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BEFORE THE ARIZONA CORPORATION Arizona Corporation Commission

RECEIVED

DOCKETED

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1
2 COMMISSIONERS

3 MIKE GLEASON, CHAIRMAN APR 27 P 3: 36

4 WILLIAM A. MUNDELL

5 JEFF HATCH-MILLER AZ CORP COMMISSION

6 KRISTIN K. MAYES DOCUMENT CONTROL

7 GARY PIERCE

APR 27 2007

DOCKETED BY
[Signature] *[Signature]*

8 IN THE MATTER OF THE
9 APPLICATION OF DONEY PARK
10 WATER FOR APPROVAL OF
11 FINANCING

DOCKET NO. W-01416A-06-0719

COMPLIANCE FILING PURSUANT TO
DECISION NO. 69385; REQUEST TO
ACCEPT MODIFIED FILING

12 On March 22, 2007, the Arizona Corporation Commission entered Decision
13 No. 69385 approving Doney Park Water's financing application. The Commission's
14 Decision ordered Doney Park Water to file, within 60 days of the effective date of the
15 Decision, with the Commission's Docket Control, as a compliance item in this docket, copies
16 of all executed loan documents certifying that the transactions have been completed.

17
18 The transaction closed April 3, 2007 and funding is available for the approved
19 purposes. The Decision, coupled with the March 29, 2007 directive received from the
20 Compliance and Enforcement Section, if taken literally, may require filing 14 copies with
21 Docket Control and a copy mailed to the Compliance Section of each of the documents listed
22 on Index attached hereto as Attachment A.

23
24 Doney Park Water respectfully requests that the Commission accept as full
25 compliance with Decision No. 69385 the filing of 14 copies with Docket Control of: a) the
26 Index (Attachment A hereto), and b) the executed Loan Agreement dated April 1, 2007,
27
28

1 including Exhibits A through G (Attachment B hereto), together with one two-sided copy of
2 all documents listed on the Index being mailed to the Compliance Section.

3 DATED THIS 27th day of April, 2007.

4
5 CURTIS, GOODWIN, SULLIVAN,
6 UDALL & SCHWAB, P.L.C.

7
8 By 
9 William P. Sullivan
10 501 East Thomas Road
11 Phoenix, Arizona 85012-3205
12 Attorneys for Doney Park Water
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PROOF AND CERTIFICATE OF MAILING

I hereby certify that on this 24th day of April, 2007, I caused the foregoing document to be served on the Arizona Corporation Commission by delivering the original and thirteen (13) copies of the above to:

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

Copies of the foregoing hand delivered this 24th day of April, 2007 to:

Compliance Section
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Lyn Farmer
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Christopher Kempley, Chief Counsel
Kevin Torrey
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Ernest Johnson, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Mary Walker

EXHIBIT A

**The Industrial Development Authority of Coconino County, Arizona
Exempt Facilities Revenue Bonds
(Doney Park Water Project)
Series 2007**

Prepared by:
**Lewis and Roca LLP
40 N. Central Avenue
Phoenix, AZ 85004
www.lewisandroca.com
602.262.5311**

The Industrial Development Authority of Coconino County, Arizona
Exempt Facilities Revenue Bonds
(Doney Park Water Project)
Series 2007

Index

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[Help](#)

Basic Bond Documents

1. Loan Agreement
2. UCC Financing Statement relating to Loan Agreement
3. Escrow Agreement
4. Specimen Bond
5. Tax Certificate and Agreement

Issuer Documents

6. Closing Certificate of The Industrial Development Authority of Coconino County, Arizona, with the following attachments:
 - (a) Articles of Incorporation certified by the Arizona Corporation Commission
 - (b) Bylaws
 - (c) Certificate of Good Standing
 - (d) Inducement Resolution of the Board of Directors of the Issuer dated November 8, 2006
 - (e) Posted Notice and Agenda of November 8, 2006 Meeting
 - (f) Final Resolution of the Board of Directors of the Issuer dated December 4, 2006
 - (g) Posted Notice and Agenda of December 4, 2006 Meeting
 - (h) Affidavit of Publication of Notice of Public Hearing
 - (i) Minutes of November 27, 2006 Public Hearing
 - (j) Listing of Issuer Documents
 - (k) Board of Directors and Officers of Issuer
 - (l) Issuer Representatives and Signatures
7. Affidavit Regarding Non-Interest and Status as a Qualified Elector
8. Certificate of Clerk of the Board of Supervisors of Coconino County, Arizona
9. Certificate of County Recorder regarding Elector Status
10. Letter to Attorney General; Response of Attorney General

Borrower Documents

11. Closing Certificate of Doney Park Water, with the following attachments:
 - (a) Certified Articles of Incorporation
 - (b) Bylaws
 - (c) Certificate of Good Standing

- (d) Resolution of the Board of Directors
- (e) Listing of Borrower Documents

Escrow Agent Documents

- 12. Closing Certificate of Escrow Agent

Lender's Documents

- 13. Lender's Receipt
- 14. Investor Letter

Opinions

- 15. Opinion of Bond Counsel
- 16. Opinion of Issuer Counsel
- 17. Opinion of Borrower Counsel

Miscellaneous

- 18. Payment Request No. 1
- 19. Request for Allocation and Allocation Confirmation (Volume Cap)
- 20. Certificate of Closing (Volume Cap)
- 21. I.R.S. Form 8038 and attachment, with evidence of mailing

EXHIBIT B

LOAN AGREEMENT

Among

**THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF COCONINO COUNTY, ARIZONA
as Issuer**

**DONEY PARK WATER
as Borrower**

and

**WELLS FARGO BROKERAGE SERVICES, LLC
as Lender**

Dated as of April 1, 2007

Relating to
The Industrial Development Authority of Coconino County, Arizona
Exempt Facilities Revenue Bonds
(Doney Park Water Project)
Series 2007

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EXHIBIT F	LIST OF EQUIPMENT
EXHIBIT G	PERMITTED ENCUMBRANCES

LOAN AGREEMENT

THIS LOAN AGREEMENT, is dated as of April 1, 2007 (this "Agreement"), among The Industrial Development Authority of Coconino County, Arizona (the "Issuer"), a nonprofit corporation designated as a political subdivision of the State of Arizona incorporated with the approval of Coconino County, Arizona (the "County"), pursuant to the provisions of the Constitution of the State of Arizona (the "State") and under Title 35, Chapter 5, Arizona Revised Statutes, as amended (the "Act"), Wells Fargo Brokerage Services, LLC, a Delaware limited liability company ("Lender"), and Doney Park Water, a nonprofit corporation existing under the laws of the State of Arizona ("Borrower").

WITNESSETH:

WHEREAS, pursuant to the Act, the Issuer is authorized and empowered, among other things, (a) to issue revenue bonds and use the proceeds thereof in accordance with the Act, (b) to contract with and employ others to provide for and to pay compensation for professional services and other services as the Issuer shall deem necessary for the financing of "projects" as defined in the Act, and (c) to pledge its property and revenues to secure the payment of the principal of and premium, if any, and interest on its revenue bonds; and

WHEREAS, the Borrower is an Arizona nonprofit corporation that has been recognized by the Internal Revenue Service as a tax-exempt organization under 501(c)(12) of the Internal Revenue Code of 1986, as amended (the "Code"), provides water services to its 3,315 customers in Northeastern Flagstaff, Arizona and is authorized to lease, sublease, purchase and hold real and personal property and borrow money to finance or refinance the same; and

WHEREAS, Borrower desires to finance or refinance (i) the acquisition, construction, improving and/or equipping of two water wells located at 8928 North Lunar Drive and 7514 East Open Sky Road, both near the City of Flagstaff in the County of Coconino, Arizona (the "Project"), and (ii) certain costs and expenses incidental thereto. The Borrower is and will continue to be the owner and operator of the Project, all as permitted under the Act; and

WHEREAS, in order to finance the costs of the Project, Issuer will issue and sell its Exempt Facilities Revenue Bonds (Doney Park Water Project), Series 2007 (the "Bonds") and lend the proceeds thereof to Borrower, and to secure the Bonds, the Issuer will assign to Lender its right to receive Payments (defined below) hereunder from Borrower; and

WHEREAS, Borrower shall make Payments directly to Lender as assignee of Issuer and holder of the Bonds; and

WHEREAS, this Agreement and the Bonds shall not constitute a debt or liability or moral obligation of the State, the County, the Issuer or any political subdivision of the State, or a pledge of the faith and credit or taxing power of the State, the County or Issuer, or any political subdivision of the State, but shall be a special limited obligation payable solely from the Payments and other amounts payable hereunder by Borrower to Lender, as holder of the Bonds; and

WHEREAS, as security for the payment of all of Borrower's obligations under this Agreement, Borrower shall grant to Issuer, and Issuer shall assign to Lender, perfected security interests in the Collateral;

NOW, THEREFORE, in consideration of the payments to be made hereunder and the mutual covenants contained herein, the parties agree as follows.

ARTICLE I
DEFINITIONS

The following terms used herein will have the meanings indicated below unless the context clearly requires otherwise.

"Accounts" shall have the meaning assigned to such term in the UCC.

"Additional Payments" means the amounts, other than Payments, payable by Borrower pursuant to the provisions of this Agreement, including Sections 6.04(c), 6.07 and 10.05 hereof.

"Administrative Fee" means the an annual administrative fee paid by the Borrower for the benefit of the Issuer in an amount equal to one-tenth (1/10th) of one percent 1 % of the outstanding aggregate principal amount of the Bonds as of each January 1, paid to the Issuer, without demand, initially on January 1, 2008 and thereafter on each subsequent January 1.

"Agreement" means this Loan Agreement, as the same may be amended or modified from time to time.

"Bonds" means The Industrial Development Authority of Coconino County, Arizona Exempt Facilities Revenue Bonds (Doney Park Water Project), Series 2007, in the form attached hereto as Exhibit E.

"Bond Counsel" means an attorney or firm of attorneys nationally recognized on the subject of municipal bonds and acceptable to Issuer, Lender and Borrower.

"Bond Resolution" means the resolution of the Issuer, dated as of December 4, 2006, authorizing the issuance of the Bonds.

"Bond Year" means each one-year period (or shorter period for the first or last year prior to the payment in full of this Agreement) provided for the computation of any rebate amount for the Bonds under Section 148(f) of the Code.

"Borrower" means (i) the entity identified as such in the first paragraph of this Agreement; (ii) any surviving, resulting or transferee entity thereof permitted pursuant to the terms of this Agreement; and (iii) except where the context requires otherwise, any assignee(s) of Borrower permitted pursuant to the terms of this Agreement.

"Borrower Documents" means this Agreement, the Tax Certificate, the Escrow Agreement and any related documents.

"Business Day" means a day, other than a Saturday or Sunday, on which banks are generally open for business in New York, New York.

"Closing" means the date of issuance of the Bonds.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" shall have the same meaning as set forth in Section 5.01(a) of this Agreement.

"County" means Coconino County, Arizona.

"Default" means an event that, with giving of notice or passage of time or both, would constitute an Event of Default as provided in Article IX hereof.

"Determination of Taxability" means any written determination, decision, decree or notice by the Commissioner of Internal Revenue, or any District Director of Internal Revenue or any court of competent jurisdiction, or an opinion obtained by Lender from counsel qualified in such matters, that an Event of Taxability shall have occurred. A Determination of Taxability also shall be deemed to have occurred on the first to occur of the following:

(a) the date when Borrower files any statement, supplemental statement, or other tax schedule, return or document, which discloses that an Event of Taxability shall have occurred;

(b) the effective date of any federal legislation enacted or federal rule or regulation promulgated after the date of this Agreement that, in the opinion of Bond Counsel, causes an Event of Taxability; or

(c) failure to receive an unqualified opinion of Bond Counsel to the effect that any sale, lease or other deliberate action with respect to the Project or Equipment within the meaning of Treas. Reg. § 1.141-2(d), will not cause interest on the Bonds to become includable in the gross income of the holder thereof.

"Equipment" means certain property used in connection with Borrower's operations as described in Exhibit F hereto.

"Escrow Agent" means Wells Fargo Brokerage Services, LLC, as escrow agent.

"Escrow Agreement" means the Escrow Agreement of even date herewith among Lender, Issuer, Borrower and Escrow Agent.

"Escrow Fund" means the fund established and held by Escrow Agent pursuant to the Escrow Agreement.

"Event of Taxability" means (i) the application of the proceeds of the Bonds in such manner that the Bonds become "arbitrage bonds" within the meaning of Code Sections 103(b)(2) and 148, and with the result that the interest component of the Bonds is or becomes includable in a holder's gross income (as defined in Code Section 61); (ii) if as the result of any act, failure to act or use of the proceeds of this Agreement or any misrepresentation or inaccuracy in any of the representations, warranties or covenants contained in this Agreement by Issuer or Borrower or the enactment of any federal legislation or the promulgation of any federal rule or regulation after the date of this Agreement, the interest component of the Bonds is or becomes includable in a holder's gross income (as defined in Code Section 61); or (iii) any revocation of the determination letter from the Internal Revenue Service regarding the status of Borrower as a 501(c)(12) corporation.

"Gross Revenues" means gross unrestricted revenues of the Borrower for its most recent fiscal year for which audited financial statements of the Borrower are available.

"Gross-Up Rate" means an interest rate equal to the interest stated for the Bonds (without regard to Section 3.02(b) hereof) plus a rate sufficient such that the total interest to be paid on any Payment date would, after such interest was reduced by the amount of any federal, state or local income tax (including any interest or penalties) actually payable thereon, equal the amount of interest due with respect to the Bonds (calculated without regard to Section 3.02(b) hereof) in accordance with Exhibit A hereto.

"Independent" means an individual who is not, or a firm no member, stockholder, director, officer or employee of which is, an officer, member, director or employee of the Corporation or an affiliate or any organization which controls, or is under common control with, the Corporation.

"Issuer" means (i) the entity identified as such in the first paragraph of this Agreement; (ii) any surviving, resulting or transferee entity thereof permitted pursuant to the terms of this Agreement; and (iii) except where the context requires otherwise, any assignee(s) of Issuer permitted pursuant to the terms of this Agreement.

"Issuer's Unassigned Rights" means the rights of the Issuer to (a) inspect books and records, (b) give or receive notices, approvals, consents, requests and other communications, (c) receive payment of reimbursement for expenses, (d) receive payment of its Administrative Fee, (e) receive immunity from and limitation of liability, (f) receive indemnification from liability by the Borrower and (g) receive security for the Borrower's indemnification obligation.

"Lender" means (i) the entity identified as such in the first paragraph of this Agreement; (ii) any surviving, resulting or transferee entity thereof; and (iii) if this Agreement has been assigned by Lender pursuant to Section 8.02 hereof, such assignee.

"Liquid Unencumbered Assets" shall mean unrestricted cash and marketable securities.

"Loan" means the loan of the Proceeds of the Bonds from Issuer to Borrower pursuant to the terms of this Agreement.

"Payment Date" means the date of the scheduled payments, as set forth in Exhibit A hereto.

"Payments" means those scheduled payments (excluding administrative fees, indemnifications and reimbursements and Additional Payments payable to Lender or Issuer hereunder) payable by Borrower pursuant to the provisions of this Agreement, as set forth in Exhibit A hereto.

"Permitted Encumbrances" means those items as set forth in Exhibit G hereto.

"Pledged Revenues" shall mean all Accounts and Gross Revenues which are now owned or hereafter acquired by the Borrower.

"Prepayment Price" means the amount which Borrower must or may pay or cause to be paid in order to prepay the Loan and the Bonds, as provided in Section 3.06 hereof, such amount being (i) 102% of the After Payment Principal Balance on or after May 1, 2007 through December 31, 2012; (ii) 101% of the After Payment Principal Balance on or after January 1, 2013 through December 31, 2017; and (iii) the After Payment Principal Balance on or after January 1, 2018, plus all other amounts then owed under this Agreement by Borrower.

"Prior Interest Payment" means a payment of the interest component of the Bonds made on or prior to the date of any Determination of Taxability.

"*Proceeds*" means the total amount of money or other consideration to be paid or provided by Issuer to Borrower for application in accordance with this Agreement, to be repaid by Borrower by the Payments.

"*Project*" means (i) the acquisition, construction, improving and/or equipping of two water wells located at 8928 North Lunar Drive and 7514 East Open Sky Road, both near the City of Flagstaff in the County of Coconino, Arizona (the "Project"), and (ii) certain costs and expenses incidental thereto, all as permitted under the Act

"*Rebate Consultant*" means an Independent certified public accounting firm or other qualified Independent person or firm with knowledge of or experience in giving advice with respect to the provisions of Section 148(f) of the Code, designated by the Borrower and reasonably acceptable to the Lender.

"*Securities Act*" means the Securities Act of 1933, as amended.

"*State*" means the State of Arizona.

"*Tax Certificate*" means the Tax Certificate and Agreement, dated as of the Closing, executed by the Issuer and the Borrower with respect to certain matters pertaining to the treatment for federal income tax purposes of interest on the Bonds.

