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Desert Mountain Analytical Services PLLC

ORIGINAL

January 21, 2011

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED

JAN 21 2011

DOCKETED BY *[Signature]*

AZ CORP COMMISSION
DOCKET CONTROL

2011 JAN 21 P 3:11

RECEIVED

RE: Mirabell Water Company compliance
Docket No. W-02368A-10-0280

Mirabell Water Company ("Mirabell") hereby files the following items detailed in the table below in compliance with the above Docket number and Decision 71943:

Item	Decision page #	Remedy
All executed financing documents related to the WIFA loan	Page 16, Line 14	Attached as Exhibit 1
WIFA loan emergency surcharge tariff	Page 16, Line 17	Attached as Exhibit 2
Emergency surcharge calculation	Page 16, Line 24	Attached as Exhibit 3
Corps Division 2009 and 2010 annual reports	Page 17, Line 1	Filed by Mirabell in Dec 2010, but agent discrepancy resulted in final approval by corps division on 1/20/11 – see details below
Certificate of Good Standing from the corps division	Page 17, Line 4	Attached as Exhibit 4
2008 Utility Division annual report	Page 17, Line 8	Filed in December 2010, confirmation and compliance approval in January 2011
Performance bond	Page 17, Line 11	Posted January 21, 2011 – see Exhibit 5
Customer notice of estimated emergency surcharge amount	Page 17, Line 16	First customer billing after the Decision

The 2009 and 2010 ACC Corporations Division annual reports were initially filed back in December 2010, but were rejected. The web site initially showed the reports had been returned to Mirabell, but were never received. Upon discovery of this, Mr. Freedman contacted the Corps Division and answered their questions. As of January 20, the annual reports had been accepted by the Corps Division and the web site now shows Mirabell is in good standing with that ACC division.

If you have any questions, please don't hesitate to contact me at the phone number or email address on the first page of this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Sonn S Rowell". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Sonn S Rowell
Certified Public Accountant

Cc: Mort Freedman via email

EXHIBIT 1

Mirabell Water Company and
Water Infrastructure Finance Authority of Arizona

WIFA File Copy – Table of Contents

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GENERAL BORROWING RESOLUTIONS

To: Water Infrastructure Finance Authority of Arizona

THIS IS TO CERTIFY that, at a meeting of the Board of Directors of Mirabell Water Company, a corporation duly organized and existing under the laws of the State of Arizona, which meeting was properly and duly called in accordance with the Bylaws and Articles of Incorporation of said corporation, and held on the 2nd day of AUGUST, 2010, at which meeting at least a quorum of said Board of Directors was present and those present constituted a legally sufficient number qualified to act and transact matters as outlined below, the following Resolutions were adopted and the same have not been altered, amended or revoked:

RESOLVED THAT this corporation is hereby authorized and empowered to enter into a loan transaction with WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA ("Lender") and borrow pursuant thereto, and that, MORTON FREEDMAN PRESIDENT of this corporation, be, and he is hereby, authorized and empowered to act on behalf of this corporation, and in such capacity such officer is authorized and empowered to borrow from time to time on behalf of, and in the name of, the corporation from Lender such sums of money as such authorized officer or person may deem expedient, not exceeding in the aggregate at any one time the principal sum of ten thousand and two hundred and forty-three (\$10,243.00), on such terms and conditions as such authorized person or officer so acting hereunder may approve, including, without limitation, conferring the power to appoint a receiver, and to pledge, set over, transfer, assign, mortgage, hypothecate, grant security interests in, and otherwise encumber as security for the repayment of each of such loans, any assets of the corporation as may be required and agreed upon between such authorized officer or person and Lender, and to execute and deliver to Lender on behalf of, and in the name of, the corporation, the corporation's evidence(s) of indebtedness stating the corporation's promise and obligation to pay said principal sum(s), together with any other amounts which may be provided for in such instrument(s) evidencing said indebtedness and from time to time, when any obligation evidencing any of such loans matures, to renew the loan(s) in whole or in part until the same are paid in full; and

FURTHER RESOLVED, that such authorized officer or person, be, and he is hereby, authorized and empowered to execute on behalf of, and in the name of, the corporation from time to time loan agreements, instruments granting Lender a security interest in any assets of the corporation, and supplements to each, together with any and all other security agreements, instruments and documents as may be required and agreed upon between such officer or person and Lender or which such officer or person may deem expedient in carrying out the intents and purposes of the Resolutions set forth herein; and

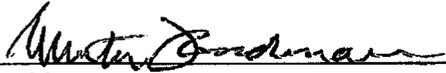
FURTHER RESOLVED, that these Resolutions relate solely to general corporate borrowing and do not in any manner whatsoever limit the amount of any corporate borrowing heretofore or hereafter made under any other financing arrangement, and that these Resolutions are mutually exclusive, cumulative as to amounts and shall not serve to revoke or alter any Resolutions previously delivered to Lender or (unless specifically otherwise provided) be revoked by any Resolutions subsequently

delivered to Lender relating to general or specific financing arrangements between Lender and the corporation; and

RESOLVED FURTHER, that for action of the Lender in reliance thereon, the Secretary of this corporation certify and deliver to the said Lender a copy of these Resolutions, and that these Resolutions shall remain in full force and effect until written notice of their repeal shall have been received by Lender and until all indebtedness which may have been incurred as aforesaid shall have been paid and satisfied.

WE FURTHER CERTIFY that the authority conferred is not inconsistent with the Laws of the State of Arizona or the State wherein this corporation was chartered, nor the Charter or Bylaws of this corporation.

IN WITNESS WHEREOF, the President and Secretary of this corporation have hereunto set their hands officially and affixed the seal of this corporation this 2nd day of, AUGUST _____ 2010.



President

ATTEST:



Secretary

(SEAL)

Loan Resolution 2011-011 – Mirabell Water Company
Water Infrastructure Finance Authority of Arizona

Section 1: Resolution

WHEREAS, the Water Infrastructure Finance Authority of Arizona (the "Authority") has received from Mirabell Water Company (the "Local Borrower") a request for a loan (the "Loan"); and

WHEREAS, the Authority has determined that the Local Borrower has met the requirements of Arizona Revised Statutes §49-1201 et seq. (the "Act") and the rules promulgated thereunder (the "Rules"); and

WHEREAS, the terms and conditions under which a Loan will be made and the obligations of the Local Borrower will be set forth in a loan agreement or bond purchase agreement (the "Loan Agreement") to be executed by the Local Borrower and the Authority.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AUTHORITY AS FOLLOWS:

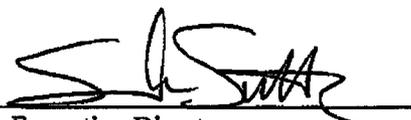
The Executive Director of the Authority is hereby authorized and directed to execute a Loan Agreement with the Local Borrower to evidence a Loan in accordance with the Act, the Rules, the Local Borrower's applications to the Authority, and the Project Summary detailed in Section 2 of this Loan Resolution.

The Executive Director and other Authority officials, as appropriate, are authorized and directed to sign any document and take such actions as necessary and appropriate to consummate the transactions contemplated by this Resolution and the Loan Agreement and to ensure that the Local Borrower has completed all requirements of the Authority as detailed in Section 3, Section 4, and Section 5 of this Loan Resolution.

This Resolution shall take effect immediately and shall terminate one year from the date of Board Action.

Dated: December 15, 2010

By: 
Chairman

Attest: 
Executive Director

Loan Resolution 2011-011 – Mirabell Water Company

Water Infrastructure Finance Authority of Arizona

Section 2: Project Summary

DW 045-2011

<u>PL Rank</u>	<u>Funding Cycle</u>	<u>Population Served</u>	<u>Subsidy Rate</u>
18	DW 2011	125	70%

The submersible pump and motor for the well failed in the summer of 2010. Mirabell Water Company initiated emergency replacement of the pump and motor, incurring debt that the system is unable to repay without a loan.

June 12, 2001 – Board adopted Loan Resolution 2001-016 for a \$15,000 with a loan term of 10 years to repair an existing 25,000-gallon leaking storage tank and the addition of a 10,000-gallon temporary storage vessel (Loan No. 920058-02).

May 9, 2000 – Board approved a proposed change in the DWRP Priority List to insert MWC's project within the fundable range.

Not reviewed by the Project Finance Committee.

Section 3: Financial Assistance Terms & Conditions (Section 7.1 of Due Diligence)

Financial Assistance Amount: \$10,243

Primary Repayment Source: Revenues

Secondary Repayment Source: None

Loan Term: 5 years

Frequency of Repayment: Monthly

Loan Resolution 2011-011 – Mirabell Water Company
Water Infrastructure Finance Authority of Arizona

Loan Structure: Non-governmental, Level 2 - Fixture Filing

Debt Service Reserve Fund Requirements: WIFA Held

Repair and Replacement Fund Requirements: Local - Separate Account

Requirements Prior to Loan Execution:

Require Legal Opinion: No Requirement

Other: No Requirement

Requirements Prior to Construction: No Requirement

Requirement During Construction: No Requirement

Requirements Prior to Final Disbursements: No Requirement

Loan Category: Not Qualified

Policy Exceptions: None

Section 4: Technical Terms & Conditions (Section 7.2 of Due Diligence)

Observation Schedule:

Project is complete. First and final observation will take place prior to release of funds.

Withholding Percentage: Not applicable

Requirements Prior to Loan Execution: No Requirement

Requirements Prior to Construction:

Prior Review and Approval of Construction Bids: No Requirement

Require Construction Signs: No Requirement

Other: No Requirement

Requirements During Construction:

Prior Review of Changes in Project Scope: No Requirement

Loan Resolution 2011-011 – Mirabell Water Company
Water Infrastructure Finance Authority of Arizona

Other: No Requirement

Requirements Prior to Final Disbursements:

Require Plan of Operation: No Requirement

Require Final Approval: No Requirement

Other: No Requirement

Policy Exceptions: None

Section 5: Additional Notice & Reporting Requirements (Section 7.3 of Due Diligence)

WIFA to generate Press Release: No

Other: Wage rate reporting requirements, if applicable.

Loan Agreement

between

Water Infrastructure Finance Authority of Arizona
(the "Authority")

and

Mirabell Water Company
(the "Local Borrower")

Evidencing a Loan from the
Authority to the Local Borrower

Dated as of January 7, 2011

**WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA
LOAN AGREEMENT**

This Loan Agreement (as it may be amended or supplemented from time to time, this "Agreement") is made and entered into as of the date set forth below by and between Borrower and Lender set forth below.

This Loan Agreement includes the attached Exhibits and the attached Standard Terms and Conditions. Any capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Exhibits and Standard Terms and Conditions.

Section 1. Party Names And Addresses.

Borrower:	Mirabell Water Company
Borrower Mailing Address:	3361 Caminito Luna Nueva Del Mar, Arizona 92014 858-481-0078 858-481-0079
Attention:	Morton Freedman, President
Borrower Business Office Address:	3361 Caminito Luna Nueva Del Mar, Arizona 92014
Lender:	Water Infrastructure Finance Authority of Arizona
Lender Address:	1110 West Washington Street, Suite 290 Phoenix, Arizona 85007
Attention:	Executive Director

Section 2. Loan Information. The terms of the Loan include the terms set forth in the Exhibits, which are part of this Agreement:

Exhibit A	Financial Assistance Terms and Conditions
Exhibit B	Technical Terms and Conditions
Exhibit C	Reporting Requirements
Exhibit D	Debt Service Reserve and Replacement Reserve Provisions
Exhibit E	Limits on Additional Indebtedness without Lender Consent
Exhibit F	Form of Promissory Note
Exhibit G	Form of Opinion of Counsel to Borrower
Exhibit H	Borrower Disclosure

Section 3. The Loan. Subject to the terms and conditions of this Agreement, Lender agrees to make the Loan to Borrower by means of one or more advances ("Advances") in an aggregate

principal amount not to exceed the Loan Amount (the "Commitment"). The unadvanced portion of the Commitment shall expire on but not include the earliest of (i) the date on which the Loan has been fully advanced by Lender, or (ii) the first Principal Repayment Date set forth in the Exhibit A. The obligation of Borrower to repay the Loan is evidenced by the Promissory Note in the form attached hereto as Exhibit F, dated of even date herewith, of Borrower payable to Lender, as it may be amended, modified, extended, renewed, restated, or supplemented from time to time (the "Note"). In the event of a conflict between the Note and this Agreement, the terms of this Agreement shall be deemed controlling. The Loan shall not constitute a revolving loan, and amounts repaid may not be reborrowed.

Section 4. Advances. Lender may disburse funds by check, by electronic means or by means of magnetic tape or other transfer medium. In making Advances, Lender shall be entitled to rely upon, and shall incur no liability to Borrower in acting upon, any request made by a person identifying himself or herself as one of the persons authorized by Borrower to request Advances. Advances of the Loan will be made only upon satisfaction of the conditions set forth in this Agreement, including the following:

(a) Lender has received a draw request from Borrower, in form and substance satisfactory to Lender, not less than ten (10) days prior to the date for which such Advance is requested, specifying the amount and purpose of the Advance requested. Lender will furnish an acceptable form of draw request to Borrower. Lender may revise the form of draw request from time to time.

(b) Except as hereinafter provided, disbursements shall be made only upon certification of an authorized officer of Lender that such disbursement is proper. An authorized officer of Lender shall approve disbursements in payment of the invoices, demands for payment, approved contractors' estimates or other evidence of cost incurrence directly to the persons or entities entitled to payment or to Borrower in the case of reimbursement for costs of services already paid, and shall provide Borrower with a copy of the approval and the date approved.

(c) Lender has received such other items or documents as Lender may reasonably require.

Section 5. Payment Of Principal, Interest And Fees. The outstanding principal balance of the Loan, together with all unpaid accrued interest due under the Note, shall be paid by "automatic debit" from the Borrower Deposit Account. The Borrower Deposit Account shall be a Demand Deposit Account in the name of the Borrower, Account Number 252-453614 maintained with Bank of America. Borrower shall cause monthly payments to be made by direct debit to the Lender in accordance with routing instructions within Exhibit A.

Section 6. Loan And Security Documents. The Loan shall be secured by the Continuing Security Agreement of even date herewith executed by Borrower for the benefit of Lender (the "Continuing Security Agreement") granting Lender a security interest in the collateral described therein by the provisions of this Agreement providing for the holding of, and granting Lender a security interest in, the Debt Service Reserve Fund and the Replacement Reserve Fund (as described in Exhibit D). The Continuing Security Agreement, any Deed of Trust and any other agreements, documents or instruments securing the Loan are referred to as the "Security

Documents". This Agreement, the Note, the Security Documents and any other agreements, documents or instruments evidencing, securing or otherwise relating to the Loan, and all exhibits thereto, are referred to as the "Loan Documents".

IN WITNESS WHEREOF, the Authority and Borrower have caused this Loan Agreement to be executed and delivered as of the date of execution hererof.

DATED as of January 7, 2011.

Mirabell Water Company

By: 
Name: Morton Freedman
Title: President

Water Infrastructure Finance Authority of Arizona

By: 
Interim Executive Director

LOAN AGREEMENT ADDENDUM

Wage Rate Requirements for Compliance with P.L. 111-88

Water Infrastructure Finance Authority of Arizona

This document (this "Wage Rate Addendum") sets forth additional requirements applicable to state revolving fund Loans made by the Water Infrastructure Finance Authority of Arizona ("WIFA") that are subject to the requirements of federal Public Law 111-88, "Making appropriations for the Department of the Interior, environment, and related agencies for the fiscal year ending September 30, 2010, and for other purposes," enacted October 30, 2009 ("P.L. 111- 88"). The provisions in this Wage Rate Addendum are a part of the Loan Agreement. Capitalized terms not otherwise defined herein shall have the meanings given them in the Loan Agreement.

