

ORIGINAL



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RECEIVED

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 8 Attorneys for Pima Utility Company

2012 AUG 10 10 Arizona Corporation Commission
 DOCKETED
 AUG 10 2012
 DOCKET CONTROL

DOCKETED BY *JSM*

BEFORE THE ARIZONA CORPORATION COMMISSION

8 IN THE MATTER OF THE APPLICATION
 9 OF PIMA UTILITY COMPANY, AN
 10 ARIZONA CORPORATION, FOR
 11 AUTHORITY TO: (1) ISSUE EVIDENCE OF
 12 INDEBTEDNESS IN AN AMOUNT NOT TO
 13 EXCEED \$8,370,000 IN CONNECTION
 14 WITH (A) INFRASTRUCTURE
 15 IMPROVEMENTS TO THE UTILITY
 16 SYSTEM AND (B) THE PURCHASE OF
 17 EQUITY; AND (2) ENCUMBER REAL
 18 PROPERTY AND PLANT AS SECURITY
 19 FOR SUCH INDEBTEDNESS.

DOCKET NO: W-02199A-11-0403

15 IN THE MATTER OF THE APPLICATION
 16 OF PIMA UTILITY COMPANY, AN
 17 ARIZONA CORPORATION, FOR
 18 AUTHORITY TO: (1) ISSUE EVIDENCE OF
 19 INDEBTEDNESS IN AN AMOUNT NOT TO
 20 EXCEED \$8,370,000 IN CONNECTION
 21 WITH (A) INFRASTRUCTURE
 22 IMPROVEMENTS TO THE UTILITY
 23 SYSTEM AND (B) THE PURCHASE OF
 24 EQUITY; AND (2) ENCUMBER REAL
 25 PROPERTY AND PLANT AS SECURITY
 26 FOR SUCH INDEBTEDNESS.

DOCKET NO: SW-02199A-11-0404

NOTICE OF COMPLIANCE

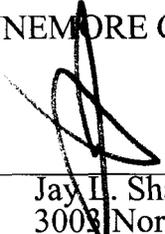
22 Pursuant to Decision No. 73078 (April 5, 2012), Pima Utility Company ("Pima")
 23 submits copies of the following executed financing documents which relate to the
 24 authorizations granted: (1) Credit Agreement; (2) ISDA and rate confirmation on the
 25 interest rate swap; (3) Security Agreement; (4) Term Note; and (5) UCC financing
 26 statements on Pima's assets. See Attachments 1 through 5, respectively.

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RESPECTFULLY SUBMITTED this 10th day of August, 2012.

FENNEMORE CRAIG, P.C.

By


Jay L. Shapiro
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012
Attorneys for Pima Utility Company

ORIGINAL and thirteen (13) copies of the foregoing were delivered this 10th day of August, 2012, to:

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

COPY of the foregoing delivered this 10th day of August, 2012, to:

Robin Mitchell, Esq.
Nancy Scott, Esq.
Legal Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Steve Olea, Director
Utilities Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Carmel Hood, Compliance
Utilities Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

By: 
734972.1/075040.0026

ATTACHMENT 1

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "Agreement") is entered into as of July 25, 2012, by and between PIMA UTILITY COMPANY, an Arizona corporation ("Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank").

RECITALS

Borrower has requested that Bank extend or continue credit to Borrower as described below, and Bank has agreed to provide such credit to Borrower on the terms and conditions contained herein.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower hereby agree as follows:

ARTICLE I CREDIT TERMS

SECTION 1.1 TERM LOAN.

(a) Term Loan. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make a loan to Borrower in the principal amount of Eight Million Three Hundred Seventy Thousand and No/100 Dollars (\$8,370,000.00) ("Term Loan"), the proceeds of which shall be used (i) to repay certain indebtedness of Borrower, including, without limitation, the indebtedness of Borrower in connection with The Industrial Development Authority of the County of Maricopa Utility System Revenue Bonds (Pima Utility Company Project) Series 1995 (the "Bonds"), (ii) for the payment of capital expenditures, and (iii) for other business purposes including making permitted distributions to shareholders. Borrower's obligation to repay the Term Loan shall be evidenced by a promissory note dated as of July 25, 2012 ("Term Note"), all terms of which are incorporated herein by this reference. Bank's commitment to grant the Term Loan shall terminate on August 15, 2012.

(b) Repayment. Principal and interest on the Term Loan shall be repaid in accordance with the provisions of the Term Note.

(c) Prepayment. Borrower may prepay principal on the Term Loan solely in accordance with the provisions of the Term Note.

SECTION 1.2 INTEREST/FEES.

(a) Interest. The outstanding principal balance of the Term Loan shall bear interest at the rate of interest set forth in the Term Note.

(b) Computation and Payment. Interest shall be computed on the basis of a 360-day year, actual days elapsed. Principal and interest shall be payable at the times and place set forth in the Term Note.



SECTION 1.3 COLLECTION OF PAYMENTS. Borrower authorizes Bank to collect all principal, interest and fees due under this Agreement, the Term Note and the other Loan Documents by charging Borrower's deposit account number 4122281454 with Bank, or any successor deposit account maintained by Borrower with Bank, for the full amount thereof. Should there be insufficient funds in any such deposit account to pay all such sums when due, the full amount of such deficiency shall be immediately due and payable by Borrower.

SECTION 1.4 COLLATERAL. As security for all indebtedness and other obligations of Borrower to Bank, Borrower hereby grants to Bank security interests of first priority in all Borrower's property and assets as more particularly set forth in the Security Agreement, of even date herewith (the "Security Agreement") by Borrower in favor of Bank. All of the foregoing shall be evidenced by and subject to the terms of such security agreements, financing statements, deeds or mortgages, and other documents as Bank shall reasonably require, all in form and substance satisfactory to Bank. Borrower shall pay to Bank immediately upon demand the full amount of all charges, costs and expenses (to include fees paid to third parties and all allocated costs of Bank personnel), expended or incurred by Bank in connection with any of the foregoing security, including without limitation, filing and recording fees and audit fees.

SECTION 1.5 TREASURY MANAGEMENT SERVICES. On or before the date of this Agreement and at all times thereafter prior to the payment in full of the Term Loan, Borrower will establish and maintain treasury management services at the Bank, which services shall include, without limitation, a lockbox account into which all customer payments to Borrower will be directed and deposited.

ARTICLE II REPRESENTATIONS AND WARRANTIES

Borrower makes the following representations and warranties to Bank, which representations and warranties shall survive the execution of this Agreement and shall continue in full force and effect until the full and final payment, and satisfaction and discharge, of all obligations of Borrower to Bank subject to this Agreement.

SECTION 2.1 LEGAL STATUS. Borrower is a corporation, duly organized and existing and in good standing under the laws of the State of Arizona, and is qualified or licensed to do business (and is in good standing as a foreign corporation, if applicable) in all jurisdictions in which such qualification or licensing is required or in which the failure to so qualify or to be so licensed could have a material adverse effect on Borrower.

SECTION 2.2 AUTHORIZATION AND VALIDITY. This Agreement, together with the Term Note, the Security Agreement, UCC-1 financing statements, certificates and resolutions (all as amended, modified, renewed, restated and replaced from time to time, the "Loan Documents") have been duly authorized, and upon their execution and delivery in accordance with the provisions hereof will constitute legal, valid and binding agreements and obligations of Borrower or the party which executes the same, enforceable in accordance with their respective terms.

SECTION 2.3 NO VIOLATION. The execution, delivery and performance by Borrower of each of the Loan Documents do not violate any provision of any law or regulation, or contravene any provision of the Articles of Incorporation or By-Laws of Borrower, or result in any breach of or default under any contract, obligation, indenture or other instrument to which Borrower is a party or by which Borrower may be bound.

SECTION 2.4 LITIGATION. There are no pending, or to the best of Borrower's knowledge threatened, actions, claims, investigations, suits or proceedings by or before any governmental authority, arbitrator, court or administrative agency which could have a material adverse effect on the financial condition or operation of Borrower other than those disclosed by Borrower to Bank in writing prior to the date hereof.