"*UCC*" means the Uniform Commercial Code as adopted in the states in which the Collateral is located.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS OF ISSUER AND BORROWER

Section 2.01. *Representations, Warranties and Covenants of Issuer.* Issuer represents, warrants and covenants, for the benefit of Lender and Borrower, as follows:

(a) Issuer is an Arizona nonprofit corporation designated as a political subdivision of the State;

(b) Issuer is authorized under the laws of the State to issue the Bonds and enter into this Agreement and the Escrow Agreement and the transactions contemplated hereby and thereby and to perform all of its obligations hereunder and thereunder and to incur the obligations hereunder and thereunder;

(c) Issuer has duly authorized the issuance of the Bonds and the execution and delivery of this Agreement, the Escrow Agreement, the Tax Certificate and any related documents; Issuer has adopted all proceedings and taken all actions necessary to cause the Bonds, this Agreement, the Escrow Agreement, the Tax Certificate and any related documents to be enforceable against Issuer; Issuer has assigned to Lender all of Issuer's rights in the Collateral and this Agreement (except Issuer's Unassigned Rights, payments, if any, of indemnification payable to Issuer pursuant to Section 6.04(c) hereof and notice to Issuer pursuant to Section 10.05 hereof), including the assignment of all rights in the security interest granted to Issuer by Borrower; and the Bonds, this Agreement, the Escrow Agreement, the Tax

Certificate and any related documents constitute legal, valid and binding obligations of Issuer, enforceable in accordance with their respective terms, except to the extent limited by bankruptcy, reorganization or other laws of general application relating to or affecting the enforcement of creditors' rights;

(d) Neither the issuance of the Bonds or the execution and delivery of this Agreement, the Escrow Agreement, the Tax Certificate or any related document, the consummation of the transactions contemplated hereby or the fulfillment of or compliance with the terms and conditions of the Bonds, this Agreement, the Escrow Agreement, the Tax Certificate or any related document violates any law, rule, regulation or order applicable to Issuer, conflicts with or results in a breach of any of the terms, conditions or provisions of any restriction or any agreement or instrument to which Issuer is now a party or by which it is bound or constitutes a default under any of the foregoing or results in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of Issuer under the terms of any instrument or agreement;

(e) There is no action, suit, proceeding, claim, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending or, to the best of Issuer's knowledge, threatened against or affecting Issuer, challenging Issuer's authority to issue the Bonds or enter into this Agreement, the Escrow Agreement, the Tax Certificate or any related document or any other action wherein an unfavorable ruling or finding would adversely affect the enforceability of the Bonds, this Agreement or any related document or any other transaction of Issuer which is similar hereto, or the exclusion of interest on the Bonds from gross income for federal tax purposes under the Code, or would materially and adversely affect any of the transactions contemplated by the Bonds, this Agreement, the Escrow Agreement, the Tax Certificate or any related document;

(f) Issuer will not pledge, mortgage or assign this Agreement or its duties and obligations hereunder to any person, firm or corporation, except to Lender as provided under the terms hereof; and

(g) The financing of the Project has been approved by an "applicable elected representative" (as defined in Section 147(f) of the Code) in each jurisdiction in which facilities being financed with the Bonds are located after a public hearing held upon reasonable notice, all as required by the Code.

(h) The Issuer has designated all of the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3)(B) of the Code. The Issuer has not designated and will not designate, during calendar year 2007, any other tax-exempt obligations as "qualified tax-exempt obligations" pursuant to Section 265(b)(3)(B) of the Code if the total amount of tax-exempt obligations so designated during calendar year 2007 will exceed \$10,000,000. The Issuer does not reasonably expect to issue any other tax-exempt obligations during calendar year 2007, nor does the Issuer reasonably expect any entity issuing on behalf of the Issuer or subordinate to the Issuer to issue any tax-exempt obligations during the calendar year 2007, such that the total amount of tax-exempt obligations issued by the Issuer and any entities subordinate to or issuing on behalf of the Issuer during calendar year 2007 will exceed \$10,000,000.

Section 2.02. Representations, Warranties and Covenants of Borrower. Borrower represents, warrants and covenants, for the benefit of Lender and Issuer as follows:

(a) Borrower is, and so long as this Agreement is outstanding, shall continue to be, (i) a nonprofit corporation, duly organized and existing under the laws of the State for the purpose of furnishing water to members of the general public (including electric, industrial, agricultural, or commercial users), (ii) an organization whose rates for the furnishing or sale of water have been established or approved by the Arizona Corporation Commission, (ii) an organization described in

Section 501(c)(12) of the Code; and (iii) authorized to lease, sublease, purchase and hold real and personal property and finance or refinance the same.

(b) Borrower shall do or cause to be done all things necessary to preserve and keep in full force and effect its existence and status as an organization described in Section 501(c)(12) of the Code.

(c) Borrower is authorized under the laws of the State and its articles of incorporation and by-laws to enter into the Borrower Documents and the transactions contemplated hereby and thereby and to perform all of its obligations hereunder and thereunder.

(d) Borrower has been fully authorized to execute and deliver the Borrower Documents under an appropriate resolution or resolutions of its governing body; all requirements have been met and all procedures have taken place in order to ensure the enforceability of the Borrower Documents against Borrower in accordance with their respective terms; and the Borrower Documents have been duly authorized, executed and delivered and the Borrower Documents constitute valid and legally binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms, except that the enforceability may be limited by laws relating to bankruptcy, reorganization or similar laws affecting the rights of creditors or by equitable principles that may affect the availability of specific performance and other equitable remedies.

(e) Except as otherwise disclosed by the Borrower, the authorization, execution, delivery and performance of the Borrower Documents by Borrower do not require submission to, approval of, or other action by any governmental authority or agency, which action with respect to the Borrower Documents has not been taken prior to closing and which is final.

(f) The execution and delivery of the Borrower Documents, the consummation of the transactions contemplated hereby and thereby and the fulfillment of the terms and conditions hereof and thereof do not and will not violate in any material respect any law, rule, regulation or order, conflict with or result in a breach of any of the terms or conditions of the articles of incorporation or bylaws of Borrower or of any corporate restriction or of any agreement or instrument to which Borrower is now a party and do not and will not in any material respect constitute a default under any of the foregoing or result in the creation or imposition of any liens, charges or encumbrances of any nature upon any of the property or assets of Borrower except for the security interest granted herein.

(g) There is no action, suit, proceeding, claim, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending or, to the best of Borrower's knowledge, threatened against or affecting Borrower, challenging Borrower's authority to enter into the Borrower Documents or any other action wherein an unfavorable ruling or finding would adversely affect the enforceability of the Borrower Documents or any other transaction of Borrower which is similar hereto, or the exclusion of interest on the Bonds from gross income for federal tax purposes under the Code, or would materially and adversely affect any of the transactions contemplated by the Borrower Documents.

(h) Borrower indemnifies Issuer and Lender from all responsibility for the safety and any consequences of lack of safety with respect to the operation and maintenance of the Project and Equipment.

(i) Except as otherwise disclosed by the Borrower and approved by the Lender, the real property on which the Project and Equipment is located is properly zoned for its current and anticipated use and the use of the Project and Equipment will not violate any applicable zoning, land use,

environmental or similar law or restriction. Borrower has all licenses and permits to use the Project and Equipment.

(j) All financial and other information provided to Issuer and Lender by or on behalf of Borrower in connection with this Agreement is true and correct in all material respects and, as to projections, valuations or pro forma financial statements, present a good faith opinion as to such projections, valuations and pro forma condition and results.

(k) Borrower has paid or caused to be paid to the proper authorities when due all federal, state and local taxes required to be withheld by it. Borrower has filed all federal, state and local tax returns which are required to be filed, and Borrower has paid or caused to be paid to the respective taxing authorities all taxes as shown on said returns or on any assessment received by it to the extent such taxes have become due.

(l) Borrower has or will have good and absolute title to the Project and all proceeds thereof, free and clear of all mortgages, security interests, liens and encumbrances except for the security interest created pursuant to this Agreement and the Permitted Encumbrances.

(m) So long as the Bonds are outstanding, except as otherwise permitted by this Agreement, the Project shall be used by Borrower only for the purpose of performing services related to its status as an organization described in Section 501(c)(12) of the Code and consistent with the permissible scope of Borrower's authority.

(n) Borrower reasonably expects that it will not take any deliberate action within the meaning of Treas. Reg. § 1.141-2(d).

(o) No information, statement or report furnished in writing to the Issuer, the Lender or the Escrow Agent by the Borrower in connection with this Agreement, the Bonds, or the Borrower Documents and the consummation of the transaction contemplated hereby and thereby (including, without limitation, any information furnished to the Issuer by the Borrower in connection with the preparation of the Transaction Summary) contains any material misstatement of fact or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, and the representations and warranties of the Borrower and the statements, information and descriptions contained in the Borrower's closing certificates, as of the date of delivery of the Bonds, will be true, correct and complete, will not contain any untrue statement or misleading statement of a material fact, and will not omit to state a material fact required to be stated therein or necessary to make the certifications, representations, warranties, statements, information and descriptions contained therein, in light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Borrower's closing certificates, as of the date of delivery of the Bonds, will be reasonable and based upon the best information available to the Borrower.

(p) Borrower will pay or will cause to be paid the Issuer's Administrative Fee on an annual basis when due.

Nothing in this Agreement is intended to require the Borrower to take any action to which it is not legally capable of doing.

Section 2.03. *Tax Covenants.* (a) It is the intention of the parties hereto that interest on the Bonds received by Lender be and remain excludable from gross income for purposes of federal income taxation.

(b) To the extent within its control, Issuer will not knowingly take any action, or omit to take any action, that would cause interest on the Bonds to become includable in gross income for federal income tax purposes under the Code (including, without limitation, intentional acts under Treas. Reg. § 1.148-2(c) or consenting to a deliberate action within the meaning of Treas. Reg. § 1.141-2(d)), and Issuer will take and will cause its officers, employees and agents to take all affirmative actions legally and practically within its power necessary to ensure that such interest does not become includable in gross income of the recipient for federal income tax purposes under the Code (including, without limitation, the payment of any rebate required to preserve such exclusion to the extent moneys therefor are provided by Borrower).

(c) Borrower will not take any action, or omit to take any action, that would cause interest on the Bonds to become includable in gross income of the recipient for federal income tax purposes under the Code (including, without limitation, intentional acts under Treas. Reg. § 1.148-2(c) or a deliberate action within the meaning of Treas. Reg. § 1.141-2(d)), and Borrower will take and will cause its officers, employees and agents to take all affirmative actions legally within its power necessary to ensure that such interest does not become includable in gross income of the recipient for federal income tax purposes under the Code (including, without limitation, the calculation and provision of moneys to Issuer necessary to pay any rebate required to preserve such exclusion).

(d) Issuer will submit or cause to be submitted to the Secretary of the Treasury a Form 8038 (or other information reporting statement) at the time and in the form required by the Code.

(e) Borrower will aid and assist Issuer in connection with preparing and submitting to the Secretary of the Treasury a Form 8038 (or other applicable information reporting statement) at the time and in the form required by the Code and with preparing and submitting all reports and certificates required by the laws of the State at the times and in the forms so required.

(f) Borrower represents that the weighted average maturity (defined in accordance with the Code) of the Bonds will not exceed one hundred twenty percent (120%) of the weighted average reasonably expected economic life of the Project subject to this Agreement.

(g) Borrower will not use the proceeds of the Bonds to reimburse expenditures previously paid by Borrower, except in compliance with the requirements of Treas. Reg. § 1.150-2.

Section 2.04. *Compliance With Rebate Requirement.*

(a) ***Computation of Excess.*** Borrower covenants to comply with its closing certificate and the arbitrage and tax certificate at the closing of this Agreement, the terms of which are hereby incorporated by reference into this Agreement.

For the purpose of complying with Section 148(f) of the Code and the regulations thereunder, as amended from time to time (the "Rebate Provision"), within 45 days after the close of each fifth Bond Year (or any earlier date that may be necessary to make a required payment to the United States pursuant to subsection (c) below), Borrower shall engage, and furnish information to, a Rebate Consultant to compute the amount of Excess (as defined in subsection (b) below), if any, for this Agreement as of the close of each fifth Bond Year. Upon the occurrence of an Event of Default and at the request of the Borrower, the Rebate Consultant shall calculate the amount of Excess as of the date requested by the Borrower.

If the Rebate Consultant fails to make the calculation of the amount of Excess by the 45th day after the close of each fifth Bond Year thereafter, including the date of payment in full of the Bonds, the

Issuer shall retain an Independent certified public accounting firm or other qualified Independent person, at the expense of the Borrower, to make or cause to be made such calculation and shall provide to the Borrower copies of such calculations.

For purposes of this subsection, (i) computations of Excess shall be made as if the last day of the applicable Bond Year were a "computation date" within the meaning of Treas. Reg. § 1.148-1(b) or Treas. Reg. § 1.148-3(e), or any successor regulation and (ii) an Excess with respect to this Agreement shall not be less than zero.

(b) *Excess.* "Excess" means the sum of

(i) the excess of

(A) the aggregate amount earned on all Nonpurpose Investments (as defined in the Rebate Provision) (other than investments attributable to an excess described in this subparagraph) attributable to the Gross Proceeds (as defined in the Rebate Provision) of this Agreement, over

(B) the amount which would have been earned if such Nonpurpose Investments were invested at a rate equal to the yield (determined in accordance with the Rebate Provision) on this Agreement to which such Gross Proceeds are attributable,

plus

(ii) any income attributable to the Excess described in subparagraph (i) above.

The amount of any calculated Excess shall be reduced by any payments made to the United States pursuant to subsection (c) below.

(c) *Payment of Rebate to the United States.* (i) No later than 60 days after the close of the fifth Bond Year following the date hereof (or any earlier date that may be required to comply with the Rebate Provision) and the close of each fifth Bond Year thereafter, Borrower shall deposit into the Rebate Fund, and Escrow Agent shall pay to the United States on behalf of Issuer, the full amount then required to be paid under the Rebate Provision as certified by Borrower in accordance with subsection (c)(ii) below. Within 60 days after this Agreement and the Bonds have been paid in full, Borrower shall deposit into the Rebate Fund, and Escrow Agent shall pay to the United States on behalf of Issuer, the full amount then required to be paid under the Rebate Provision as certified by Borrower in accordance with subsection (c)(ii) below. Each such payment shall be made to the Internal Revenue Service Center, Ogden, Utah or any successor location specified by the Internal Revenue Service, accompanied by a Form 8038-T (or other successor reporting form) executed by Borrower.

(ii) No later than 15 days prior to each date on which a payment could become due under subsection (c)(i) above (a "Rebate Payment Date"), Borrower shall deliver to Escrow Agent, Issuer and Lender a certificate either summarizing the determination that no amount is required to be paid or specifying the amount then required to be paid pursuant to subsection (c)(i) and an IRS Form 8038-T (or other successor reporting form) for execution by Issuer.

(d) Borrower and Escrow Agent shall keep such records as will enable them to fulfill the responsibilities under this Section and the Rebate Provision.

(e) The purpose of this Section is to satisfy the requirements of the Rebate Provision. Accordingly, this Section shall be construed so as to meet such requirements. Borrower covenants that all action taken under this Section shall be taken in a manner that complies with the Rebate Provision and that it shall neither take any action nor omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of the Code by reason of the failure to comply with the Rebate Provision. Borrower shall deposit in the Rebate Fund, and Escrow Agent shall pay, any penalty under Treas. Reg. § 1.1483(h) necessary to comply with the Rebate Provision.

(f) Borrower may exclude from its computation of an Excess required by Subsection 2.04(b) any gross proceeds that are not subject to rebate pursuant to Section 148(f)(4) of the Code.

(g) To the extent any payment of rebatable arbitrage is either insufficient or not timely made to the United States, Borrower deposit in the Rebate Fund and Escrow Agent shall pay to the United States on behalf of Issuer any deficiency, correction amount, interest, penalty, or other amount necessary to prevent this Agreement from becoming an "arbitrage bonds" within the meaning of Section 148 of the Code. Borrower covenants that, to the extent necessary, it will obtain the advice and assistance of experts to aid it in complying with the Rebate Provision.

(h) The requirements of this Section may be modified or amended in whole or in part upon receipt by Issuer and Lender of an opinion of Bond Counsel to the effect that such modifications and amendments will not adversely affect the exclusion of interest on the Bonds from gross income of the recipient.

ARTICLE III

FINANCING OF PROJECT AND TERMS OF THE LOAN

Section 3.01. *Loan.* Lender hereby agrees, subject to the terms and conditions of this Agreement, to purchase the Bonds from Issuer. Issuer hereby agrees, subject to the terms and conditions of the Bond Resolution and this Agreement, to issue the Bonds and to lend the proceeds thereof to Borrower; and Borrower hereby agrees to borrow the proceeds of the Bonds from Issuer to finance the Project in the amount of \$1,500,000. Issuer hereby directs Lender to transfer \$1,500,000 of the Proceeds of the Bonds to the Escrow Agent for deposit in the Escrow Fund to be held, invested and disbursed as provided in the Escrow Agreement. Issuer's obligations hereunder and under the Bonds, and Borrower's obligation to repay the Loan, shall commence, and interest shall begin to accrue, on the date that Proceeds are deposited in the Escrow Fund.

Section 3.02. *Interest.* (a) The principal amount of the Bonds outstanding from time to time shall bear interest (computed on the basis of a 360-day year and twelve 30-day months) at the rate of interest set forth in this Agreement and in the Bonds. Interest accruing on the principal balance of the Bonds outstanding from time to time shall be payable as provided in Exhibit A hereto or upon earlier demand in accordance with the terms hereof or prepayment in accordance with Section 3.06 hereof.

(b) Upon the occurrence of a Determination of Taxability, Borrower shall, with respect to future interest payments, begin making Payments calculated at the Gross-Up Rate. In addition, Borrower shall make immediately upon demand of Lender a payment to Lender to supplement Prior Interest Payments to the Gross-Up Rate, and such obligation shall survive the termination of this Agreement for a period of one year.

