

ORIGINAL

OPEN MEETING AGENDA ITEM



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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

9 GARY PIERCE, CHAIRMAN
10 PAUL NEWMAN
11 SANDRA D. KENNEDY
12 BOB STUMP
13 BRENDA BURNS

Arizona Corporation Commission

DOCKETED

OCT 6 2011

DOCKETED BY

14 IN THE MATTER OF THE APPLICATION
15 OF CERBAT WATER COMPANY FOR
16 APPROVAL OF A RATE INCREASE

Docket No. W-02391A-10-0218
Docket No. W-02391A-11-0166
Docket No. W-02391A-11-0309

17 IN THE MATTER OF STAFF'S REQUEST
18 FOR COMMISSION ISSUANCE OF AN
19 ORDER TO SHOW CAUSE FOR THE
20 FAILURE OF CERBAT WATER COMPANY
21 TO COMPLY WITH COMMISSION RULES
22 AND REGULATIONS

EXCEPTIONS TO THE
RECOMMENDED OPINION AND
ORDER

23 IN THE MATTER OF THE APPLICATION
24 OF CERBAT WATER COMPANY FOR
25 AUTHORITY TO INCUR LONG-TERM
26 DEBT

27 Cerbat Water Company ("Company" or "Cerbat"), hereby files its exceptions to
28 the Recommended Opinion and Order ("ROO").

1 **Preliminary Statement**

2 If the ROO is adopted as written, the Company cannot fully pay the vendors who
3 are owed \$186,646.69 or cannot drill another well so the system has two water supply
4 wells. The consequences are readily foreseeable and dire for Cerbat's customers. If the
5 vendors are not paid, within weeks they can take back the equipment and materials they
6 installed in the well, garnish all of the Company's accounts so the customer's payments
7 go to them leaving the Company no money to operate, or do both. Either way, the
8 Company cannot provide water to the 600 people who need water from Cerbat. This
9 immediate threat can be resolved by the Commission authorizing the Company to borrow
10 WIFA funds to pay the vendors for the well improvements.
11

12 Similarly, the ROO does not authorize the Company to borrow enough money to pay for
13 the installation of a new well and related water system equipment. The Company seeks
14 to incur an additional \$200,000 of debt to drill a new 8" well and make the related
15 improvements to the booster pump, electric plant, and storage tank to allow the system to
16 operate more efficiently with redundant water supplies and additional storage.
17

18 Simply stated, it will cost more than \$131,000 to drill an 8-inch production well to
19 a depth of approximately 1,000 feet below land surface and make the other prudent
20 improvements. Unless a new well is drilled and properly equipped, the customers will
21 continue to suffer water outages anytime the well becomes inoperable. As the last two
22 years has shown, this is a real long-term threat that needs to be addressed; and it can be
23 resolved by the Commission authorizing the Company to borrow WIFA funds to pay for
24 the installation of a new well and related equipment.
25
26
27
28

1 **Financing and Rates**

2 The Company believes that it can make the necessary and reasonable
3
4 improvements and pay the vendors for previous well improvements if the Commission
5 authorizes the Company to enter into a loan agreement with WIFA for \$386,646.69. In
6 fact, this can be structured so that the customers actually pay less than they would under
7
8 the proposal in the ROO.

9 Under the ROO, an average residential customer would pay \$26.87 for 4,569
10 gallons of water plus \$12.54 in the R&M Surcharge, resulting in a \$39.41 water bill. In
11 contrast, the Company offers two Alternative approaches.
12