The parties acknowledge and agree that funds disbursed by WIFA to the Local Borrower will include funds made available to WIFA by the federal government under P.L. 111-88, and that the requirements of P.L. 111-88 include those set forth in this Wage Rate Addendum. The Local Borrower agrees to comply with all of those requirements and agrees that failure to do so is a breach of the provisions of the Loan Agreement which may result in a default under the Loan Agreement, termination of WIFA's obligation to make disbursements on the Loan and the Local Borrower being required to repay all amounts that have been disbursed by WIFA on the Loan, together with interest and fees as provided in the Loan Agreement.

Section 1. Wage Rate Requirements

The following language must be included in all Davis Bacon covered construction contracts and subcontracts. (29 CFR Part 5.5)

(a) The Local Borrower shall insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a treatment work under the CWSRF or a construction project under the DWSRF, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in Sec. 5.1, or the FFY 2010 appropriation, the following clauses:

(1) **Minimum wages.** (i) All laborers and mechanics employed or working upon the site of the work will be paid unconditionally and not less often than once a week, and without

subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. Contributions made or costs reasonably anticipated for bona fide fringe benefits under section 1(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of paragraph (a)(1)(iv) of this section; also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period. Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in Sec. 5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: Provided, that the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under paragraph (a)(1)(ii) of this section) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible place where it can be easily seen by the workers. Local Borrowers may obtain wage determinations from the U. S. Department of Labor's web site, www.wdol.gov.

(ii)(A) The Local Borrower, on behalf of EPA, shall require that any class of laborers or mechanics, including helpers, which is not listed in the wage determination and which is to be employed under the contract shall be classified in conformance with the wage determination. The WIFA award official shall approve an additional classification and wage rate and fringe benefits therefore only when the following criteria have been met:

- (1) The work to be performed by the classification requested is not performed by a classification in the wage determination; and
- (2) The classification is utilized in the area by the construction industry; and
- (3) The proposed wage rate, including any bona fide fringe benefits, bears a reasonable relationship to the wage rates contained in the wage determination.

(B) If the contractor and the laborers and mechanics to be employed in the classification (if known), or their representatives, and the Local Borrower agree on the classification and wage rate (including the amount designated for fringe benefits where appropriate), a report of the action taken shall be sent by the Local Borrower to the WIFA award official. The WIFA award official will transmit the report, to the Administrator of the Wage and Hour Division, Employment Standards Administration, U.S. Department of Labor, Washington, DC 20210 and to the EPA Davis Bacon Regional Coordinator concurrently. The Administrator, or an

authorized representative, will approve, modify, or disapprove every additional classification action within 30 days of receipt and so advise the WIFA award official or will notify the WIFA award official within the 30-day period that additional time is necessary.

(C) In the event the contractor, the laborers or mechanics to be employed in the classification or their representatives, and the Local Borrower do not agree on the proposed classification and wage rate (including the amount designated for fringe benefits, where appropriate), the award official shall refer the questions, including the views of all interested parties and the recommendation of the WIFA award official, to the Administrator for determination. The Administrator, or an authorized representative, will issue a determination within 30 days of receipt and so advise the contracting officer or will notify the contracting officer within the 30-day period that additional time is necessary.

(D) The wage rate (including fringe benefits where appropriate) determined pursuant to paragraphs (a)(1)(ii) (B) or (C) of this section, shall be paid to all workers performing work in the classification under this contract from the first day on which work is performed in the classification.

(iii) Whenever the minimum wage rate prescribed in the contract for a class of laborers or mechanics includes a fringe benefit which is not expressed as an hourly rate, the contractor shall either pay the benefit as stated in the wage determination or shall pay another bona fide fringe benefit or an hourly cash equivalent thereof.

(iv) If the contractor does not make payments to a trustee or other third person, the contractor may consider as part of the wages of any laborer or mechanic the amount of any costs reasonably anticipated in providing bona fide fringe benefits under a plan or program, Provided, That the Secretary of Labor has found, upon the written request of the contractor, that the applicable standards of the Davis-Bacon Act have been met. The Secretary of Labor may require the contractor to set aside in a separate account assets for the meeting of obligations under the plan or program.

(2) **Withholding.** The Local Borrower shall upon its own action or upon written request of WIFA, EPA award official or an authorized representative of the Department of Labor withhold or cause to be withheld from the contractor under this contract or any other Federal contract with the same prime contractor, or any other federally-assisted contract subject to Davis-Bacon prevailing wage requirements, which is held by the same prime contractor, so much of the accrued payments or advances as may be considered necessary to pay laborers and mechanics, including apprentices, trainees, and helpers, employed by the contractor or any subcontractor the full amount of wages required by the contract. In the event of failure to pay any laborer or mechanic, including any apprentice, trainee, or helper, employed or working on the site of the work, all or part of the wages required by the contract, the (Agency) may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds until such violations have ceased.

(3) **Payrolls and basic records.** (i) Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in section 1(b)(2)(B) of the Davis-Bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the Secretary of Labor has found under 29 CFR 5.5(a)(1)(iv) that the wages of any laborer or mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program described in section 1(b)(2)(B) of the Davis-Bacon Act, the contractor shall maintain records which show that the commitment to provide such benefits is enforceable, that the plan or program is financially responsible, and that the plan or program has been communicated in writing to the laborers or mechanics affected, and records which show the costs anticipated or the actual cost incurred in providing such benefits. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs.

(ii)(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the Local Borrower. Such documentation shall be available on request of WIFA or EPA. As to each payroll copy received, the subrecipient shall provide written confirmation in a form satisfactory to the State indicating whether or not the project is in compliance with the requirements of 29 CFR 5.5 (a)(1) based on the most recent payroll copies for the specified week. **The payrolls shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number).** The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at <http://www.dol.gov/esa/whd/forms/wh347instr.htm> or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to the Local Borrower for transmission to WIFA or EPA, if requested by EPA, WIFA, the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this section for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to the Local Borrower.

(B) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:

(1) That the payroll for the payroll period contains the information required to be provided under Sec. 5.5 (a)(3)(ii) of Regulations, 29 CFR part 5, the appropriate information is being maintained under Sec. 5.5 (a)(3)(i) of Regulations, 29 CFR part 5, and that such information is correct and complete;

(2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in Regulations, 29 CFR part 3;

(3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

(C) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by paragraph (a)(3)(ii)(B) of this section.

(D) The falsification of any of the above certifications may subject the contractor or subcontractor to civil or criminal prosecution under section 1001 of title 18 and section 231 of title 31 of the United States Code.

(iii) The contractor or subcontractor shall make the records required under paragraph (a)(3)(i) of this section available for inspection, copying, or transcription by authorized representatives of WIFA, EPA or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, the Federal agency or WIFA may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12.

(4) Apprentices and trainees - (i) Apprentices. Apprentices will be permitted to work at less than the predetermined rate for the work they performed when they are employed pursuant to and individually registered in a bona fide apprenticeship program registered with the U.S. Department of Labor, Employment and Training Administration, Office of Apprenticeship Training, Employer and Labor Services, or with a State Apprenticeship Agency recognized by the Office, or if a person is employed in his or her first 90 days of probationary employment as an apprentice in such an apprenticeship program, who is not individually registered in the program, but who has been certified by the Office of Apprenticeship Training, Employer and Labor Services or a State Apprenticeship Agency (where appropriate) to be eligible for probationary employment as an apprentice. The allowable ratio of apprentices to journeymen on the job site in any craft classification shall not be greater than the ratio permitted to the contractor as to the entire work force under the registered program. Any worker listed on a payroll at an apprentice wage rate, who is not registered or otherwise employed as stated above, shall be paid not less than the applicable wage rate on the wage

determination for the classification of work actually performed. In addition, any apprentice performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. Where a contractor is performing construction on a project in a locality other than that in which its program is registered, the ratios and wage rates (expressed in percentages of the journeyman's hourly rate) specified in the contractor's or subcontractor's registered program shall be observed. Every apprentice must be paid at not less than the rate specified in the registered program for the apprentice's level of progress, expressed as a percentage of the journeymen hourly rate specified in the applicable wage determination. Apprentices shall be paid fringe benefits in accordance with the provisions of the apprenticeship program. If the apprenticeship program does not specify fringe benefits, apprentices must be paid the full amount of fringe benefits listed on the wage determination for the applicable classification. If the Administrator determines that a different practice prevails for the applicable apprentice classification, fringes shall be paid in accordance with that determination. In the event the Office of Apprenticeship Training, Employer and Labor Services, or a State Apprenticeship Agency recognized by the Office, withdraws approval of an apprenticeship program, the contractor will no longer be permitted to utilize apprentices at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(ii) Trainees. Except as provided in 29 CFR 5.16, trainees will not be permitted to work at less than the predetermined rate for the work performed unless they are employed pursuant to and individually registered in a program which has received prior approval, evidenced by formal certification by the U.S. Department of Labor, Employment and Training Administration. The ratio of trainees to journeymen on the job site shall not be greater than permitted under the plan approved by the Employment and Training Administration. Every trainee must be paid at not less than the rate specified in the approved program for the trainee's level of progress, expressed as a percentage of the journeyman hourly rate specified in the applicable wage determination. Trainees shall be paid fringe benefits in accordance with the provisions of the trainee program. If the trainee program does not mention fringe benefits, trainees shall be paid the full amount of fringe benefits listed on the wage determination unless the Administrator of the Wage and Hour Division determines that there is an apprenticeship program associated with the corresponding journeyman wage rate on the wage determination which provides for less than full fringe benefits for apprentices. Any employee listed on the payroll at a trainee rate who is not registered and participating in a training plan approved by the Employment and Training Administration shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any trainee performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In the event the Employment and Training Administration withdraws approval of a training program, the contractor will no longer be permitted to utilize trainees at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(iii) Equal employment opportunity. The utilization of apprentices, trainees and journeymen

under this part shall be in conformity with the equal employment opportunity requirements of Executive Order 11246, as amended, and 29 CFR part 30.

(5) **Compliance with Copeland Act requirements.** The contractor shall comply with the requirements of 29 CFR part 3, which are incorporated by reference in this contract.

(6) **Subcontracts.** The contractor or subcontractor shall insert in any subcontracts the clauses contained in 29 CFR 5.5(a)(1) through (10) and such other clauses as the EPA determines may be appropriate, and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the contract clauses in 29 CFR 5.5.

(7) **Contract termination: debarment.** A breach of the contract clauses in 29 CFR 5.5 may be grounds for termination of the contract, and for debarment as a contractor and a subcontractor as provided in 29 CFR 5.12.

(8) **Compliance with Davis-Bacon and Related Act requirements.** All rulings and interpretations of the Davis-Bacon and Related Acts contained in 29 CFR parts 1, 3, and 5 are herein incorporated by reference in this contract.

(9) **Disputes concerning labor standards.** Disputes arising out of the labor standards provisions of this contract shall not be subject to the general disputes clause of this contract. Such disputes shall be resolved in accordance with the procedures of the Department of Labor set forth in 29 CFR parts 5, 6, and 7. Disputes within the meaning of this clause include disputes between the contractor (or any of its subcontractors) and the Local Borrower, WIFA, EPA, the U.S. Department of Labor, or the employees or their representatives.

(10) **Certification of eligibility.** (i) By entering into this contract, the contractor certifies that neither it (nor he or she) nor any person or firm who has an interest in the contractor's firm is a person or firm ineligible to be awarded Government contracts by virtue of section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1).

(ii) No part of this contract shall be subcontracted to any person or firm ineligible for award of a Government contract by virtue of section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1).

(iii) The penalty for making false statements is prescribed in the U.S. Criminal Code, 18 U.S.C. 1001.

(b) **Contract Work Hours and Safety Standards Act.** The Local Borrower shall insert the following clauses set forth in paragraphs (b)(1), (2), (3), and (4) of this section in full in any contract in an amount in excess of \$100,000 and subject to the overtime provisions of the Contract Work Hours and Safety Standards Act. These clauses shall be inserted in addition to the clauses required by Sec. 5.5(a) or 4.6 of part 4 of this title. As used in this paragraph, the terms laborers and mechanics include watchmen and guards.

(1) Overtime requirements. No contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which he or she is employed on such work to work in excess of forty hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of forty hours in such workweek.

(2) Violation; liability for unpaid wages; liquidated damages. In the event of any violation of the clause set forth in paragraph (b)(1) of this section the contractor and any subcontractor responsible therefore shall be liable for the unpaid wages. In addition, such contractor and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in paragraph (b)(1) of this section, in the sum of \$10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of forty hours without payment of the overtime wages required by the clause set forth in paragraph (b)(1) of this section.

(3) Withholding for unpaid wages and liquidated damages. The Local Borrower, upon its own action or upon written request of the EPA Award Official or an authorized representative of the Department of Labor shall withhold or cause to be withheld, from any moneys payable on account of work performed by the contractor or subcontractor under any such contract or any other Federal contract with the same prime contractor, or any other federally-assisted contract subject to the Contract Work Hours and Safety Standards Act, which is held by the same prime contractor, such sums as may be determined to be necessary to satisfy any liabilities of such contractor or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in paragraph (b)(2) of this section.

(4) Subcontracts. The contractor or subcontractor shall insert in any subcontracts the clauses set forth in paragraph (b)(1) through (4) of this section and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in paragraphs (b)(1) through (4) of this section.

(c) In addition to the clauses contained in paragraph (b), in any contract subject only to the Contract Work Hours and Safety Standards Act and not to any of the other statutes cited in 29 CFR Sec. 5.1, the Local Borrower shall insert a clause requiring that the contractor or subcontractor shall maintain payrolls and basic payroll records during the course of the work and shall preserve them for a period of three years from the completion of the contract for all laborers and mechanics, including guards and watchmen, working on the contract. Such records shall contain the name and address of each such employee, social security number, correct classifications, hourly rates of wages paid, daily and weekly number of hours worked, deductions made, and actual wages paid. Further, the Local Borrower shall insert in any such contract a clause providing that the records to be maintained under this paragraph shall be made available by the contractor or subcontractor for inspection, copying, or transcription by authorized representatives of WIFA, EPA and the Department of Labor, and the contractor or

subcontractor will permit such representatives to interview employees during working hours on the job.

Section 2. General Provisions.

(a) Binding Effect. This Wage Rate Addendum shall inure to the benefit of and shall be binding upon WIFA and the Local Borrower and their respective successors and assigns.

(b) Severability. In the event any provision of this Wage Rate Addendum shall be held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

(c) Amendments, Supplements and Modifications. This Wage Rate Addendum may not be amended, supplemented or modified without the prior written consent of WIFA and the Local Borrower.

(d) Execution in Counterparts. This Wage Rate Addendum may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

(e) Applicable Law. This Wage Rate Addendum shall be governed by and construed in accordance with the laws of the State of Arizona.

(f) Captions. The captions or headings in this Wage Rate Addendum are for convenience only and shall not in any way define, limit or describe the scope or intent of any provisions of this Wage Rate Addendum.

(g) Further Assurances. The Local Borrower shall, at the request of WIFA, authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights and agreements granted or intended to be granted by this Wage Rate Addendum.

(h) Arbitration. The parties hereto agree to use arbitration to the extent required by Section 12-1518 of the Arizona Revised Statutes.