SECTION 2.5 CORRECTNESS OF FINANCIAL STATEMENT. The annual financial statement of Borrower dated December 31, 2011, and all interim financial statements delivered to Bank since said date, true copies of which have been delivered by Borrower to Bank prior to the date hereof, (a) are complete and correct and present fairly the financial condition of Borrower, (b) disclose all liabilities of Borrower that are required to be reflected or reserved against under generally accepted accounting principles, whether liquidated or unliquidated, fixed or contingent, and (c) have been prepared in accordance with generally accepted accounting principles consistently applied. Since the dates of such financial statements there has been no material adverse change in the financial condition of Borrower, nor has Borrower mortgaged, pledged, granted a security interest in or otherwise encumbered any of its assets or properties except in favor of Bank or as otherwise permitted by Bank in writing.

SECTION 2.6 INCOME TAX RETURNS. Borrower has no knowledge of any pending assessments or adjustments of its income tax payable with respect to any year.

SECTION 2.7 NO SUBORDINATION. There is no agreement, indenture, contract or instrument to which Borrower is a party or by which Borrower may be bound that requires the subordination in right of payment of any of Borrower's obligations subject to this Agreement to any other obligation of Borrower.

SECTION 2.8 PERMITS, FRANCHISES. Borrower possesses, and will hereafter possess, all permits, consents, approvals, franchises and licenses required and rights to all trademarks, trade names, patents, and fictitious names, if any, necessary to enable it to conduct the business in which it is now engaged in compliance with applicable law.

SECTION 2.9 ERISA. Borrower is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended or recodified from time to time ("ERISA"); Borrower has not violated any provision of any defined employee pension benefit plan (as defined in ERISA) maintained or contributed to by Borrower (each, a "Plan"); no Reportable Event as defined in ERISA has occurred and is continuing with respect to any Plan initiated by Borrower; Borrower has met its minimum funding requirements under ERISA with respect to each Plan; and each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under generally accepted accounting principles.

SECTION 2.10 OTHER OBLIGATIONS. Borrower is not in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation.

SECTION 2.11 ENVIRONMENTAL MATTERS. Except as disclosed by Borrower to Bank in writing prior to the date hereof, Borrower is in compliance in all material respects with all applicable federal or state environmental, hazardous waste, health and safety statutes, and any rules or regulations adopted pursuant thereto, which govern or affect any of Borrower's operations and/or properties, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Resource Conservation and Recovery Act of 1976, and the Federal Toxic Substances Control Act, as any of the same may be amended, modified or supplemented from time to time. None of the operations of Borrower is the subject of any federal or state investigation evaluating whether any remedial action involving a material expenditure is needed to respond to a release of any toxic or hazardous waste or substance into the environment. Borrower has no material contingent liability in connection with any release of any toxic or hazardous waste or substance into the environment.

SECTION 2.12 REAL PROPERTY. Except as disclosed by Borrower to Bank in writing prior to the date hereof, with respect to any real property owned by or leased to Borrower:

(a) All taxes, governmental assessments, insurance premiums, and water, sewer and municipal charges, and rents (if any) which previously became due and owing in respect thereof have been paid as of the date hereof.

(b) There are no mechanics' or similar liens or claims which have been filed for work, labor or material (and no rights are outstanding that under law could give rise to any such lien) which affect all or any interest in any such real property and Borrower owns or leases such real property free and clear of all mortgages, deeds of trust, security interests, and other liens and encumbrances.

(c) There is no pending, or to the best of Borrower's knowledge threatened, proceeding for the total or partial condemnation of all or any portion of any such real property, and all such real property is in good repair and free and clear of any damage that would materially and adversely affect the value thereof as security and/or the intended use thereof.

SECTION 2.13 OWNERSHIP. As of the date hereof, all of the issued and outstanding capital stock of Borrower is owned as set forth on Exhibit A (collectively, "Shareholder").

ARTICLE III CONDITIONS

SECTION 3.1 CONDITIONS OF INITIAL EXTENSION OF CREDIT. The obligation of Bank to extend any credit contemplated by this Agreement is subject to the fulfillment to Bank's satisfaction of all of the following conditions:

(a) Approval of Bank Counsel. All legal matters incidental to the extension of credit by Bank shall be satisfactory to Bank's counsel.

(b) Documentation. Bank shall have received, in form and substance satisfactory to Bank, each of the following, duly executed:

(i) This Agreement and each promissory note or other instrument or document required hereby.

(ii) The Security Agreement.

(iii) Such documents and instruments as Bank may require to establish and maintain "lockbox" and cash management arrangements pursuant to which all utility service and other payments due to Borrower will be directed to such lockbox account.

(iv) Such secretaries certificates, incumbency certificates and corporate resolutions as Bank or its counsel may require.

(v) Such other documents as Bank may require under any other Section of this Agreement.

(c) Financial Condition. There shall have been no material adverse change, as determined by Bank, in the financial condition or business of Borrower, nor any material decline, as determined by Bank, in the market value of any collateral required hereunder or a substantial or material portion of the assets of Borrower.

(d) Insurance. Borrower shall have delivered to Bank evidence of insurance coverage on all Borrower's property, in form, substance, amounts, covering risks and issued by companies satisfactory to Bank, and where required by Bank, with loss payable endorsements in favor of Bank.

(e) Evidence of Approval. Borrower shall have delivered to Bank evidence in form satisfactory to Bank that the execution, delivery, and performance of the Loan Documents by Borrower and the incurrence by Borrower of the indebtedness pursuant to the Loan Documents are permitted by the Arizona Corporation Commission and each other governmental authority that regulates the business and operations of Borrower, the approval of which is required by applicable laws, rules and regulations.

(f) Opinion. Borrower shall have delivered to Bank an opinion from outside counsel for Borrower satisfactory to Bank, which opinion covers such matters as Bank and its counsel may require and shall include, without limitation, the opinion that all necessary consents, approvals, and authorizations of any governmental authority necessary for the enforceability of the obligations of Borrower pursuant to the Loan Documents and the incurrence of the indebtedness by Borrower pursuant to the Loan Documents have been obtained and are in full force and effect.

(g) Payment of Costs, Expenses, and Fees. All of the costs, expenses, and fees to be paid by Borrower under the Loan Documents on or before the effectiveness of this Agreement or the making of any loan shall have been paid in full.

(h) Bonds. Borrower shall provide to Bank evidence satisfactory to Bank that the Bonds and all indebtedness of Borrower in connection therewith have been (or will be concurrently with the making of the Term Loan) paid in full, all liens and encumbrances securing the Bonds, any indebtedness of Borrower in connection therewith, or any letter of credit obligations in connection with the Bonds have been (or will be concurrently with the making of the Term Loan) discharged and released and all letters of credit securing or providing a source of payment of the Bonds and all reimbursement and other agreements in connection therewith have been (or will be concurrently with the making of the Term Loan) canceled and terminated. If requested by Bank, the funding of the Term Loan will occur through an escrow arrangement at a title company approved by Bank pursuant to which all applicable releases of the Bonds and the security therefor are placed in escrow to be delivered and recorded upon the funding of the Term Loan.

(i) Treasury Management. Borrower shall have established the treasury management and lockbox accounts at Bank in accordance with Section 1.6.

(j) Interest Rate Swap. Borrower shall have entered into a swap, cap, collar or other interest rate protection agreement with respect to 100% of the Term Loan to effectively fix Borrower's rate of interest as required pursuant to the orders of the Arizona Corporation Commission.

SECTION 3.2 CONDITIONS OF EACH EXTENSION OF CREDIT. The obligation of Bank to make each extension of credit requested by Borrower hereunder shall be subject to the fulfillment to Bank's satisfaction of each of the following conditions:

(a) Compliance. The representations and warranties contained herein and in each of the other Loan Documents shall be true on and as of the date of the signing of this Agreement and on the date of each extension of credit by Bank pursuant hereto, with the same effect as though such representations and warranties had been made on and as of each such date; and on each such date, no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall have occurred and be continuing or shall exist.

(b) Documentation. Bank shall have received all additional documents which may be required in connection with such extension of credit.

ARTICLE IV AFFIRMATIVE COVENANTS

Borrower covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower shall, unless Bank otherwise consents in writing:

SECTION 4.1 PUNCTUAL PAYMENTS. Punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein.

SECTION 4.2 ACCOUNTING RECORDS. Maintain adequate books and records in accordance with generally accepted accounting principles consistently applied, and permit any representative of Bank, at any reasonable time, to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of Borrower.