Section 3.03. *Payments.* (a) The Borrower shall pay the principal component of, premium, if any in accordance with Section 3.06 hereof, and the interest component of the Bonds, pursuant to this Agreement. Borrower shall pay to Lender, as assignee of Issuer and holder of the Bonds, Payments, in the amounts and on the dates set forth in this Agreement. As security for payments due under the Bonds, Issuer hereby assigns to Lender all of its right to receive Payments with respect to this Agreement (and hereby directs Borrower to make such Payments directly to, or at the direction of, Lender), all of Issuer's rights hereunder (except for Issuer's Unassigned Rights) and all of Issuer's right, title and interest in and to the Collateral, and Issuer irrevocably constitutes and appoints Lender and any present or future officer or agent of Lender as its lawful agent and attorney, with full power of substitution and resubstitution, in the name of Issuer or otherwise, to collect the Payments and any other payments due hereunder (except for Issuer's Unassigned Rights) and to sue in any court for such Payments or other payments, to exercise all rights hereunder with respect to the Collateral, and to withdraw or settle any claims, suits or proceedings pertaining to or arising out of this Agreement upon any terms. Such Payments and other payments due Lender shall be made by Borrower directly to Lender, as Issuer's assignee and holder of the Bonds, without the requirement of notice or demand and shall be credited against Issuer's payment obligations under this Agreement. All payments due and payable to Lender pursuant to this Agreement are to be paid to Lender at the following address set forth in Section 11.05. All amounts required to be paid by Borrower hereunder shall be paid in lawful money of the United States of America in immediately available funds.

(b) The Bonds are subject to mandatory redemption prior to their stated maturity, in part, from monthly payments in the amounts on the redemption dates, payable as provided in Exhibit A hereto.

Section 3.04. *Payment on Non-Business Days.* Whenever any payment to be made hereunder shall be stated to be due on a day which is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or fees hereunder, as the case may be.

Section 3.05. *Payments To Be Unconditional.* The obligations of Borrower to make Payments required under this Agreement and to make other payments hereunder and to perform and observe the covenants and agreements contained herein shall be absolute and unconditional in all events, without abatement, diminution, deduction, setoff or defense for any reason, including (without limitation) any failure of the Project or of any equipment to be delivered or installed, any defects, malfunctions, breakdowns or infirmities in the equipment or any accident, condemnation, destruction or unforeseen circumstances. Notwithstanding any dispute between Borrower and any of Issuer, Lender or any other person, Borrower shall make all Payments when due and shall not withhold any Payments pending final resolution of such dispute, nor shall Borrower assert any right of setoff or counterclaim against its obligation to make such payments required under this Agreement.

Section 3.06. *Prepayments.* (a) on or after May 1, 2007, Borrower may, in its discretion, prepay the Loan and the Bonds in whole (but not in part) on any Payment Date with 45 days prior notice to the Lender by paying the applicable Prepayment Price and any outstanding and unpaid Payments and Additional Payments under this Agreement.

(b) Borrower shall prepay the Loan and the Bonds, in whole (but not in part), on any Payment Date pursuant to Article VII hereof by paying the applicable Prepayment Price and any outstanding and unpaid Payments and Additional Payments due under this Agreement.

(c) Borrower shall prepay the Loan and the Bonds in full immediately upon demand of Lender after the occurrence of an Event of Default by paying the applicable Prepayment Price and any outstanding and unpaid Payments and Additional Payments due under this Agreement.

(d) Borrower shall prepay the Loan and the Bonds in full within 60 days after receipt of written demand of Lender after the occurrence of a Determination of Taxability by paying the applicable Prepayment Price, interest at the Gross-Up Rate to the date of payment as required by Section 3.02(b) and any outstanding and unpaid Payments and Additional Payments due under this Agreement plus an amount necessary to supplement any Prior Interest Payment to the Gross-Up Rate.

(e) The Loan and the Bonds shall be prepaid in part with funds remaining in the Escrow Fund upon termination of the Escrow Agreement as provided in Sections 2.03 and 2.04 of the Escrow Agreement.

(f) Upon any prepayment in part of the Loan and the Bonds pursuant to Section 3.06(e) hereof, the prepayment shall be applied first to interest accrued thereon and next to the principal component of the Payments in the inverse order of maturity.

Section 3.07. *Administrative Fees.* Borrower shall pay to Issuer the Administrative Fee; *provided, however,* that the aggregate fees and charges to be received by Issuer from Borrower shall not equal or exceed any amount which would affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. The obligation to pay the Administrative Fee shall continue until all of Borrower's obligations under this Agreement have been paid in full.

ARTICLE IV

CONDITIONS PRECEDENT; TRANSFER RESTRICTIONS

Section 4.01. *Conditions Precedent.* Lender's agreement to enter into this Agreement and purchase the Bonds to provide the financing contemplated hereby shall be subject to the condition precedent that Lender shall have received all of the following, each in form and substance satisfactory to Lender:

(a) This Agreement properly executed on behalf of Issuer and Borrower and each of the Exhibits hereto properly completed;

(b) The Escrow Agreement properly executed on behalf of Issuer, Lender, Borrower and Escrow Agent;

(c) The Bonds properly executed on behalf of Issuer;

(d) A certificate of the Secretary or an Assistant Secretary of Borrower in form and substance acceptable to Lender certifying as to, among other things, (i) the resolutions of the board of directors of Borrower, authorizing the execution, delivery and performance of the Borrower Documents and (ii) the signatures of the officers or agents of Borrower authorized to execute and deliver the Borrower Documents and other instruments, agreements and certificates on behalf of Borrower;

(e) A certificate of Issuer in form and substance acceptable to Lender certifying as to, among other things, (i) the official approval authorizing the execution, delivery and performance of this Agreement, the Bonds, the Escrow Agreement and any related documents and (ii) the signatures of the officers or agents of Issuer authorized to execute and deliver this Agreement, the Bonds, the Escrow Agreement and other instruments, agreements and certificates on behalf of Issuer;

(f) A Tax Certificate in form and substance acceptable to Lender properly executed on behalf of Borrower and Issuer;

- (g) A Certificate of Good Standing issued as to Borrower by the Arizona Corporation Commission not more than 20 days prior to the date of the Closing of this Agreement;
- (h) Certificates of the insurance required under this Agreement;
- (i) A completed and executed Form 8038 or evidence of filing thereof with the Secretary of Treasury;
- (j) A resolution or evidence of other official action taken by or on behalf of Issuer to authorize the transactions contemplated by this Agreement;
- (k) Evidence in form and substance acceptable to Bond Counsel of publication of notice and approval by an "applicable elected representative," as required pursuant to Section 147(f) of the Code, in each jurisdiction where the Project will be located;
- (l) An opinion of counsel to Borrower addressed to Lender and Issuer in the form attached hereto as Exhibit B;
- (m) An opinion of counsel to Issuer addressed to Lender and Issuer in the form attached hereto as Exhibit C;
- (n) An opinion of Bond Counsel addressed to Lender and Issuer in the form attached hereto as Exhibit D;
- (o) Payment of the application fee and Issuer's fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby and payment of all costs related to the issuance of the Bonds; and
- (p) Evidence in the form and substance acceptable to the Issuer and the Lender of official action taken by or on behalf of the Arizona Corporation Commission to authorize the transactions contemplated by this Agreement; and
- (q) Any other documents or items reasonably required by Lender or Issuer.

Section 4.02 *Transfer Restrictions*. The Bonds may only be transferred in whole to a person that is (i) "a qualified institutional buyer" within the meaning of Rule 144A promulgated pursuant to the Securities Act, (ii) an "accredited investor," within the meaning of Rule 501 of Regulation D promulgated pursuant to the Securities Act (iii) a bank, savings institution or insurance company (whether acting in a trustee or other custodial capacity for any "accredited investor" or "qualified institutional buyer" or on its own behalf), or (iv) a trust or other custodial arrangement each of the beneficial owners of which is an "investor" or "qualified institutional buyer." The transfer of the Bonds shall be only in accordance with this Section 4.02 and applicable state and federal securities laws.

ARTICLE V

SECURITY INTEREST

Section 5.01. *Security Interest.*

(a) This Agreement is intended to constitute a security agreement within the meaning of the UCC. As security for Borrower's payment to Lender, as assignee of Issuer and holder of the Bonds, of Payments and all other amounts payable to Lender hereunder, Borrower hereby grants to Issuer, and Issuer hereby assigns to Lender, a first lien and security interest (i) in the Pledged Revenues, (ii) subject to the terms of the Escrow Agreement, on all securities, funds, moneys, deposits and other property at any time held in the Escrow Fund, including all interest dividends or other payment of any kind that may accrue on such account, all substitutions and renewals thereof, and all future deposits (the "Escrow Fund Collateral"), (iii) on all substitutions for any of the foregoing property, and (iv) on the products and proceeds of any of the foregoing property (collectively, the "Collateral").

(b) Issuer and Borrower agree to execute such additional documents, including assignments, affidavits, notices and similar instruments, in form satisfactory to Lender, and take such other actions as Lender deems necessary or appropriate, to establish and maintain the security interest created by this Section.

(c) Borrower irrevocably authorizes and empowers Lender upon the occurrence of any Event of Default that is continuing, in Lender's own name or in the name of Borrower, to demand, apply for, withdraw, receive and release any and all of the Escrow Fund Collateral, to exercise any and all rights and privileges and receive all benefits accorded by the Escrow Fund Collateral, and to execute any and all instruments required therefor. Any obligor under the terms of the Escrow Fund Collateral is specifically authorized and directed, on demand of Lender, to pay and deliver all Escrow Fund Collateral to Lender.

Section 5.02. *Liens and Encumbrances.* Borrower shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, deed of trust, pledge, lien, charge, encumbrance or claim on or with respect to the Collateral (together, "Liens") other than the respective rights of Lender and Issuer as herein provided and Permitted Encumbrances. Borrower shall keep the Collateral free and clear of any Lien other than the security interest created herein and the Permitted Encumbrances and shall promptly, at its own expense, take such action as may be necessary duly to discharge or remove any Lien. Borrower shall defend the Collateral against all claims or demands of all people (other than Lender) claiming the Collateral or any interest therein, except for the Permitted Encumbrances. Borrower shall reimburse Lender for any expenses incurred by Lender to discharge or remove any Lien. Nothing herein shall be construed as precluding Borrower from carrying out its normal and ordinary course of business.

Section 5.03. *Change in Name, Corporate Structure or Principal Place of Business.* Borrower does business in the State, and has done business in the State, under the following names:

Black Bill & Doney Parks Water Users Association

Doney Park Water

Borrower's chief executive office is located at the address set forth in Section 11.05 below. All of Borrower's records relating to its business and the Collateral are kept at the Borrower's chief executive office. Following completion of the Project, Borrower hereby agrees to provide written notice to Lender and Issuer of any change or proposed change in the names under which it does business, corporate structure, place of business or chief executive office or change or proposed change in the location of the

Collateral. Such notice shall be provided at least 30 days in advance of the date that such change or proposed change is planned to take effect.

ARTICLE VI

COVENANTS OF BORROWER

Section 6.01. *Use and Maintenance of Equipment by Borrower.* Borrower shall, at its own expense, maintain, preserve and keep the Project and Equipment in good repair, working order and condition, and, to the extent consistent with good utility and prudent business practice, shall from time to time make all repairs and replacements necessary to keep the Project and Equipment in such condition, and in compliance in all material respects with state and federal laws, ordinary wear and tear excepted. Borrower shall not install, use, operate or maintain the Project or Equipment improperly, carelessly, in violation of any applicable law, license or insurance policy provision, or in any manner contrary to that contemplated by this Agreement. Borrower shall secure all permits and licenses, if any, necessary in all respects for the installation, use, operation, modification and upgrade of the Project or Equipment. Borrower shall comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Project and each item of the Equipment) with the laws of each jurisdiction in which its operations involving the Project or Equipment may extend and any legislative, executive, administrative or judicial body exercising power over the Project or Equipment. The Project shall not be used by any person or entity other than Borrower for Borrower's tax-exempt purposes. The Equipment will not be removed from, or if the Equipment consists of rolling stock, its permanent base will not be changed from the location set forth in the attached Exhibit F without Lender's prior written consent. Borrower agrees that if Borrower is required to deliver any item of Equipment to Lender or Lender's agent, the Equipment shall be delivered free of all substances which are regulated by or form a basis for liability under any federal, state or local law, rule or regulation pertaining to the protection of the environment.

Section 6.02. *Compliance With Laws.* Borrower will comply with the requirements of applicable laws and regulations, the non-compliance with which would materially and adversely affect its business or its financial condition.

Section 6.03. *Taxes, Other Governmental Charges, Utility Charges and Other Claims.* The Borrower and Lender contemplate that the Project and Equipment will be used for the tax-exempt purposes of Borrower and, therefore, that the Project and Equipment will be exempt from all taxes presently assessed and levied with respect to personal property in the State. In the event that the use, possession or acquisition of the Project and Equipment is found to be subject to taxation in any form, so long as the Payments remain unpaid, Borrower shall pay, as the same respectively come due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project and Equipment, as well as all gas, water, steam, electricity, heat, power, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project and Equipment; provided that, with respect to any governmental charges that may lawfully be paid in installments over a period of years, Borrower shall be obligated to pay only such installments as have accrued during the time this Agreement is in effect. Borrower shall also pay or discharge when due all federal, state and local taxes required to be withheld by it and all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien or charge upon any properties of Borrower. Borrower may contest any such item of tax, assessment, other governmental charge, lien or other encumbrance and, in the event of such contest, may permit the item so contested to remain unpaid during the period of such contest and any appeal therefrom if Borrower shall (i) first notify Lender of its

intention to do so and furnish Lender with an opinion of counsel to the effect that by nonpayment of any such item the Agreement will not be materially endangered and the Project or any substantial part thereof will not be subject to loss or forfeiture and the operation of the Project as contemplated hereunder would not be impaired, (ii) deposit with Lender a good and sufficient bond or surety in an amount equal to 100% of the contested amount, including interest and penalties or such bond as required by applicable law, and (iii) diligently and in good faith pursue such contest, otherwise the Borrower shall pay promptly such item. In the event Borrower fails so to do, Lender may (but shall be under no obligation to) pay any item and any amounts so advanced therefor by Lender shall become additional obligations of the Borrower to Lender, which amounts Borrower agrees to pay, together with interest thereon to the date of payment at the Gross Up Rate.

Section 6.04. **Insurance; Risk of Loss.** (a) Borrower shall, at its own expense, cause casualty, public liability, business interruption and property damage insurance, for such amounts and against such hazards as Lender may reasonably require, to be carried and maintained with respect to the Project and Equipment sufficient, to the extent possible, to protect the greater of the full replacement value of the Project and Equipment or the outstanding principal balance of the Loan and to protect Lender, Issuer and Borrower from liability in all events. All insurance proceeds from casualty losses shall be payable to Lender and Borrower as hereinafter provided. Borrower shall furnish to Lender, upon written request, certificates of insurance evidencing such coverage throughout the term of the Loan. Alternatively, upon the written approval of Lender, Borrower may insure the Project and the Equipment under a blanket insurance policy or policies which cover not only the Project and Equipment but also other properties of Borrower.

(b) Any insurance policy carried or maintained pursuant to this Section shall be so written or endorsed as to make losses, if any, payable to Lender and Borrower as their respective interests may appear and naming Lender as additional insured for liability. The Net Proceeds (as defined in Article VII hereof) of the insurance required in this Section shall be applied as provided in Article VII hereof. Each insurance policy provided for in this Section shall contain a provision to the effect that the insurance company shall not either cancel the policy or modify the policy materially and adversely to the interest of Lender without first giving written notice thereof to Lender at least 30 days in advance of such cancellation or modification.

(c) As among Lender, Borrower and Issuer, Borrower assumes all risks and liabilities from any cause whatsoever, whether or not covered by insurance, for loss or damage to the Project or any Equipment and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of Borrower or of third parties, and whether such property damage be to Borrower's property or the property of others. Whether or not covered by insurance, Borrower hereby assumes responsibility for and agrees to reimburse Lender and Issuer for and will indemnify, defend and hold Lender and Issuer and their assignees, agents, employees, officers and directors harmless from and against all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorneys' fees) of whatsoever kind and nature, imposed on, incurred by or asserted against Lender or Issuer or their assignees, agents, employees, officers and directors that in any way relate to or arise out of this Agreement, the transactions contemplated hereby, the Project and the Equipment, including but not limited to, (i) the acquisition, construction, renovation and equipping of the Project, (ii) the selection, manufacture, purchase, acceptance or rejection of Equipment or the ownership of the Equipment, (iii) the delivery, lease, possession, maintenance, use, condition, return or operation of the Project or Equipment, (iv) the condition of the Equipment sold or otherwise disposed of after possession by Borrower, (v) any patent or copyright infringement, (vi) the conduct of Borrower, its officers, employees and agents, (vii) a breach by Borrower of any of its covenants or obligations hereunder and (viii) any claim, loss, cost or expense involving alleged damage to the environment relating to the Project or Equipment, including, but not limited to investigation, removal,

cleanup and remedial costs. All amounts payable by Borrower pursuant to the immediately preceding sentence shall be paid immediately upon demand of Issuer or Lender or their assignees, agents, employees, officers and directors, as the case may be. This provision shall survive the termination of this Agreement for any reason.