(i) Notice Regarding A.R.S. § 38 511. To the extent applicable by provision of law, the parties acknowledge that this Wage Rate Addendum is subject to cancellation pursuant to A.R.S. § 38-511, the provisions of which are hereby incorporated herein.

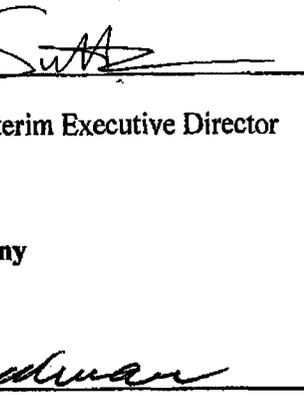
WIFA and the Local Borrower are signing this Loan Agreement Addendum to be effective as part of the Loan Agreement.

Water Infrastructure Finance Authority of Arizona

By: 

Sandra Sutton, Interim Executive Director

Mirabell Water Company

By: 

Morton Freedman, President

[Signature page to Wage Rate Addendum to Loan Agreement]

Exhibit A of Loan Agreement

Section 1: Financial Assistance Terms and Conditions
 Mirabell Water Company
 05-Jan-11

Loan Number	920207-11
Closing Date	01/07/11
 Financial Assistance Terms and Conditions	
Original Loan Amount as of the Closing Date.....	\$ 10,243.00
Final Loan Amount as of Release of Retention.....	\$ 10,243.00
Loan Term.....	5
Combined Interest & Fee Rate.....	1.575%
First Fixed Monthly Payment.....	08/01/11
Final Fixed Monthly Payment.....	01/01/16
 Debt Service Reserve Fund Requirements (Held by WIFA)	
Total Reserve Amount.....	\$ 2,359.20
Monthly Deposit.....	\$ 39.32
Reserve Funded by (Date).....	07/01/16
 Repair and Replacement Fund Requirement (Held by Borrower)	
Begin Funding on (Date).....	08/01/16
Annual Amount.....	\$ 471.84
Monthly Deposit.....	\$ 39.32
 Monthly Payment	
Period #7 - 1st Debt Service Payment	
Maximum Payment (Includes interest payable from Closing to 1st Payment).....	\$ 313.91
Minimum Payment	\$ 235.93
<i>WIFA will calculate the first payment due on Period #7; payment will depend on actual loan draws.</i>	
Periods #8 through #60.....	\$ 235.93

Section 2: Loan Repayment Schedule, Repayment Periods 1 through 80
 Mirabell Water Company
 05-Jan-11

Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment	Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment
1	02/01/11	1.575%	0.00	41	06/01/14	1.575%	235.93
2	03/01/11	1.575%	0.00	42	07/01/14	1.575%	235.93
3	04/01/11	1.575%	0.00	43	08/01/14	1.575%	235.93
4	05/01/11	1.575%	0.00	44	09/01/14	1.575%	235.93
5	06/01/11	1.575%	0.00	45	10/01/14	1.575%	235.93
6	07/01/11	1.575%	0.00	46	11/01/14	1.575%	235.93
7	08/01/11	1.575%	0.00	47	12/01/14	1.575%	235.93
8	09/01/11	1.575%	235.93	48	01/01/15	1.575%	235.93
9	10/01/11	1.575%	235.93	49	02/01/15	1.575%	235.93
10	11/01/11	1.575%	235.93	50	03/01/15	1.575%	235.93
11	12/01/11	1.575%	235.93	51	04/01/15	1.575%	235.93
12	01/01/12	1.575%	235.93	52	05/01/15	1.575%	235.93
13	02/01/12	1.575%	235.93	53	06/01/15	1.575%	235.93
14	03/01/12	1.575%	235.93	54	07/01/15	1.575%	235.93
15	04/01/12	1.575%	235.93	55	08/01/15	1.575%	235.93
16	05/01/12	1.575%	235.93	56	09/01/15	1.575%	235.93
17	06/01/12	1.575%	235.93	57	10/01/15	1.575%	235.93
18	07/01/12	1.575%	235.93	58	11/01/15	1.575%	235.93
19	08/01/12	1.575%	235.93	59	12/01/15	1.575%	235.93
20	09/01/12	1.575%	235.93	60	01/01/16	1.575%	235.93
21	10/01/12	1.575%	235.93	61	02/01/16	1.575%	0.00
22	11/01/12	1.575%	235.93	62	03/01/16	1.575%	0.00
23	12/01/12	1.575%	235.93	63	04/01/16	1.575%	0.00
24	01/01/13	1.575%	235.93	64	05/01/16	1.575%	0.00
25	02/01/13	1.575%	235.93	65	06/01/16	1.575%	0.00
26	03/01/13	1.575%	235.93	66	07/01/16	1.575%	0.00
27	04/01/13	1.575%	235.93	67	08/01/16	0.000%	0.00
28	05/01/13	1.575%	235.93	68	09/01/16	0.000%	0.00
29	06/01/13	1.575%	235.93	69	10/01/16	0.000%	0.00
30	07/01/13	1.575%	235.93	70	11/01/16	0.000%	0.00
31	08/01/13	1.575%	235.93	71	12/01/16	0.000%	0.00
32	09/01/13	1.575%	235.93	72	01/01/17	0.000%	0.00
33	10/01/13	1.575%	235.93	73	02/01/17	0.000%	0.00
34	11/01/13	1.575%	235.93	74	03/01/17	0.000%	0.00
35	12/01/13	1.575%	235.93	75	04/01/17	0.000%	0.00
36	01/01/14	1.575%	235.93	76	05/01/17	0.000%	0.00
37	02/01/14	1.575%	235.93	77	06/01/17	0.000%	0.00
38	03/01/14	1.575%	235.93	78	07/01/17	0.000%	0.00
39	04/01/14	1.575%	235.93	79	08/01/17	0.000%	0.00
40	05/01/14	1.575%	235.93	80	09/01/17	0.000%	0.00

Exhibit B

Technical Terms and Conditions

**Section 1
Budget**

Uses by Budget Item	Amount Budgeted
Planning.....	100,000
Design & Engineering.....	100,000
Legal/Debt Authorization.....	50,000
Financial Advisor.....	100,000
Land/System Acquisition.....	100,000
Equipment/Materials.....	100,000
Construction/Installation/Improvement.....	2,000,000
Inspection & Construction Management.....	100,000
Project Officer.....	100,000
Administration.....	100,000
Staff Training.....	100,000
Capitalized Interest.....	100,000
Refinance Loan.....	100,000
Other.....	100,000
Total Budget.....	\$10,243.00

**Section 2
Project Description**

This loan will fund a submersible pump and motor for the well.

**Section 3
Estimated Observation and Disbursement Schedule**

Observations – A WIFA representative may perform observations based on information provided in the projects status reports included in each Local Borrower disbursement requisition form.

Section 4
Requirements Prior To Construction

Section 4.1 **Construction Bids.** No requirement.

Section 4.2 **User Charges.** The Local Borrower has established (or, if the System is not yet in operation, the Local Borrower will, at or before the time the System commences operation, establish) a system of user charges which, with other funds lawfully available, will at all times be sufficient to pay the costs of operation and maintenance of the System, including renewals and replacements of the System. The Local Borrower also agrees that such system of user charges will be established and maintained in compliance with any applicable requirements of state and federal law as long as the Local Borrower owes amounts under this Loan Agreement. The Local Borrower at its sole option may pay the costs of operation, maintenance, repair, replacement, extensions and additions to the System from any funds lawfully available to it for such purpose.

Section 4.3 **Interest in Project Site.** As a condition of the Loan, the Local Borrower will demonstrate to the satisfaction of the Authority that the Local Borrower has or will have a fee simple or such other estate or interest in the site of the Project, including necessary easements and rights-of-way, as the Authority finds sufficient to assure undisturbed use and possession for the purpose of construction and operation of the Project for the estimated life of the Project.

Section 4.4 **Federal Clean Water Act.** The Local Borrower covenants that, to the extent legally applicable, the Project will meet the requirements of the Federal Clean Water Act in effect on the date of Loan Closing and any amendments thereto that may retroactively apply to the Loan, and the Local Borrower agrees that the Project will comply with applicable provisions of those federal laws and authorities listed in Article 9 of the Standard Terms and Conditions.

Section 4.5 **Federal Safe Drinking Water Act.** The Local Borrower covenants that, to the extent legally applicable, the Project will meet the requirements of the Federal Safe Drinking Water Act in effect on the date of Loan Closing and any amendments thereto that may retroactively apply to the Loan, and the Local Borrower agrees that the Project will comply with applicable provisions of those federal laws and authorities listed in Article 9 of the Standard Terms and Conditions.

Section 4.6 **Signs.** No requirement.

Section 5
Requirements During Construction

Section 5.1 **Changes in Project Scope.** No requirement.

Section 5.2 **Completion of Project and Provision of Moneys Therefor.** The Local Borrower covenants and agrees (a) to exercise its best efforts in accordance with prudent utility construction practice to complete the Project and (b) to the extent permitted by law, to provide from its own fiscal resources all moneys, in excess of the total amount of loan proceeds it

receives hereunder and under any subsequent loan from the Authority, required to complete the Project.

Section 5.3 **Inspections; Information**. The Local Borrower shall permit the Authority and any party designated by the Authority to examine, visit and inspect, at any and all reasonable times, the property, if any, constituting the Project, and to inspect and make copies of any accounts, books and records, including (without limitation) its records regarding receipts, disbursements, contracts, investments and any other matters relating thereto and to its financial standing, and shall supply such reports and information as the Authority may reasonably require in connection therewith.

Section 5.4 **Adjustments for Ineligible Costs**. The Local Borrower shall promptly reimburse the Authority for any portion of the Loan which is determined to have been used for costs that are not eligible for funding under the Authority Act, the Federal Clean Water Act, as amended, or the Federal Safe Drinking Water Act, as amended, unless such matter is curable in some other manner by the Local Borrower to the satisfaction of the Authority. Such reimbursement shall be promptly repaid to the Authority upon written request of the Authority. Any such reimbursed principal amount will be applied to reduce the outstanding principal amount of the Loan.

Section 5.5 **Archaeological Artifacts**. In the event that archaeological artifacts or historical resources are discovered during construction excavation of the Project, the Local Borrower shall stop or cause to be stopped construction activities and will notify the State Historic Preservation Office and the Authority of such discovery.

Section 6 Requirements Prior To Final Disbursements

Section 6.1 **Plan of Operation**. No requirement.

Section 6.2 **Final Approval**. No requirement.

Exhibit C

Reporting Requirements

Section 1. **Annual Loan Review.** The Authority's Annual Loan Review Form and annual financial statements in a format approved by the Authority, including the report of any annual audit(s) and all audit reports required by governmental auditing standards and any applicable Arizona rules, shall be provided by the Local Borrower to the Authority within one-hundred and eighty (180) days after the end of each fiscal year of the Local Borrower. The Local Borrower shall complete all audits and submit all reports required by the federal Single Audit Act within the time limits under that federal law, currently within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the federal agency that provided the funding or a different period is specified in a program-specific audit guide.

Section 2. **Records and Accounts.** The Local Borrower shall keep accurate records and accounts for the System, including the Project (the "*System Records*"), separate and distinct from its other records and accounts (the "*General Records*"). To the extent required by law, such System Records shall be maintained in accordance with generally accepted government or other applicable accounting standards and shall be audited annually, if required by law, by an independent accountant, which audit may be part of the annual audit of the General Records of the Local Borrower. Such System Records and General Records shall be made available for inspection by the Authority at any reasonable time.

Section 3. **Notice of Change In Key Personnel.** Promptly after becoming aware thereof, the Local Borrower shall provide notice in writing to the Authority of any change to the information in Section 1 of the Loan Agreement and any other change in key personnel connected to the Project and Loan.

Section 4. **Notice of Material Adverse Change.** The Local Borrower shall promptly notify the Authority of any material adverse change in the activities, prospects or condition (financial or otherwise), of the Local Borrower relating to the System, or in the ability of the Local Borrower to make all Loan Repayments from the Source of Repayment described in this Loan Agreement and otherwise to observe and perform its duties, covenants, obligations and agreements hereunder.

Section 5. **Disadvantaged Business Enterprise (DBE) Program.** The Local Borrower must report DBE participation to the Authority based on guidance from the Authority.

Section 6. **Notice of Default.** Promptly after becoming aware thereof, Local Borrower shall give notice to the Authority of (i) the occurrence of any Event of Default under the Loan Agreement or (ii) the occurrence of any breach, default, Event of Default, or event which with the giving of notice or lapse of time, or both, could become a material breach, default, or Event of Default (a "Future Breach") under any agreement, indenture, mortgage, or other instrument (other than the Loan Agreement) to which the Local Borrower is a party or by which it or any of its property is bound or affected. Local Borrower shall provide written notice to the Authority if the effect of such breach, default, Event of Default or Future Breach is to accelerate, or to permit

the acceleration of, the maturity of any indebtedness under such agreement, indenture, mortgage, or other instrument; provided, however, that the failure of the Local Borrower to give such notice shall not affect the right and power of the Authority to exercise any and all of the remedies specified herein.

Section 7. **Notice of Non-Environmental Litigation.** Promptly after the commencement or overt threat thereof, Local Borrower shall provide the Authority with written notice of the commencement of all actions, suits, or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting Local Borrower which, if adversely determined, could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or on the ability of Local Borrower to perform its obligations under the Loan Agreement.

Section 8. **Notice of Environmental Litigation.** Without limiting the provisions of Section 7 above, promptly after receipt thereof, Local Borrower shall provide the Authority with written notice of the receipt of all pleadings, orders, complaints, indictments, or other communication alleging a condition that may require Local Borrower to undertake or to contribute to a cleanup or other response under laws relating to environmental protection, or which seek penalties, damages, injunctive relief, or criminal sanctions related to alleged violations of such laws, or which claim personal injury to any person or property damage as a result of environmental factors or conditions or which, if adversely determined, could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or on the ability of Local Borrower to perform its obligations under the Loan Agreement.

Section 9. **Regulatory and Other Notices.** Promptly after receipt or submission thereof, Local Borrower shall provide the Authority with copies of any notices or other communications received from or directed to any governmental authority with respect to any matter or proceeding which could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or the ability of Local Borrower to perform its obligations under the Loan Agreement, or which reveals a substantial non compliance with any applicable law, regulation or rule.

Section 10. **Other Information.** The Local Borrower shall submit to the Authority other information regarding the condition (financial or otherwise), or operation of the Local Borrower as the Authority may, from time to time, reasonably request.

Section 11. **Additional Reporting Requirements.** Wage rate reporting requirements, if applicable.

Exhibit D

Debt Service Reserve And Replacement Reserve Requirements

Section 1. Debt Service Reserve Fund.

(a) There is established and maintained a Debt Service Reserve Fund held by the Lender. The deposits required pursuant to this Exhibit shall be automatically debited from the Borrower Deposit Account along with Borrower's regularly scheduled payments of principal and interest. The amount allocated to the Debt Service Reserve Fund shall be administered and invested by the Lender and allocated to the Borrower (the "Debt Service Reserve Fund"). Amounts therein shall secure payment to Lender of Loan repayments payable under the Loan Documents. The regularly scheduled deposits into the Debt Service Reserve Fund shall be in an amount, as determined by Lender, so as to accumulate over five (5) years an amount equal to the highest amount of Loan repayments by Borrower in any fiscal year as shown in the Loan repayment schedule, which Borrower and Lender agree is the initial amount of the debt service reserve requirement (the "Debt Service Reserve Requirement") for the Loan. Initially, the amount of the Debt Service Reserve Requirement and the amount of the required periodic build up are set forth in Exhibit A. The amount of the Debt Service Reserve Requirement and the amount of the required periodic build up will be adjusted to reflect any adjustment of the Loan repayment schedule.