SECTION 4.3 FINANCIAL STATEMENTS. Provide to Bank all of the following, in form and detail satisfactory to Bank:

(a) not later than 120 days after and as of the end of each fiscal year, an audited financial statement of Borrower, prepared by Barry & Moore or other independent certified public accountants satisfactory to Bank, to include a balance sheet, income statement and statement of cash flows;

(b) not later than 45 days after and as of the end of each fiscal quarter, a financial statement of Borrower, prepared by Borrower, to include a balance sheet and income statement;

(c) promptly after receipt, copies of all notices, demands, orders, and any other communications received by Borrower from any governmental authority that regulates the business and operations of Borrower if and to the extent such notices, demands, orders or other communications relate to a matter which could reasonably be expected to have a material adverse effect on the business or operations of Borrower;

(d) promptly upon filing or delivery, copies of all reports, requests, responses and other communication submitted by or on behalf of Borrower to any governmental authority that regulates the business and operations of Borrower if and to the extent such reports, requests, responses or other communications relate to a matter which could reasonably be expected to have a material adverse effect on the business or operations of Borrower;

(e) contemporaneously with each annual and quarterly financial statement of Borrower required hereby, a certificate of the president or chief financial officer of Borrower that said financial statements are accurate and that there exists no Event of Default nor any condition, act or event which with the giving of notice or the passage of time or both would constitute an Event of Default; and

(f) from time to time such other information as Bank may reasonably request.

SECTION 4.4 COMPLIANCE. Preserve and maintain all licenses, permits, governmental approvals, rights, privileges and franchises necessary for the conduct of its business; and comply with the provisions of all documents pursuant to which Borrower is organized and/or which govern Borrower's continued existence and with the requirements of all laws, rules, regulations and orders of any governmental authority applicable to Borrower and/or its business.

SECTION 4.5 INSURANCE. Maintain and keep in force, for each business in which Borrower is engaged, insurance of the types and in amounts customarily carried in similar lines of business, including but not limited to fire, extended coverage, public liability, flood (if required by law), property damage and workers' compensation, with all such insurance carried with companies and in amounts satisfactory to Bank, and deliver to Bank from time to time at Bank's request schedules setting forth all insurance then in effect.

SECTION 4.6 FACILITIES. Keep all properties useful or necessary to Borrower's business in good repair and condition, and from time to time make necessary repairs, renewals and replacements thereto so that such properties shall be fully and efficiently preserved and maintained.

SECTION 4.7 TAXES AND OTHER LIABILITIES. Pay and discharge when due any and all indebtedness, obligations, assessments and taxes, both real or personal, including without limitation federal and state income taxes and state and local property taxes and assessments, except (a) such as Borrower may in good faith contest or as to which a bona fide dispute may arise, and (b) for which Borrower has made provision, to Bank's satisfaction, for eventual payment thereof in the event Borrower is obligated to make such payment.

SECTION 4.8 LITIGATION. Promptly give notice in writing to Bank of any litigation pending or threatened against Borrower with a claim in excess of \$100,000.

SECTION 4.9 FINANCIAL CONDITION. Maintain Borrower's financial condition as follows using generally accepted accounting principles consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein):

(a) Total Liabilities divided by Tangible Net Worth not greater than 1.25 to 1.0 at each quarter end, with "Total Liabilities" defined as the aggregate of current liabilities and non-current liabilities, and with "Tangible Net Worth" defined as the aggregate of total stockholders' equity less any intangible assets and less any loans or advances to, or investments in, any related entities or individuals.

(b) Fixed Charge Coverage Ratio (Tier 1) not less than 1.10 to 1.0 as of each quarter end, determined on a rolling 4-quarter basis, with "Fixed Charge Coverage Ratio (Tier 1)" defined as the aggregate of net profit after taxes plus depreciation expense, amortization expense, cash capital contributions (including a reduction in notes receivable from the Shareholder and other affiliates of Borrower) and increases in subordinated debt minus dividends (excluding a one-time dividend to be made on or about the funding of the Term Loan in an amount not to exceed \$2,700,000), distributions and decreases in subordinated debt, divided by the aggregate of the current maturity of long-term debt, capital expenditures (excluding capital expenditures not to exceed \$1,500,000 in connection with a force main utility upgrade), and capitalized lease payments.

(c) Fixed Charge Coverage Ratio (Tier 2) not less than 2.0 to 1.0 as of each quarter end, determined on a rolling 4-quarter basis, with "Fixed Charge Coverage Ratio (Tier 2)" defined as the aggregate of net profit after taxes plus depreciation expense, amortization expense, cash capital contributions (including a reduction in notes receivable from the Shareholder and

other affiliates of Borrower) and increases in subordinated debt minus dividends (excluding a one-time dividend to be made on or about the funding of the Term Loan in an amount not to exceed \$2,700,000), distributions and decreases in subordinated debt, divided by the aggregate of the current maturity of long-term debt, and capitalized lease payments.

SECTION 4.10 LIQUID ASSETS. Maintain Unencumbered Liquid Assets with Bank and/or an Affiliate of Bank with an aggregate fair market value not at any time less than \$1,000,000. As used herein "Unencumbered Liquid Assets" shall mean cash, cash equivalents, and/or publicly traded/quoted marketable securities acceptable to Bank in its sole discretion, free of any lien or encumbrance other than a lien in favor of Bank (provided that any Liquid Assets subject to a lien in favor of Bank may only be included to the extent that such assets are not necessary, on any date of determination, to meet any minimum collateral requirement of the obligations secured thereby). Retirement account assets held in a fiduciary capacity by Borrower shall not qualify as Unencumbered Liquid Assets.

SECTION 4.11 NOTICE TO BANK. Promptly (but in no event more than 5 days after the occurrence of each such event or matter) give written notice to Bank in reasonable detail of: (a) the occurrence of any Event of Default, or any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default; (b) any change in the name or the organizational structure of Borrower; (c) the occurrence and nature of any Reportable Event or Prohibited Transaction, each as defined in ERISA, or any funding deficiency with respect to any Plan; or (d) any termination or cancellation of any insurance policy which Borrower is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting Borrower's property in excess of an aggregate of \$100,000.

ARTICLE V NEGATIVE COVENANTS

Borrower further covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower will not without Bank's prior written consent:

SECTION 5.1 USE OF FUNDS. Use any of the proceeds of any credit extended hereunder except for the purposes stated in Article I hereof.

SECTION 5.2 OTHER INDEBTEDNESS. Create, incur, assume or permit to exist any indebtedness or liabilities resulting from borrowings, loans or advances, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several, except (a) the liabilities of Borrower to Bank, (b) any other liabilities of Borrower existing as of, and disclosed to Bank prior to, the date hereof (provided that indebtedness of Borrower in connection with the Bonds and any obligations in connection with letters of credit issued to secure or provide a source for payment of the Bonds shall not be permitted indebtedness), (c) trade credit incurred and paid in the ordinary course of business, and (d) capital leases entered into for the acquisition

of equipment to be used in the ordinary course of Borrower's business provided that the capitalized amount thereof shall never exceed \$250,000 at any time outstanding.

SECTION 5.3 MERGER, CONSOLIDATION, TRANSFER OF ASSETS. Merge into or consolidate with any other entity; make any substantial change in the nature of Borrower's business as conducted as of the date hereof; acquire all or substantially all of the assets of any other entity; nor sell, lease, transfer or otherwise dispose of all or a substantial or material portion of Borrower's assets except in the ordinary course of its business.

SECTION 5.4 GUARANTIES. Guarantee or become liable in any way as surety, endorser (other than as endorser of negotiable instruments for deposit or collection in the ordinary course of business), accommodation endorser or otherwise for, nor pledge or hypothecate any assets of Borrower as security for, any liabilities or obligations of any other person or entity, except any of the foregoing in favor of Bank.

SECTION 5.5 LOANS, ADVANCES, INVESTMENTS. Make any loans or advances to or investments in any person or entity, except any of the foregoing existing as of, and disclosed to Bank prior to, the date hereof, and additional loans or advances to entities and individuals that are related to or affiliates of Borrower.

SECTION 5.6 PLEDGE OF ASSETS. Mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of Borrower's assets now owned or hereafter acquired, except any of the foregoing in favor of Bank or which is existing as of, and disclosed to Bank in writing prior to, the date hereof.