Section 6.05. **Reporting Requirements.** Borrower will deliver, or cause to be delivered, to Lender each of the following, which shall be in form and detail acceptable to Lender:

(a) as soon as available, and in any event within 180 days after the end of each fiscal year of Borrower, audited financial statements of Borrower with the unqualified report and opinion thereon of independent certified public accountants selected by Borrower and acceptable to Lender, which annual financial statements shall include the balance sheet of Borrower as at the end of such fiscal year and the related statements of income, retained earnings and cash flows of Borrower for the fiscal year then ended, all in reasonable detail and prepared in accordance with generally accepted accounting principles applied on a consistent basis;

(b) as soon as available and in any event within 45 days after the end of each fiscal year of the Borrower, an annual budget and an unaudited internal financial report;

(c) immediately after the commencement thereof, notice in writing of all litigation and of all proceedings before any governmental or regulatory agency materially affecting Borrower or which seek a monetary recovery against Borrower, in which any liability of Borrower is not adequately covered by insurance or in which any judgment or order would have a material and adverse effect upon the business or assets of Borrower or would materially and adversely affect the Project or Equipment, the validity of this Agreement or the Escrow Agreement, or the performance of Borrower's obligations thereunder or the transactions contemplated hereby;

(d) immediately after any executive officer of Borrower obtains actual knowledge of the occurrence of any event that constitutes a Default or an Event of Default hereunder, notice of such occurrence, together with a detailed statement by a responsible officer of Borrower of the steps being taken by Borrower to cure the effect of such Default or Event of Default;

(e) promptly upon Borrower's knowledge thereof, notice of any material loss or destruction of or damage to the Project or any Equipment or of any material adverse change in the Project or any Equipment;

(f) promptly upon Borrower's knowledge thereof, notice of the violation by Borrower of any law, rule or regulation that has a material adverse effect on the financial or operating condition of Borrower; and

(g) promptly upon Borrower's knowledge thereof, notice of any material adverse change in the financial or operating condition of Borrower.

Section 6.06. **Books and Records; Inspection and Examination.** Borrower will keep accurate books of record and account for itself pertaining to the Project and Equipment and Borrower's business and financial condition and such other matters as Lender may from time to time request in which true and complete entries will be made in accordance with generally accepted accounting principles consistently applied and, upon written request of Lender, will permit any officer, employee, attorney or accountant for Lender to audit, review, make extracts from, or copy any and all corporate and financial books, records and properties of Borrower at during ordinary business hours, and to discuss the affairs of Borrower with any of its directors, officers, employees or agents. Borrower will permit Issuer or Lender, or their

employees, accountants, attorneys or agents, to examine and copy any or all of its financial and property records and to examine and inspect the Project and Equipment at any time during Borrower's business hours; provided that no disclosure will be required for those records, documents and other materials Borrower is required to keep confidential by State and federal laws and regulations and by agencies with which Borrower contracts.

Section 6.07. *Performance by Lender; Advances.* If an Event of Default shall occur and continue for a period of ten calendar days after Lender gives Borrower and Issuer written notice thereof (or in the case of the agreements contained in Sections 6.01 and 6.04 hereof, immediately upon the occurrence of such failure, without notice or lapse of time), Lender may, but need not, perform or observe such covenant on behalf and in the name, place and stead of Borrower (or, at Lender's option, in Lender's name) and may, but need not, take any and all other actions which Lender may reasonably deem necessary to cure or correct such failure (including, without limitation, the payment of taxes, the satisfaction of security interests, liens or encumbrances, the performance of obligations owed to account debtors or other obligors, the procurement and maintenance of insurance, the execution of assignments, security agreements and financing statements, and the endorsement of instruments); and Borrower shall thereupon pay to Lender on demand the amount of all moneys expended and all costs and expenses (including reasonable attorneys' fees and legal expenses) incurred by Lender in connection with or as a result of the performance or observance of this Agreement or the taking of such action by Lender, together with interest thereon from the date expended or incurred at the lesser of 12% per annum or the highest rate permitted by law. To facilitate the performance or observance by Lender of such covenants of Borrower, Borrower hereby irrevocably appoints Lender, or the delegate of Lender, acting alone, as the attorney and agent in fact of Borrower with the right (but not the duty) from time to time to create, prepare, complete, execute, deliver, endorse or file in the name and on behalf of Borrower any and all instruments, documents, assignments, security agreements, financing statements, applications for insurance and other agreements and writings required to be obtained, executed, delivered or endorsed by Borrower under this Agreement.

Section 6.08. *Modifications and Substitutions to Equipment.* Borrower may substitute for parts, elements, portions or all of the Equipment, other parts, elements, portions, equipment or facilities. Borrower shall make any such permitted substitutions using only parts, elements, equipment or other material of equal quality to those contained in or on the Equipment as originally delivered to Borrower by vendor thereof. Borrower shall provide such documents or assurances as Lender may reasonably request to maintain or confirm Lender's security interest in the Equipment as so modified or substituted.

Section 6.09. *Sale of Assets.* Borrower will not sell, lease, assign, transfer or otherwise dispose of all or a substantial part of its assets or of any of the Project or any interest therein (whether in one transaction or in a series of transactions), without the written consent of Lender and Issuer. Notwithstanding any other provision contained herein, the Borrower will not sell, lease, assign, transfer or otherwise dispose of all or a substantial part of its assets or of any of the Project or any interest therein (whether in one transaction or in a series of transactions), without delivering to the Lender and the Issuer an opinion of nationally recognized Bond Counsel to the effect that under then existing law the consummation of such a sale, lease, assignment, transfer or otherwise disposal of all or a substantial part of the Borrower's assets would not adversely affect the validity of the Bonds or the exclusion from gross income under Section 103 of the Code of interest paid on the Bonds.

Section 6.10. *Consolidation and Merger.* Borrower shall not consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it without the written consent of Lender and Issuer, unless:

(a) Borrower will be the surviving corporation and, in the opinion of Lender, its creditworthiness shall not be materially weaker than that of Borrower before such consolidation or merger; and

(b) Borrower shall not immediately after such merger or consolidation have failed to meet any of the covenants and agreements contained in this Agreement which could be an Event of Default in the performance or observance of any such covenant or agreement; and

(c) there shall have been delivered to Lender and Issuer an opinion of nationally recognized Bond Counsel to the effect that under then existing law the consummation of such merger or consolidation would not adversely affect the validity of the Bonds or the exclusion from gross income under Section 103 of the Code of interest paid on the Bonds; and

(d) there shall have been delivered to Lender and Issuer an opinion of counsel to the effect that such consolidation or merger complies with the requirements of this Agreement, and all conditions precedent have been satisfied, and that such consolidation or merger are legal, valid and binding and enforceable, subject to creditors' rights generally and other customary qualifications; and

(e) Lender shall provide written notice to Borrower and Issuer that Lender is satisfied that all covenants and agreements in this Agreement have been met, including, without limitation, maintaining a first priority security interest in the Collateral.

Section 6.11. ***Debt Service Coverage Ratio.*** Borrower will maintain for each fiscal year its Debt Service Coverage Ratio (as defined below) at not less than 1.50 to 1.00. "Debt Service Coverage Ratio" means the ratio of (i) Borrower's Cash Flow Available for Debt Service (as defined below) to (ii) Borrower's Debt Service (as defined below). "Cash Flow Available for Debt Service" of Borrower means, with respect to the applicable period of determination, Borrower's income, plus interest expense, depreciation, amortization and other non-cash charges. "Debt Service" of Borrower means, with respect to the applicable period of determination, the aggregate of (i) interest expense of Borrower, (ii) all installments of principal on Debt (as defined below) of Borrower that are due on demand or during the period of determination, (iii) all installments of rent under capitalized lease obligations (to the extent not already accounted for in computation of net income or debt) of Borrower that are due on demand or during the period of determination and (iv) distributions and dividends to stockholders and advances to affiliates of Borrower during the period of determination. "Debt" shall mean (i) all items of indebtedness or liability which in accordance with generally accepted accounting principles or federal tax law would be included in determining total liabilities as shown on the liabilities side of a balance sheet, (ii) indebtedness secured by any mortgage, pledge, lien or security interest existing on property owned by Borrower, whether or not the indebtedness secured thereby shall have been assumed, and (iii) guaranties and endorsements (other than for purposes of collection in the ordinary course of business) by Borrower and other contingent obligations of Borrower in respect of, or to purchase or otherwise acquire, indebtedness of others.

Section 6.12. [Reserved]

Section 6.13. ***Additional Parity Indebtedness.***

(a) The Borrower may incur additional indebtedness on a parity with the Bonds as to payment and security at any time and from time to time, with the written consent of Lender and Issuer upon compliance with the conditions hereinafter provided in this Section, for the purposes of providing funds to pay or repay the costs of completing the Project, or any new facility, including, without limitation, any related costs of borrowing, the total such costs to be evidenced by a certificate signed by

the Borrower. The interest on such Parity Indebtedness may or may not be included in the gross income of holder thereof for federal income tax purposes.

(b) Before any Parity Indebtedness shall be issued or incurred under the provisions of this Section, the Lender and Issuer shall receive a certificate signed by the Borrower stating (i) the Borrower is in compliance with Sections 2.03, 6.11 and 6.12 above and (ii) no Default, or event which with the passage of time or the giving of notice or both would constitute a Default, has occurred and is continuing.

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS

Borrower shall provide a complete written report to Lender immediately upon any loss, theft, damage, destruction or condemnation of the Project and any Equipment and of any material accident involving the Project and any Equipment. If (i) all or any part of the Project or Equipment is lost, stolen, destroyed or damaged or (ii) title to the Project or Equipment or any part thereof or the estate of Borrower in the Project or Equipment or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority ("Damaged Property"), Borrower shall as soon as practicable after such event either: (a) repair or replace the same at Borrower's sole cost and expense with property and equipment having substantially similar specifications and of equal or greater value to the Damaged Property immediately prior to the time of the loss occurrence, such repaired or replacement property or equipment to be subject to Lender's approval, whereupon any such replacement property or equipment shall be substituted in the related Agreement and the other related documents by appropriate endorsement or amendment; or (b) pay the applicable Prepayment Price of the Damaged Property. Notice of such election shall be forwarded to Issuer. Borrower shall notify Lender of which course of action it will take within fifteen calendar days after the loss occurrence. If, within forty-five calendar days of the loss occurrence, (A) Borrower fails to notify Lender; (B) Borrower, Issuer and Lender fail to execute an amendment to this Agreement to delete the Damaged Property and add the replacement property or equipment; (C) Borrower fails to replace or repair the Damaged Property; or (D) Borrower fails to pay the applicable Prepayment Price, then Lender may, at its sole discretion but following notice to Issuer, declare the applicable Prepayment Price to be immediately due and payable, and Borrower is required to pay the same. The Net Proceeds (as defined below) of insurance with respect to the Damaged Property shall be made available by Lender to be applied to reimburse Borrower or discharge Borrower's obligation under this Article. The payment of the Prepayment Price and the termination of Lender's interest in the Damaged Property is subject to the terms of Section 3.06 hereof. For purposes of this Article, the term "Net Proceeds" shall mean the amount remaining from the gross proceeds of any insurance claim or condemnation award after deducting all expenses (including reasonable attorneys' fees) incurred in the collection of such claim or award.

ARTICLE VIII

ASSIGNMENT, MORTGAGING AND SELLING

Section 8.01. *Purchase by Lender.* In connection with its entry into this Agreement and purchase of the Bonds, Lender represents and warrants it has made and relied solely upon its own independent

investigation of Borrower, and its assets, liabilities, and operations, and has not received from Issuer or relied upon Issuer for any such information. Lender understands the risks involved in its purchase of the Bonds and is able and willing to bear any risk of loss with respect thereto. Lender also understands that the Bonds are not registered, listed or traded on any securities exchange, and represents an illiquid investment for which there can be no assurance that any secondary market will exist.

Section 8.02. *Assignment by Lender.* This Agreement and the Bonds and the right to receive Payments and the Prepayment Price from Borrower hereunder, may only be assigned or transferred in accordance with Section 4.02 hereof.

Section 8.03. *No Sale, Assignment or Leasing by Borrower.* This Agreement and the interest of Borrower in the Project or Equipment may not be sold, assumed, assigned or encumbered by Borrower without the prior written consent of Issuer and Lender. Neither this Agreement nor the Project or Equipment shall be subject to involuntary assignment, lease, transfer or sale or to assignment, lease, transfer or sale by operation of law in any manner whatsoever, and any such attempted assignment, lease, transfer or sale shall be void and of no effect and shall, at the option of Lender, constitute an Event of Default hereunder.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.01. *Events of Default.* The following constitute "Events of Default" under this Agreement:

- (a) failure by Borrower to pay to Lender, as assignee of Issuer, when due any Payment or any other amount required to be paid hereunder or under any related document; or
- (b) failure by Borrower to maintain insurance on the Project or Equipment in accordance with Section 6.04 hereof; or
- (c) failure by Borrower or Issuer to observe and perform any other covenant, condition or agreement on its part to be observed or performed hereunder for a period of 30 days after written notice is given to Borrower by Lender, specifying such failure and requesting that it be remedied unless the breach is not curable within thirty (30) days and Borrower is proceeding diligently in its efforts to cure said breach, which event shall be an Event of Default if said breach is not cured within sixty (60) days after the notice given to Borrower by Lender; or
- (d) initiation by Borrower of a proceeding under any federal or state bankruptcy or insolvency law seeking relief under such laws concerning the indebtedness of Borrower; or
- (e) Borrower or Issuer shall be or become insolvent, or admit in writing an inability to pay debts as they mature, or make an assignment for the benefit of creditors; or Borrower or Issuer shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; or such receiver, trustee or similar officer shall be appointed without the application or consent of Borrower or Issuer, as the case may be; or Borrower or Issuer shall institute (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding shall be instituted (by petition, application or otherwise)

against Borrower or Issuer; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against a substantial part of the property of Borrower; or

(f) Borrower or Issuer is determined by Lender to have made any material false or misleading statement or representation in connection with this Agreement; or

(g) Borrower or Issuer sells, assigns, leases, or otherwise transfers or encumbers all or any part of its interest in this Agreement, the Project or the Equipment (except as provided herein); or

(h) the occurrence of a default or an event of default under any instrument, agreement or other document between Borrower and Lender or any affiliate of Lender; or

(i) the occurrence of a default or an event of default under any instrument, agreement or other document evidencing or relating to any indebtedness or other monetary obligation of Borrower which has a material adverse effect upon the validity or enforceability of this Agreement or materially impairs the ability of Borrower to fulfill its obligations under this Agreement.

Section 9.02. Remedies on Default. Whenever any Event of Default shall have occurred and be continuing, Lender shall have the right, at its sole option without any further demand or notice, to take any one or any combination of the following remedial actions insofar as the same are available to secured parties under Article 8 of the UCC in effect in the State from time to time and which are otherwise accorded to Lender:

(a) by notice to Issuer and Borrower, declare the entire unpaid principal amount of any or all Payments then outstanding, all interest accrued and unpaid thereon and all accrued and unpaid amounts payable under this Agreement to be forthwith due and payable, whereupon this Agreement, all such accrued interest and all such amounts shall become and be forthwith due and payable, without presentment, notice of dishonor, protest or further notice of any kind, all of which are hereby expressly waived by Borrower and Issuer;

(b) take possession of the Collateral wherever situated, without any court order or other process of law and without liability for entering the premises, and sell any or all of the Collateral at a public or private sale, or otherwise dispose of, hold, use, operate, lease or sublease to others or keep idle the Collateral, all free and clear of any rights of Borrower and Issuer; provided that any and all such actions be taken in a commercially reasonable manner, all proceeds from such sale, use, operation, lease or other disposition to be applied in the following manner:

FIRST, to pay all proper and reasonable costs and expenses associated with the recovery and sale of the Collateral, including reasonable attorneys' fees and expenses;

SECOND, to pay (i) Lender the amount of all unpaid Payments, if any, which are then due and owing, together with interest and late charges thereon, (ii) Lender the then applicable Prepayment Price (taking into account the payment of past due Payments as aforesaid), plus a pro rata allocation of interest, at the rate utilized to establish the interest component for the Payment next due, from the next preceding due date of a Payment until the date paid, (iii) to the United States any rebatable arbitrage due or accrued pursuant to Section 148(f)(4) of the Code, and (iv) to Lender and Issuer any other amounts due hereunder, including indemnity payments, reimbursement of any advances, Additional Payments and other amounts payable to Lender or Issuer hereunder; and

THIRD, to pay the remainder of any such proceeds, purchase moneys or other amounts paid by a buyer of the Collateral or other person, to Borrower;

(e) proceed by appropriate court action to enforce performance by Issuer or Borrower of the applicable covenants of this Agreement or to recover for the breach thereof, including the payment of all amounts due from Borrower, in which event Borrower shall pay or repay to Lender and Issuer all costs of such action or court action including, without limitation, reasonable attorneys' fees; and

(f) take whatever action at law or in equity which may appear necessary or desirable to enforce its rights with respect to the Collateral, in which event Borrower shall pay or repay to Lender and Issuer all costs of such action or court action, including, without limitation, reasonable attorneys' fees.

Notwithstanding any other remedy exercised hereunder, Borrower shall remain obligated to pay to Lender any unpaid Payments.

Section 9.03. [Reserved]

Section 9.04. *No Remedy Exclusive.* No remedy herein conferred upon or reserved to Lender is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Lender to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be required by this Article IX. All remedies herein conferred upon or reserved to Lender shall survive the termination of this Agreement.

Section 9.05. *Late Charge.* Any Payment, Additional Payments or other amounts payable by Borrower to or for the benefit of Lender hereunder and not paid by Borrower on the due date thereof or amounts advanced by Lender under Section 6.07 hereof shall, to the extent permissible by law, bear a late charge equal to 5% of the amount of the past due Payment, Additional Payments or other amounts.