13 In Alternative 1, the Commission would authorize a WIFA loan in the amount of
14 approximately \$389,000¹ to cover: (a) approximately \$119,000 of previous
15 improvements by vendors (currently covered by the surcharge); (b) plus approximately
16 \$67,000 to cover well improvements by the Weber Group; (c) plus \$200,000 to fund the
17 new well and related improvements. The Commission would then increase proposed
18 revenue from \$18,052 in ROO (about 17%) to \$38,052 or about 35.45%, and incorporate
19 the debt service into base rates. No surcharge would be required. This operating margin
20 will provide sufficient cash flow. The revenue increase will provide a 25.34% operating
21 margin. The Debt Service Cover Ratio will be 1.70 and the Interest Coverage Ratio 2.02
22
23
24
25 See Attachment 1 (Schedule C-1 – Revenues and Expenses, Schedule H-3 – Proposed
26
27

28 ¹ The Company utilized a \$389,000 loan amount to perform its analysis. However, the precise amount the Company is seeking to borrow is \$386,646.69. The Company believes the difference is immaterial, but it is willing to have any conforming changes made to the final order.

1 Rates for Alternative 1, and Debt Coverage Ratio Schedule). The result would be that the
2 customer would pay less per month than they currently pay due to the surcharge.

3
4 In Alternative 2, the Commission would authorize a WIFA loan amount of
5 approximately \$389,000 for the purposes described above and keep ROO rates. Then the
6 Commission would authorize a debt surcharge to pay for the annual debt service of the
7 WIFA Loan. The surcharge would amount to \$10.85, which is lower than the surcharge
8 currently in place. *See Attachment 2 (WIFA Loan Surcharge Computation).* Again, both
9 alternatives result in increases that would be less than the \$12.54 surcharge now in place.
10
11 *See Attachment 3.*

12
13 On page 20, the ROO characterizes the Company's comments as an attempt to
14 amend its financing application after Staff had performed its analysis and states that the
15 Company is proposing to use WIFA proceeds to pay for operating expenses. To be clear,
16 the Company understands that WIFA funds cannot be used for operational expenses and
17 routine maintenance. It is the Company's belief that the only operational expenses
18 involved are certain charges for electricity that the electric provider requested become
19 part of the current surcharge. These expenses cannot be funded by WIFA. But the pump
20 companies' work to replace the well column pipe and related improvements are eligible
21 for WIFA funding.

22
23
24
25 Further, the Company's first opportunity to respond to Staff was in its comments
26 to the Staff Report. After reviewing the Staff Report, the Company took the position that
27 it could pay the vendors, drill the additional well, and make the other needed
28 improvements for \$386,646.69. Therefore, the Commission should strike ¶ 78 and

1 replace it with language authorizing the Company to borrow up to \$386,646.69 for the
2 purposes of financing improvements to the existing well already performed by the
3 vendors and allowing the Company to incur \$200,000 of debt to drill a new 8” well and
4 make the related improvements to the booster pump, electric plant, and storage tank.
5

6 **System Ownership**

7
8 The ROO requires Cerbat to file documentation showing Cerbat “has full
9 ownership and control of all water system assets used to provide service to Cerbat’s
10 customers.” ROO at p. 22. Cerbat owns all of the water system – the well, the
11 transmission lines, distribution lines, meter, booster pump, and the storage tank. The well
12 was transferred from the Trust to Cerbat several months ago. The well transfer has been
13 docketed. Thus, last paragraph on page 22 can be struck from the order.
14

15 **Meters at Interconnections**

16
17 The ROO requires Cerbat to install meters at interconnection points on the system.
18 Since the well was transferred from the Trust to Cerbat, there are no interconnection
19 points. The only exception is the emergency interconnection between the City of
20 Kingman’s system and Cerbat’s system, which is metered when activated. Thus, the last
21 paragraph on page 24, continuing on to page 25 can be struck from the order.
22

23 **Annual Report**

24
25 The ROO correctly states that the Company’s annual report was due on August 16,
26 2011. The annual report was executed and mailed to the Commission on September 30,
27 2011. *See* Attachment 4. Assuming the Commission receives the report in a timely
28 fashion, the order should state that the annual report was received by the Commission or