ARTICLE VI EVENTS OF DEFAULT

SECTION 6.1 The occurrence of any of the following shall constitute an "Event of Default" under this Agreement:

- (a) Borrower shall fail to pay when due any principal or interest under any of the Loan Documents.
- (b) Borrower violates Section 4.9 or any provision in Article V.
- (c) Any financial statement or certificate furnished to Bank in connection with, or any representation or warranty made by Borrower or any other party under this Agreement or any other Loan Document shall prove to be incorrect, false or misleading in any material respect when furnished or made, subject to the right to cure unintentional good faith errors in financial statements or certificates, as such cure right is provided in Section 6.2.
- (d) Borrower fails to pay any amount other than principal or interest when due under the Loan Documents or there is any other default in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those specifically described as an "Event of Default" in this Section 6.1).

(e) Any default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract, instrument or document (other than any of the Loan Documents) pursuant to which Borrower, any guarantor hereunder or any general partner or joint venturer in Borrower if a partnership or joint venture (with each such guarantor, general partner and/or joint venturer referred to herein as a "Third Party Obligor") has incurred any debt or other liability to any person or entity, including Bank.

(f) Borrower or any Third Party Obligor shall become insolvent, or shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or shall generally fail to pay its debts as they become due, or shall make a general assignment for the benefit of creditors; Borrower or any Third Party Obligor shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time ("Bankruptcy Code"), or under any state or federal law granting relief to debtors, whether now or hereafter in effect; or Borrower or any Third Party Obligor shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or Borrower or any Third Party Obligor shall be adjudicated a bankrupt, or an order for relief shall be entered against Borrower or any Third Party Obligor by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors.

(g) The filing of a notice of judgment lien against Borrower or any Third Party Obligor; or the recording of any abstract of judgment against Borrower or any Third Party Obligor in any county in which Borrower or such Third Party Obligor has an interest in real property; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Borrower or any Third Party Obligor; or the entry of a judgment against Borrower or any Third Party Obligor; or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against Borrower or any Third Party Obligor.

(h) There shall exist or occur any event or condition that Bank in good faith believes impairs, or is substantially likely to impair, the prospect of payment or performance by Borrower, any Third Party Obligor, or the general partner of either if such entity is a partnership, of its obligations under any of the Loan Documents.

(i) The death or incapacity of Borrower or any Third Party Obligor if an individual. The dissolution or liquidation of Borrower or any Third Party Obligor if a corporation, partnership, joint venture or other type of entity; or Borrower or any such Third Party Obligor, or any of its directors, stockholders or members, shall take action seeking to effect the dissolution or liquidation of Borrower or such Third Party Obligor.

(j) There shall be a change in control of Borrower. A change in control shall occur if for any reason and as the result of a single transaction or series of transactions, Edward J. Robson or the immediate family of Edward J. Robson shall cease to own and have voting control of at least 51% of the stock and other equity in Borrower or shall otherwise cease to control the

business and operation of Borrower. As used herein, the "immediate family" of Edward J. Robson shall be one or more of Steven Robson, Robert Robson, Mark Robson, Lynda Robson, Kimberly Robson or their respective children or trusts for the sole benefit of any of them. Any change in control shall be determined on an aggregate basis and shall take into account all transfers or other changes occurring from and after the date of this Agreement.

(k) Except as permitted in the Security Agreement, the sale, transfer, hypothecation, assignment or encumbrance, whether voluntary, involuntary or by operation of law, without Bank's prior written consent, of all or any part of or interest in any Collateral (as defined in the Security Agreement).

(l) Any impairment of the rights of Bank in any material portion of the Collateral or Proceeds, or any attachment or like levy on any property of Borrower.

SECTION 6.2 NOTICE OF DEFAULT. Except with respect to Events of Default pursuant to Section 6.1(a), 6.1(b), 6.1(f), 6.1(j) or 6.1(k) (with respect to which no cure or grace period is provided pursuant to this Agreement), Bank agrees that before the occurrence of any event or condition specified in Section 6.1 will constitute an Event of Default, Bank shall give to Borrower notice of the occurrence of the event or condition that will constitute such Event of Default under the terms of this Agreement, and Borrower shall have 30 days from the date of the giving of such notice to cure such event or condition. Except for an event or condition involving the non-payment of money or the correction of unintentional good faith errors in financial statements or certificates, if an event or condition that will constitute an Event of Default requires more than 30 days to cure, Borrower shall have a reasonable additional time to cure as Bank may determine in writing. During such 30 day or longer cure period, such event or condition may be cured, and Bank shall not accelerate the maturity date of the Term Loan or exercise its other rights and remedies; provided, however, from and after the giving of such notice, Borrower shall not make any distributions to its shareholders. From and after such notice and cure period expires, Bank shall be under no obligation to accept cures of any Event of Default (except as required by law) and any further attempt to cure may be accepted or rejected in Bank's sole and absolute discretion.

SECTION 6.3 REMEDIES. Upon the occurrence of any Event of Default and the expiration of the cure period (if any) pursuant to Section 6.2: (a) all indebtedness of Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Bank's option and without notice become immediately due and payable without presentment, demand, protest or notice of dishonor, all of which are hereby expressly waived by Borrower; (b) the obligation, if any, of Bank to extend any further credit under any of the Loan Documents shall immediately cease and terminate; and (c) Bank shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. All rights, powers and remedies of Bank may be exercised at any time by Bank and from time to time after the occurrence of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

ARTICLE VII
MISCELLANEOUS

SECTION 7.1 NO WAIVER. No delay, failure or discontinuance of Bank in exercising any right, power or remedy under any of the Loan Documents shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Bank of any breach of or default under any of the Loan Documents must be in writing and shall be effective only to the extent set forth in such writing.

SECTION 7.2 NOTICES. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the following address:

BORROWER: PIMA UTILITY COMPANY
c/o Robson Communities, Inc.
9532 East Riggs Road
Sun Lakes, Arizona 85248
Attention: Steve Soriano

With a copy to:

Robson Communities, Inc.
9532 East Riggs Road
Sun Lakes, Arizona 85248
Attention: Peter Gerstman

BANK: WELLS FARGO BANK, NATIONAL ASSOCIATION
Commercial Banking
100 West Washington, 25th floor
Phoenix, Arizona 85003
Attention: Keri M. Tignini, Vice President

With a copy to:

Snell & Wilmer L.L.P.
One Arizona Center
Phoenix, Arizona 85004-2202
Attention: David Sprentall

or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (a) if sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or 3 days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

SECTION 7.3 COSTS, EXPENSES AND ATTORNEYS' FEES. Subject to the award of arbitration costs pursuant to Section 7.11(g), Borrower shall pay to Bank immediately upon

demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel), expended or incurred by Bank in connection with (a) the negotiation and preparation of this Agreement and the other Loan Documents, Bank's continued administration hereof and thereof, and the preparation of any amendments and waivers hereto and thereto, (b) the enforcement of Bank's rights and/or the collection of any amounts which become due to Bank under any of the Loan Documents, and (c) the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity.

SECTION 7.4 SUCCESSORS, ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Borrower may not assign or transfer its interests or rights hereunder without Bank's prior written consent. Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Bank's rights and benefits under each of the Loan Documents. In connection therewith, Bank may disclose all documents and information which Bank now has or may hereafter acquire relating to any credit subject hereto, Borrower or its business, or any collateral required hereunder.

SECTION 7.5 ENTIRE AGREEMENT; AMENDMENT. This Agreement and the other Loan Documents constitute the entire agreement between Borrower and Bank with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof. This Agreement may be amended or modified only in writing signed by each party hereto.

SECTION 7.6 NO THIRD PARTY BENEFICIARIES. This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

SECTION 7.7 TIME. Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

SECTION 7.8 SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Agreement.

SECTION 7.9 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement.

SECTION 7.10 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona.

SECTION 7.11 ARBITRATION.

(a) Arbitration. The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise in any way arising out of or relating to (i) any credit subject hereto, or any of the Loan Documents, and their negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination; or (ii) requests for additional credit.

(b) Governing Rules. Any arbitration proceeding will (i) proceed in a location in Arizona selected by the American Arbitration Association ("AAA"); (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by the AAA, or such other administrator as the parties shall mutually agree upon, in accordance with the AAA's commercial dispute resolution procedures, unless the claim or counterclaim is at least \$1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to herein, as applicable, as the "Rules"). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or any similar applicable state law.