ARTICLE X

LIMITATION ON LIABILITY OF ISSUER; EXPENSES; INDEMNIFICATION

Section 10.01. *Reliance by Issuer on Facts or Certificates.* Anything in this Agreement to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that the Issuer may rely conclusively on the truth and accuracy of any certificate, opinion, notice, or other instrument furnished to the Issuer by Borrower, Lender or Escrow Agent as to the existence of any fact or the state of affairs required hereunder to be noticed by the Issuer.

Section 10.02. *Immunity of Issuer's Directors, Officers, Counsels Financial Advisors, and Agents.* No recourse shall be had for the enforcement of any obligation, covenant, promise, or agreement of Issuer contained in this Agreement, any other Borrower Documents or for any claim based hereon or otherwise in respect hereof or upon any obligation covenant, promise, or agreement of Issuer contained in any agreement, instrument, or certificate executed in connection with the Project or Equipment against any Indemnified Party (as defined in Section 10.05 below), whether by virtue of any Constitutional provision, statute, or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that no personal liability whatsoever shall attach to, or be incurred by, any such Indemnified Party either directly or by reason of any of the obligations, covenants, promises,

or agreements entered into by Issuer with Borrower or to be inferred therefrom as being supplemental hereto or thereto, and that all personal liability of that character against every such director, officer, counsel, financial advisor, or agent, by the execution of this Agreement and the other Borrower Documents and as a condition of, and as part of the consideration for this Agreement and the other Borrower Documents is expressly waived and released.

Section 10.03. *No Pecuniary Liability of Issuer.* No agreements or provisions contained herein, or any agreement, covenant, or undertaking by the Issuer in connection with the Project shall give rise to any pecuniary liability of Issuer, the County or the State or a charge against the general credit of the Issuer, the County or the State, or shall obligate the Issuer financially in any way. Except for willful misconduct, no failure of Issuer to comply with any term, covenant, or agreement contained in this Agreement, or in any document executed by Issuer in connection with the transactions contemplated herein shall subject Issuer to liability for any claim for damages, costs, or other financial or pecuniary charge. Nothing herein shall preclude a proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against Issuer for any failure to comply with any term, condition, covenant, or agreement herein; provided that no costs, expenses, or other monetary relief shall be recoverable from Issuer. No provision, covenant, or agreement contained herein, or any obligations imposed upon Issuer hereby or the breach thereof, shall constitute an indebtedness of Issuer within the meaning of any State constitutional or statutory limitation or shall constitute or give rise to a charge against the general credit of the Issuer, the County or the State.

Section 10.4. *Issuer's Performance.* None of the provisions of this Agreement shall require Issuer, the County or the State to expend or risk its funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers hereunder, unless Issuer shall first have adequately indemnified to its satisfaction against the cost, expense, and liability which may be incurred thereby. Neither Issuer, the County nor the State shall be under any obligation hereunder to perform any administrative service with respect to the Project or Equipment (including, without limitation, record keeping and legal services), it being understood that such services shall be performed or provided by Borrower. Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions expressly contained in this Agreement provided, however, that (a) Issuer shall not be obligated to take any action or execute any instrument pursuant to any provision hereof until it shall have been requested to do so by Borrower, (b) Issuer shall have received the instrument to be executed, and (c) all costs in connection therewith have been paid by the Borrower.

Section 10.05. *Indemnification.*

(a) Borrower will pay, defend and will protect, indemnify and save harmless Issuer and its officers, directors, counsel, financial advisors, employees and agents, and the County, the State and their officers, employees and agents (collectively, the "Indemnified Parties") for, from and against all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees and costs), causes of action (whether in contract, tort, or otherwise), suits, claims, demands, and judgments of every kind, character and nature whatsoever (collectively referred to herein as the "Liabilities") directly or indirectly arising from or relating to this Agreement, the Project and the Equipment, including, but not limited to, the following:

- (1) any liability arising out of or connected with the use, non-use, or condition of the Project, the Equipment or any part thereof during Borrower's ownership of the Project or Equipment;
- (2) any violation of any agreement or condition of the Borrower Documents;

(3) any violation by Borrower of any contract, agreement or restriction relating to the Project or the Equipment;

(4) any violation of any law, ordinance, or regulation affecting the Project or Equipment or any part thereof or the ownership, occupancy or use thereof during Borrower's ownership of the Project or the Equipment;

(5) any statement, information or certificate furnished by the Borrower to Issuer which is misleading, untrue or incorrect in any material respect; and

(6) any breach of any of the representations, warranties or agreements contained in this Agreement;

provided, however, that nothing in this Section 10.05 shall be deemed to provide indemnification to an Indemnified Party with respect to Liabilities arising from the fraud or willful misconduct of such Indemnified Party.

(b) In case a claim shall be made or any action shall be brought against one or more of the Indemnified Parties in respect of which indemnity can be sought against Borrower pursuant to the preceding paragraph, the Indemnified Parties shall promptly notify Borrower in writing, and Borrower shall promptly assume the defense thereof, including, with the consent of the Indemnified Parties (which consent of such Indemnified Party shall not be unreasonably withheld), the employment of counsel and the right to negotiate and consent to settlement. Any one or more of the Indemnified Parties shall have the right to employ separate counsel with respect to any such claim or in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Indemnified Parties unless (1) the employment of such counsel has been specifically authorized, in writing, by Borrower or (2) there is a conflict of interest which, in the opinion of counsel to Indemnified Party, would prevent counsel for Borrower from adequately representing Borrower and the Indemnified Parties or (3) Borrower shall have failed within a reasonable time to retain counsel to represent a Indemnified Party. Borrower shall not be liable for any settlement of any such action effected without its written consent, but if such action is settled with the written consent of Borrower or if there be a final judgment for the plaintiff in any such action with or without consent which Borrower is required hereunder to assume the defense of, Borrower agrees to indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment; provided, however, that the Borrower shall have the right to make any decisions on whether such final judgment shall be appealed and the Indemnified Parties agree to cooperate with the Borrower in any such appeal process.

(c) The Indemnified Parties, other than Lender, shall be considered to be third party beneficiaries of this Agreement. The provisions of this Agreement are in addition to all liability which Borrower may otherwise have and shall survive any termination of the Agreement and the payment or provisions for payment of the Loan.

ARTICLE XI

MISCELLANEOUS

Section 11.01. *Disclaimer of Warranties.* LENDER AND ISSUER MAKE NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN,

COMPLIANCE WITH SPECIFICATIONS, QUALITY OF MATERIALS OR WORKMANSHIP, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, USE OR OPERATION, SAFETY, PATENT, TRADEMARK OR COPYRIGHT INFRINGEMENT, TITLE OR FITNESS FOR USE OF THE PROJECT OR EQUIPMENT, OR ANY COMPONENT THEREOF OR ANY OTHER WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT THERETO AND, AS TO LENDER AND ISSUER, BORROWER'S PURCHASE OF THE PROJECT OR EQUIPMENT SHALL BE ON AN "AS IS" BASIS. All such risks, as between Lender, Issuer and Borrower, are to be borne by Borrower. Without limiting the foregoing Lender and Issuer shall have no responsibility or liability to Borrower or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by the Project or Equipment, any inadequacy thereof, any deficiency or defect (latent or otherwise) therein, or any other circumstances in connection therewith; (ii) the renovation, use, operation or performance of the Project or Equipment or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of the Equipment. If, and so long as, no Event of Default exists under this Agreement, Borrower shall be, and hereby is, authorized during the term hereof to assert and enforce, at Borrower's sole cost and expense, from time to time, whatever claims and rights Borrower or Lender may have against the vendor or any prior title holder or possessor of the Equipment. In no event shall Lender or Issuer be liable for any loss or damage in connection with or arising out of this Agreement, the Project or any Equipment.

Section 11.02. *Vendor's Warranties.* Borrower may assert against any vendor from time to time whatever claims and rights, including warranties of the Equipment, that Borrower may have with respect to the Equipment. Borrower's sole remedy for the breach of any such warranty, indemnification or representation shall be against the vendor of the Equipment, and not against either or both of Lender or Issuer, nor shall such matter have any effect whatsoever on the rights and obligations of Lender with respect to this Agreement, including the right to receive full and timely payments under this Agreement. Borrower expressly acknowledges that in Lender's capacity as Lender hereunder Lender makes and Issuer makes, and has made hereunder, no representation or warranty whatsoever as to the existence or availability of such warranties of the vendor of the Equipment.

Section 11.03. *Limitations of Liability.* In no event, whether as a result of breach of contract, warranty, tort (including negligence or strict liability), indemnity or otherwise, shall Lender, its assignees, if any, or Issuer be liable for any special, consequential, incidental or penal damages including, but not limited to, loss of profit or revenue, loss of use of the Project or Equipment or any associated equipment, service materials or software, damage to associated equipment, service materials or software, cost of capital, cost of substitute equipment, service materials or software, facilities, services or replacement power, down time costs or claims of Borrower's clients or constituents for such damages and Borrower shall indemnify and hold harmless Lender, its assignees, if any, and Issuer from any such damages.

Section 11.04. *Additional Payments.* Borrower shall pay to Lender, as assignee of Issuer and holder of the Bonds, the following Additional Payments hereunder, in addition to the Payments payable by Borrower: such amounts in each year as shall be required by Lender in payment of any reasonable costs and expenses, incurred by Lender in connection with the enforcement of this Agreement, the financing of the Project or Equipment, including but not limited to payment of all reasonable fees, costs and expenses of Lender in connection with the Project or Equipment, reasonable expenses (including, without limitation, attorneys' fees and disbursements), reasonable fees of auditors or attorneys, insurance premiums not otherwise paid hereunder and all other reasonable, direct and necessary costs of Lender or charges required to be paid by it in order to comply with the terms of, or to enforce its rights under, this Agreement. Such Additional Payments shall be billed to Borrower by Lender from time to time, together with a statement certifying that the amount so billed has been paid or incurred by Lender for one or more

of the items described, or that such amount is then payable by Lender for such items. Amounts so billed shall be due and payable by Borrower within 30 days after receipt of the bill by Borrower.

Section 11.05. *Notices.* All notices, certificates, requests, demands and other communications provided for hereunder shall be in writing and shall be (a) personally delivered, (b) sent by registered class United States mail, (c) sent by overnight courier of national reputation, or (d) sent by telecopier or facsimile, in each case addressed to the party to whom notice is being given at the address set forth below or, as to each party, at such other address as may hereafter be designated by such party in a written notice to the other party complying as to delivery with the terms of this Section:

Lender: Wells Fargo Brokerage Services, LLC
1740 Broadway, MAC: C7300-011
Attn: Kevin D. O'Connor, Senior Vice President
Denver, Colorado 80274
Telephone: (303) 863-5089
Facsimile: (303) 863-4895

Issuer: The Industrial Development Authority of Coconino County, Arizona
c/o Mangum, Wall, Stoops & Warden, P.L.L.C.
Post Office Box 10
Flagstaff, AZ 86002
Attention: President
Telephone: (928) 779-6951
Facsimile: (928) 773-1312

Borrower: Doney Park Water
5290 E. Northgate Loop
Flagstaff, AZ 86004-6204
Attention: General Manager
Telephone: (928) 526-1080
Facsimile:

All such notices, requests, demands and other communications shall be deemed to have been given on (a) the date received if personally delivered, (b) when deposited in the mail if delivered by mail, (c) the date sent if sent by overnight courier, or (d) the date of transmission if delivered by telecopier or facsimile. If notice to Borrower of any intended disposition of the Project or Equipment or any other intended action is required by law in a particular instance, such notice shall be deemed commercially reasonable if given (in the manner specified in this Section) at least ten calendar days prior to the date of intended disposition or other action.

Section 11.06. *Binding Effect; Time of the Essence.* This Agreement shall inure to the benefit of and shall be binding upon Lender, Issuer, Borrower and their respective successors and assigns, if any. Time is of the essence.

Section 11.07. *Severability.* In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.08. *Amendments.* To the extent permitted by law, the terms of this Agreement shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the parties hereto, and then such waiver, consent, modification or change shall be effective only in the specific instance and for the specific purpose given.

Section 11.09. *Execution in Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart, provided that only the original or this Agreement marked "Original: 1 of 4" on the execution page thereof shall constitute chattel paper under the UCC.

Section 11.10. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws, excluding the laws relating to the choice of law, of the State. The parties hereto expressly acknowledge and agree that any judicial action to interpret or enforce the terms of this Agreement shall be brought and maintained in the Superior Court of the State of Arizona in and for the County of Coconino, in the United States District Court in and for the District of Arizona, or in any United States Bankruptcy Court for the District of Arizona.

Section 11.11. *Jury Trial Waiver.* LENDER, ISSUER (TO THE EXTENT PERMITTED BY LAW), AND BORROWER HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF, DIRECTLY OR INDIRECTLY, THIS AGREEMENT OR ANY OF THE RELATED DOCUMENTS.

Section 11.12. *Captions.* The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

Section 11.13. *Entire Agreement.* This Agreement constitutes the entire agreement among Lender, Issuer and Borrower. There are no understandings, agreements, representations or warranties, express or implied, not specified herein or therein regarding this Agreement, the Project or the Equipment financed hereunder. Any terms and conditions of any purchase order or other document submitted by Borrower in connection with this Agreement which are in addition to or inconsistent with the terms and conditions of this Agreement will not be binding on Lender and will not apply to this Agreement.

Section 11.14. *Waiver.* Lender's or Issuer's failure to enforce at any time or for any period of time any provision of this Agreement shall not be construed to be a waiver of such provision or of the right of Lender or Issuer thereafter to enforce each and every provision. No express or implied waiver by Lender of any default or remedy of default shall constitute a waiver of any other default or remedy of default or a waiver of any of Lender's rights.

Section 11.15. *Survivability.* All of the limitations of liability, indemnities and waivers contained in this Agreement shall continue in full force and effect notwithstanding the expiration or early termination of this Agreement and are expressly made for the benefit of, and shall be enforceable by, Lender and Issuer, or their successors and assigns.

Section 11.16. *Usury.* It is the intention of the parties hereto to comply with any applicable usury laws; accordingly, it is agreed that, notwithstanding any provisions to the contrary in this Agreement, in no event shall this Agreement require the payment or permit the collection of interest or any amount in the nature of interest or fees in excess of the maximum permitted by applicable law.

Section 11.17. *Announcements.* Borrower and Issuer acknowledge that Lender may publish in a newspaper, trade journal or other media a summary of the transaction subject to this Agreement, including the name of Borrower and Issuer and the amount of the Bonds.

Section 11.18. *A.R.S. §38-511.* To the extent A.R.S. §38-511 is applicable, all parties acknowledge that this Agreement is subject to cancellation without penalty or further obligation by Issuer pursuant to A.R.S. §38-511, the provisions of which are incorporated herein. All parties represent that to the best of their knowledge, the parties are not in violation of A.R.S. §38-511 as of the date hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their respective corporate names by their duly authorized officers, all as of the date first written above.

THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF COCONINO COUNTY, ARIZONA, as Issuer

By: 
Name: Bernard Born
Title: President

WELLS FARGO BROKERAGE SERVICES, L.L.C.
as Lender

By: 
Name: Kevin D. O'Connor
Title: Senior Vice President

DONEY PARK WATER, as Borrower

By: Bill Linville

Name: Bill Linville

Title: General Manger

ACKNOWLEDGMENT

Wells Fargo Brokerage Services, LLC, (a) acknowledges the foregoing security agreement set forth in Section 5.01 of the Agreement, and (b) agrees to hold the Escrow Fund Collateral and follow the instructions of Lender (as Issuer's assignee) in accordance with the terms of the foregoing Loan Agreement.

