

ORIGINAL



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April 15, 2011

Arizona Corporation Commission
Utilities Division
1200 West Washington Street
Phoenix, AZ 85007-2927

Arizona Corporation Commission
DOCKETED
APR 22 2011

DOCKETED BY *[Signature]*

Attn: Docket Control

RE: Docket #W-01380A-09-0106

To Whom It May Concern:

As per the Opinion and Order in the above –referenced matter of the financing application for Ray Water Company, I have enclosed a copy of the Promissory Note that memorializes the authorized transaction.

Please contact me if you have any additional questions or concerns.

Best Regards,

[Signature]

Rhonda Mallis Rosenbaum
General Manager
Ray Water Company
414 N. Court Avenue
Tucson, AZ 85701
raywaterco@gmail.com

Enclosure

RECEIVED
2011 APR 22 P 2:02
CORP COMMISSION
DOCKET CONTROL

PROMISSORY NOTE

For an amount up to and including \$500,000.00

Tucson, Arizona

April 1, 2011

In annual installments as herein stated, for value received, RAY WATER COMPANY, INC., an Arizona Corporation ("Borrower") promise to pay to the order of R & M REAL ESTATE LIMITED PARTNERSHIP, L.L.P., an Arizona Limited Liability Partnership ("Lender") the sum of up to FIVE HUNDRED THOUSAND DOLLARS AND NO CENTS (\$500,000.00), with interest per annum at the rate of Prime (as determined by the Wall Street Journal on the day the funds are borrowed) plus Three Percent (3%), subject to the following terms, conditions and repayment promises.

The first draw, made on May 1, 2011 shall be for the principal sum of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) with interest at the rate of 6.25%, (3.25% Prime Rate on April 1, 2011 plus 3%) from May 1, 2011, until paid in full and within Ten (10) years from the date of this draw. This payment shall be amortized over Ten (10) years and with interest, the annual payment shall be THIRTEEN THOUSAND FOUR HUNDRED SEVENTY THREE DOLLARS AND SIXTY-ONE CENTS (\$13,473.61). The first payment shall be made on May 1, 2012, and annually on May 1 of each year thereafter until paid in full.

The remaining draws, if needed, shall be made on or before December 1, 2011 and shall be for the total principal sum of up to FOUR HUNDRED THOUSAND DOLLARS (\$400,000.00), with interest as outlined in the first paragraph above. These additional draws shall have payments amortized over Ten (10) years. The first payment on each additional draw shall be made one year after that draw is made, and payments shall continue annually on the anniversary date of that draw and shall continue until paid in full, and within Ten (10) years from the date of the draw. An addendum will be attached to this Note when each additional draw is made detailing the draw date, interest rate and annual payment amount.

Each payment shall be credited first on interest then due and the remainder on principal; and interest shall thereupon cease upon the principal so credited. Principal and interest shall be payable in legal tender of the United States.

Borrower reserves the right to make full or partial payments of principal only at any time before they are due ("prepayment"). Any prepayment shall be without penalty and Borrower shall notify Lender in writing of any prepayment. Lender shall apply all prepayments to reduce the amount of principal owed under this Note.

Should default be made in payment of any installment of principal or interest when due, the whole sum of principal and interest shall become immediately due and payable at the option of the holder of this Note.

Borrower waives grace, presentment, claim of homestead exemption, or rights of exemption, demand, notice of dishonor, and protest.

This Note may not be changed orally, but only by an agreement in writing and signed by the party against whom enforcement of any waiver, change, modification, or a discharge is sought.

Should suit be brought to recover on this Note, Borrower promises to pay reasonable attorney's fees in addition to the amount found due on this Note.

It is expressly understood that this Promissory Note does not obligate RAY WATER COMPANY, INC. to borrow the entire amount of 500,000.00, or any amount at any time, but rather constitutes the creation of a line of credit from which RAY WATER may draw from time to time to pay for the engineering, construction and complete outfitting of a replacement water well and hookup to existing system.



RAY WATER COMPANY, INC.