(b) For so long as the Loan is outstanding, if on any Interest Payment Date or Principal Repayment Date Borrower has not paid to Lender an amount equal to the amount of principal and interest due on the Loan pursuant to this Agreement, Borrower hereby consents and directs the Lender to transfer, the amount of the deficiency from the Debt Service Reserve Fund to the payment of any amounts due. Borrower shall then cause to be delivered to Lender for deposit to the Debt Service Reserve Fund after provision is made for payment of amounts which have become due under this Agreement an amount sufficient to cause the amount credited to the Debt Service Reserve Fund to be at least equal to the amount then required to be on deposit therein.

(c) The Lender may commingle funds of Borrower with other funds but shall keep adequate and accurate records of moneys and investment earnings on amounts credited to the Debt Service Reserve Fund. Borrower shall pay the reasonable fees and charges of the Lender for administering the Debt Service Reserve Fund from investment earnings on amounts credited to the Debt Service Reserve Fund in an amount not to exceed 10% of investment earnings.

(d) Not less than annually, Lender shall deliver to Borrower an accounting of the Debt Service Reserve Fund, indicating the principal amount therein, and net annual investment earnings (investment earnings less administrative costs and fees pursuant to Clause (c) of this Section) (the "Net Earnings"). Net Earnings shall be applied not less than annually as a prepayment of principal.

(e) Subject to subsections (a), (b), (c), and (d) of this Section, when the Debt Service Reserve Fund is equal to or greater than the amounts due from the Borrower, the Lender shall:

- (i) Apply the Debt Service Reserve Fund to pay in full all amounts payable by Borrower under this Agreement.
- (ii) Transfer to Borrower all monies remaining in the Debt Service Reserve Fund after payment in full of all amounts payable by Borrower.

Section 2. Replacement Reserve Fund.

(a) Borrower shall establish a separate account to secure payment to Lender of Loan repayments payable under the Loan Documents (the "Replacement Reserve Fund"). The Replacement Reserve Fund shall be held and administered by the Borrower in an account which is acceptable to Lender pursuant to the provisions of the Agreement. Borrower shall cause to be deposited on or before the first business day of each month commencing with the sixty-first (61st) month following the month in which the first Advance occurs amounts at least equal to one-twelfth (1/12th) of twenty percent (20%) of the highest amount of Loan repayments by Borrower in any fiscal year as shown in the Loan repayment schedule. Initially, the amount of the required monthly deposit and the aggregate annual deposits are set forth in Exhibit A. The amount of the required monthly deposit will be adjusted to reflect any adjustment of the Loan repayment schedule.

(b) For so long as the Loan is outstanding, if no Event of Default, and no event or occurrence which, with the giving of notice or the passage of time or both, would become an Event of Default (an "Unmatured Event of Default"), has occurred and is continuing, Borrower from time to time may withdraw moneys from the Replacement Reserve Fund and apply the moneys withdrawn for one or more of the following purposes: (i) for the acquisition of new, or the replacement of obsolete or worn out, machinery, equipment, furniture, fixtures or other personal property for the drinking water system provided that the property is depreciable; (ii) for the performance of repairs with respect to the drinking water system which are of an extraordinary and non-recurring nature provided that the property is depreciable; (iii) for the acquisition or construction of additions to or improvements, extensions or enlargements to, or remodeling of, the drinking water system provided that the property is depreciable; and/or (iv) to make payments to Lender on the Loan.

(c) For so long as the Loan is outstanding, if on any Interest Payment Date or Principal Repayment Date Borrower has not paid to Lender an amount equal to the amount of principal and interest due on the Loan pursuant to this Agreement, and the Debt Service Reserve Fund does not hold sufficient moneys to cover the deficiency, Lender will direct the Borrower to transfer, and Borrower hereby consents to transfer, the amount of the deficiency from the Replacement Reserve Fund to Lender.

(d) The Lender shall require that the Borrower shall keep adequate and accurate records of moneys, investments and investment earnings on amounts credited to the Replacement Reserve Fund. Lender shall have the right to audit the records of the Borrower insofar as they pertain to the Replacement Reserve Fund.

Section 3. Debt Service Reserve Fund and Replacement Reserve Fund as Collateral.

(a) **Grant of Security Interest.** As collateral security for the prompt and complete payment when due of all obligations of the Borrower to the Lender under the Agreement and the Note and all other obligations and liabilities of the Borrower to the Lender, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter incurred, arising under, out of, or in connection with, the Agreement or any of the Loan Documents (the "**Obligations**"), Borrower has granted, bargained, sold, assigned, pledged, and set over and by these presents does hereby grant, bargain, sell, assign, pledge, transfer and set over unto the Lender, and its successors and assigns, all of the Borrower's right, title and interest in and to any amounts held or deposited in the Debt Service Reserve Fund and in the Replacement Reserve Fund (the "**Pledged Funds**").

(b) Terms and Conditions.

(i) The Debt Service Reserve Fund and all amounts deposited therein shall be held in the sole dominion and control of the Lender and shall be administered by the Lender as a collateral account for the benefit of the Lender, and Borrower shall have no rights or powers with respect to, or control over, the Debt Service Reserve Fund or any part thereof. Borrower's sole right with respect to the Pledged Funds in the Debt Service Reserve Fund shall be as provided in the Agreement.

(ii) From and after the occurrence and during the continuation of an Event of Default, Lender may, in the sole and absolute discretion of the Lender, apply the Pledged Funds in the Debt Service Reserve Fund, and, if there are insufficient Pledged Funds in the Debt Service Reserve Fund, in the Replacement Reserve Fund, to the Obligations in the following order: (i) all outstanding costs, expenses, fees and late charges due the Lender, (ii) interest at the rate or rates specified in the Loan Documents and (iii) the principal amount of the Obligations. All interest and other investment earnings amounts from time to time accrued and paid on the Pledged Funds in the Debt Service Reserve Fund and the Replacement Reserve Fund shall be retained in the Debt Service Reserve Fund and the Replacement Reserve Fund and shall be applied in accordance with the Agreement.

(iii) Lender shall have, with respect to the Pledged Funds, all rights and remedies of a secured party under Article 9 of the Arizona Uniform Commercial Code and other applicable laws.

Section 4. Representations, Warranties and Covenants.

(a) Borrower agrees to establish upon closing and maintain the Debt Service Reserve Fund and the Replacement Reserve Fund in accordance with the provisions of the Agreement.

(b) The Borrower covenants that it will not apply, or permit the application of, amounts on deposit in, or required by the provisions of this Agreement to be on deposit in, the Debt Service Reserve Fund and/or the Replacement Reserve Fund except in accordance with the provisions of this Agreement.

(c) Borrower hereby represents and warrants to Lender, effect on the date of the Agreement and on the date of each deposit of Pledged Funds to the Debt Service Reserve Fund and the Replacement Reserve Fund, that:

(i) No filing, recording, registration or declaration with or notice to any person or entity is required in order to preserve or perfect the first priority lien and charge intended to be created hereunder in the Pledged Funds.

(ii) Except for the security interest granted to the Lender pursuant to this Agreement, Borrower is the sole owner of the Pledged Funds, having good and marketable title thereto, free and clear of any and all mortgages, liens, security interests, encumbrances, claims or rights of others.

(iii) No security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or part of the Pledged Funds is on file or of record in any public office except such as may have been filed by the Borrower in favor of the Lender.

(iv) This Agreement constitutes a valid and continuing first lien on and first security interest in the Pledged Funds in favor of the Lender, prior to all other liens, encumbrances, security interests and rights of others, and is enforceable as such as against creditors of and purchasers from the Borrower.

(d) Without the prior written consent of the Lender, the Borrower hereby covenants and agrees that it will not sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to, the Pledged Funds, nor will it create, incur or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance with respect to any of the Pledged Funds, or any interest therein, except for the security interest provided for by the Agreement.

(e) Borrower hereby covenants and agrees that it will defend Lender's right, title and security interest in and to the Pledged Funds against the claims and demands of all persons whomsoever except to the extent, which arise out of the willful misconduct or gross negligence of the Lender.

Exhibit E

Limits On Additional Indebtedness Without Lender Consent

Unless otherwise agreed to in writing by Lender, while this Agreement is in effect, whether or not any Advance is outstanding, Borrower shall not:

(a) Borrowings. Create, incur, assume, or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money, for the deferred purchase price of property or services, or for the lease of real or personal property which lease is required to be capitalized under GAAP or which is treated as an operating lease under regulations applicable to the Borrower but which otherwise would be required to be capitalized under GAAP (a "Capital Lease"), except for (i) accounts payable to trade creditors and current operating liabilities (other than for borrowed money) incurred in the ordinary course of Borrower's business, and (ii) Capital Leases, the aggregate amount of which exceeds at any one time \$1,000.00.

(b) Leases. Create, incur, assume, or permit to exist any obligations as lessee for the rental or hire of any real or personal property, except leases which do not in the aggregate require Borrower to make payments (including, without limitation, taxes, insurance maintenance, and other charges) in any fiscal year of Borrower occurring during the term hereof in excess of \$1,000.00.

(c) Mirabell Water Company: Create, incur, assume, or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money, to any member of the Mirabell Water Company the aggregate amount of which exceeds at any one time \$1,000.00, or any such liability to any one member, regardless of amount, without such member consenting to, through the execution and delivery to WIFA of, the Subordination Agreement included in these loan documents behind Tab 13.

Exhibit F
PROMISSORY NOTE

\$ 10,243.00

Phoenix, Arizona
January 7, 2011

For Value Received, Mirabell Water Company ("Borrower"), promise to pay to WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA ("Lender") or order the aggregate principal amount outstanding on Borrower's loan as shown on Lender's records which shall at all times be conclusive and govern, with interest thereon at an annual rate equal to one and five tenths and seventy five hundredths of one percent (1.75%). Interest shall be calculated on a 360-day year for all advances, but, in any case, shall be computed for the actual number of days in the period for which interest is charged. Principal and interest shall be payable at the times and in the manner set forth in the Loan Agreement (as hereinafter defined).

Lender and Borrower have established specific instructions and procedures by which draws against said credit will be presented for disbursement pursuant to the terms and conditions of that certain Loan Agreement of even date herewith (the "Loan Agreement"), but nothing contained herein shall create a duty on the part of Lender to make said disbursement if Borrower is in default. The undersigned shall not be entitled to total disbursements hereunder exceeding ten thousand and two hundred and forty-three (\$10,243.00), such lesser amount determined in accordance with the Loan Agreement with respect to the Loan (as defined in the Loan Agreement).

All amounts payable hereunder shall be paid in lawful money of the United States. Principal and interest shall be payable at 1110 West Washington, Suite 290, Phoenix, Arizona 85007, or at such other place as the holder hereof may designate. Borrower may prepay the Loan, in whole or in part, at any time without premium or penalty pursuant to Section 1(a) of the Standard Terms and Conditions relating to the Loan.

Absent a default under this Note or the Loan Agreement, any payments received by the holder hereof shall be applied first to sums, other than principal and interest, due the holder hereof, next to the payment of all interest accrued to the date of such payment, and the balance, if any, to the payment of principal. Any payments received by the holder hereof after any Event of Default (as defined in the Loan Agreement) shall be applied to the amounts specified in this paragraph in such order as the holder hereof may, in its sole discretion, elect.

If any payment of interest and/or principal is not received by the holder hereof when such payment is due, then, as additional remedies, (a) a late charge of six percent (6%) of the amount due and unpaid will be added to the delinquent amount for any payment past due in excess of fifteen (15) days and (b) all past due payments of principal and/or interest shall bear interest from their due date until paid at an annual rate equal to the sum of (i) six percent (6%) and (ii) the interest rate specified herein, payable on demand (the "Default Rate").

This Note shall become immediately due and payable at the option of the holder hereof without presentment or demand or any notice to Borrower or any other person obligated hereon, upon default

in the payment of any of the principal hereof or any interest thereon when due, or if any event occurs or condition exists which authorizes the acceleration of the maturity hereof under the Loan Agreement. Time is of the essence with regard to all payment obligations in this Note. Failure to exercise any remedy or right hereunder shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.

In the event any holder hereof utilizes the services of an attorney in attempting to collect the amounts due hereunder or to enforce the terms hereof or of any agreements related to this indebtedness, or if any holder hereof becomes party plaintiff or defendant in any legal proceeding in relation to the property described in any instrument securing this Note or for the recovery or protection of the indebtedness evidenced hereby, Borrower, its successors and assigns, shall repay to such holder hereof, on demand, all costs and expenses so incurred, including reasonable attorney's fees, including those costs, expenses and attorney's fees incurred after the filing by or against the Borrower of any proceeding under any chapter of the Bankruptcy Code, or similar federal or state statute, and whether incurred in connection with the involvement of any holder hereof as creditor in such proceedings or otherwise.

Borrower and all sureties, endorsers and guarantors of this Note waive demand, presentment for payment, notice of nonpayment, protest, notice of protest and all other notice, filing of suit and diligence in collecting this Note or the release of any part primarily or secondarily liable hereon and further agree that it will not be necessary for any holder hereof, in order to enforce payment of this Note by any of them, to first institute suit or exhaust its remedies against any maker or others liable herefor, and consent to any extension or postponement of time or payment of this Note or any other indulgence with respect hereto without notice thereof to any of them.

Notwithstanding any provision contained herein to the contrary, the applicable rate of interest agreed to herein shall include the applicable interest rate described herein, in accordance with the terms of this Note, and any additional charges, costs and fees incident to this loan to the extent they are deemed to be interest under applicable Arizona law. Should the applicable rate of interest as calculated under this Note exceed that allowed by law, the applicable rate of interest will be the maximum rate of interest allowed by applicable law.

Mirabell Water Company

By Morton Freedman
Name: Morton Freedman
Title: President

"Borrower"

MIRABELL WATER CO.
P O BOX 11912
TUCSON, ARIZONA 85734

TO WHOM IT MAY CONCERN:

WITH REGARD TO WIFA LOAN # 920207-11, I RESPECTFULLY
REQUEST THE WAIVING OF THE NEED FOR A LEGAL OPINION.

THANK YOU,

MIRABELL WATER CO.

A handwritten signature in cursive script, appearing to read "Morton Freedman".

MORTON FREEDMAN, PRESIDENT

**Exhibit H
Borrower Disclosure**

1. Exception(s) to Subsection 3(e) of the Standard Terms and Conditions entitled "Compliance with Laws": (borrower to insert exceptions or "None")

None

2. Exception(s) to Subsection 3(f) of the Standard Terms and Conditions entitled "Environmental Compliance": (borrower to insert exceptions or "None")

None

3. Exception(s) to Subsection 3(g) of the Standard Terms and Conditions entitled "Litigation": (borrower to insert exceptions or "None")

None

4. Exception(s) to Subsection 3(h) of the Standard Terms and Conditions entitled "Title to Property": (borrower to insert exceptions or "None")

None

5. Exception(s) to Subsection 3(k) of the Standard Terms and Conditions entitled "Subsidiaries": (insert exceptions or "None")

None

Mirabell Water Company

By: 

Name: Morton Freedman

Title: President

Date: January 7, 2011

LOAN AGREEMENT STANDARD TERMS AND CONDITIONS

Water Infrastructure Finance Authority of Arizona

This document sets forth the Standard Terms and Conditions applicable to Loans made by the Water Infrastructure Finance Authority of Arizona the ("Lender") to a Borrower. These Standard Terms and Conditions are a part of the Loan Agreement to which this document is attached. Capitalized terms not otherwise defined herein shall have the meanings given them in the Loan Agreement.