DATED as of April 3 2007

WELLS FARGO BROKERAGE SERVICES, LLC, a
Delaware limited liability company, as Escrow Agent

By: 

Name: Kevin D. O'Connor

Title: Senior Vice President

EXHIBIT A
PAYMENT SCHEDULE

Costs Funded \$1,500,000.00	Payment Rate 4.90%	180 Payments	Level Payment	Closing Fees \$0.00	Average Life 8.44 years 101 months
		12 per year	\$11,779.12		
		4.900% Rate	Fctr=.007853		
		Commencement: Apr 4, 2007			
		Closing Date: Apr 4, 2007			

Pmt	Total Payment Due	Interest Payment Due	Principal Payment Due	After Payment Principal Balance	After Payment Termination Value	Payment Due Date
	\$0.00		\$0.00	\$1,500,000.00		Apr 4, 2007
1	\$11,779.12	\$5,512.50	\$6,266.62	\$1,493,733.38	\$1,523,411.89	May 1, 2007
2	\$11,779.12	\$6,099.41	\$5,679.71	\$1,488,053.67	\$1,517,475.05	Jun 1, 2007
3	\$11,779.12	\$6,076.22	\$5,702.90	\$1,482,350.77	\$1,511,515.45	Jul 1, 2007
4	\$11,779.12	\$6,052.93	\$5,726.19	\$1,476,624.58	\$1,505,532.99	Aug 1, 2007
5	\$11,779.12	\$6,029.55	\$5,749.57	\$1,470,875.01	\$1,499,527.58	Sep 1, 2007
6	\$11,779.12	\$6,006.07	\$5,773.05	\$1,465,101.96	\$1,493,499.15	Oct 1, 2007
7	\$11,779.12	\$5,982.50	\$5,796.62	\$1,459,305.34	\$1,487,447.60	Nov 1, 2007
8	\$11,779.12	\$5,958.83	\$5,820.29	\$1,453,485.05	\$1,481,372.84	Dec 1, 2007
9	\$11,779.12	\$5,935.06	\$5,844.06	\$1,447,640.99	\$1,475,274.78	Jan 1, 2008
10	\$11,779.12	\$5,911.20	\$5,867.92	\$1,441,773.07	\$1,469,153.34	Feb 1, 2008
11	\$11,779.12	\$5,887.24	\$5,891.88	\$1,435,881.19	\$1,463,008.42	Mar 1, 2008
12	\$11,779.12	\$5,863.18	\$5,915.94	\$1,429,965.25	\$1,456,839.94	Apr 1, 2008
13	\$11,779.12	\$5,839.02	\$5,940.10	\$1,424,025.15	\$1,450,647.80	May 1, 2008
14	\$11,779.12	\$5,814.77	\$5,964.35	\$1,418,060.80	\$1,444,431.91	Jun 1, 2008
15	\$11,779.12	\$5,790.41	\$5,988.71	\$1,412,072.10	\$1,438,192.19	Jul 1, 2008
16	\$11,779.12	\$5,765.96	\$6,013.16	\$1,406,058.94	\$1,431,928.53	Aug 1, 2008
17	\$11,779.12	\$5,741.41	\$6,037.71	\$1,400,021.22	\$1,425,640.86	Sep 1, 2008
18	\$11,779.12	\$5,716.75	\$6,062.37	\$1,393,958.85	\$1,419,329.07	Oct 1, 2008
19	\$11,779.12	\$5,692.00	\$6,087.12	\$1,387,871.73	\$1,412,993.08	Nov 1, 2008
20	\$11,779.12	\$5,667.14	\$6,111.98	\$1,381,759.75	\$1,406,632.78	Dec 1, 2008
21	\$11,779.12	\$5,642.19	\$6,136.94	\$1,375,622.82	\$1,400,248.10	Jan 1, 2009
22	\$11,779.12	\$5,617.13	\$6,161.99	\$1,369,460.82	\$1,393,838.93	Feb 1, 2009
23	\$11,779.12	\$5,591.97	\$6,187.16	\$1,363,273.67	\$1,387,405.18	Mar 1, 2009
24	\$11,779.12	\$5,566.70	\$6,212.42	\$1,357,061.25	\$1,380,946.76	Apr 1, 2009
25	\$11,779.12	\$5,541.33	\$6,237.79	\$1,350,823.46	\$1,374,463.57	May 1, 2009
26	\$11,779.12	\$5,515.86	\$6,263.26	\$1,344,560.20	\$1,367,955.52	Jun 1, 2009
27	\$11,779.12	\$5,490.29	\$6,288.83	\$1,338,271.37	\$1,361,422.50	Jul 1, 2009
28	\$11,779.12	\$5,464.61	\$6,314.51	\$1,331,956.85	\$1,354,864.44	Aug 1, 2009
29	\$11,779.12	\$5,438.82	\$6,340.30	\$1,325,616.56	\$1,348,281.22	Sep 1, 2009
30	\$11,779.12	\$5,412.93	\$6,366.19	\$1,319,250.37	\$1,341,672.76	Oct 1, 2009
31	\$11,779.12	\$5,386.94	\$6,392.18	\$1,312,858.19	\$1,335,038.95	Nov 1, 2009
32	\$11,779.12	\$5,360.84	\$6,418.28	\$1,306,439.90	\$1,328,379.71	Dec 1, 2009
33	\$11,779.12	\$5,334.63	\$6,444.49	\$1,299,995.41	\$1,321,694.92	Jan 1, 2010
34	\$11,779.12	\$5,308.31	\$6,470.81	\$1,293,524.61	\$1,314,984.50	Feb 1, 2010
35	\$11,779.12	\$5,281.89	\$6,497.23	\$1,287,027.38	\$1,308,248.35	Mar 1, 2010
36	\$11,779.12	\$5,255.36	\$6,523.76	\$1,280,503.62	\$1,301,486.36	Apr 1, 2010
37	\$11,779.12	\$5,228.72	\$6,550.40	\$1,273,953.22	\$1,294,698.44	May 1, 2010
38	\$11,779.12	\$5,201.98	\$6,577.15	\$1,267,376.07	\$1,287,884.48	Jun 1, 2010
39	\$11,779.12	\$5,175.12	\$6,604.00	\$1,260,772.07	\$1,281,044.40	Jul 1, 2010
40	\$11,779.12	\$5,148.15	\$6,630.97	\$1,254,141.10	\$1,274,178.08	Aug 1, 2010
41	\$11,779.12	\$5,121.08	\$6,658.04	\$1,247,483.06	\$1,267,285.44	Sep 1, 2010
42	\$11,779.12	\$5,093.89	\$6,685.23	\$1,240,797.83	\$1,260,366.35	Oct 1, 2010
43	\$11,779.12	\$5,066.59	\$6,712.53	\$1,234,085.30	\$1,253,420.74	Nov 1, 2010
44	\$11,779.12	\$5,039.18	\$6,739.94	\$1,227,345.36	\$1,246,448.49	Dec 1, 2010
45	\$11,779.12	\$5,011.66	\$6,767.46	\$1,220,577.90	\$1,239,449.49	Jan 1, 2011
46	\$11,779.12	\$4,984.03	\$6,795.09	\$1,213,782.80	\$1,232,423.66	Feb 1, 2011

47	\$11,779.12	\$4,956.28	\$6,822.84	\$1,206,959.96	\$1,225,370.89	Mar 1, 2011
48	\$11,779.12	\$4,928.42	\$6,850.70	\$1,200,109.26	\$1,218,291.06	Apr 1, 2011
49	\$11,779.12	\$4,900.45	\$6,878.67	\$1,193,230.59	\$1,211,184.09	May 1, 2011
50	\$11,779.12	\$4,872.36	\$6,906.76	\$1,186,323.82	\$1,204,049.86	Jun 1, 2011
51	\$11,779.12	\$4,844.16	\$6,934.97	\$1,179,388.86	\$1,196,888.27	Jul 1, 2011
52	\$11,779.12	\$4,815.84	\$6,963.28	\$1,172,425.57	\$1,189,699.21	Aug 1, 2011
53	\$11,779.12	\$4,787.40	\$6,991.72	\$1,165,433.86	\$1,182,482.59	Sep 1, 2011
54	\$11,779.12	\$4,758.85	\$7,020.27	\$1,158,413.59	\$1,175,238.29	Oct 1, 2011
55	\$11,779.12	\$4,730.19	\$7,048.93	\$1,151,364.66	\$1,167,966.21	Nov 1, 2011
56	\$11,779.12	\$4,701.41	\$7,077.72	\$1,144,286.94	\$1,160,666.23	Dec 1, 2011
57	\$11,779.12	\$4,672.51	\$7,106.62	\$1,137,180.33	\$1,153,338.27	Jan 1, 2012
58	\$11,779.12	\$4,643.49	\$7,135.63	\$1,130,044.69	\$1,145,982.20	Feb 1, 2012
59	\$11,779.12	\$4,614.35	\$7,164.77	\$1,122,879.92	\$1,138,597.92	Mar 1, 2012
60	\$11,779.12	\$4,585.09	\$7,194.03	\$1,115,685.89	\$1,131,185.32	Apr 1, 2012
61	\$11,779.12	\$4,555.72	\$7,223.40	\$1,108,462.49	\$1,123,744.30	May 1, 2012
62	\$11,779.12	\$4,526.22	\$7,252.90	\$1,101,209.59	\$1,116,274.74	Jun 1, 2012
63	\$11,779.12	\$4,496.61	\$7,282.52	\$1,093,927.07	\$1,108,776.53	Jul 1, 2012
64	\$11,779.12	\$4,466.87	\$7,312.25	\$1,086,614.82	\$1,101,249.57	Aug 1, 2012
65	\$11,779.12	\$4,437.01	\$7,342.11	\$1,079,272.71	\$1,093,693.74	Sep 1, 2012
66	\$11,779.12	\$4,407.03	\$7,372.09	\$1,071,900.62	\$1,086,108.93	Oct 1, 2012
67	\$11,779.12	\$4,376.93	\$7,402.19	\$1,064,498.43	\$1,078,495.04	Nov 1, 2012
68	\$11,779.12	\$4,346.70	\$7,432.42	\$1,057,066.01	\$1,070,851.94	Dec 1, 2012
69	\$11,779.12	\$4,316.35	\$7,462.77	\$1,049,603.24	\$1,063,179.54	Jan 1, 2013
70	\$11,779.12	\$4,285.88	\$7,493.24	\$1,042,110.00	\$1,055,477.71	Feb 1, 2013
71	\$11,779.12	\$4,255.28	\$7,523.84	\$1,034,586.16	\$1,047,746.35	Mar 1, 2013
72	\$11,779.12	\$4,224.56	\$7,554.56	\$1,027,031.60	\$1,039,985.34	Apr 1, 2013
73	\$11,779.12	\$4,193.71	\$7,585.41	\$1,019,446.19	\$1,032,194.56	May 1, 2013
74	\$11,779.12	\$4,162.74	\$7,616.38	\$1,011,829.81	\$1,024,373.90	Jun 1, 2013
75	\$11,779.12	\$4,131.64	\$7,647.48	\$1,004,182.33	\$1,016,523.26	Jul 1, 2013
76	\$11,779.12	\$4,100.41	\$7,678.71	\$996,503.62	\$1,008,642.50	Aug 1, 2013
77	\$11,779.12	\$4,069.06	\$7,710.06	\$988,793.55	\$1,000,731.52	Sep 1, 2013
78	\$11,779.12	\$4,037.57	\$7,741.55	\$981,052.00	\$992,790.21	Oct 1, 2013
79	\$11,779.12	\$4,005.96	\$7,773.16	\$973,278.84	\$984,818.44	Nov 1, 2013
80	\$11,779.12	\$3,974.22	\$7,804.90	\$965,473.95	\$976,816.10	Dec 1, 2013
81	\$11,779.12	\$3,942.35	\$7,836.77	\$957,637.18	\$968,783.06	Jan 1, 2014
82	\$11,779.12	\$3,910.35	\$7,868.77	\$949,768.41	\$960,719.23	Feb 1, 2014
83	\$11,779.12	\$3,878.22	\$7,900.90	\$941,867.51	\$952,624.46	Mar 1, 2014
84	\$11,779.12	\$3,845.96	\$7,933.16	\$933,934.34	\$944,498.66	Apr 1, 2014
85	\$11,779.12	\$3,813.57	\$7,965.56	\$925,968.79	\$936,341.69	May 1, 2014
86	\$11,779.12	\$3,781.04	\$7,998.08	\$917,970.71	\$928,153.44	Jun 1, 2014
87	\$11,779.12	\$3,748.38	\$8,030.74	\$909,939.97	\$919,933.79	Jul 1, 2014
88	\$11,779.12	\$3,715.59	\$8,063.53	\$901,876.43	\$911,682.61	Aug 1, 2014
89	\$11,779.12	\$3,682.66	\$8,096.46	\$893,779.97	\$903,399.79	Sep 1, 2014
90	\$11,779.12	\$3,649.60	\$8,129.52	\$885,650.46	\$895,085.21	Oct 1, 2014
91	\$11,779.12	\$3,616.41	\$8,162.72	\$877,487.74	\$886,738.74	Nov 1, 2014
92	\$11,779.12	\$3,583.07	\$8,196.05	\$869,291.69	\$878,360.26	Dec 1, 2014
93	\$11,779.12	\$3,549.61	\$8,229.51	\$861,062.18	\$869,949.65	Jan 1, 2015
94	\$11,779.12	\$3,516.00	\$8,263.12	\$852,799.06	\$861,506.79	Feb 1, 2015
95	\$11,779.12	\$3,482.26	\$8,296.86	\$844,502.21	\$853,031.55	Mar 1, 2015
96	\$11,779.12	\$3,448.38	\$8,330.74	\$836,171.47	\$844,523.80	Apr 1, 2015
97	\$11,779.12	\$3,414.37	\$8,364.75	\$827,806.71	\$835,983.43	May 1, 2015
98	\$11,779.12	\$3,380.21	\$8,398.91	\$819,407.80	\$827,410.30	Jun 1, 2015
99	\$11,779.12	\$3,345.92	\$8,433.21	\$810,974.60	\$818,804.30	Jul 1, 2015
100	\$11,779.12	\$3,311.48	\$8,467.64	\$802,506.96	\$810,165.29	Aug 1, 2015
101	\$11,779.12	\$3,276.90	\$8,502.22	\$794,004.74	\$801,493.16	Sep 1, 2015
102	\$11,779.12	\$3,242.19	\$8,536.94	\$785,467.80	\$792,787.76	Oct 1, 2015
103	\$11,779.12	\$3,207.33	\$8,571.79	\$776,896.01	\$784,048.98	Nov 1, 2015
104	\$11,779.12	\$3,172.33	\$8,606.80	\$768,289.21	\$775,276.69	Dec 1, 2015

105	\$11,779.12	\$3,137.18	\$8,641.94	\$759,647.27	\$766,470.75	Jan 1, 2016
106	\$11,779.12	\$3,101.89	\$8,677.23	\$750,970.05	\$757,631.05	Feb 1, 2016
107	\$11,779.12	\$3,066.46	\$8,712.66	\$742,257.39	\$748,757.44	Mar 1, 2016
108	\$11,779.12	\$3,030.88	\$8,748.24	\$733,509.15	\$739,849.81	Apr 1, 2016
109	\$11,779.12	\$2,995.16	\$8,783.96	\$724,725.19	\$730,908.01	May 1, 2016
110	\$11,779.12	\$2,959.29	\$8,819.83	\$715,905.36	\$721,931.92	Jun 1, 2016
111	\$11,779.12	\$2,923.28	\$8,855.84	\$707,049.52	\$712,921.41	Jul 1, 2016
112	\$11,779.12	\$2,887.12	\$8,892.00	\$698,157.52	\$703,876.34	Aug 1, 2016
113	\$11,779.12	\$2,850.81	\$8,928.31	\$689,229.21	\$694,796.59	Sep 1, 2016
114	\$11,779.12	\$2,814.35	\$8,964.77	\$680,264.44	\$685,682.01	Oct 1, 2016
115	\$11,779.12	\$2,777.75	\$9,001.37	\$671,263.07	\$676,532.48	Nov 1, 2016
116	\$11,779.12	\$2,740.99	\$9,038.13	\$662,224.94	\$667,347.86	Dec 1, 2016
117	\$11,779.12	\$2,704.09	\$9,075.04	\$653,149.90	\$658,128.02	Jan 1, 2017
118	\$11,779.12	\$2,667.03	\$9,112.09	\$644,037.81	\$648,872.82	Feb 1, 2017
119	\$11,779.12	\$2,629.82	\$9,149.30	\$634,888.51	\$639,582.12	Mar 1, 2017
120	\$11,779.12	\$2,592.46	\$9,186.66	\$625,701.85	\$630,255.80	Apr 1, 2017
121	\$11,779.12	\$2,554.95	\$9,224.17	\$616,477.68	\$620,893.71	May 1, 2017
122	\$11,779.12	\$2,517.28	\$9,261.84	\$607,215.84	\$611,495.72	Jun 1, 2017
123	\$11,779.12	\$2,479.46	\$9,299.66	\$597,916.18	\$602,061.68	Jul 1, 2017
124	\$11,779.12	\$2,441.49	\$9,337.63	\$588,578.55	\$592,591.47	Aug 1, 2017
125	\$11,779.12	\$2,403.36	\$9,375.76	\$579,202.79	\$583,084.93	Sep 1, 2017
126	\$11,779.12	\$2,365.08	\$9,414.04	\$569,788.75	\$573,541.94	Oct 1, 2017
127	\$11,779.12	\$2,326.64	\$9,452.48	\$560,336.27	\$563,962.36	Nov 1, 2017
128	\$11,779.12	\$2,288.04	\$9,491.08	\$550,845.19	\$554,346.03	Dec 1, 2017
129	\$11,779.12	\$2,249.28	\$9,529.84	\$541,315.35	\$544,692.83	Jan 1, 2018
130	\$11,779.12	\$2,210.37	\$9,568.75	\$531,746.60	\$535,002.60	Feb 1, 2018
131	\$11,779.12	\$2,171.30	\$9,607.82	\$522,138.78	\$525,275.22	Mar 1, 2018
132	\$11,779.12	\$2,132.07	\$9,647.05	\$512,491.72	\$515,510.53	Apr 1, 2018
133	\$11,779.12	\$2,092.67	\$9,686.45	\$502,805.28	\$505,708.39	May 1, 2018
134	\$11,779.12	\$2,053.12	\$9,726.00	\$493,079.28	\$495,868.66	Jun 1, 2018
135	\$11,779.12	\$2,013.41	\$9,765.71	\$483,313.56	\$485,991.19	Jul 1, 2018
136	\$11,779.12	\$1,973.53	\$9,805.59	\$473,507.97	\$476,075.85	Aug 1, 2018
137	\$11,779.12	\$1,933.49	\$9,845.63	\$463,662.34	\$466,122.48	Sep 1, 2018
138	\$11,779.12	\$1,893.29	\$9,885.83	\$453,776.51	\$456,130.94	Oct 1, 2018
139	\$11,779.12	\$1,852.92	\$9,926.20	\$443,850.31	\$446,101.08	Nov 1, 2018
140	\$11,779.12	\$1,812.39	\$9,966.73	\$433,883.58	\$436,032.75	Dec 1, 2018
141	\$11,779.12	\$1,771.69	\$10,007.43	\$423,876.15	\$425,925.82	Jan 1, 2019
142	\$11,779.12	\$1,730.83	\$10,048.29	\$413,827.85	\$415,780.12	Feb 1, 2019
143	\$11,779.12	\$1,689.80	\$10,089.32	\$403,738.53	\$405,595.52	Mar 1, 2019
144	\$11,779.12	\$1,648.60	\$10,130.52	\$393,608.01	\$395,371.86	Apr 1, 2019
145	\$11,779.12	\$1,607.23	\$10,171.89	\$383,436.12	\$385,108.99	May 1, 2019
146	\$11,779.12	\$1,565.70	\$10,213.42	\$373,222.69	\$374,806.76	Jun 1, 2019
147	\$11,779.12	\$1,523.99	\$10,255.13	\$362,967.57	\$364,465.02	Jul 1, 2019
148	\$11,779.12	\$1,482.12	\$10,297.00	\$352,670.56	\$354,083.62	Aug 1, 2019
149	\$11,779.12	\$1,440.07	\$10,339.05	\$342,331.51	\$343,662.41	Sep 1, 2019
150	\$11,779.12	\$1,397.85	\$10,381.27	\$331,950.25	\$333,201.24	Oct 1, 2019
151	\$11,779.12	\$1,355.46	\$10,423.66	\$321,526.59	\$322,699.94	Nov 1, 2019
152	\$11,779.12	\$1,312.90	\$10,466.22	\$311,060.37	\$312,158.38	Dec 1, 2019
153	\$11,779.12	\$1,270.16	\$10,508.96	\$300,551.41	\$301,576.38	Jan 1, 2020
154	\$11,779.12	\$1,227.25	\$10,551.87	\$289,999.54	\$290,953.81	Feb 1, 2020
155	\$11,779.12	\$1,184.16	\$10,594.96	\$279,404.58	\$280,290.49	Mar 1, 2020
156	\$11,779.12	\$1,140.90	\$10,638.22	\$268,766.36	\$269,586.29	Apr 1, 2020
157	\$11,779.12	\$1,097.46	\$10,681.66	\$258,084.71	\$258,841.03	May 1, 2020
158	\$11,779.12	\$1,053.85	\$10,725.28	\$247,359.43	\$248,054.56	Jun 1, 2020
159	\$11,779.12	\$1,010.05	\$10,769.07	\$236,590.36	\$237,226.73	Jul 1, 2020
160	\$11,779.12	\$966.08	\$10,813.04	\$225,777.32	\$226,357.38	Aug 1, 2020
161	\$11,779.12	\$921.92	\$10,857.20	\$214,920.12	\$215,446.34	Sep 1, 2020
162	\$11,779.12	\$877.59	\$10,901.53	\$204,018.59	\$204,493.45	Oct 1, 2020