1 ROO ¶ 71 should be struck from the order.

2 **ADEQ and ADWR Compliance**

3
4 On pages 22 and 23, the ROO states that the rates should not become effective
5 until the Company demonstrates compliance with ADEQ requirements. The Company
6 believes that it has no outstanding compliance issues with ADEQ or ADWR and is
7 working with ADEQ to determine if there are unresolved issues. Because the financing
8 and rates hinge upon this compliance, however, and the funding is critical, the Company
9 believes the ROO should identify exactly what needs to be resolved. Otherwise, this
10 provision should be struck.
11

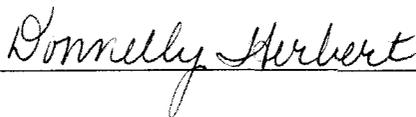
12
13 DATED this 6th day of October, 2011.

14 **MOYES SELLERS & HENDRICKS LTD.**

15
16
17 
18 Steve Wene

19 **Original and 13 copies filed this**
20 **6th day of October, 2011, with:**

21 Docket Control
22 Arizona Corporation Commission
23 1200 West Washington
24 Phoenix, Arizona 85007

25 
26

ATTACHMENT 1

Cerbat Water Company
Docket No.s W-02391A-10-0218, W-02391A-11-0166 & W-02391A-11-0309
Test Year Ended December 31, 2009
Statement of Revenues and Expenses
ALTERNATIVE 1

Line No.	Company Exhibit	1 Staff Depreciation	2 Property Taxes	3 Staff Purchased Water	4 Staff Purchased Power	5 Staff Repairs & Maint	6 Staff Outside Services	7 Staff Water Testing	8 Income Taxes & Interest	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	Revenues									\$ 106,399	\$ 38,052	\$ 144,451
2	Metered Water Revenues									940		940
3	Unmetered Water Revenues											
4	Other Water Revenues											
5		\$ 107,339	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,339	\$ 38,052	\$ 145,391
6	Operating Expenses											
7	Salaries and Wages											
8	Purchased Water			(14,806)						29,707		29,707
9	Purchased Power				320					10,117		10,117
10	Chemicals					(43,249)						
11	Repairs and Maintenance									10,581		10,581
12	Office Supplies and Expense											
13	Outside Services				27,030					32,825		32,825
14	Water Testing							(776)		1,290		1,290
15	Rents											
16	Transportation Expenses											
17	Insurance - General Liability											
18	Insurance - Health and Life											
19	Reg. Comm. Exp. - Rate Case									2,500		2,500
20	Miscellaneous Expense									186		186
21	Depr & Amort. Expense		(8,492)							13,141		13,141
22	Taxes Other Than Income											
23	Property Taxes		(620)							3,444	407	3,851
24	Income Tax								(3,531)	(3,531)	7,877	4,346
25												
26	Total Operating Expenses	\$ 144,384	\$ (8,492)	\$ (14,806)	\$ 320	\$ (43,249)	\$ 27,030	\$ (776)	\$ (3,531)	\$ 100,261	\$ 8,284	\$ 108,544
27	Operating Income	\$ (37,045)	\$ 8,492	\$ 14,806	\$ (320)	\$ 43,249	\$ (27,030)	\$ 776	\$ 3,531	\$ 7,078	\$ 29,768	\$ 36,847
28	Other Income (Expense)											
29	Interest Income											
30	Other income											
31	Interest Expense											
32	Other Expense											
33												
34	Total Other Income (Expense)								(20,423)			(20,423)
35	Net Profit (Loss)	\$ (37,045)	\$ 8,492	\$ 14,806	\$ (320)	\$ 43,249	\$ (27,030)	\$ 776	\$ (16,892)	\$ (13,344)	\$ 29,768	\$ 16,424