Section 1. Repayment; Prepayment.

(a) **Loan Repayment Schedule.** Borrower shall pay to Lender the amounts shown in the Loan repayment schedule in Exhibit A hereto on or before the dates shown in Exhibit A as the same may be adjusted as provided below to reflect the revised principal repayment schedule of the Loan. At the expiration of the Commitment, if the total amount of the Advances is less than the maximum Loan Amount, the amount of each principal installment due as set forth in the Loan repayment schedule contained in Exhibit A shall be adjusted based on (A) the principal balance then outstanding, (B) the amortization schedule as provided in Exhibit A and (C) the Combined Interest and Fee Rate. Upon such adjustment, Lender shall compute the adjusted interest payment amounts for each Interest Payment Date to reflect the adjusted principal amounts and shall enter the results in the Loan repayment schedule and furnish the revised schedule to Borrower.

(b) **Prepayment.** Borrower may prepay the Loan, in whole, or in part at any time without premium or penalty. Prepayment shall not alter the repayment schedule except to the extent that the final principal repayment date and the final interest repayment date shall be affected thereby.

(c) **Application of Payments.** Absent a default under the Note or this Agreement, any payments received by Lender shall be applied first to sums, other than principal and interest, due Lender, next to the payment of all interest accrued to the date of such payment, and the balance, if any, to the payment of principal. Any payments received by Lender after any Event of Default shall be applied to the amounts specified in this paragraph in such order as Lender may, in its sole discretion, elect.

(d) **Late Payments.** If any payment of interest and/or principal is not received by Lender when such payment is due, then, as additional remedies, (a) a late charge of six percent (6%) of the amount due and unpaid will be added to the delinquent amount for any payment past due in excess of fifteen (15) days and (b) all past due payments of principal and/or interest shall bear interest from their due date until paid at the annual rate equal to the sum of (i) six percent (6%) and (ii) the Interest Rate specified in Exhibit A, payable on demand.

(e) **Calculations of Interest.** Interest shall be calculated on the actual number of days each Advance is outstanding on the basis of a year consisting of 360 days. In calculating interest, the date each Advance is made shall be included and the date each such Advance is repaid shall be excluded.

(f) **Payment on Maturity Date.** On the final Principal Repayment Date, Borrower shall make one (1) final payment of principal, accrued and unpaid interest, and all other amounts due and payable hereunder and under all of the Loan Documents.

Section 2. Conditions Precedent.

(a) **Conditions Precedent to Initial Advance.** This Agreement and Lender's obligation to make the initial Advance shall become effective only upon satisfaction, at Borrower's sole cost and expense, of the following conditions precedent, as determined by Lender in its absolute and sole discretion on or before the date of such Advance:

(i) **Loan Documents.** That Lender receive duly executed originals of this Agreement, the Note, the Security Agreement and all other instruments and documents contemplated hereby.

(ii) Company Existence and Authorization. That Lender receive copies of (A) all company resolutions, documents and proceedings of Borrower authorizing the execution, delivery, and performance of the Loan Documents to which it is a party, certified to be true and correct by the Secretary of Borrower; (B) Borrower's Articles of Incorporation or other organizational documents, with all amendments certified by the Arizona Corporation Commission; (C) certificate as to Borrower's good standing from the Arizona Corporation Commission and (D) Borrower's Bylaws or similar documents with all amendments certified by the Secretary of Borrower.

(iii) Approvals. That Lender receive evidence satisfactory to it that all consents and approvals which are necessary for, or required as a condition of, the validity and enforceability of the Loan Documents have been obtained and are in full force and effect.

(iv) Opinion of Counsel. That Lender receive an opinion of counsel for Borrower (who shall be acceptable to Lender) in form and content acceptable to Lender.

(v) Perfection and Priority of Liens. That Lender receive evidence satisfactory to it that Lender has, as of the date of the initial Advance, a duly perfected security interest on all security provided for herein.

(vi) Permits. That Lender receive evidence satisfactory to it that Borrower possesses all necessary operating permits, authorizations, approvals, and the like which are material to the conduct of Borrower's business or which may otherwise be required by law.

(vii) Fees, Expenses. That Borrower pay the costs and expenses to obtain, perfect and determine the priority of any security hereof. Further, if all costs and expenses of this transaction are not known at the time of the initial advance, Borrower agrees to pay such costs and expenses upon demand.

(viii) Insurance. That Lender receive evidence of insurance in such amount and covering such risks as are usually carried by companies engaged in the same or similar business.

(ix) Debt Service Reserve and Replacement Reserve. That Lender receive evidence that Borrower has established the Debt Service Reserve Fund and Replacement Reserve Fund as required in Exhibit D hereto.

(x) Subordination Agreement. That Lender receive a Subordination Agreement, in form and substance satisfactory to Lender, fully executed by the Borrower and the Subordinated Creditors.

(b) Advances Generally. Lender's obligation to make each Advance hereunder, including the initial Advance, is subject to the satisfaction of each of the following conditions precedent on or before the date of such Advance:

(i) Event of Default. That no Event of Default (as that term is defined in Section 6 hereof) exists, and that there has occurred no event which with the passage of time or the giving of notice, or both, could become an Event of Default (a "Default").

(ii) Continuing Representations and Warranties. That the representation and warranties of Borrower contained in this Agreement be true and correct on and as of the date of the initial Advance and each subsequent Advance as though made on and as of such date.

(iii) Other Items. That Lender receive such other items or documents as Lender may reasonably require.

Section 3. Representations And Warranties.

(a) Organization; Power; Etc. Borrower (i) is duly organized, validly existing, and in good standing under the laws of its state of incorporation; (ii) is duly qualified to do business and is in good standing in each jurisdiction in which the transaction of its business makes such qualification necessary; (iii) has all requisite corporate and legal power to own and operate its assets and to carry on its business and to enter into and perform the Loan Documents to which it is a party, (iv) has duly and lawfully obtained and maintained all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or which may be otherwise required by law; (v) is eligible to borrow from Lender.

(b) Due Authorization; No Violations; Etc. The execution and delivery by Borrower of, and the performance by Borrower of its obligations under, the Loan Documents have been duly authorized by all requisite corporate action on the part of Borrower and do not and will not (i) violate any provision of any law, rule or regulations, any judgment, order or ruling of any court or governmental agency, the articles of incorporation or bylaws of Borrower, or any agreement, indenture, mortgage, or other instrument to which Borrower is a party or by which Borrower or any of its properties is bound or (ii) be in conflict with, result in a breach of, or constitute with the giving of notice or lapse of time, or both, a default under any such agreement, indenture, mortgage, or other instrument. No action on the part of any member or shareholder of Borrower is necessary in connection with the execution and delivery by Borrower of and the performance by Borrower of its obligations under the Loan Documents except for actions which have occurred.

(c) Consents. No consent, permission, authorization, order, or license of any governmental authority is necessary in connection with the execution, delivery, performance, or enforcement of the Loan Documents to which Borrower is a party, except such as have been obtained and are in full force and effect.

(d) Binding Agreement. Each of the Loan Documents to which Borrower is a party is, or when executed and delivered will be, the legal, valid, and binding obligation of Borrower, enforceable in accordance with its terms, subject only to limitations on enforceability imposed by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally.

(e) Compliance with Laws. Borrower is in compliance with all federal, state, and local laws, rules, regulations, ordinances, codes, and orders (collectively, "Laws"), the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents, except as Borrower has disclosed on Exhibit H.

(f) Environmental Compliance. Without limiting the provisions of Subsection (e) above, all property owned or leased by Borrower and all operations conducted by it are in compliance in all material respects with all Laws relating to environmental protection, the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations, under the Loan Documents, except as Borrower has disclosed on Exhibit H.

(g) Litigation. There are no pending legal, arbitration, or governmental actions or proceedings to which Borrower is a party or to which any of its property is subject which, if adversely determined, could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents, and to the best of Borrower's knowledge, no such actions or proceedings are threatened or contemplated, except as Borrower has disclosed on Exhibit H.

(h) Title to Property. Borrower holds good and marketable title to all of its real property and owns all of its personal property free and clear of any lien or encumbrance, except the liens and encumbrances specifically identified on Exhibit H.

(i) Financial Statements; No Material Adverse Change; Etc. All financial statements submitted to Lender in connection with the application for the Loan or in connection with this Agreement fairly and fully present the financial condition of Borrower and the results of Borrower's operations for the periods covered thereby, and are prepared in accordance with generally accepted accounting principles for regulated utilities ("GAAP") consistently applied. Since the dates thereof, there has been no material adverse change in the financial condition or operations of Borrower. All budgets, projections, feasibility studies, and other documentation submitted by Borrower to Lender are based upon assumptions

that are reasonable and realistic, and as of the date hereof, no fact has come to light, and no event or transaction has occurred, which would cause any assumption made therein not to be reasonable or realistic.

(j) Principal Place of Business: Records. The principal place of business and chief executive office of Borrower and the place where the records required by Subsection (g) of Section 4 hereof are kept is at the business office street address of Borrower shown in Section 1 of the Agreement.

(k) Subsidiaries. Borrower has no subsidiary, except as Borrower has disclosed on Exhibit H.

(l) Water Rights and System Condition. Borrower has water rights with such amounts, priorities and qualities as are necessary to adequately service Borrower's customers and members. Borrower controls, owns, or has access to all such water rights free and clear of the interest of any third party and has not suffered or permitted any transfer or encumbrance of such water rights, and has not abandoned such water rights, or any of them, nor has done any act or thing which would impair or cause the loss of any such water rights. Borrower's utility facilities reasonably meet present demand in all material respects, are constructed in a good and workmanlike manner, are in good working order and condition, and comply in all respects with applicable laws.

Section 4. Affirmative Covenants. Unless otherwise agreed to in writing by Lender, while this Agreement is in effect, whether or not any Advance is outstanding, Borrower agrees to:

(a) Corporate Existence. Preserve and keep in full force and effect its corporate existence and good standing in the jurisdiction of its incorporation and its good standing and qualification to transact business in all places required by law.

(b) Compliance with Laws and Agreements. Comply with (i) all Laws, the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents; and (ii) all agreements, indentures, mortgages, and other instruments to which it is a party or by which it or any of its property is bound.

(c) Compliance with Environmental Laws. Without limiting the provisions of Subsection (b) above, comply in all material respects with, and cause all persons occupying or present on any properties owned or leased by Borrower to so comply with all Laws relating to environmental protection, the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents.

(d) Licenses: Permits: Etc. Duly and lawfully obtain and maintain in full force and effect all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of Borrower's business or which may be otherwise required by law.

(e) Insurance. Maintain insurance with insurance companies or associations acceptable to Lender in such amounts and covering such risks as are usually carried by companies engaged in the same or similar business and similarly situated, and make such increases in the type or amount of coverage as Lender may request. All such policies insuring any collateral provided for herein, shall provide for loss payable clauses or endorsements in form and content acceptable to Lender. At the request of Lender, all policies (or such other proof of compliance with this Section as may be satisfactory) shall be delivered to Lender.

(f) Property Maintenance. Maintain and preserve at all times its property, and each and every part and parcel thereof, in good repair, working order and condition and in compliance with all applicable laws, regulations and orders.

(g) Books and Records. Keep adequate records and books of account in accordance with GAAP consistently applied.

(h) Inspection. Permit Lender or its agents, during normal business hours or at such other times as the parties may agree, to examine Borrower's properties, books, and records, and to discuss Borrower's affairs, finances, operations, and accounts with its respective officers, directors, employees, and independent certified public accountants.

(i) Debt Service Coverage. Achieve, at each fiscal year end a Debt Service Coverage Ratio ("DSC") of 1.20. For the purposes of this Section, DSC shall be computed by adding net income plus interest expense, depreciation and amortization expenses and dividing the total by the sum of principal and interest payments required during the period.

In the computation of net income, gains and losses and any taxes or reduction of taxes resulting from the sale or other disposition or abandonment of capital assets, or from increases or decreases in value of capital assets, or from the retirement or reacquisition or resale or reissuance of debt or capital stock, shall be disregarded.

(j) Use of Dividends and Surplus Revenues. Retain all existing capital and retained earnings in the business and retain all revenue which may accumulate over and above that needed to pay operating, maintenance, debt service, and Reserve requirements; or use same to reduce obligations due creditors; or invest same for capital expenditures related directly to Borrower's ability to provide services to users.

(k) Water Rights. Maintain or procure water rights with such amounts, priorities and qualities as are necessary to service adequately Borrower's customers and members, whether riparian, appropriative, or otherwise and whether or not appurtenant and whether groundwater or surface water, any shares of stock and certificates evidencing the same; and all grandfathered groundwater rights under A.R.S. Section 45-401, *et seq.* (collectively, the "Water Rights"). Borrower will continue to control, own or have access to all Water Rights free and clear of the interest of any third party, will not suffer any Transfer of the Water Rights, will not abandon the Water Rights, nor do any act or thing which would impair or cause the loss of any of the Water Rights. For purposes of this paragraph (m) "Transfer" means, respectively, each and all of the following"

(i) Any or all of the Water Rights, or any interest or right of Borrower in or to the Water Rights is conveyed to, or becomes vested in, any person, other than Borrower and Lender, voluntarily or involuntarily;

(ii) The occurrence of any event that results in any option, right of first refusal, other right to acquire, or any other claim, interest, or right in, to, or against, any or all of the Water Rights being held by a person other than Borrower or Lender, whether occurring voluntarily or involuntarily and whether arising by agreement, under any law, ordinance, regulation, or rule (federal, state, or local), or otherwise;

(iii) Any lease or assignment of any of the Water Rights; and

(iv) Borrower enters into any agreement the performance of which would result in a Transfer under any of the clauses (i) through (iii) above, and the consummation of such agreement is not expressly conditional upon the prior written consent of Lender in its sole and absolute discretion.

(l) Operation and Maintenance of System. Borrower shall, in accordance with prudent utility practice, (a) at all times operate the properties of the water system and any business in connection therewith in an efficient manner, (b) maintain its drinking water system in good repair, working order and operating condition, and (c) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to its drinking water system so that at all times the business carried on in connection therewith shall be properly and advantageously conducted.

(m) Disadvantaged Business Enterprises. For Loan Agreements in excess of \$250,000, the Local Borrower must

(i) Make a good faith effort to award a fair share of work to DBE's who are small business enterprises (SBE's), minority business enterprises (MBE's), and women business enterprises (WBE's).

(ii) Require sub-recipients, including prime contractors and subcontractors, to make a good faith effort to award a fair share of work to DBE's.

(iii) Require prime contractors to pay subcontractors for satisfactory performance no more than thirty (30) days from the prime contractor's receipt of payment from the Local Borrower.

(iv) Require prime contractors to notify the Local Borrower in writing prior to any termination of a DBE subcontractor for convenience by the prime contractor.

(v) Report DBE participation to the Authority.

Section 5. Negative Covenants.