(c) No Waiver of Provisional Remedies, Self-Help and Foreclosure. The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief (including through arbitration proceedings), attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding, except to the extent such actions described in clause (i), (ii) or (iii) of this paragraph may be expressly stayed by the arbitrator pursuant to the arbitration proceedings. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in clauses (i), (ii) and (iii) of this paragraph.

(d) Arbitrator Qualifications and Powers. Any arbitration proceeding in which the amount in controversy is \$5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than \$5,000,000.00. Any dispute in which the amount in controversy exceeds \$5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively

participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the State of Arizona or a neutral retired judge of the state or federal judiciary of Arizona, in either case with a minimum of ten years experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of Arizona and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the Arizona Rules of Civil Procedure or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) Discovery. In any arbitration proceeding, discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the dispute being arbitrated and must be completed no later than 20 days before the hearing date. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(f) Class Proceedings and Consolidations. No party hereto shall be entitled to join or consolidate disputes by or against others in any arbitration, except parties who have executed any Loan Document, or to include in any arbitration any dispute as a representative or member of a class, or to act in any arbitration in the interest of the general public or in a private attorney general capacity.

(g) Payment Of Arbitration Costs And Fees. The arbitrator shall award all costs and expenses of the arbitration proceeding. The parties direct that the arbitrator shall award such fees and costs to the prevailing party in such arbitration (as determined by the arbitrator).

(h) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the Loan Documents or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the Loan Documents or any relationship between the parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

PIMA UTILITY COMPANY, an Arizona corporation

By: Steven M. Soriano
Name: Steven M. Soriano
Title: VP

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: K. R. ...
Name: K. R. ...
Title: Vice President

EXHIBIT A

SHAREHOLDERS

SHAREHOLDER	OWNERSHIP %
Edward J. Robson Family Trust 71558	41.4090%
John R. Norton III 2911	10.2350%
Kimberley A. Robson 73072	4.2367%
Lynda R. Robson 73073	4.2367%
Mark E. Robson 73074	4.2367%
Steve S. Robson 74883	4.2367%
Kimberley A. Robson 2006 Irrevocable Trust 71935	4.0434%
Lynda R. Robson 2006 Irrevocable Trust 72032	4.0434%
Mark E. Robson 2006 Irrevocable Trust 72067	4.0434%
Steve S. Robson Subchapter S Trust 72577	4.0434%
Robert D. Robson Subchapter S Trust 72407	2.9627%
Robert A Micalizio Irrevocable Trust 901845	2.7455%
Robert D. Robson 74882	1.8377%
Michael R. Norton Living Trust 1842891	1.2460%
Melanie Marie Norton Trust 1842904	1.2460%

Norton Family Living Trust as Restated 6/14/06 1842912	1.2460%
Michael D. Robson 1997 Irrevocable Subchapter S Trust 1005735	1.0287%
Robert D. Robson 1997 Irrevocable Subchapter S Trust 1005743	1.0287%
Roger L. Stevenson Irrevocable Trust 901837	0.9708%
Arthur A Carrol Irrevocable Trust 889292	0.9236%

ATTACHMENT 2

(Local Currency-Single Jurisdiction)

ISDA[®]

International Swap Dealers Association, Inc.

MASTER AGREEMENT

Dated as of April 20, 2012

WELLS FARGO BANK, N.A.

and

PIMA UTILITY COMPANY

have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows: --

1. Interpretation

- (a) **Definitions.** The terms defined in Section 12 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.
- (b) **Inconsistency.** In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.
- (c) **Single Agreement.** All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

2. Obligations

(a) General Conditions.

- (i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.
- (ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant confirmation or elsewhere in this Agreement.
- (iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or potential event of default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

(b) **Change of Account.** Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) **Netting.** If on any date amounts would otherwise be payable: --

- (i) in the same currency; and
- (ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may be made separately for different groups of Transactions and will apply separately to each pairing of branches or offices through which the parties make and receive payments or deliveries.

(d) **Default Interest; Other Amounts.** Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

3. Representations

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into) that: --

(a) **Basic Representations.**

- (i) **Status.** It is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;
- (ii) **Powers.** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorise such execution, delivery and performance;
- (iii) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

(iv) **Consents.** All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

(v) **Obligations Binding.** Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) **Absence of Litigation.** There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) **Accuracy of Specified Information.** All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

4. Agreements

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party: --

(a) **Furnish Specified Information.** It will deliver to the other party any forms, documents or certificates specified in the Schedule or any Confirmation by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) **Maintain Authorisations.** It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) **Comply with Laws.** It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

5. Events of Default and Termination Events

(a) **Events of Default.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an "Event of Default") with respect to such party: --

(i) **Failure to Pay or Deliver.** Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;

(ii) **Breach of Agreement.** Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) or to give notice of a Termination Event) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

(iii) **Credit Support Default.**

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party of such Credit Support Provider Disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity, of such Credit Support Document;

(iv) **Misrepresentation.** A representation made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) **Default under Specified Transaction.** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) **Cross Default.** If "Cross Default" is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) **Bankruptcy.** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party: --

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of

an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) **Merger Without Assumption.** The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer: --

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) **Termination Events.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality if the event is specified in (i) below, and if specified to be applicable, a Credit Event Upon Merger if the event is specified pursuant to (ii) below or an Additional Termination Event if the event is specified pursuant to (iii) below: --

(i) **Illegality.** Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b) for such party (which will be the Affected Party): --

(1) to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction.

(ii) **Credit Event Upon Merger.** If "Credit Event Upon Merger" is specified in the Schedule as applying to the party, such party ("X"), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the credit worthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(iii) **Additional Termination Event.** If any "Additional Termination Event" is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

- (c) **Event of Default and Illegality.** If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

6. Early Termination

- (a) **Right to Terminate Following Event of Default.** If at any time an Event of Default with respect to a party (the "Defaulting Party") has occurred and is then continuing, the other party (the "Non-defaulting Party") may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, "Automatic Early Termination" is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

- (b) **Right to Terminate Following Termination Event.**

(i) **Notice.** If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) **Two Affected Parties.** If an Illegality under Section 5(b)(i)(1) occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event.

(iii) **Right to Terminate.** If: --

(1) an agreement under Section 6(b)(ii) has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality other than that referred to in Section 6(b)(ii), a Credit Event Upon Merger or an Additional Termination Event occurs,

either party in the case of an Illegality, any Affected Party in the case of an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

- (c) **Effect of Designation.**

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(d) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).

(d) **Calculations.**

(i) **Statement.** On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) **Payment Date.** An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment), from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) **Payments on Early Termination.** If an Early Termination Date occurs, the following provisions shall apply based on the parties' election in the Schedule of a payment measure, either "Market Quotation" or "Loss", and a payment method, either the "First Method" or the "Second Method". If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that "Market Quotation" or the "Second Method", as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

(i) **Events of Default.** If the Early Termination Date results from an Event of Default: --

(1) **First Method and Market Quotation.** If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Unpaid Amounts owing to the Non-defaulting Party over (B) the Unpaid Amounts owing to the Defaulting Party.

(2) **First Method and Loss.** If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party's Loss in respect of this Agreement.

(3) **Second Method and Market Quotation.** If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Unpaid Amounts owing to the Non-defaulting Party less (B) the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) **Second Method and Loss.** If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party's Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii) **Termination Events.** If the Early Termination Date results from Termination Event: --

(1) **One Affected Party.** If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2) **Two Affected Parties.** If there are two Affected Parties: --

(A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (1) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount ("X") and the Settlement Amount of the party with the lower Settlement Amount ("Y") and (b) the Unpaid Amounts owing to X less (II) the Unpaid Amounts owing to Y; and

(B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable equal to one-half of the difference between the Loss of the party with the higher Loss ("X") and the Loss of the party with the lower Loss ("Y").

If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) **Adjustment for Bankruptcy.** In circumstances where an Early Termination Date occurs because "Automatic Early Termination" applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) **Pre-Estimate.** The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

7. Transfer

Neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that: --

(a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e).

Any purported transfer is not in compliance with this Section will be void.