Debt Service Coverage Ratios at Proposed Revenues

Line			
<u>No.</u>			
1			
2	<u>Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)</u>		
3	Net Income	\$	16,424
4	Plus: Interest Expense		20,423
5	Income Taxes		4,346
6	Depreciation & Amortization		13,141
7	EBITDA	\$	<u>54,334</u>
8	<u>Earnings before Interest and Taxes (EBIT)</u>		
9	Net Income	\$	16,424
10	Plus: Interest Expense		20,423
11	Income Taxes		4,346
12	EBIT	\$	<u>41,193</u>
13	Loan Amount:	\$	389,000
14	Term (years):		20
15	Interest Rate:		5.25%
16	Annual Interest Payment	\$	20,423
17	Annual Principal Payment		11,457
18	Total Principal and Interest Payment	\$	<u>31,879</u>
19	Debt Service Coverage Ratio (Line 7 divided by Line 18)		1.70
20	Interest Coverage Ratio (Line 12 divided by Line 16)		2.02

PRESENT AND PROPOSED RATES

<u>Line No.</u>		<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Change</u>
1	<u>Monthly Usage Charge:</u>			
2	5/8 x 3/4 Inch	\$ 18.00	\$ 22.35	24.17%
3	3/4 Inch	18.00	22.35	24.17%
4	1 Inch	33.00	55.88	69.32%
5	1 1/2 Inch	70.00	111.75	59.64%
6	2 Inch	110.40	178.80	61.96%
7	3 Inch	207.00	357.60	72.75%
8	4 Inch	345.00	558.75	61.96%
9	6 Inch	690.00	1,117.50	61.96%
10	Standpipe			
11				
12				
13	<u>Commodity Rates:</u>			
14				
15	<u>All meter Sizes (Per 1,000 gallons)</u>			
16	0 - 5,000 gallons		\$ 1.65	
17	5,001 to 20,000 gallons		\$ 2.25	
18	Over 20,000 gallons		\$ 2.65	
19				
20	0 - 3,000 gallons			\$ 1.85
21	3,001 to 9,000 gallons			\$ 2.85
22	Over 9,000 gallons			\$ 3.85
23				
24	Standpipe (per 1,000 gallons)		\$ 2.65	\$ 3.85
25				

ATTACHMENT 2

WIFA LOAN SURCHARGE COMPUTATION

Loan Amount: \$ 389,000
Term: 20 years
Interest Rate: 5.25%

Step 1 - Find the Annual Principal Payment on Loan

\$ 389,000 Total Amount of Loan
0.0291 Table A, Conversion Factor Table, Column D
\$ 11,320 Annual Principal Payment

Step 2 - Find the Annual Interest Payment on Loan

\$ 389,000 Total Amount of Loan
0.0518 Table A, Conversion Factor Table, Column C
\$ 20,150 Annual Interest Payment

Step 3 - Gross-up the Pincipal Payment for Income Taxes

\$ 11,320 Annual Principal Payment from Step 1
1.2783 Tax Gross-up Factor
\$ 14,470 Annual Interest Payment

Step 4 - Find the Annual Surcharge Requirement for the Loan

\$ 20,150 Annual Interest Payment from Step 2
\$ 14,470 Annual Principal Payment plus Taxes from Step 3
\$ 34,620 Revenue Requirement for Debt Service of the Loan

Step 5 - Find the Equivalent Bills

Col. A	Col. B	Col. C	Col. D	Col. E
Meter Size	NARUC Multiplier	No. of Customers	Number of Months in Year	Equivalent Bills Col. BxCxD
5/8 x 3/4 Inch	1		12	-
3/4 Inch	1.5	256	12	4,608
1 Inch	2.5	6	12	180
1 1/2 Inch	5		12	-
2 Inch	8		12	-
3 Inch	15		12	-
4 Inch	25		12	-
6 Inch	50		12	-
		<u>262</u>		<u>4,788</u>

Step 5 - Find the Monthly Surcharge

\$ 34,620 Total Annual Surcharge Revenue Requirement
4,788 Divided by: Total Number of Equivalent Bills
\$ 7.23 Monthly Surcharge for 5/8 x 3/4 Inch Customers