163	\$11,779.12	\$833.08	\$10,946.05	\$193,072.54	\$193,498.56	Nov 1, 2020
164	\$11,779.12	\$788.38	\$10,990.74	\$182,081.80	\$182,461.51	Dec 1, 2020
165	\$11,779.12	\$743.50	\$11,035.62	\$171,046.18	\$171,382.13	Jan 1, 2021
166	\$11,779.12	\$698.44	\$11,080.68	\$159,965.50	\$160,260.26	Feb 1, 2021
167	\$11,779.12	\$653.19	\$11,125.93	\$148,839.57	\$149,095.73	Mar 1, 2021
168	\$11,779.12	\$607.76	\$11,171.36	\$137,668.21	\$137,888.39	Apr 1, 2021
169	\$11,779.12	\$562.15	\$11,216.98	\$126,451.24	\$126,638.08	May 1, 2021
170	\$11,779.12	\$516.34	\$11,262.78	\$115,188.46	\$115,344.61	Jun 1, 2021
171	\$11,779.12	\$470.35	\$11,308.77	\$103,879.69	\$104,007.84	Jul 1, 2021
172	\$11,779.12	\$424.18	\$11,354.95	\$92,524.74	\$92,627.59	Aug 1, 2021
173	\$11,779.12	\$377.81	\$11,401.31	\$81,123.43	\$81,203.69	Sep 1, 2021
174	\$11,779.12	\$331.25	\$11,447.87	\$69,675.56	\$69,735.99	Oct 1, 2021
175	\$11,779.12	\$284.51	\$11,494.61	\$58,180.95	\$58,224.30	Nov 1, 2021
176	\$11,779.12	\$237.57	\$11,541.55	\$46,639.40	\$46,668.47	Dec 1, 2021
177	\$11,779.12	\$190.44	\$11,588.68	\$35,050.73	\$35,068.32	Jan 1, 2022
178	\$11,779.12	\$143.12	\$11,636.00	\$23,414.73	\$23,423.69	Feb 1, 2022
179	\$11,779.12	\$95.61	\$11,683.51	\$11,731.22	\$11,734.40	Mar 1, 2022
180	\$11,779.12	\$47.90	\$11,731.22	\$0.00	\$1.00	Apr 1, 2022

Please Note: Sum of individual principal payments differ from total principal by three cents due to even-cent rounding.
This exhibit is a draft only and may not reflect final terms.

Wells Fargo Public Finance (WFPF) bankers are registered representatives of Wells Fargo Brokerage Services, LLC, or Wells Fargo Institutional Securities, LLC, brokerage affiliates of Wells Fargo & Company and members of the NASD and SIPC.

Investments: • NOT FDIC insured • May lose value • No bank guarantee

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EXHIBIT B

OPINION OF COUNSEL TO BORROWER

The Law Offices of
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UDALL & SCHWAB, P.L.C.**

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Of Counsel
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Thomas A. Hine
David M. Lujan

REFER TO FILE NO. 374-17-1

April 4, 2007

The Industrial Development Authority
of Coconino County, Arizona
Flagstaff, Arizona

Wells Fargo Brokerage Services, LLC
Denver, Colorado

Re: The Industrial Development Authority of Coconino County, Arizona
Exempt Facilities Revenue Bonds (Doney Park Water Project), Series
2007

Ladies and Gentlemen:

We are members of the Arizona Bar and have acted as counsel to Doney Park Water (the "Borrower"), in connection with the Closing of The Industrial Development Authority of Coconino County, Arizona, Exempt Facilities Revenue Bonds (Doney Park Water Project), Series 2007 in the aggregate principal amount of \$1,500,000 (the "Bonds"). The proceeds of the Bonds are being loaned to the Borrower by The Industrial Development Authority of Coconino County, Arizona (the "Issuer"), pursuant to a Loan Agreement dated as of April 1, 2007, (the "Loan Agreement"), by and among the Issuer, the Borrower and Wells Fargo Brokerage Services, LLC (the "Lender"). Lender also acts as "Escrow Agent" under the Escrow Agreement between Issuer, Borrower and Lender dated as of April 1, 2007. Any capitalized term used herein and not defined shall have the meaning assigned to it in the Loan Agreement.

In this connection, we have, subject to the qualifications set forth below, examined such questions of law and fact as we have considered necessary or appropriate and have examined the following documents:

1. The Restated Articles of Incorporation of the Borrower filed with the Arizona Corporation Commission on or about July 18, 1984 and the Amendment thereto filed with the Arizona Corporation Commission on or about July 30, 1985, both certified by the Arizona Corporation Commission as true and correct;

2. A copy of the Bylaws of the Borrower, represented by the Borrower to be complete and duly adopted;
3. Resolution No. 2007-001 of the Board of Directors of the Borrower dated April 3, 2007 entitled "A Resolution Of The Doney Park Water Board Of Directors Authorizing The Borrowing And Use Of One Million Five Hundred Thousand Dollars And Directing The Execution Of A Loan Agreement Among The Industrial Development Authority Of Coconino County, Arizona, As Issuer, Wells Fargo Brokerage Services, LLC, As Lender And Doney Park Water, As Borrower And All Related Documents" setting forth the text of the Resolution and certifying it to be true and correct and duly adopted by the Board of Directors of Borrower at a special meeting held April 3, 2007;
4. Certificate of the Secretary of Borrower dated April 3, 2007;
5. A Good Standing Certificate issued March 29, 2007, by the Executive Secretary of Arizona Corporation Commission with respect to the Borrower;
6. General Certificate of Borrower (the "Borrower's Certificate") attached hereto as Exhibit A;
7. Arizona Corporation Commission Decision No. 69385, dated March 22, 2007 authorizing Borrower to enter into the Loan Agreement and to execute other documents;
8. The Loan Agreement dated April 1, 2007;
9. Tax Certificate and Agreement dated April 4, 2007, by and between the Issuer and the Borrower;
10. The Escrow Agreement dated as of April 1, 2007, between the Borrower and the Lender;

The instruments referred to in Items 8-10 above are collectively referred to in this opinion as the "Borrower Documents."

As to questions of fact material to our opinion, we have, without undertaking to verify the same by an independent investigation, relied upon the representations of the Borrower, the Issuer, the Lender and the Escrow Agent as contained in the Borrower Documents, certifications of public officials furnished to us and the Borrower's Certificate. We have no reason to believe that such representations and certifications are incomplete or inaccurate, and we deem such reliance to be reasonable under the circumstances. We have assumed that all signatures on documents and instruments examined by us are genuine, all documents submitted to us as originals are authentic and all documents submitted to us as copies conform to the originals. In addition, we have assumed without independent investigation or verification, the due

authorization, execution and delivery of the documents, instruments and agreements by all parties thereto other than the Borrower and have assumed the capacity of natural persons. We have not undertaken any examination of the books and records of the Borrower beyond the documents set forth above

Subject to the foregoing and further qualifications stated below, it is our opinion, as of the date hereof, that:

1. The Borrower is a nonprofit corporation, duly organized, validly existing, and in good standing under the laws of the State of Arizona and formed for the purpose to associate its members together for their mutual interest and benefit and to that end to construct, install, maintain and operate a water system for the purpose of supplying water to its members for domestic purposes and to engage in any activity related thereto

2. The Borrower has the requisite corporate power and corporate authority to: (i) own and operate its property and assets; (ii) carry out its business as such business is currently being conducted; and (iii) carry out the terms and conditions applicable to it under the Borrower Documents.

3. The execution, delivery, and performance of the Borrower Documents by the Borrower have been duly authorized by all requisite corporate action on the part of the Borrower and the Borrower Documents have been duly executed and delivered by the Borrower.

4. The Borrower Documents are valid and legally binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, except to the extent that (i) the enforceability thereof may be affected, restricted or limited by any applicable bankruptcy, insolvency, receivership, reorganization, moratorium or other similar laws heretofore or hereafter enacted affecting or relating to the rights of creditors or secured parties generally and to equitable principals of general application affecting remedies or creditors' rights; and (ii) the availability of specific enforcement or injunctive relief is subject to the discretion of the court before which any proceedings seeking the same may be brought.

5. The execution and delivery by the Borrower of the Borrower Documents do not and will not result in a violation of any provision of, or in default under, the Articles of Incorporation or Bylaws of the Borrower or, to our knowledge, a material violation of any provision or a material default under any agreement or other instrument to which the Borrower is a party or by which the Borrower or the properties of the Borrower are or may be bound.

6. Except as otherwise disclosed by the Borrower, all actions necessary to be taken by the Borrower have been taken, and no additional approval, authorization, consent or other order of the Borrower or, to our knowledge, any other public board or body is legally required to allow the Borrower to enter into and perform their obligations under the Borrower Documents, or to conduct the business of the Borrower as presently being conducted.

7. To our knowledge, the Borrower is not presently in violation of any provision of, or in default under, its organizational documents or any agreement or other instrument, violation of or default under which would materially and adversely affect the business, properties, assets, liabilities or conditions (financial or other) of the Borrower.

8. To our knowledge, there are no legal or governmental actions, proceedings, inquiries or investigations pending before any court, public board or other governmental authority to which the Borrower is a party or to which any property of the Borrower is subject or threatened against or affecting the Borrower or the property of the Borrower, which, if determined adversely to the Borrower, would individually or in the aggregate (i) have a material adverse effect on the financial position or results of operations of the Borrower, considered as a whole, (ii) materially and adversely affect the validity or the enforceability of the Borrower Documents or (iii) otherwise materially or adversely affect the ability of the Borrower to comply with their obligations under the Borrower Documents or materially and adversely affect the transactions contemplated by the Transaction Summary to be engaged in by the Borrower.

9. To our knowledge, the Borrower is fully qualified by all necessary permits, licenses and certifications, including, without limitation, licensing and certification of existing facilities, to conduct its business as it is presently being conducted.

10. To our knowledge, the Borrower has obtained all approvals, consents, authorizations, certifications and other orders of any governmental authority, board, agency or commission having jurisdiction, which are required as of the date of this letter, and have made all filings with any such entities, which as of the date of this letter would constitute a condition precedent to, or the failure to obtain which would materially adversely affect the performance by the Borrower of its obligations under the Borrower Documents, or the consummation of the transactions contemplated thereby.

11. The Borrower is a public utility company whose rates for the furnishing or sale of water have been established or approved by the Arizona Corporation Commission.

Whenever an opinion herein is qualified by the phrase "to our knowledge," it is intended to indicate that the attorneys of our firm, who have devoted substantive attention to this transaction, have no current actual knowledge of such matters and does not infer or create a duty on our firm or the attorney of our firm to undertake to verify the same by an independent investigation.

The opinions quoted in whole or in part, or otherwise reproduced in any other documents (except copies of this opinion may be included in any binder of documents for the transaction to which this opinion relates), nor is it to be filed with any governmental agency other than the Issuer unless required by law.

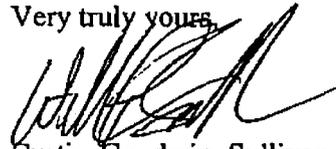
We are qualified to practice law in the State of Arizona, and we do not purport to express any opinion concerning any law other than the law of the State of Arizona. Our opinion is limited to the authority of the Borrower to execute and carry out the Borrower Documents under

Industrial Development Authority of Coconino County, Arizona
Wells Fargo Brokerage Services, LLC
April 4, 2007
Page 5

state law. We express no opinion as to compliance with federal or state securities or tax laws, or laws governing the issuance of Bonds of the type being issued by the Industrial Development Authority of Coconino County, Arizona, including, without limitation, the accuracy or completeness of any statements made in connection with any offer or sale of the Bonds. The Borrower and our Firm are expressly relying upon the representations of Issuer and Lender in the Borrower Documents and on the expertise and the Opinion of Bond Counsel (Lewis and Roca, LLP), that the Issuer and Lender have undertaken all actions and received all approvals necessary to issue the Bonds, and that the Bonds will qualify as tax exempt, at the time of issue.

The opinions expressed in this letter are based upon the law in effect on this date, and we express we assume no obligation to update, revise or supplement this opinion should such law be changed by legislative action, judicial decision or otherwise. Our opinion, as limited and qualified herein, may be relied upon by Lewis and Roca LLP for purposes of rendering its legal opinion as Bond Counsel with respect to the Bonds.

Very truly yours,



Curtis, Goodwin, Sullivan,
Udall & Schwab, P.L.C.

Enclosure: General Certificate of Borrower

EXHIBIT A

BORROWER'S CERTIFICATE

This certification is made as of April 3, 2007, by Doney Park Water, an Arizona nonprofit corporation (the "Borrower") in connection with the issuance of The Industrial Development Authority of Coconino County, Arizona, Exempt Facilities Revenue Bonds (Doney Park Water Project), Series 2007 in the aggregate principal amount of \$1,500,000 (the "Bonds"). The proceeds of the Bonds are being loaned to the Borrower by The Industrial Development Authority of Coconino County, Arizona (the "Issuer"), pursuant to a Loan Agreement dated as of March 1, 2007, (the "Loan Agreement"), by and among the Issuer, the Borrower and Wells Fargo Brokerage Services, LLC (the "Lender"). Any capitalized term used herein and not defined shall have the meaning assigned to it in the Loan Agreement.

In connection with the issuance of the Bonds, the undersigned General Manager of the Borrower hereby certifies as follows:

1. The Borrower, to the undersigned's knowledge, is not in any material respect in violation of, breach of or default under any applicable constitutional provision or law, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets; and, to our knowledge, the execution and delivery of the documents executed by the Borrower in connection with the issuance of the Bonds (the "Borrower Documents"), and compliance with the provisions on the Borrower's part contained therein, do not and will not conflict with, or constitute on the part of the Borrower a violation of, breach of or default under, any applicable constitutional provision or law, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note agreement or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its properties or assets is bound, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or under the terms of any such law, regulation or instrument, except as provided in the Borrower Documents.

2. To the undersigned's knowledge, all consents, approvals, authorizations, and orders of or filings or registrations, with any governmental authority, board, agency or commission of the State of Arizona or of the United States having jurisdiction required in connection with, or the absence of which would materially adversely affect, the execution and delivery by the Borrower of the Borrower Documents or the performance by the Borrower of its obligations thereunder, or the ownership and operation of the Project, have been obtained or made and are in full force and effect.

3. To the undersigned's knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any judicial or administrative court or governmental agency or body, state, federal or other, pending or threatened against the Borrower affecting the existence of the Borrower or the titles of its officers to their respective offices, or contesting or affecting as to the Borrower the validity or enforceability of the Bonds, any

Borrower Document or the execution and delivery or adoption by the Borrower of any Borrower Document, or the powers of the Borrower or its authority with respect to the Borrower Documents or the consummation of the transactions contemplated thereby; nor, to our actual knowledge, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the financial condition or operations of the Borrower or the validity of the authorization, execution, delivery or performance by the Borrower of any Borrower Document.

4. The Borrower, to the undersigned's knowledge, is fully qualified by all necessary permits, licenses and certifications, including, without limitation, licensing and certification of existing facilities, to conduct its business as it is presently being conducted. Further, except as otherwise disclosed by the Borrower, the Borrower has obtained all approvals, consents, authorizations, certifications and other orders of any governmental authority, board, agency or commission having jurisdiction, which are required as of the date of this certification, and has made all filings with any such entities, which as of the date of this certification would constitute a condition precedent to, or the failure to obtain which would materially adversely affect the performance by the Borrower of its obligations under the Borrower Documents, or the consummation of the transactions contemplated in the Borrower Documents.