Unless otherwise agreed to in writing by Lender, while this Agreement is in effect, whether or not any advance is outstanding, Borrower shall not:

- (a) Liens. Create, incur, assume, or allow to exist any mortgage, deed of trust, deed to secure debt, pledge, lien, (including the lien of an attachment, judgment, or execution), security interest, or other encumbrance of any kind upon any of its property, real or personal. The foregoing restrictions shall not apply to (i) liens in favor of Lender; (ii) liens for taxes, assessments, or governmental charges that are not past due; (iii) liens, pledges, and deposits under workers' compensation, unemployment insurance, and social security laws; (iv) liens, deposits, and pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), and like obligations arising in the ordinary course of borrower's business as conducted on the date hereof; and (v) liens imposed by law in favor of mechanics, materialmen, warehousemen, and like persons that secure obligations that are not past due.
- (b) Mergers; Acquisitions; Etc. Merge or consolidate with any other entity, or acquire all or substantially all of the assets of any person or entity, or form or create any new subsidiary or affiliate, or commence operations under any other name, organization, or entity, including any joint venture.
- (c) Transfer of Assets. Sell, transfer, lease, or otherwise dispose of any of Borrower's assets, except in the ordinary course of its business or to effect any change in ownership.
- (d) Change in Business. Engage in any business activities or operations substantially different from or unrelated to Borrower's present business activities or operations.

Section 6. Events Of Default. Each of the following shall constitute an "Event of Default" hereunder:

- (a) Payment Default. Failure by Borrower to make any payment or investment required to be made hereunder, under the Note, or under any other Loan Document when due.
- (b) Representations and Warranties. Any representation or warranty made by Borrower herein or in any other Loan Document shall prove to have been false or misleading in any material respect on or as of the date made, including deemed made in connection with each Advance.
- (c) Covenants and Agreements. Borrower should fail to perform or comply with any covenant or agreement contained herein.
- (d) Cross-Default. Borrower should, after any applicable grace period, breach or be in default under the terms of any agreement (other than the Loan Documents) between Borrower and Lender, including, without limitation, any other loan agreement, security agreement, mortgage, deed to secure debt, or deed of trust.
- (e) Other Indebtedness. The occurrence of any breach, default, event of default, or event which with the giving of notice or lapse of time, or both, could become a default or event of default under any agreement, indenture, mortgage, or other instrument by which Borrower or any of its property is bound or affected (other than the Loan Documents) if the effect of such breach, default, event of default or event is to accelerate, or to permit the acceleration of, the maturity of any indebtedness under such agreement, indenture, mortgage, or other instrument.
- (f) Judgments. Judgments, decrees, or orders for the payment of money in the aggregate in excess of the amount set forth in Exhibit E relating to Additional Indebtedness hereof shall be rendered against Borrower and either (i) enforcement proceedings shall have been commenced; or (ii) such judgments, decrees, and orders shall continue unsatisfied and in effect for a period of twenty (20) consecutive days without being vacated, discharged, satisfied, or stayed pending appeal.
- (g) Insolvency; Etc. Borrower: (i) shall become insolvent or shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they come due; or (ii) shall suspend its business operations or a material part thereof or make an assignment for the benefit of creditors; or (iii) shall apply for, consent to, or acquiesce in the appointment of a trustee, receiver, or other custodian for it or any of its property or, in the absence of such application,

consent, or acquiescence, a trustee, receiver, or other custodian is so appointed; or (iv) shall commence with respect to it or have commenced against it any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law or statute of any jurisdiction.

(h) Material Adverse Change. Any material adverse change occurs, as reasonably determined by Lender, in Borrower's condition, financial or otherwise, operations, properties, or business or Borrower's ability to perform its obligations under the Loan Documents.

(i) Failure to Amend Subordination Agreement. The Borrower and any additional Creditor fail to amend the Subordination Agreement in accordance with Paragraph 2 of the Subordination Agreement.

Section 7. Remedies Upon Event Of Default. Upon the occurrence of and during the continuance of each and every Event of Default:

(a) Termination; Etc. Lender shall have no obligation to make advances hereunder and, upon notice to Borrower, may terminate the Commitment and declare the entire unpaid principal balance of the Note, all accrued interest thereon and all other amounts payable under this Agreement and all other agreements between Lender and Borrower, to be immediately due and payable. Upon such a declaration, the unpaid principal balance of the Note and all such other amounts shall become immediately due and payable, without protest, presentment, demand, or further notice of any kind, all of which are hereby expressly waived by Borrower.

(b) Enforcement. Lender may proceed to protect, exercise, and enforce such rights and remedies as may be provided by agreement or under law including, without limitation, the rights and remedies provided for in the Note. Each and every one of such rights and remedies shall be cumulative and may be exercised from time to time, and no failure on the part of Lender to exercise, and no delay in exercising, any right or remedy shall operate as a waiver thereof, nor shall any single or partial exercise of any rights or remedy preclude any other or future exercise thereof, or the exercise of any other right. In addition, Lender may hold and/or set off and apply against Borrower's indebtedness any and all cash, accounts, securities, or other property in Lender's possession or under its control.

(c) Application of Payments. After termination and acceleration of the Loan all amounts received by Lender shall be applied to the amounts owing hereunder and under the Note in whatever order and manner as Lender shall in its sole discretion elect.

Section 8. Survival. The representations, warranties, and covenants of Borrower in the Loan Documents shall survive the execution and delivery of the Loan Documents and the making of the Loan.

Section 9. Integration, Change, Discharge, Termination, Or Waiver. The Loan Documents contain the entire understanding and agreement of Lender and Borrower and supersede all prior representations, warranties, agreements, arrangements, and understandings. No provision of the Loan Documents may be changed, discharged, supplemented, terminated, or waived except in a writing signed by Lender and Borrower. No waiver of any breach or default shall be deemed a waiver of any breach or default occurring thereafter or a waiver of the time of the essence provision.

Section 10. Parties And Binding Effect. This Agreement is made solely between Lender and Borrower, and no other Person shall have any rights hereunder or be a third-party beneficiary hereof. This Loan Agreement shall be binding upon the undersigned, and upon the heirs, legal representatives, successors and assigns of the undersigned; and to the extent that the Borrower is either a partnership or a corporation, all references herein to the Borrower shall be deemed to include any successor or successors, whether immediate or remote, to such partnership or corporation. Borrower may not assign any of its rights or delegate any of its obligations under the Loan Documents without the prior express written consent of Lender, and any purported assignment by Borrower made in contravention hereof shall be void. Lender may from time to time assign, or sell participation interests in, any part or all of the Obligations and its rights and obligations under the Loan Documents in its absolute and sole discretion.

Section 11. Costs And Expenses. Borrower agrees to pay, on demand, all internal and external costs, expenses, and fees of Lender in respect of (i) application fees, (ii) enforcement of the Loan Documents and exercise of

the rights and remedies of Lender, (iii) defense of the enforceability of the Loan Documents or of the perfection or priority of any Lien granted in the Loan Documents, (iv) any other matter relating to the Loan Documents, the collateral provided for herein, or the transaction described in the Loan Documents, and (v) preparation for matters within (ii), (iii), or (iv) whether or not any legal proceeding is brought. Such costs shall include, without limitation, all such costs incurred in connection with any bankruptcy, receivership, or other court proceedings (whether at the trial or appellate level). At the option of Lender such costs, expenses, and fees may be deducted from the proceeds of the Loan.

Section 12. Authority To File Notices. Borrower irrevocably appoints Lender as its attorney-in-fact, with full power of substitution, to file for record, at the Borrower's cost and expense and in Borrower's name, any notices of completion, notices of cessation of labor, or any other notices that Lender considers necessary to desirable to protect its security.

Section 13. Inconsistencies With Loan Documents. In the event of any inconsistencies between the terms of this Agreement and any terms of any of the Loan Documents or any loan application, the terms of this Agreement shall govern and prevail.

Section 14. No Waiver. No disbursement of proceeds of the Loan shall constitute a waiver of any conditions to Lender's obligation to make further disbursements nor, in the event Borrower is unable to satisfy any such conditions, shall any such waiver have the effect of precluding Lender from thereafter declaring such inability a default under this Agreement.

Section 15. Lender Approval Of Instruments And Parties. All proceedings taken in accordance with transactions provided for herein; all surveys, appraisals and documents required or contemplated by this Agreement and the persons responsible for the execution and preparation thereof, shall be satisfactory to and subject to approval by Lender. Lender's counsel shall be provided with copies of all documents which they may reasonably request in connection with the Agreement.

Section 16. Lender Determination Of Facts. Lender shall at all times be free to establish independently, to its satisfaction, the existence or nonexistence of any fact or facts, the existence or nonexistence of which is a condition of this Agreement.

Section 17. Disclaimer By Lender. Borrower is not and shall not be an agent of Lender for any purpose. Lender is not a joint venture partner with Borrower in any manner whatsoever. Approvals granted by Lender for any matters covered under this Agreement shall be narrowly construed to cover only the parties and facts identified in any written approval or, if not in writing, such approvals shall be solely for the benefit of Borrower.

Section 18. Severability. If any provision of this Agreement is unenforceable, the enforceability of the other provisions shall not be affected and they shall remain in full force and effect.

Section 19. Waiver Of Jury Trial. Borrower waives, and, by accepting this agreement, the lender shall be deemed to waive, any right to a trial by jury in any action or proceeding to enforce or defend any rights (a) under this agreement or under any amendment, instrument, document or agreement delivered or which may in the future be delivered in connection herewith or (b) arising from any banking relationship existing in connection with this agreement, and borrower agrees, and, by accepting this agreement, the lender shall be deemed to agree, that any such action or proceeding shall be tried before a court and not before a jury.

Section 20 Time Of The Essence. Time is of the essence with regard to each provision of this Agreement as to which time is a factor.

Section 21. Notices And Demands. All written demands and notices by Lender or Borrower relating to the Loan Documents shall be served by certified or registered mail, return receipt requested. Each such demand or notice shall be deposited in the United States Mail postage prepaid and addressed to the addressee's address first above stated. Service of any such demand or notice shall be deemed complete on the date of actual delivery as shown by the

addressee's return receipt or at the expiration of the third Business Day after mailing, whichever is earlier. Rejection or refusal to accept the demand or notice by the addressee or inability to deliver the demand or notice due to a changed address of which no notice was given shall not affect deemed service. Lender or Borrower may from time to time, by written notice served on the other, designate a different address or a different attention person for service of demands and notices.

Section 22. No Construction Against Lender Or Borrower. The Loan Documents are the result of negotiations between Borrower and Lender. Accordingly, the Loan Documents shall not be construed for or against Borrower or Lender, regardless of which party drafted the Loan Documents or any part thereof.

Section 23. Rescission Or Return Of Payments. If at any time or from time to time, whether before or after payment and performance of the Obligations, all or any part of any amount received by Lender in payment of, or on account of, any Obligation is or must be, or is claimed to be, avoided, rescinded, or returned by Lender to Borrower or any other Person for any reason whatsoever (including, without limitation, bankruptcy, insolvency, or reorganization of Borrower or any other Person), such Obligation and the Liens on property, and rights to property that were the collateral at the time such avoided, rescinded, or returned payment was received by Lender shall be deemed to have continued in existence or shall be reinstated, as the case may be, all as though such payment had not been received.

Section 24. Indemnification Of Lender. Borrower agrees to indemnify, hold harmless, and on demand defend Lender and its directors, officers, employees, agents, auditors, counsel, investment committee members and representatives for, from, and against any and all damages, losses, liabilities, costs, and expenses (including, without limitation, costs and expenses of litigation and reasonable attorneys' fees) arising from any claim or demand in respect of this Agreement, the Loan Documents, the collateral provided for herein, or the transaction described in the Loan Documents and arising at any time, whether before or after payment and performance of the Obligations. The obligations of Borrower and the rights of Lender under this Section 26 shall survive payment and performance of the Obligations and shall remain in full force and effect without termination.

Section 25. Waiver Of Statute Of Limitations. Borrower waives, to the full extent permitted by law, the right to plead and any statutes of limitations as a defense in any action or proceeding in respect of the Loan Documents.

Section 26. Number And Gender. In this Agreement the singular shall include the plural and the masculine shall include the feminine and neuter genders, and vice versa.

Section 27. Headings And References. The headings at the beginning of each section of this Agreement are solely for convenience and are not part of this Agreement. Reference herein to a section, attachment, exhibit, or schedule is to the respective section, attachment, exhibit, or schedule herein or hereto, unless otherwise specified.

Section 28. Counterpart Execution. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this document to physically form one document.

Section 29. Arbitration. The parties hereto agree to use arbitration to the extent required by Section 12-1518 of the Arizona Revised Statutes, as amended.

Section 30. Choice Of Law And Jurisdiction. This agreement shall be construed in accordance with and governed by the laws of the state of Arizona. The courts of Arizona, federal or state, shall have exclusive jurisdiction of all legal actions arising out of this agreement. By executing this agreement, the undersigned submits to the jurisdiction of the federal and state courts of Arizona.

Section 31. Notice Regarding A.R.S. § 38-511 Cancellation. To the extent applicable by provision of law, the parties acknowledge that this agreement is subject to cancellation pursuant to A.R.S. §38-511, the provisions of which are hereby incorporated herein.

Section 32. A.R.S. Section 23-214 E-Verify Compliance. The Borrower warrants to the Lender that either (a) it is not an "employer" (within the meaning of Arizona Revised Statutes Section 23-214) or (b) it is registered with and is participating in the employment verification pilot program as jointly administered by the United States department of homeland security and the social security administration or any of its successor programs (the "E-Verify Program") and that the proof submitted to the Lender of that registration and participation is true and correct. The Borrower agrees that, until the Loan is fully paid, at all times during which it is an "employer" (within the meaning of Arizona Revised Statutes Section 23-214) it will be registered with and will participate in the E-Verify Program. If the Lender determines that the Borrower is not so registered and participating when required, the Lender will notify the Borrower by certified mail of the determination of noncompliance and the Borrower's right to appeal the determination. On a final determination of noncompliance, the Borrower shall repay all monies received as an economic development incentive (within the meaning of Arizona Revised Statutes Section 23-214) to the Lender within thirty days of the final determination.

Section 33. Compliance with Applicable Federal Laws And Authorities

The Borrower agrees that the project will comply with the applicable terms and conditions of those federal laws and authorities listed below, as amended from time to time:

Environmental:

1. Archaeological and Historical Preservation Act of 1974, PL 93291.
2. Clean Air Act, 42 U.S.C. 7506(e).
3. Clean Water Act, Titles II, IV, and V, Pub. L. 92-500, as amended.
4. Coastal Barrier Resources Act, Pub. L. 97-348.
5. Coastal Zone Management Act, Pub. L. 92-583, as amended.
6. Endangered Species Act 16 U.S.C. 1531, et seq.
7. Executive Order 11593, Protection and Enhancement of the Cultural Environment.
8. Executive Order 11988, Floodplain Management.
9. Executive Order 11990, Protection of Wetlands.
10. Farmland Protection Policy Act, 7 U.S.C. 4201 et seq.
11. Fish and Wildlife Coordination Act, PL 85-624, as amended.
12. Magnuson-Stevens Fishery Conservation and Management Act, Pub L. 94-265
13. National Historic Preservation Act of 1966, PL 89-665, as amended.
14. Safe Drinking Water Act, section 1424(e), PL 92-523, as amended.
15. Wild and Scenic Rivers Act, PL 90-542, as amended.
16. Environmental Justice, Executive Order 12898.

Economic:

1. Demonstration Cities and Metropolitan Development Act of 1966, PL 89-754, as amended.

2. Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans.