Step 6 - Find the Monthly Surcharge for Remaining Meter Size Customers

Col. A	Col. B	Col. C	Col. D
Meter Size	NARUC Multiplier	5/8x3/4 Inch Customers Surcharge	Surcharge by Meter Size Col. BxC
5/8 x 3/4 Inch	1	\$ 7.23	\$ 7.23
3/4 Inch	1.5	\$ 7.23	\$ 10.85
1 Inch	2.5	\$ 7.23	\$ 18.08
1 1/2 Inch	5	\$ 7.23	\$ 36.15
2 Inch	8	\$ 7.23	\$ 57.85
3 Inch	15	\$ 7.23	\$ 108.46
4 Inch	25	\$ 7.23	\$ 180.77
6 Inch	50	\$ 7.23	\$ 361.53

TABLE A
 Conversion Factor Table (Based on a 20-year Loan)

Line No.	Column A Annual Interest Rate	Column B Annual Payment Conversion Factor	Column C Annual Interest Conversion Factor	Column D Annual Principal Conversion Factor
1	3.50%	0.06960	0.03440	0.03520
2	3.75%	0.07110	0.03690	0.03420
3	4.00%	0.07270	0.03940	0.03330
4	4.25%	0.07430	0.04190	0.03240
5	4.50%	0.07590	0.04440	0.03160
6	4.75%	0.07750	0.04680	0.03070
7	5.00%	0.07920	0.04930	0.02990
8	5.25%	0.08090	0.05180	0.02910
9	5.50%	0.08250	0.05430	0.02930
10	5.75%	0.08430	0.05680	0.02750
11	6.00%	0.08600	0.05930	0.02670
12	6.25%	0.08770	0.06180	0.02590
13	6.50%	0.08950	0.06430	0.02520
14	6.75%	0.09120	0.06680	0.02450
15	7.00%	0.09300	0.06920	0.02380
16	7.25%	0.09480	0.07170	0.02310
17	7.50%	0.09670	0.07200	0.02240
18	7.75%	0.09850	0.07670	0.02180
19	8.00%	0.10010	0.07920	0.02110

ATTACHMENT 3

Alternative Rates Comparison

	Median Usage	Present Rates	Proposed Rates	Proposed Increase	Proposed Increase %	Proposed WIFA Surcharge	R&M Surcharge	Proposed Rate Including Surcharge	Overall % Increase
ROO	4,569	\$ 25.54	\$ 26.87	\$ 1.33	5.22%	\$ -	\$ 12.54 ¹	\$ 39.41	54.32%
Alternative 1	4,569	\$ 25.54	\$ 32.37	\$ 6.83	26.75%	\$ -	\$ -	\$ 32.37	26.75%
Alternative 2	4,569	\$ 25.54	\$ 26.87	\$ 1.33	5.22%	\$ 10.85 ²	\$ -	\$ 37.72	47.69%

¹ Existing R&M Surcharge

² New WIFA Loan Surcharge - See WIFA Loan Surcharge Computation

Alternative 1 - Grant authorization for new WIFA Loan of \$389,000 to cover \$122,000 of Repairs and Maintenance cover by surcharge plus \$67,000 to cover main repair by Weber Group plus \$200,000 to fund the new well. Increase revenue increase from \$18,052 in ROO or about 17% to \$38,052 or about 35.45% and incorporated into base rates. No surcharges would be required. This operating margin will provide sufficient cash flow The revenue increase will provide a 25.34% operating margin. The Debt Service Cover Ratio will be 1.70 and the Interest Coverage Ratio 2.02. (See Schedule C-1 - Revenues and Expenses, Schedule H-3 - Proposed Rates for Alternative 1, and Debt Coverage Ratio Schedule)

Alternative 2 - Grant authorization for new WIFA Loan of \$389,000 to cover \$122,000 of Repairs and Maintenance cover by surcharge plus \$67,000 to cover main repair by Weber Group plus \$200,000 to fund the new well. Keep ROO rates. Authorize debt surcharge to pay for the annual debt service of new WIFA loan (see WIFA Loan Surcharge Computation).