5. To the undersigned's knowledge, no event of default has occurred and is continuing, and no event has occurred and is continuing which with the lapse of time or the giving of notice, or both, would constitute an event of default, under any instrument to which the Borrower is a party and which is material to the business or operations of the Borrower. No event has occurred and is continuing, and no condition exists, that constitutes an Event of Default, or with the passage of time or giving of notice would constitute an Event of Default, within the meaning of the Loan Agreement.

6. To the undersigned's knowledge, each of the Borrower's representations and warranties contained in the Loan Agreement are true and correct as of the date hereof.

Whenever a certification herein is qualified by the phrase "to the undersigned's knowledge," it is intended to indicate that the state of the undersigned's current knowledge of such matters after such investigations as the undersigned considered appropriate under the circumstance.

Lewis and Roca LLP may rely on this representation for purposes of rendering its legal opinion as Bond Counsel with respect to the Bonds.

IN WITNESS WHEREOF, the Borrower has executed this Certification effective as of the date set forth above.

DONEY PARK WATER, an Arizona
nonprofit corporation

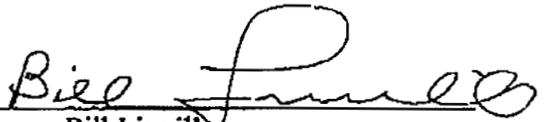
By: 
Name: Bill Linville
Its: General Manger

EXHIBIT C

OPINION OF COUNSEL TO ISSUER

A. Dean Pickett
Franklin J. Hoover
Steven B. Horton
Kenneth H. Brendel
Kelle Dolan
Angela R. Kircher
Michelle G. Parker
Kathryn A. Munro
Samantha B. Kelly

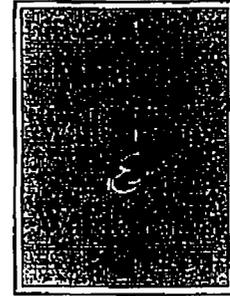
Of counsel:
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Gila River Indian Community,
San Carlos Apache Indian Community
and the Navajo Nation



Attorneys Serving
Arizona Since 1955

April 4, 2007

The Industrial Development Authority
of Coconino County, Arizona
Flagstaff, Arizona

Wells Fargo Brokerage Services, LLC
Denver, Colorado

Re: The Industrial Development Authority of Coconino County,
Arizona
Exempt Facilities Revenue Bonds (Doney Park Water Project),
Series 2007

Ladies and Gentlemen:

We are members of the Arizona Bar and have acted as counsel to The Industrial Development Authority of Coconino County, Arizona (the "Issuer") in connection with the issuance and sale of the Issuer's Exempt Facilities Revenue Bonds (Doney Park Water Project), Series 2007 in the aggregate principal amount of \$1,500,000 (the "Bonds"). The Bonds are being issued pursuant to the resolution (the "Bond Resolution") adopted by the Issuer on December 4, 2006 and under a Loan Agreement dated as of April 1, 2007 (the "Loan Agreement") between the Issuer, Doney Park Water, LLC, an Arizona limited liability company (the "Borrower"), and Wells Fargo Brokerage Services, LLC, as lender (the "Lender"). The net proceeds from the sale of the Bonds will be lent by the Issuer to the Borrower pursuant to the provisions in the Loan Agreement.

For purposes of this opinion, we have examined such questions of law and fact as we have deemed necessary or appropriate and have examined the following documents (collectively, the "Documents"):

- a. the form of the Bonds;
- b. the Loan Agreement;

- c. the Escrow Agreement; and
- d. the Tax Certificate and Agreement.

We have further examined:

- (i) the Bond Resolution;
- (ii) a Certificate and Request of The Industrial Development Authority of Coconino County, Arizona, dated April 4, 2007;
- (iii) a Certificate of Good Standing with respect to the Issuer, dated March 26, 2007; and
- (iv) such other laws, matters and documents as we deemed relevant for purposes of this opinion.

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer and the Borrower contained in the Documents, the certified proceedings and other certifications of public officials furnished to us and certifications by representatives of the Lender, without undertaking to verify the same by an independent investigation.

Based upon the foregoing, and subject to qualifications set forth below, it is our opinion that:

1. The Issuer is a validly existing nonprofit corporation designated a political subdivision of the State of Arizona, with all power and authority to issue and sell the Bonds, to execute and deliver the Documents and to carry out its performance obligations under the Documents.
2. The Documents have been duly authorized, executed and delivered by the Issuer.
3. The execution and delivery of the Documents and the Issuer's performance of, and compliance by the Issuer with, the provisions of the Documents do not and will not in any material respect conflict with, result in the breach of, or constitute a default under, any provision of any judgment, order, decree, bylaw, indenture, agreement or instrument binding on the Issuer.
4. To the best of our knowledge, there is no litigation threatened or pending against the Issuer which in any way questions or materially affects the validity of the Bonds, or any proceedings or transactions contemplated by the Documents.

In rendering the foregoing opinions we have assumed:

(i) the genuineness of the signatures not witnessed, the authenticity of documents submitted as originals, and the conformity to originals of documents submitted as copies;

(ii) the legal capacity of all natural persons executing the Documents;

(iii) that the Documents accurately describe and contain the mutual understanding of the parties, and that there are no oral or written statements or agreements that modify, amend, or vary, or purport to modify, amend, or vary, any of the terms of the Documents;

(iv) that the Issuer owns all of the property, assets, and rights purported to be owned by it; and

(v) that the issuance and sale of the Bonds has been duly authorized by the County of Coconino.

We express no opinion as to compliance with federal or state securities laws including, without limitation, the accuracy or completeness of any statements made in connection with any offer or sale of the Bonds.

We are qualified to practice law in the State of Arizona, and we do not purport to be experts on, or to express any opinion concerning, any law other than the law of the State of Arizona and applicable federal law.

The opinions expressed in this letter are based upon the law in effect on this date, and we assume no obligation to revise or supplement this opinion should such law be changed by legislative action, judicial decision or otherwise.

This opinion is furnished to you solely for your benefit and only with respect to the initial sale and delivery of the Bonds. Accordingly, it may not be relied upon by, quoted in any manner to, or delivered to, any person or entity without, in each instance, our prior written consent.

Sincerely,

MANGUM, WALL, STOOPS & WARDEN, P.L.L.C.



Franklin J. Hoover

FJH/mee

EXHIBIT D

OPINION OF BOND COUNSEL

April 4, 2007

The Industrial Development Authority
of Coconino County, Arizona
Flagstaff, Arizona

Re: The Industrial Development Authority of Coconino County, Arizona
Exempt Facilities Revenue Bonds (Doney Park Water Project), Series 2007

Ladies and Gentlemen:

We are members of the Arizona Bar and have served as Bond Counsel in connection with the issuance by The Industrial Development Authority of Coconino County, Arizona, a nonprofit corporation designated as a political subdivision of the State of Arizona (the "Issuer"), on this date of its Exempt Facilities Revenue Bonds (Doney Park Water Project), Series 2007 (the "Bonds") issued in accordance with Title 35, Chapter 5, Arizona Revised Statutes, as amended (the "Act"), pursuant to a Resolution adopted by the Issuer on December 4, 2006 (the "Bond Resolution") and a Loan Agreement, dated as of April 1, 2007 (the "Loan Agreement"), among Wells Fargo Brokerage Services, LLC (the "Lender"), the Issuer and Doney Park Water (the "Borrower").

The Bonds are being issued for the purpose of making a loan to the Borrower to finance or refinance (i) the acquisition, construction, improving and equipping of two water wells located at 8928 North Lunar Drive and 7514 East Open Sky Road, both near the City of Flagstaff in Coconino County, Arizona, (the "Project"), and (ii) certain costs and expenses incidental thereto. The Borrower is and will continue to be the owner and operator of the Project.

In connection with our engagement, we have examined the transcript of proceedings relating to the issuance of the Bonds (the "Transcript"), including, among other items, an executed counterpart of the Loan Agreement, the Tax Certificate and Agreement, dated April 4, 2007 (the "Tax Certificate"), between the Issuer and the Borrower, and the Escrow Agreement, dated as of April 1, 2007 (the "Escrow Agreement"), among the Issuer, the Borrower, the Lender and Wells Fargo Brokerage Services, LLC, as escrow agent.

In this examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photo static copies, the authenticity of the originals of such latter documents, the genuineness of all signatures appearing thereon and the accuracy of all statements and representations contained therein.

Based upon our examination of the foregoing, we are of the opinion that, under existing law:

1. The Issuer is duly organized as a nonprofit corporation, is designated as a political subdivision under the laws of the State of Arizona, and has all requisite power and authority under the Act (i) to adopt the Bond Resolution, and issue the Bonds pursuant thereto, (ii) to enter into the Loan Agreement for the purpose of loaning funds to the Borrower to finance the Project, and (iii) to enter into the Escrow Agreement.

2. The Loan Agreement and the Escrow Agreement have been duly authorized, executed, and delivered by the Issuer, constitute valid and binding obligations of the Issuer, and are enforceable in accordance with their respective terms.

3. The Bonds delivered on this date have been duly and validly authorized and issued, and are legal, valid and binding limited obligations of the Issuer (payable solely from the revenues and receipts derived by the Issuer under the Loan Agreement). The Bonds are not secured by an obligation or pledge of any moneys raised by taxation and do not constitute an indebtedness, liability, general, special or moral obligation or a pledge or loan of the faith and credit of the Issuer, the County of Coconino, the State of Arizona, or any other political subdivision thereof.

4. Under existing law, interest on the Bonds is not included in the gross income of the owners of the Bonds for federal and State of Arizona income tax purposes.

In giving the foregoing opinions, we have assumed and relied upon the accuracy of, and compliance with, the agreements, covenants, representations and warranties of the Issuer, the Borrower and the Lender, contained in the Transcript. Interest on the Bonds could become includable in gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds, in the event of failure by the Issuer or the Borrower to comply with certain of the agreements and covenants contained in the Transcript.

The enforceability of certain provisions of the Bonds, the Loan Agreement, and the Escrow Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium, applicable equitable principles in the event equitable remedies are sought, public policy, other similar laws generally affecting the enforcement of creditors' rights, and the exercise of judicial discretion.

Except as expressly stated herein, we express no opinion regarding other federal tax or state tax law consequences arising with respect to the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Loan Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, the defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted.

The opinions expressed in this letter are based upon the law in effect on this date, and we assume no obligation to revise or supplement this opinion should such law be changed by legislative action, judicial decision or otherwise.

This opinion is furnished to you solely for your benefit and only with respect to the initial sale and delivery of the Bonds. Accordingly, it may not be relied upon by, quoted in any manner to, or delivered to, any person or entity without, in each instance, our prior written consent.

Very truly yours,

Lewis and Roca LLP

LEWIS AND ROCA LLP

EXHIBIT E

FORM OF BOND

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE APPLICABLE STATE "BLUE SKY" LAWS, AND THIS BOND MAY ONLY BE TRANSFERRED TO (I) "A QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A PROMULGATED PURSUANT TO THE SECURITIES ACT, (II) AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501 OF REGULATION D PROMULGATED PURSUANT TO THE SECURITIES ACT, (III) A BANK, SAVINGS INSTITUTION OR INSURANCE COMPANY (WHETHER ACTING IN A TRUSTEE OR OTHER CUSTODIAL CAPACITY FOR ANY "ACCREDITED INVESTOR" OR "QUALIFIED INSTITUTIONAL BUYER" OR ON ITS OWN BEHALF), OR (IV) A TRUST OR OTHER CUSTODIAL ARRANGEMENT EACH OF THE BENEFICIAL OWNERS OF WHICH IS AN "ACCREDITED INVESTOR" OR "QUALIFIED INSTITUTIONAL BUYER."

**THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF COCONINO COUNTY, ARIZONA
EXEMPT FACILITIES REVENUE BONDS
(DONEY PARK WATER PROJECT)
SERIES 2007**

No.: _____

\$ _____

Maturity Date: _____, 20____

Interest Rate: ____%

REGISTERED OWNER – WELLS FARGO BROKERAGE SERVICES, LLC

The Industrial Development Authority of Coconino County, Arizona (the "Issuer"), a nonprofit corporation, established and designated as a political subdivision of the State of Arizona incorporated with the approval of Coconino County, Arizona (the "County"), pursuant to the provisions of the Constitution of the State of Arizona (the "State") and under Title 35, Chapter 5, Arizona Revised Statutes, as amended (the "Act"), for value received hereby promises to pay Wells Fargo Brokerage Services, LLC, 1740 Broadway, Denver, Colorado, 80274, or to its registered assigns, but solely from the Payments hereinafter described, the principal sum of

in any coin or currency of the United States of America which on the date of payment thereof is the legal tender for the payment of public and private debts, and to pay, solely from such Payments, in like coin and currency, interest on the principal sum from the date hereof at the rate set forth above, at the time and places, in the amounts and in accordance with the terms set forth in that certain Loan Agreement dated as of April 1, 2007 (the "Loan Agreement"), among the Issuer, Doney Park Water (the "Borrower"), and Wells Fargo Brokerage Services, LLC. All terms used herein in capitalized form and not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement.

This Bond is payable as to principal, interest and any prepayment premium, solely from Payments to be made by the Borrower and is secured by, among other things, a lien on the Collateral as described in the Loan Agreement.

THIS BOND AND THE INTEREST THEREON IS A SPECIAL LIMITED OBLIGATION OF THE ISSUER PAYABLE EXCLUSIVELY FROM PAYMENTS TO BE MADE BY BORROWER UNDER THE LOAN AGREEMENT. THIS BOND DOES NOT CONSTITUTE A DEBT OR A LOAN OF CREDIT OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, OR COCONINO COUNTY, ARIZONA, OR THE STATE OF ARIZONA, OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE STATE OF ARIZONA OR COCONINO COUNTY, ARIZONA. THIS BOND SHALL NOT CONSTITUTE, DIRECTLY OR INDIRECTLY, OR CONTINGENTLY OBLIGATE OR OTHERWISE CONSTITUTE A GENERAL OBLIGATION OF OR A CHARGE AGAINST THE CREDIT OF THE ISSUER, BUT SHALL BE A SPECIAL LIMITED OBLIGATION OF THE ISSUER PAYABLE SOLELY FROM THE SOURCES DESCRIBED HEREIN AND IN THE LOAN AGREEMENT, BUT NOT OTHERWISE. THE ISSUER HAS NO TAXING POWER.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND AGAINST ANY PAST, PRESENT, OR FUTURE OFFICER, DIRECTOR, COUNSEL, FINANCIAL ADVISOR, OR AGENT OF THE ISSUER, OR OF ANY SUCCESSOR TO THE ISSUER, AS SUCH, EITHER DIRECTLY OR THROUGH THE ISSUER OR ANY SUCCESSOR TO THE ISSUER, UNDER ANY RULE OF LAW OR EQUITY, STATUTE, OR CONSTITUTION OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, AND ALL SUCH LIABILITY OF ANY SUCH OFFICERS, DIRECTORS, COUNSEL, FINANCIAL ADVISORS OR AGENTS, AS SUCH, IS HEREBY EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF AND IN CONSIDERATION FOR THE EXECUTION AND ISSUANCE OF THIS BOND.

This Bond shall not represent or constitute a debt or pledge of the faith and credit of the Issuer and is payable solely from the revenues pledged therefor pursuant to the Loan Agreement, and no moneys of the Issuer shall be obligated or pledged for the payment of Payments or any other amounts due with respect to this Bonds.

The Bonds are subject to mandatory redemption prior to their stated maturity, in part, from monthly payments in the amounts and on the redemption dates as contained in the attached Exhibit A.

This Bond is subject to prepayment upon the terms and conditions set forth in the Loan Agreement.

It is hereby certified, recited and declared that all acts, conditions and things required to exist to happen and to be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in regular and due form and time as required by the Constitution and laws of the State of Arizona applicable thereto and that the issuance of this Bond is in full compliance with all Constitutional and statutory limitations, provisions and restrictions.

IN WITNESS WHEREOF, The Industrial Development Authority of Coconino County, Arizona has issued this Bond and has caused the same to be executed by the manual or facsimile signature of its authorized officer.

THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF COCONINO COUNTY, ARIZONA

By: _____
Name:
Its:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned _____ (the "Transferor") hereby sells, assigns and transfers unto _____ (the "Transferee")

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF TRANSFEREE

_____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ as attorney to register the transfer of the within Bond on the books kept for registration of transfer thereof, with full power of substitution in the premises.

Date: _____, 20__

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP) or New York Stock Exchange Medallion Signature Program.

NOTICE: No transfer will be registered and no new Bond will be issue in the name of the Transferee, unless the signature(s) to this assignment correspond(s) with the name as it appears on the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or Federal Employer Identification Number of the Transferee is supplied.

EXHIBIT F

LIST OF EQUIPMENT

Any equipment or property purchased with proceeds of the Bonds pursuant to the disbursement provisions of the Escrow Agreement.

EXHIBIT G

PERMITTED ENCUMBRANCES

1. Indebtedness secured by the Borrower's accounts receivable. "*Indebtedness*" means, with respect to the Borrower, all indebtedness of the Borrower for borrowed moneys, or which has been incurred or assumed in connection with the acquisition, construction, improvement or equipping of its facilities, all indebtedness, no matter how created, secured by its facilities or Gross Revenues, whether or not such indebtedness is assumed by the Borrower, any leases required to be capitalized in accordance with generally accepted accounting principles, installment purchase obligations and guaranties.