8. Miscellaneous

- (a) **Entire Agreement.** This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.
- (b) **Amendments.** No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.
- (c) **Survival of Obligations.** Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.
- (d) **Remedies Cumulative.** Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.
- (e) **Counterparts and Confirmations.**
- (i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.
 - (ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.
- (f) **No Waiver of Rights.** A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.
- (g) **Headings.** The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

9. Expenses

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

10. Notices

- (a) **Effectiveness.** Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated: --
- (i) if in writing and delivered in person or by courier, on the date it is delivered;
 - (ii) if sent by telex, on the date the recipient's answerback is received;

(iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or

(v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) **Change of Addresses.** Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

11. Governing Law and Jurisdiction

(a) **Governing Law.** This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) **Jurisdiction.** With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably: --

(i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in its Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.

(c) **Waiver of Immunities.** Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdictions of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

12. Definitions

As used in this Agreement: --

"**Additional Termination Event**" has the meaning specified in Section 5(b).

"**Affected Party**" has the meaning specified in Section 5(b).

"Affected Transactions" means (a) with respect to any Termination Event consisting of an Illegality, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions.

"Affiliate" means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"Applicable Rate" means: --

(a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate;

(c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and

(d) in all other cases, the Termination Rate.

"consent" includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent.

"Credit Event Upon Merger" has the meaning specified in Section 5(b).

"Credit Support Document" means any agreement or instrument that is specified as such in this Agreement.

"Credit Support Provider" has the meaning specified in the Schedule.

"Default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

"Defaulting Party" has the meanings specified in Section 6(a).

"Early Termination Date" means the date determined in accordance with Section 6(a) or 6(b)(iii).

"Event of Default" has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

"Illegality" has the meaning specified in Section 5(b).

"law" includes any treaty, law, rule or regulation and **"lawful"** or **"unlawful"** will be construed accordingly.

"Local Business Day" means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

"Loss" means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of them). Loss includes losses

and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(ii)(2)(A) applies. Loss does not include a party's legal fees and out-of-pocket expenses referred to under Section 9. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

"Market Quotation" means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the "Replacement Transaction") that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

"Non-default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

"Non-defaulting Party" has the meaning specified in Section 6(a).

"Potential Event of Default" means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

"Reference Market-makers" means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding where to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

"Scheduled Payment Date" means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

"Set-off" means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payers.

"Settlement Amount" means, with respect to a party and any Early Termination Date, the sum of: --

(a) the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and

(b) such party's Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

"Specified Entity" has the meaning specified in the Schedule.

"Specified Indebtedness" means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

"Specified Transaction" means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

"Terminated Transactions" means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if "Automatic Early Termination applies, immediately before that Early Termination Date).

"Termination Event" means an Illegality or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

"Termination Rate" means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

"Unpaid Amounts" owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective date specified below with effect from the date specified on the first page of this document.

WELLS FARGO BANK, N.A.

PIMA UTILITY COMPANY,

an Arizona corporation

By:



Name:

Susan Lew

Title:

V.P.

Date:

7/31/12

By:



Name:

Steve M. Soriano

Title:

V.P.

Date:

7/31/12

SCHEDULE
to the
MASTER AGREEMENT
dated as of April 20, 2012 between
WELLS FARGO BANK, N.A.
("Party A")
and
PIMA UTILITY COMPANY
("Party B")

Part 1. Termination Provisions

- (a) "Specified Entity" means Party A's Affiliates for purposes of Section 5(a)(v).
- (b) "Specified Transaction" has its meaning as defined in Section 12.
- (c) "Cross Default" applies to both parties. With respect to Party B, "Cross Default" is amended by inserting at the end of Section 5(a)(vi): "or (3) any default, event of default or other similar condition or event (however described) under any existing or future agreement or instrument relating to any loan or extension of credit from Party A (or any of its Affiliates) to Party B (whether or not anyone else is a party thereto)."

"Specified Indebtedness" means any obligation (whether present, future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money other than indebtedness in respect of any bank deposits received in the ordinary course of business.

"Threshold Amount" means, (a) with respect to Party A, an amount (including its equivalent in another currency) equal to 3% of the Shareholders Equity of Wells Fargo & Co. ("WFC"), and (b) with respect to Party B, any amount of Specified Indebtedness.

"Shareholders Equity" means an amount equal to WFC's total assets minus its total liabilities, as reflected on WFC's most recent audited financial statements.

- (d) "Credit Event Upon Merger" applies to both parties.
- (e) "Automatic Early Termination" does not apply to either party.
- (f) **Payments on Early Termination.** Except as otherwise provided herein, "Market Quotation" and the "Second Method" apply, provided that with respect to the following types of Transactions, a Market Quotation shall not be determined or included under clause (a) of the definition of Settlement Amount, and instead a "Loss" shall be determined and included under clause (b) of the definition of Settlement Amount with respect to the following types of Transactions: any Transactions which are commodity swaps, commodity options, commodity forwards or any other commodity derivative transactions.

In the case of any Terminated Transaction that is, or is subject to, any unexercised option, the words "economic equivalent of any payment or delivery" appearing in the definition of "Market Quotation" shall be construed to take into account the economic equivalent of the option.

(g) **Additional Termination Event** applies to Party B. "Additional Termination Event" means, with respect to Party B (which will be the Affected Party), the occurrence of any of the following events:

(i) There shall be a change in control of Party B. A change in control shall occur if for any reason and as the result of a single transaction or series of transactions, Edward J. Robson or the immediate family of Edward J. Robson shall cease to own and have voting control of at least 51% of the stock and other equity in Party B or shall otherwise cease to control the business and operation of Party B. As used herein, the "immediate family" of Edward J. Robson shall be one or more of Steven Robson, Robert Robson, Mark Robson, Lynda Robson, Kimberly Robson or their respective children or trusts for the sole benefit of any of them. Any change in control shall be determined on an aggregate basis and shall take into account all transfers or other changes occurring from and after the date of this Agreement.

(ii) The Credit Agreement ceases to be in full force and effect or any commitment by Party A to lend or otherwise extend credit thereunder shall terminate; Party B ceases to have any obligations to Party A under the Credit Agreement (or under any promissory note or other evidence of indebtedness issued in connection therewith), whether as the result of the repayment, discharge or satisfaction of such obligations, the sale or transfer to a third party of Party A's rights or interests in the Credit Agreement (or any promissory note or other evidence of indebtedness issued in connection therewith), or otherwise; or either Party A or Party B ceases to be a party to the Credit Agreement.

(iii) (A) Party B's obligations to Party A under this Agreement fail at any time to be secured by the collateral which secures the loans under the Credit Agreement from time to time ("Collateral") on the same terms in all relevant respects and on a pari passu and pro rata basis with the principal of such loans (being the most senior class of loans if there is more than one class), whether as the result of any repayment of such loans, any Collateral Document failing to cover Party B's obligations under this Agreement, or Party A (or its Affiliate) or Party B (or its Affiliate) failing or ceasing to be a party to such Credit Agreement or Collateral Document, or otherwise; or

(B) any notice or consent is given or any action is taken that (I) would cause the Collateral, or the security interest in or lien on the Collateral, to be released, realized upon, liquidated, sold, transferred, conveyed or otherwise disposed of, whether as the result of any repayment of the loan or pursuant to the terms of the Credit Agreement or any Collateral Document, or otherwise, and irrespective of whether or not Party A or any of its Affiliates gives such notice or consent or takes such action, or (II) would adversely alter or impair any of Party A's rights, interests or benefits in or pertaining to the Collateral under the Credit Agreement, any Collateral Document or any other document executed in connection therewith (whether such action is in the form of an amendment, modification, waiver, approval, consent or otherwise); *provided however* that any such notice, consent or action that is permitted by the Security Agreement shall not constitute an Additional Event of Default hereunder.

It shall not be an Additional Termination Event under this Part 1(g)(iii) if, prior to such notice or consent being given, such action being taken or such obligations failing to be secured, Party B has (1) provided Party A with cash collateral, or a first perfected security interest in or lien on such real and/or personal property of Party B as shall be acceptable to Party A, in such an amount or with such a market value as Party A deems sufficient in order to secure Party B's obligations under this Agreement for so long as such obligations are to remain outstanding, all upon terms and conditions satisfactory to Party A, and (2) executed and delivered to Party A such security agreements and other documents as Party A shall reasonably require to evidence such terms and conditions or to protect or perfect Party A's security interest in or lien on such collateral or property.