ATTACHMENT 4



WEB FORM COPY

STATE OF ARIZONA CORPORATION COMMISSION CORPORATION ANNUAL REPORT & CERTIFICATE OF DISCLOSURE



DUE ON OR BEFORE 08/16/2011

FILING FEE \$45.00

PLEASE READ ALL INSTRUCTIONS. The following information is required by A.R.S. §§10-1622 & 10-11622 for all corporations organized pursuant to Arizona Revised Statutes, Title 10. The Commission's authority to prescribe this form is A.R.S. §§ 10-121(A) & 10-3121(A). YOUR REPORT MUST BE SUBMITTED ON THIS ORIGINAL FORM. Make changes or corrections where necessary. Information for the report should reflect the current status of the corporation.

-0111450-4

- 1. CERBAT WATER COMPANY 7313 E CONCHO DR STE B KINGMAN, AZ 86401

Business Phone: State of Domicile: ARIZONA

(Business phone is optional.)

Type of Corporation: PROFIT

- 2. Statutory Agent: MIKE NEAL Mailing Address: 7313 E CONCHO DR STE B City, State, Zip: KINGMAN, AZ 86401

Statutory Agent's Street or Physical Address, If Different. Physical Address: City, State, Zip:

ACC USE ONLY Fee \$ Penalty \$ Reinstatement \$ Expedite \$ Resubmit \$

If appointing a new statutory agent, the new agent MUST consent to that appointment by signing below. Note that the agent address must be in Arizona. I, (individual) or We, (corporation or limited liability company) having been designated the new Statutory Agent, do hereby consent to this appointment until my removal or resignation pursuant to law. Signature of new Statutory Agent Printed Name of new Statutory Agent

3. Secondary Address:

(Foreign Corporations are REQUIRED to complete this section).

4. Check the one category below which best describes the CHARACTER OF BUSINESS of your corporation.

BUSINESS CORPORATIONS

- 1. Accounting 2. Advertising 3. Aerospace 4. Agriculture 5. Architecture 6. Banking/Finance 7. Barbers/Cosmetology 8. Construction 9. Contractor 10. Credit/Collection 11. Education 12. Engineering 13. Entertainment 14. General Consulting 15. Health Care 16. Hotel/Motel 17. Import/Export 18. Insurance 19. Legal Services 20. Manufacturing 21. Mining 22. News Media 23. Pharmaceutical 24. Publishing/Printing 25. Ranching/Livestock 26. Real Estate 27. Restaurant/Bar 28. Retail Sales 29. Science/Research 30. Sports/Sporting Events 31. Technology(Computers) 32. Technology(General) 33. Television/Radio 34. Tourism/Convention Services 35. Transportation 36. Utilities 37. Veterinary Medicine/Animal Care 38. Other

NON-PROFIT CORPORATIONS

- 1. Charitable 2. Benevolent 3. Educational 4. Civic 5. Political 6. Religious 7. Social 8. Literary 9. Cultural 10. Athletic 11. Science/Research 12. Hospital/Health Care 13. Agricultural 14. Cooperative Marketing Association 15. Animal Husbandry 16. Homeowner's Association 17. Professional, commercial industrial or trade association 18. Other

9. FINANCIAL DISCLOSURE (A.R.S. §10-11622(A)(9))

Nonprofits – if your annual report is due on or before September 25, 2008, you must attach a financial statement (e.g. income/expense statement, balance sheet including assets, liabilities). If your nonprofit annual report is due after September 25, 2008, a financial statement is not required. Cooperative marketing associations must in all cases submit a financial statement. All other forms of corporations are exempt from filing a financial statement no matter what date the annual report was due.