Social Legislation:

1. Age Discrimination Act, PL 94-135.
2. Civil Rights Act of 1964, PL 88-352, Title VI.
3. Section 13 of PL 92-500; Prohibition against sex discrimination under the Federal Water Pollution Control Act.
4. Executive Order H 246, Equal Employment Opportunity.
5. Participation by Disadvantaged Business Enterprises in Procurement Under Environmental Protection Agency (EPA) Financial Assistance Agreements Executive Orders 11625, 12138, and 12432 Women's and Minority Business Enterprise..
6. Rehabilitation Act of 1973, PL 93, 112 (including Executive Order 11914 and 11250).
7. The Drug Free Workplace Act Of 1988, Pub. L. 100-690.
8. Section 13 of PL 92-500; Prohibition against sex discrimination under the Federal Water Pollution Control Act.
9. Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590.
10. The Drug Free Workplace Act Of 1988, Pub. L. 100-690.
11. Anti-Lobbying Provision (40 CFR Part 30).

Miscellaneous Authority:

1. Anti-Lobbying Provision (40 CFR Part 30) and New Restrictions on Lobbying, Section 319 of Pub. L. 101-121
2. Executive Order 12549 - Debarment and Suspension.
3. Uniform Relocation and Real Property Acquisition Policies Act of 1970, PL 91-646.

SUBORDINATION AGREEMENT

This SUBORDINATION AGREEMENT ("Subordination Agreement") is made as of January 7, 2011 by Mirabell Water Company (hereinafter called "Borrower"), and Morton Freedman (hereinafter called "Creditor"), in favor of WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA (hereinafter called "Lender").

RECITALS

A. Borrower is or may hereafter become obligated to Lender to the extent permitted pursuant to that certain Loan Agreement of even date herewith (the "Loan Agreement") between Borrower and Lender.

B. It is a condition to the making of the Loan, as defined in the Loan Agreement, that Borrower and Creditor enter into this Subordination Agreement.

C. In order to induce the Lender to enter into the Loan and to from this time, or from time to time, at its option, make loans or extend credit or other accommodations or benefits to or for the account of Borrower, with or without security, or to purchase or extend credit upon any instrument or writing in respect of which the Borrower may be liable in any capacity in such manner and amount and upon terms and conditions as the Lender may deem advisable, and in consideration of any such loan, renewal or extension of credit which the Lender may make, the undersigned Creditor does hereby wholly subordinate, as hereinafter provided, any and all present and future indebtedness or obligations of Borrower to Creditor, absolute or contingent, and any instrument, negotiable or otherwise, evidencing any such indebtedness, and all claims, rights and remedies therefor, (sometimes hereinafter referred to as "Subordinated Indebtedness") to any and all indebtedness of Borrower to Lender, whether now existing or hereafter arising, direct or indirect, absolute or contingent, joint, several, or joint and several, secured or unsecured, due or not due (including, without limitation, all amounts due under the Loan Agreement and the Loan Documents thereunder), and whether arising directly between Borrower and Lender, or acquired outright, conditionally or as collateral security from another by the Lender, and any renewals, modifications or extensions thereof, and any interest thereon, and all costs of collecting the same, including, but not limited to reasonable attorneys' fees incurred by Lender (sometimes hereinafter referred to as "Superior Indebtedness").

NOW THEREFORE, so long as Borrower is indebted to Lender on account of Superior Indebtedness, the parties hereto undertake and agree as follows:

1. The words "Creditor" and "Borrower" as herein used shall include the plural as well as the singular and, if Creditor or Borrower includes two (2) or more, they shall be jointly and severally bound hereby.
2. The Borrower and Creditor agree to amend this Subordination Agreement for execution by additional Creditors.

3. The Subordinated Indebtedness shall, at all times and in all respects, be wholly subordinate and inferior in claim and right to the Superior Indebtedness, and all claims, rights and remedies and interests in collateral given as security therefor are hereby subordinated and made subsequent and inferior to the Superior Indebtedness and any claims, rights and remedies arising out of, or in connection therewith. Creditor shall not exercise any such claims, rights or remedies until repayment in full of the Superior Indebtedness.

4. So long as no Event of Default (as defined in the Loan Agreement) or event which with notice or lapse of time or both would become an Event of Default has occurred and is continuing, regularly scheduled payments on the Subordinated Indebtedness may be made by Borrower and accepted by Creditor as such payments become due.

5. During any period that an Event of Default, or an event which with notice or lapse of time or both would become an Event of Default, has occurred and is continuing, Borrower shall not make and Creditor shall not accept any payments with respect to the Subordinated Indebtedness.

6. In the event of any distribution, division, or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the assets of Borrower, or the proceeds thereof, to creditors of Borrower, by reason of the liquidation, dissolution, or other winding up of Borrower's business, or in the event of any sale, receivership, insolvency or bankruptcy proceedings by or against Borrower, or assignment for the benefit of creditors, or of any proceedings by or against Borrower for any relief under any bankruptcy or insolvency laws, or relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions, or of any other event whereby it becomes necessary or desirable to file or present claims against Borrower for the purpose of receiving payment thereof, or on account thereof, then and in any such event, any payment or distribution of any kind or character, either in cash or other property, which shall be made or shall be payable with respect to any Subordinated Indebtedness shall be paid over to Lender for application to the payment of the Superior Indebtedness, whether due or not due, and no payments shall be made upon or in respect of Subordinated Indebtedness unless and until the Superior Indebtedness shall have been paid and satisfied in full. In any such event, all claims of the Lender and all claims of the Creditor shall, at the option of the Lender, forthwith become due and payable without demand or notice.

7. Should any payment or distribution or security or proceeds thereof, other than the payments permitted pursuant to paragraphs 2 and 3 hereof, be received by Creditor upon or with respect to the Subordinated Indebtedness prior to the satisfaction of the Superior Indebtedness, Creditor will forthwith deliver the same to Lender in precisely the form as received except for the endorsement or assignment of Creditor where necessary for application on the Superior Indebtedness, whether due or not due, and until so delivered the same shall be held in trust by Creditor as property of the Lender. In the event of the failure of Creditor to make any such endorsement or assignment, the Lender, or any of its officers or employees, on behalf of the Lender, is hereby irrevocably authorized to make the same.

8. No renewal, modification or extension of time of payment of the Superior Indebtedness, and no release or surrender of any security for the Superior Indebtedness, or the obligations of any endorsers, sureties or guarantors thereof, or release from the terms of this or any other subordination

agreement of any claims subordinated, and no delay or omission in exercising any right or power on account of or in connection with the Superior Indebtedness, or under this Subordination Agreement, shall, in any manner, impair or affect the rights and duties of Lender, the Creditor and Borrower. Lender, in its uncontrolled discretion, may waive or release any right or option under this Subordination Agreement without the consent of Borrower or Creditor, and without otherwise in any way affecting the obligations of Borrower and Creditor hereunder. Creditor hereby waives notice of the creation, existence, renewal, or modification or extension of the time of payment, of the Superior Indebtedness.

9. This Subordination Agreement shall be a continuing agreement and Lender may continue, without notice to Creditor, to lend monies, extend credit and make other accommodations to or for the account of Borrower on the faith hereof.

10. Creditor agrees that Lender, at any time and from time to time, may enter into such agreement or agreements with Borrower, as Lender may deem proper, extending the time of payment or renewing or otherwise altering the terms of all or any of the obligations of Borrower to Lender, or affecting any security underlying any or all of such obligations, or may exchange, sell or surrender or otherwise deal with any such security, or may release any balance of funds of Borrower with Lender, without notice to Creditor and without in any way impairing or affecting this Subordination Agreement.

11. No waiver shall be deemed to be made by Lender of any of its rights hereunder unless the same shall be in writing signed on behalf of the Lender, and each such waiver, if any, shall be a waiver only with respect to the specific matter or matters to which the waiver relates and shall in no way impair the rights of the Lender or the obligations of Creditor to Lender in any other respect at any other time.

12. This Subordination Agreement shall inure to the benefit of Lender and the successors and assigns of Lender, and any financing institution joining in making said loan(s) or extending said line(s) of credit, or committing itself to make any advances in connection therewith, or which may now, or hereafter, participate therein. Notice of acceptance of this Subordination Agreement is hereby waived and this Subordination Agreement shall be binding upon the Creditor, its heirs, personal representatives, successors and assigns, as the case may be, it being understood, however, that no assignment of the Subordinated Indebtedness due Creditor from Borrower, or any part thereof, shall be made to one not a party hereto without the written consent of the Lender first had and obtained, as hereinabove provided.

13. Creditor agrees not to commence or join with any other creditor of Borrower in commencing any bankruptcy, reorganization or insolvency proceedings against the Borrower.

14. This Subordination Agreement shall be deemed to have been executed, delivered and performed in Arizona, and construed according to the laws of the State of Arizona. Creditor and Borrower waive notice of acceptance hereof and all other notices or demands whatsoever.

15. In the event of a breach of any covenant or agreement made herein by either Creditor or Borrower, Lender may, at its option, declare all of the Superior Indebtedness and/or Subordinated Indebtedness immediately due and payable.

16. This Subordination Agreement may be executed in counterparts, all of which executed counterparts shall together constitute a single document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to form physically one document.

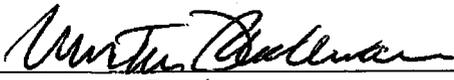
17. The parties hereto agree to use arbitration to the extent required by Section 12-1518 of the Arizona Revised Statutes, as amended.

18. This agreement shall be construed in accordance with and governed by the laws of the state of Arizona. The courts of Arizona, federal or state, shall have exclusive jurisdiction of all legal actions arising out of this agreement. By executing this agreement, the undersigned submits to the jurisdiction of the federal and state courts of Arizona.

19. To the extent applicable by provision of law, the parties acknowledge that this agreement is subject to cancellation pursuant to A.R.S. §38-511, the provisions of which are hereby incorporated herein.

IN WITNESS WHEREOF, this Subordination Agreement has been duly executed as of the date first written above.

Mirabell Water Company

By: 
Name: Morton Freedman
Title: President

"Borrower"

By: 
Name: Morton Freedman

"Creditor"

CASH COLLATERAL AGREEMENT

This Cash Collateral Agreement is made as of January 7, 2011 between Mirabell Water Company ("Pledgor"), and Water Infrastructure Finance Authority of Arizona ("Lender").

RECITALS:

A. Pledgor and Lender have entered into that certain Loan Agreement of even date herewith (the "Loan Agreement"), pursuant to which Lender has made available to Pledgor a loan of up to ten thousand and two hundred and forty-three (\$10,243.00) (the "Loan").

B. Pursuant to the Loan Agreement, certain funds are required to be deposited from time to time by Pledgor in a Debt Service Reserve Fund administered by the Lender and in a Replacement Reserve Fund administered by the Borrower, both of which are pledged to Lender to secure repayment with interest of the Loan. Amounts deposited with the Lender in the Debt Service Reserve Fund and in the Replacement Reserve Fund are referred to herein as the "Pledged Funds".

C. Pledgor and Lender desire to enter into this Cash Collateral Agreement to provide for the deposit and holding of the Pledged Funds.

D. The Loan Agreement, this Cash Collateral Agreement and all other documents securing or otherwise relating to the Loan shall be referred to collectively in this Cash Collateral Agreement as the "Loan Documents". All capitalized terms used in this Cash Collateral Agreement and not otherwise defined shall have the meanings given to such terms in the Loan Agreement.

E. It is a condition to the making of the Loan that Pledgor and Lender enter into this Cash Collateral Agreement.

NOW, THEREFORE, in order to induce Lender to make the Loan and in consideration thereof, Pledgor and Lender agree as follows:

1. Definitions. The following terms shall have the following meanings:

"Cash Collateral Agreement" means this Cash Collateral Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Debt Service Reserve Fund" shall have the meaning ascribed thereto in Section 2 hereof.

"Obligations" shall mean all the obligations of Pledgor to Lender under the Loan Agreement and the Note and all other obligations and liabilities of Pledgor to Lender, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter incurred, arising under, out of, or in connection with, the Loan Agreement, this Cash Collateral Agreement or any of the Loan Documents.

"Pledged Funds" shall mean as defined in the Recitals to this Agreement.

"Replacement Reserve Fund" shall have the meaning ascribed thereto in Section 2 hereof.

2. Establishment of Debt Service Reserve Fund and Replacement Reserve Fund. Pledgor and Lender agree that concurrently with the execution and delivery of this Cash Collateral Agreement there is established and shall be maintained a Debt Service Reserve Fund pursuant to the Loan Agreement. At such time as is required pursuant to the Loan Agreement Borrower shall establish a Replacement Reserve Fund in the name of Borrower in which there shall be deposited by Pledgor all Pledged Funds as required by the provisions of the Loan Agreement.

3. Grant of Security Interest. As collateral security for the prompt and complete payment when due of all the Obligations, Pledgor has granted, bargained, sold, assigned, pledged, and set over and by these presents does hereby grant, bargain, sell, assign, pledge, transfer and set over unto the Lender, and its successors and assigns, all of Pledgor's right, title and interest in and to any Pledged Funds now or hereafter held or deposited in the Debt Service Reserve Fund and the Replacement Reserve Fund.

4. Terms and Conditions.

(a) The Debt Service Reserve Fund and all amounts deposited therein shall be held in the sole dominion and control of Lender and shall be administered by the Lender as a collateral account for the benefit of Lender, and Pledgor shall have no rights or powers with respect to, or control over, the Debt Service Reserve Fund or any part thereof. Pledgor's sole right with respect to the Pledged Funds in the Debt Service Reserve Fund shall be as provided herein and in the Loan Agreement.

(b) If no Event of Default, and no event which with the giving of notice or the passage of time or both could become an Event of Default, has occurred and is continuing, Pledgor from time to time may withdraw moneys from the Replacement Reserve Fund and apply the moneys withdrawn for one or more of the following purposes: (i) for the acquisition of new, or the replacement of obsolete or worn out, machinery, equipment, furniture, fixtures or other personal property for the Facility provided that the property is depreciable; (ii) for the performance of repairs with respect to the Facility which are of an extraordinary and non-recurring nature provided that the property is depreciable; (iii) for the acquisition or construction of additions to or improvements, extensions or enlargements to, or remodeling of, the Facility provided that the property is depreciable; and/or (iv) to make payments to Lender on the Loan.

(c) From and after the occurrence and during the continuation of an Event of Default, Lender may, in the sole and absolute discretion of Lender, apply the Pledged Funds in the Debt Service Reserve Fund, and, if there are insufficient Pledged Funds in the Debt Service Reserve Fund, in the Replacement Reserve Fund, to the Obligations in the following order: (i) all outstanding costs, expenses, fees and late charges due to Lender, (ii) interest at the rate or rates specified in the Loan Documents and (iii) the principal amount of the Obligations. All interest and other investment earnings amounts from time to time accrued and paid on the Pledged Funds in the Debt Service Reserve Fund and the Replacement Reserve Fund shall be retained in the Debt Service Reserve Fund and the Replacement Reserve Fund and shall be applied in accordance with the Loan Agreement and this Cash Collateral Agreement.

(d) Lender shall have, with respect to the Pledged Funds, all rights and remedies of a secured party under Article 9 of the Arizona Uniform Commercial Code and other applicable laws.

5. Further Assurances. Pledgor will, at any time and from time to time, execute and deliver such further documents and do such further acts as shall be required by law or be reasonably requested by Lender to confirm or further assure the interest of Lender hereunder.

6. No Liability for Lawful Actions. Neither Lender nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be liable for any action lawfully taken or omitted to be taken by any of them under or in connection with this Cash Collateral Agreement (except for gross negligence or willful misconduct).

7. Notices. All notices, requests, demands or other communications to or upon the parties hereto shall be deemed to have been given or made when mailed, delivered or transmitted in accordance with the requirements of the Loan Documents.