For purposes of this Agreement, "Credit Agreement" means that certain Credit Agreement, expected to be dated on or about July 25, 2012 by and among Party B and Party A (and their successors and assigns), as the

same may be amended, supplemented, restated, renewed, extended, replaced or otherwise modified from time to time.

"Collateral Document" means any mortgage, security agreement, or other collateral document executed and delivered in connection with the Credit Agreement.

"Security Agreement" means that certain Security Agreement expected to be entered into on or about July 25, 2012 given by Counterparty.

Part 2. Tax Provisions

(a) Tax Representations.

(i) Party A represents at all times hereunder that (A) it is a national banking association organized or formed under the laws of the United States, and (B) it is a United States resident for United States federal income tax purposes.

(ii) Party B represents at all times hereunder that (A) it is organized or formed under the laws of a state within the United States, and (B) it is (or, if Party B is disregarded for United States federal income tax purposes, its beneficial owner is) a United States resident for United States federal income tax purposes.

(b) Tax Forms.

(i) Each party agrees to deliver to the other party the tax forms specified below with respect to it at the following times: before the first Payment Date under this Agreement; promptly upon reasonable demand by the other party; and promptly upon learning that any such form previously provided by the party has become obsolete or incorrect.

(A) Tax Forms to be Delivered by Party A:

None specified.

(B) Tax forms to be Delivered by Party B:

(I) If Party B is (or, if Party B is disregarded for United States federal income tax purposes, its beneficial owner is) treated as a corporation for United States federal income tax purposes whose name includes "Incorporated", "Inc.", "Corporation", "P.C.", "Insurance Company", "Indemnity Company", "Reinsurance Company", or "Assurance Company":

None specified, unless any amount payable to Party B under this Agreement is to be paid to an account outside the United States, in which case the tax form to be delivered by Party B shall be a correct, complete and duly executed U.S. Internal Revenue Service Form W-9 (or successor thereto) that eliminates U.S. federal backup withholding tax on payments to Party B under this Agreement.

(II) In all other cases:

A correct, complete and duly executed U.S. Internal Revenue Service Form W-9 (or successor thereto) that eliminates U.S. federal backup withholding tax on payments to Party B under this Agreement.

(ii) In addition, each party agrees to deliver to the other party, upon reasonable demand by such other party,

any other tax form that may be required or reasonably requested in writing in order to allow such other party to make a payment under this Agreement (or under any Credit Support Document) without any deduction or withholding for or on account of any tax imposed by any government or other taxing authority in respect of any such payment (other than a stamp, registration, documentation or similar tax), or with such deduction or withholding at a reduced rate, which form shall be correct, complete and duly executed.

- (c) **Withholding Tax Liability.** A breach of a representation under paragraph (a) above, or a failure to deliver a required tax form in accordance with paragraph (b) above, by a party hereunder (the "defaulting payee") may result in a tax liability on the part of the other party (the "payor"), as required by the United States Internal Revenue Code and regulations thereunder, for withholding or backup withholding on any payment by the payor to the defaulting payee under this Agreement (or under any Credit Support Document), including a liability to remit to the U.S. Treasury Department the required amount of withholding and to pay interest and penalties to the U.S. Treasury Department for amounts not withheld.

Accordingly, if any such breach or failure by the defaulting payee results in any such tax liability, then (i) any amount so withheld and remitted to the U.S. Treasury Department shall discharge the payor's obligation under this Agreement (or under any Credit Support Document) to pay to the defaulting payee the portion of any payment so withheld and remitted (with the payor having no obligation to "gross up" any of its payments for such withheld amounts), and (ii) if any tax liability resulting from the defaulting payee's breach or failure is assessed directly against the payor in respect of any amounts not withheld, the defaulting payee shall indemnify the payor on demand for the amount of such tax liability (including interest and penalties). However, any such breach or failure by the defaulting payee shall not be an "Event of Default" or a "Potential Event of Default" under this Agreement unless the defaulting payee fails to so indemnify the payor.

Part 3. Documents

Delivery of Documents.

<u>Party required to deliver document</u>	<u>Form/Document/Certificate</u>	<u>Date by which to be Delivered</u>	<u>Covered by Section 3(d)</u>
Party B	A certified copy of resolutions of Party B authorizing the execution, delivery and performance of this Agreement (including the Credit Support Annex, if applicable) and authorizing Party B to enter into Transactions hereunder, in form and substance acceptable to Party A in its sole discretion.	Prior to the earlier of the Trade Date of the initial Transaction hereunder or upon execution of this Agreement and promptly upon request by Party A for any additional Transaction or document in connection herewith.	Yes

Party B	A duly executed incumbency certificate certifying the name, true signature and authority of each person authorized to execute this Agreement (including the Credit Support Annex, if applicable) and enter into Transactions or to execute applicable Credit Support Documents.	Prior to the earlier of the Trade Date of the initial Transaction hereunder or upon execution of this Agreement and promptly upon request by Party A for any additional Transaction or document in connection herewith.	Yes
Party B	Duly executed copies of Party B's Credit Support Documents, in form and substance acceptable to Party A in its sole discretion.	Prior to the earlier of the Trade Date of the initial Transaction hereunder or upon execution of this Agreement and promptly upon request by Party A for any additional Transaction or document in connection herewith.	Yes
Party B	Such other documents as Party A may reasonably request.	Upon request.	No

Part 4. Miscellaneous

(a) **Addresses for Notices.**

(i) **To Party A.** For purposes of Section 10(a) of this Agreement, all notices or communications to Party A shall, with respect to any particular Transaction, be sent or delivered to the address or facsimile number specified by Party A in the relevant Confirmation (or if not so specified, as specified by Party A in writing for that Transaction or type of Transaction, or if not so specified, then to its address or facsimile number specified below), and otherwise with respect to this Agreement, as specified below, provided that any notice under Section 5 or 6 of this Agreement shall be sent or delivered to Party A at the address specified below as required by Section 10(a).

Wells Fargo Bank, N.A.
45 Fremont Street, 30th Floor
MAC A0194-300
San Francisco, CA 94105
Facsimile No.: (877) 564-8524
Attention: Derivatives Documentation Manager

(ii) **To Party B.** For purposes of Section 10(a) of this Agreement, all notices or communications to Party B shall, with respect to any particular Transaction, be sent or delivered to the address or facsimile number specified by Party B in the relevant Confirmation (or if not so specified, as specified by Party B in writing for that Transaction or type of Transaction, or if not so specified, then to its address or facsimile number specified below), and otherwise with respect to this Agreement, as specified below, provided that any notice under Section 5 or 6 of this Agreement shall be sent or delivered to Party B at its address specified below as required by Section 10(a).

PIMA UTILITY COMPANY

c/o Robson Communities
9532 East Riggs Road
Sun Lakes, AZ 85248
Telephone No.: (480) 895-4219
Attention: Steven M. Soriano

- (b) **"Calculation Agent"** means Party A.
- (c) **"Credit Support Document"** means, with respect to Party B, each document (whether now existing or hereafter executed) which by its terms secures, guarantees or otherwise supports Party B's obligations under this Agreement from time to time, whether or not this Agreement, any Transaction, or any type of Transaction entered into hereunder is specifically referenced or described in any such document.

"Credit Support Default" is amended by adding at the end of Section 5(a)(iii)(1):

“, any default, event of default or other similar condition or event (however described) exists under any Credit Support Document;”

- (d) **"Credit Support Provider"** means, with respect to Party B, each party to a Credit Support Document that provides or is obligated to provide security, a guaranty or other credit support for Party B's obligations under this Agreement.
- (e) **Governing Law and Jurisdiction.** (i) To the extent not otherwise preempted by U.S. Federal law, this Agreement will be governed by and construed in accordance with the law of the State of New York (without giving effect to any provision of New York law that would cause another jurisdiction's laws to be applied).