ONLY NONPROFIT CORPORATIONS MUST ANSWER THIS QUESTION:

9A. MEMBERS (A.R.S. §10-11622(A)(6)) This corporation **DOES** **DOES NOT** have members.

10. CERTIFICATE OF DISCLOSURE (A.R.S. §§ 10-202(D), 10-3202(D), 10-1622(A)(8) & 10-11622(A)(7))

- A. Has any person who is currently an officer, director, trustee, incorporator, or who, in a For-profit corporation, controls or holds more than 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation been:
1. Convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven year period immediately preceding the execution of this certificate?
 2. Convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses or restraint of trade or monopoly in any state or federal jurisdiction within the seven year period immediately preceding execution of this certificate?
 3. Subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven year period immediately preceding execution of this certificate where such injunction, judgment, decree or permanent order involved the violation of:
 - (a) fraud or registration provisions of the securities laws of that jurisdiction, or
 - (b) the consumer fraud laws of that jurisdiction, or
 - (c) the antitrust or restraint of trade laws of that jurisdiction?

One box must be marked: YES NO

If "YES" to A, the following information must be submitted as an attachment to this report for each person subject to one or more of the actions stated in Items 1 through 3 above.

- | | |
|---|---|
| 1. Full birth name. | 5. Date and location of birth. |
| 2. Full present name and prior names used. | 6. The nature and description of each conviction or judicial action; the date and location; the court and public agency involved; and the file or cause number of the case. |
| 3. Present home address. | |
| 4. All prior addresses for immediately preceding 7 year period. | |

B. Has any person who is currently an officer, director, trustee, incorporator, or who, in a For-profit corporation, controls or holds over 20% of the issued and outstanding common shares, or 20% of any other proprietary, beneficial or membership interest in the corporation, served in any such capacity or held a 20% interest in any other corporation on the bankruptcy or receivership of that other corporation?

One box must be marked: YES NO

If "YES" to B, the following information must be submitted as an attachment to this report for each corporation subject to the statement above.

- (a) Name and address of each corporation and the persons involved.
- (b) State(s) in which it: (i) was incorporated and (ii) transacted business.
- (c) Dates of corporate operation.

11. STATEMENT OF BANKRUPTCY OR RECEIVERSHIP (A.R.S. §§ 10-1623 & 10-11623)

A. Has the corporation filed a petition for bankruptcy or appointed a receiver? **One box must be marked: YES NO**

If "Yes" to A, the following information must be submitted as an attachment to this report:

1. All officers, directors, trustees and major stockholders of the corporation within one year of filing the petition for bankruptcy or the appointment of a receiver. If a major stockholder is a corporation, the statement shall list the current president, chairman of the board of directors and major stockholders of such corporate stockholder. "Major stockholder" means a shareholder possessing or controlling twenty per cent of the issued and outstanding shares or twenty per cent of any proprietary, beneficial or membership interest in the corporation.
2. Whether any such person has been an officer, director, trustee or major stockholder of any other corporation within one year of the bankruptcy or receivership of the other corporation. If so, for each such corporation give:
 - (a) Name and address of each corporation;
 - (b) States in which it: (i) was incorporated and (ii) transacted business.
 - (c) Dates of operation.

12. SIGNATURES: Annual Reports must be signed and dated by at least one duly authorized officer or they will be rejected.

I declare, under penalty of perjury, that all corporate income tax returns required by Title 43 of the Arizona Revised Statutes have been filed with the Arizona Department of Revenue. I further declare under penalty of perjury that I (we) have examined this report and the certificate, including any attachments, and to the best of my (our) knowledge and belief they are true, correct and complete.

Name B. Marc Neal Date 9-30-11 Name _____ Date _____

Signature B. Marc Neal Signature _____

Title President Title _____

(Signator(s) must be duly authorized corporate officer(s) listed in section 7 of this report.)