreement.

**Default.** The word "Default" means the Default set forth in this Agreement in the section titled "Default".

**Environmental Laws.** The words "Environmental Laws" mean any and all federal, state, local and foreign statutes, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to (i) the protection of the environment, (ii) the effect of the environment on human health, (iii) emissions, discharges or releases of pollutants, contaminants, hazardous substances, or other materials.

**COMMERCIAL SECURITY AGREEMENT  
(Continued)**

land, or (iv) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous substances or wastes or the clean-up or other remediation thereof.

**Event of Default.** The words "Event of Default" mean any of the Events of Default set forth in this Agreement in the Default section of this Agreement.

**Grantor.** The word "Grantor" means Abra Water Company, Inc.

**Hazardous Substances.** The words "Hazardous Substances" mean all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

**Indebtedness.** The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Grantor is responsible under this Agreement or under any of the Related Documents. **In addition, and without limitation, the term "Indebtedness" includes all amounts identified in the Cross-Collateralization, Revolving Line of Credit and Future Advances paragraphs as contained in one or more of the Related Documents.**

**Lender.** The word "Lender" means JPMorgan Chase Bank, NA, its successors and assigns.

**Note.** The word "Note" means the Note executed by Grantor in the principal amount of \$50,000.00 dated October 25, 2010, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

**Related Documents.** The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

**GRANTOR HAS READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS COMMERCIAL SECURITY AGREEMENT AND AGREES TO ITS TERMS. THIS AGREEMENT IS DATED OCTOBER 25, 2010.**

**GRANTOR:**

**ABRA WATER COMPANY, INC.**

**BIG CHINO LAND CO., INC., Officer of Abra Water Company, Inc.**

By: \_\_\_\_\_  
**Kevan Larson, President of Big Chino  
Land Co., Inc.**