8. No Failure, etc. No failure to exercise and no delay in exercising on the part of Lender of any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other power or right. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

9. Waiver; Amendments. None of the terms and provisions of this Cash Collateral Agreement may be waived, altered, modified or amended except by an instrument in writing executed by the parties hereto.

10. Representations and Warranties; Covenants.

(a) Pledgor hereby represents and warrants to Lender, effective upon the date hereof and each deposit of Pledged Funds to the Debt Service Reserve Fund and the Replacement Reserve Fund, that:

(i) No filing, recordation, registration or declaration with or notice to any person or entity is required in connection with the execution, delivery and performance of this Cash Collateral Agreement by Pledgor or in order to preserve or perfect the first priority lien and charge intended to be created hereunder in the Pledged Funds.

(ii) Except for the security interest granted to Lender pursuant to this Cash Collateral Agreement, Pledgor is the sole owner of the Pledged Funds, having good and marketable title thereto, free and clear of any and all mortgages, liens, security interests, encumbrances, claims or rights of others.

(iii) No security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Pledged Funds is on file or of record in any public office, except such as may have been filed by Pledgor in favor of Lender.

(iv) This Cash Collateral Agreement constitutes a valid and continuing first lien on and first security interest in the Pledged Funds in favor of Lender, prior to all other liens, encumbrances, security interests and rights of others, and is enforceable as such as against creditors of and purchasers from Pledgor.

(b) Without the prior written consent of Lender, Pledgor hereby covenants and agrees that it will not sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to, the Pledged Funds, nor will it create, incur or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance with respect to any of the Pledged Funds, or any interest therein, except for the security interest provided for by this Cash Collateral Agreement.

(c) Pledgor hereby covenants and agrees that it will defend Lender's right, title and security interest in and to the Pledged Funds against the claims and demands of all persons whomsoever except to the extent which arise out of the willful misconduct or gross negligence of Lender.

11. Lender's Expenses and Liabilities. Pledgor shall pay all costs and out-of-pocket reasonable expenses of Lender in connection with the maintenance and operation of this Cash Collateral Agreement made in accordance with the terms hereof. Pledgor also agrees to pay all costs of Lender, including reasonable attorneys' fees, incurred with respect to the enforcement of Lender's rights hereunder.

12. Governing Law. This Cash Collateral Agreement shall be deemed to be a contract under, and for all purposes shall be governed by, and construed and interpreted in accordance with, the law of the State of Arizona.

13. Severability. Any provision of this Cash Collateral Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

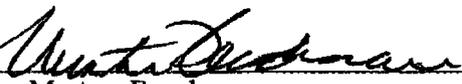
14. Successors and Assigns. This Cash Collateral Agreement and all obligations of Pledgor hereunder shall be binding upon the successors or assigns of Pledgor, and shall, together with the rights and remedies of Lender hereunder, inure to the benefit of Lender and its successors and assigns.

15. Termination. This Agreement shall terminate and, upon request of Pledgor, all monies (if any) remaining in the Debt Service Reserve Fund and the Replacement Reserve Fund shall be returned to Pledgor at such time as all of the following have occurred: (i) all amounts payable to Lender under the Loan Documents have been paid in full and all other obligations of Pledgor to Lender pursuant to the Loan Agreement have been performed in full, and (ii) Lender has no further obligation to make any loans or advances to Pledgor pursuant to the Loan Agreement or any of the other Loan Documents.

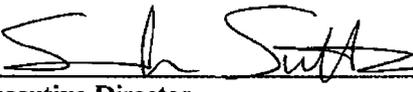
16. Counterparts. This Agreement may be executed in counterparts, all of which executed counterparts shall together constitute a single document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to form physically one document.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be duly executed and delivered as of the date first above written.

Pledgor: Mirabell Water Company

By: 
Name: Morton Freedman
Title: President

Lender: Water Infrastructure Finance Authority of Arizona

By: 
Executive Director

FINANCING STATEMENT - FOLLOW INSTRUCTIONS CAREFULLY
 This Financing Statement is presented for filing pursuant to the Uniform Commercial Code and will remain effective, with certain exceptions, for 5 years from date of filing.

A. NAME & TEL. # OF CONTACT AT FILER (optional)	B. FILING OFFICE ACCT. # (optional)
C. RETURN COPY TO: (Name and Mailing Address)	
Water Infrastructure Finance Authority of Arizona 1110 West Washington Ste. 290 Phoenix, AZ 85007 Attention: Finance Director	

THIS SPACE FOR USE OF FILING OFFICER

1. DEBTOR'S EXACT FULL LEGAL NAME - Insert only one debtor name (1a or 1b)

OR	1a. ENTITY'S NAME Mirabell Water Company					
	1b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX	
1c. MAILING ADDRESS 3361 Caminito Luna Nueva			CITY Del Mar	STATE AZ	COUNTRY USA	POSTAL CODE 92014
1d. S.S. OR TAX I.D. #	OPTIONAL ADD'NL INFO RE ENTITY DEBTOR	1e. TYPE OF ENTITY Public Water System	1f. ENTITY'S STATE OR COUNTRY OF ORGANIZATION Arizona	1g. ENTITY'S ORGANIZATIONAL I.D. #, if any NONE		

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - Insert only one debtor name (2a or 2b)

OR	2a. ENTITY'S NAME					
	2b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX	
2c. MAILING ADDRESS			CITY	STATE	COUNTRY	POSTAL CODE
2d. S.S. OR TAX I.D. #	OPTIONAL ADD'NL INFO RE ENTITY DEBTOR	2e. TYPE OF ENTITY	2f. ENTITY'S STATE OR COUNTRY OF ORGANIZATION	2g. ENTITY'S ORGANIZATIONAL I.D. #, if any <input type="checkbox"/> NONE		

3. SECURED PARTY'S (ORIGINAL S/P or ITS TOTAL ASSIGNEE) EXACT FULL LEGAL NAME - Insert only one secured party name (3a or 3b)

OR	3a. ENTITY'S NAME Water Infrastructure Finance Authority of Arizona					
	3b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX	
3c. MAILING ADDRESS 1110 West Washington Street, Suite 290			CITY Phoenix	STATE AZ	COUNTRY USA	POSTAL CODE 85012

4. This FINANCING STATEMENT covers the following types or items of property:

See Exhibit A and Addendum attached hereto and incorporated herein.

5. ALTERNATIVE DESIGNATION (if applicable): <input type="checkbox"/> LESSOR/LESSEE <input type="checkbox"/> CONSIGNEE/CONSIGNOR <input type="checkbox"/> BAILEE/BAILOR <input type="checkbox"/> SELLER/BUYER <input type="checkbox"/> AG. LIEN <input type="checkbox"/> NON-UCC FILING	
6. <input type="checkbox"/> This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS. Attach Addendum (if applicable)	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) <input type="checkbox"/> All Debtors <input type="checkbox"/> Debtor 1 <input type="checkbox"/> Debtor 2
8. OPTIONAL FILER REFERENCE DATA	

Exhibit A

Collateral Description

All of Debtor's present and future right, title, and interest in and to any and all of Debtor's Fixtures, Personal Property, General Intangibles, Accounts, Liens and Encumbrances and Proceeds as defined below, regardless of whether in the possession of Debtor, a bailee, a warehouseman, or any other Person; the agreements, documents, and instruments evidencing Accounts or granting such Liens and encumbrances and the filings and recordings relating to such Liens and Encumbrances; all books and records and all computer software, computer disks, computer tapes and other record-keeping media pertaining to any collateral listed in this Exhibit A; furniture, fixtures, machinery, and equipment of any kind or nature; and proceeds of any of the collateral listed in this Exhibit A; any accounts established for debt service or reserves, any certificate of authority, franchise or other right to conduct business as may be issued by any Governmental Authority (including, without limitation, cash and non-cash proceeds, insurance proceeds, proceeds of any proceeds, and proceeds of any taking by any Governmental Authority or any transfer in lieu of such a taking).

(a) the water utility plants and systems of the Debtor, including, but not limited to, all water works, generating stations, substations, pump houses, wells, distribution lines, whether located upon the Real Property or upon public or private easements, leaseholds or the like and which form a part of or are used in connection with the water utility plants or systems of the Debtor (the "Fixtures");

(b) all goods, (whether goods held for sale or returned or whether used in the business of the Debtor or to be installed in or on the Real Property), personal property, equipment, inventory, fixtures, furnishings, devices or tools and all replacements or substitutions of same (the "Personal Property");

(c) all of the franchises, certificates, authorizations by rule, privileges, permits, grants and consents for the construction, operation, and maintenance of water plants or systems in, on, and under streets, alleys, highways, roads, public grounds, easements and rights-of-way and all rights incident thereto which were granted by private persons or entities or the governing bodies of the cities, counties, state, and countries in which the Debtor operates and including, but not limited to, permits and certificates issued pursuant to the applicable provisions of the Arizona Water Code, and all development rights, utility commitments, water and wastewater taps, living unit equivalents, capital improvements project contracts, utility construction agreements with any governmental authority, including municipal utility districts or other constitutional conservation districts created under Article III, Section 52, or Article XVI, Section 59, of the Arizona Constitution, or with any utility companies (and all refunds and reimbursements thereunder) relating to the Real Property or Improvements, as any of the foregoing may be amended, and all plants and specifications for water utility plants or systems and all Debtor's rights (but not Debtor's obligations) under any documents, contract rights, accounts, commitments, construction contracts (and all payment and performance bonds, statutory or otherwise, issued by any surety in connection with any such construction contracts, and the proceeds of such bonds), architectural contracts, engineering contracts, and general intangibles (including without limitation trademarks, trade names, and symbols) arising from or by virtue of any transactions related to the Real Property, the Improvements, or the Personal Property, management contracts and all of the Debtor's rights under any contracts otherwise providing for the purchase, lease, sale or assignment of water or water rights (the "General Intangibles");

(d) all accounts arising from or by virtue of the sale, lease or disposition of any of the Real Property or Personal Property, or from any policy of insurance or the taking of any of the Real Property by right of eminent domain or condemnation or by private or other purchase in lieu thereof, including change of grade of street, curb cuts or other rights of access, for any public or quasi-public use under any law and all amounts due under current and future water supply customer accounts, including but not limited to those future accounts arising from any water utility plants or systems (or for delivery of water by any other means) (the "Accounts");

(e) all deposits, bank accounts, funds, instruments, notes or chattel paper of the Debtor, including, without limitation cash or securities deposited pursuant to leases to secure performance by the tenants of their obligations thereunder; and proceeds arising from or by virtue of the sale, lease or other disposition of the Real Property and proceeds (including premium refunds) of each policy of insurance relating to the Real Property (the "Proceeds")

(f) all of the following: (i) any lease or other right to use; (ii) any assignment as security, conditional sale, grant in trust, lien, mortgage, pledge, security interest, title retention arrangement, other encumbrance, or other interest or right securing the payment of money or the performance of any other liability or obligation, whether voluntarily or involuntarily created and whether arising by agreement, document, or instrument, under any law, ordinance, regulation, or rule (federal, state, or local), or otherwise; and (iii) any option, right of first refusal, other right to acquire, or other interest or right ("Liens and Encumbrances").

All other capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Uniform Commercial Code in effect in the State of Arizona (A.R.S. §§ 47-1101 through 47-9507).

Addendum

Borrower's Legal Description of Property

Section 24 T165 R10E Pima Count Assessor Parcel #301-75-005B

**MIRABELL WATER COMPANY
TARIFF SCHEDULE OF EMERGENCY SURCHARGE**

**Approved by the Arizona Corporation
Commission in Decision No. 71943**

**Surcharges herein effective for all
service provided on and after: TBD**

MONTHLY SURCHARGES

Meter Size

3/4 - Inch	\$	2.71
1 - Inch		4.33
1 1/2 - Inch		8.12
2 - Inch		13.54

Note: The above monthly emergency surcharge is in addition to the current rates and charges already in effect for Mirabell, and is charged per meter, per month.

MIRABELL WATER COMPANY
CALCULATION OF WIFA LOAN SURCHARGE AMOUNTS
DOCKET NO. W-02368A-10-0280

Step 1 - Find the annual payment

Combined WIFA interest and fee rate per agreement 1.5750%

Note: Since Table A does not include a conversion factor for 1.575%, the below calculation extrapolates the payment factor using the known amounts for 1.50% and 2.00%

	From Table A		Difference
Annual interest rate	1.5000%	2.0000%	0.5000% (a)
Payment Factor	\$ 0.20772	\$ 0.21033	\$ 0.00261 (b)
WIFA interest rate, less	1.5750%		
Closest interest rate from Table A	-1.5000%		
Additional interest percentage	0.0750%		(c)
Percent of difference in (a)	15.0000%		(d = a / c)
Applied to payment factor (b)	\$ 0.00039		(e = d * b)
1.5% Interest payment factor	\$ 0.20772		
Additional payment factor	\$ 0.00039		(e)
Payment factor for 1.575% interest	<u>\$ 0.20811</u>		
Annual payment conversion factor	0.20811		
Actual loan amount	\$ 10,243		
Annual loan payment	<u>\$ 2,132</u>		

Step 2 - Find the equivalent bills

Meter Size	Multiplier	# of Customers	Months/ Year	Equivalent Bills
3/4-inch meters	1.00	48	12	576
1-inch meters	1.60	11	12	211
1 1/2-inch meter	3.00	-	12	-
2-inch meter	5.00	-	12	-
Total				<u>787</u>

Step 3 - Find the monthly surcharge for 3/4" customers

Step 1 result - annual surcharge	\$ 2,132	(c)
Step 2 result - equivalent bills	<u>787</u>	(d)
Total monthly surcharge for 3/4-inch customers (c divided by d)	<u>\$ 2.71</u>	

Step 4 - Find the monthly surcharge for remaining meter size customers

Meter Size	Multiplier	3/4-inch surcharge	Surcharge by meter size
3/4-inch meter	1.00	\$ 2.71	\$ 2.71
1-inch meter	1.60	2.71	4.33
1 1/2-inch meter	3.00	2.71	8.12
2-inch meter	5.00	2.71	13.54

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION
CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Ernest G. Johnson, Executive Director of the Arizona Corporation Commission, do hereby certify that

*****MIRABELL WATER CO., INC.*****

a domestic corporation organized under the laws of the State of Arizona, did incorporate on December 10, 1981.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Business Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed Articles of Dissolution as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 21st Day of January, 2011, A. D.



Executive Director

By: _____ 563409

CASHIERS CHECK

No. 3130007408

DATE 1/21/2011
TIME 13:49:50

TILL 1311
TELLER ID 0229
BRANCH 013
ACCOUNT [REDACTED]

PAY AMOUNT *****\$10.00

TO THE ORDER OF ARIZONA CORPORATION COMMISSION

RE: SONN S ROWELL

In accordance with federal guidelines and Desert Schools procedures, a stop payment may not be placed on a Cashiers Check. If a Cashiers Check is lost, stolen or destroyed, a 90-day waiting period will apply before the item may be reissued. Purchaser initials: _____
Purchaser Signature: _____

**PURCHASER COPY
RETAIN FOR YOUR RECORDS**

DO NOT CASH THIS DOCUMENT WITHOUT VERIFICATION OF SECURITY FEATURES ON BACK.

CASHIERS CHECK

No. 3130007408

Date: 1/21/2011

VOID AFTER 90 DAYS

*****\$10.00

PAY Ten Dollars and No Cents*****

TO THE ORDER OF ARIZONA CORPORATION COMMISSION

Mirabel Water
RE: SONN S ROWELL W-023684-10-0280

[Signature]
SIGNATURE

Exhibit 5