(ii) Section 11(b) of the Agreement is hereby amended by (A) deleting the word "non-exclusive" appearing in paragraph (i) thereof and substituting therefor the word "exclusive" and (B) deleting the last sentence of Section 11(b) and substituting therefor the following sentence:

"Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction if (A) the courts of the State of New York or the United States District Court located in the Borough of Manhattan in New York City lacks jurisdiction over the parties or the subject matter of the Proceedings or declines to accept the Proceedings on the grounds of lacking such jurisdiction; (B) the Proceedings are commenced by a party for the purpose of enforcing against the other party's property, assets or estate any decision or judgment rendered by any court in which Proceedings may be brought as provided hereunder; (C) the Proceedings are commenced to appeal any such court's decision or judgment to any higher court with competent appellate jurisdiction over that court's decisions or judgments if that higher court is located outside the State of New York or Borough of Manhattan, such as a federal court of appeals or the U.S. Supreme Court; or (D) any suit, action or proceeding has been commenced in another jurisdiction by or against the other party or against its property, assets or estate (including, without limitation, any suit, action or proceeding described in Section 5(a)(vii)(4) of this Agreement), and, in order to exercise or protect its rights, interests or remedies under this Agreement, the party (1) joins, files a claim, or takes any other action, in any such suit, action or proceeding, or (2) otherwise commences any Proceeding in that other jurisdiction as the result of that other suit, action or proceeding having commenced in that other jurisdiction."

- (f) **Waiver of Jury Trial.** To the extent permitted by applicable law, each party irrevocably waives any and all right to trial by jury in any legal proceeding in connection with this Agreement, any Credit Support Document

to which it is a party, or any Transaction. If, notwithstanding such waiver, a party would retain the right to trial by jury under applicable law in any such legal proceeding and any loan agreement (or other credit facility) outstanding at the time between the parties (whether or not anyone else is a party thereto) contains arbitration provisions applicable to such loan agreement (or credit facility), then such arbitration provisions shall be deemed equally to apply to any dispute between the parties relating to this Agreement or any Transaction, and for such purpose such arbitration provisions (together with related definitions) shall be deemed incorporated by reference herein (*mutatis mutandis*) and shall be construed as applying solely to any such dispute (with references therein to any lenders or creditors being deemed references to Party A). In all other cases, any arbitration provisions contained in any such loan agreement (or credit facility) shall not apply to this Agreement or any Transactions, notwithstanding anything to the contrary contained in such loan agreement (or other credit facility).

- (g) **Netting of Payments.** Section 2(c)(ii) will apply in respect of all Transactions from the date of this Agreement, provided that Section 2(c)(ii) will not apply with respect to any Transactions or group of Transactions for which the parties mutually agree shall be netted operationally.
- (h) **"Affiliate"** has its meaning as defined in Section 12.

Part 5. Other Provisions

- (a) **2006 ISDA Definitions.** This Agreement and each Transaction are subject to the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. (the "2006 ISDA Definitions") and will be governed by the provisions of the 2006 ISDA Definitions. The provisions of the 2006 ISDA Definitions are incorporated by reference in, and shall form part of, this Agreement and each Confirmation. Any reference to a "Swap Transaction" in the 2006 ISDA Definitions is deemed to be a reference to a "Transaction" for purposes of this Agreement or any Confirmation, and any reference to a "Transaction" in this Agreement or any Confirmation is deemed to be a reference to a "Swap Transaction" for purposes of the 2006 ISDA Definitions. The provisions of this Agreement (exclusive of the 2006 ISDA Definitions) shall prevail in the event of any conflict between such provisions and the 2006 ISDA Definitions.
- (b) **Scope of Agreement.** (i) Any Specified Transaction now existing or hereafter entered into between the parties (whether or not evidenced by a Confirmation) shall constitute a "Transaction" under this Agreement and shall be subject to, governed by, and construed in accordance with the terms of this Agreement, unless the confirming document(s) for that Specified Transaction provide(s) otherwise. For any such Specified Transaction not evidenced by a Confirmation, Section 2(a)(i) of this Agreement is amended to read as follows: "(i) Each party will make each payment or delivery to be made by it under each Transaction, as specified in each Confirmation (or otherwise in accordance with the terms of that Transaction if not evidenced by a Confirmation), subject to the other provisions of this Agreement."

(ii) In the event the parties enter into any Specified Transaction that is a Currency Transaction, (A) this Agreement shall be deemed to incorporate by reference the multicurrency provisions of the 1992 ISDA Master Agreement (Multicurrency-Cross Border) form, including Section 8 thereof, and shall be read and construed in accordance with such provisions, *mutatis mutandis*, with such modifications deemed made to Sections 6(e) and 12 hereof to incorporate the Termination Currency Equivalent provisions of Sections 6(e) and 14 of such form and with U.S. Dollars being deemed the Termination Currency for such purpose, and (B) this Agreement and any such Specified Transaction shall be deemed to incorporate by reference the 1998 FX and Currency Option Definitions published by ISDA, EMTA Inc. and The Foreign Exchange Committee, except as otherwise specifically provided herein or in the relevant Confirmation. As used herein, "Currency Transaction" means any foreign exchange transaction, currency swap transaction, cross-currency rate swap transaction, currency option, or any other transaction under which one or more remaining payments or deliveries are to be made in a

currency other than U.S. Dollars.

- (c) **Additional Representations.** In addition to the representations under Section 3, the following representations will apply:

(i) **Relationship Between Parties.** Each party will be deemed to represent to the other party on the date on which it enters into a Relevant Agreement that:

- (1) **Non-Reliance.** It is acting for its own account, and it has made its own independent decisions to enter into the Relevant Agreement and as to whether the Relevant Agreement is appropriate or proper for it based solely upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party or any of its affiliates (or its respective representatives) as investment advice or as a recommendation to enter into the Relevant Agreement, it being understood that information and explanations related to the terms and conditions of any Relevant Agreement will not be considered investment advice or a recommendation to enter into the Relevant Agreement. No communication (written or oral) received from the other party or any of its affiliates (or its respective representatives) will be deemed to be an assurance or guarantee as to the expected results of the Relevant Agreement.
- (2) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of the Relevant Agreement based solely upon its own evaluation of the Relevant Agreement (including the present and future results, consequences, risks, and benefits thereof, whether financial, accounting, tax, legal, or otherwise) or that of its own advisers. It is also capable of assuming, and assumes, the risks of the Relevant Agreement. It also understands that the terms under which any Transaction may be terminated early are set forth in this Agreement (or in the relevant Confirmation), and any early termination of a Transaction other than pursuant to such terms is subject to mutual agreement of the parties, the terms of which may require one party to pay an early termination fee to the other party based upon market conditions prevailing at the time of early termination, and with any mutually agreed early termination being evidenced by a termination Confirmation sent by Party A to Party B.
- (3) **Status of Parties.** The other party is not acting as a fiduciary for or an adviser to it in respect of the Relevant Agreement, and any agency, brokerage, advisory or fiduciary services that the other party (or any of its affiliates) may otherwise provide to the party (or to any of its affiliates) excludes the Relevant Agreement.

"Relevant Agreement" means this Agreement, each Transaction, each Confirmation, any Credit Support Document, or any agreement (including any amendment, modification, transfer or early termination) between the parties relating to this Agreement or to any Transaction, Confirmation or Credit Support Document.

(ii) **Eligibility.** Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that it is an "eligible contract participant" within the meaning of the Commodity Exchange Act.

(iii) **ERISA.** Each party represents to the other party at all times hereunder that it is not (i) an employee benefit plan as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or a plan as defined in Section 4975(e)(1) of the Internal Revenue Code of 1986, as amended (the "Code"), subject to Title I of ERISA or Section 4975 of the Code, or a plan as so defined but which is not subject to Title I of ERISA or Section 4975 of the Code but is subject to another law materially similar to Title I of ERISA or Section 4975 of the Code (each of which, an "ERISA Plan"), (ii) a person or entity acting on

behalf of an ERISA Plan, or (iii) a person or entity the assets of which constitute assets of an ERISA Plan.

- (d) **Set-off.** Any amount ("Early Termination Amount") payable to one party ("Payee") by the other party ("Payer") under Section 6(e), in circumstances where there is a Defaulting Party or one Affected Party in the case where either a Termination Event under Section 5(b)(ii) or any other Termination Event in which all outstanding Transactions are Affected Transactions has occurred, will, at the option of the party ("X") other than the Defaulting Party or the Affected Party (and without prior notice to the Defaulting Party or the Affected Party), be reduced by means of set off against any amount(s) ("Other Agreement Amount") payable (whether at such time or in the future or upon the occurrence of a contingency) by the Payee to the Payer (irrespective of the currency, place of payment or booking office of the obligation) under any other agreement(s) between the Payee and the Payer (or between the Payee and any Affiliate of the Payer) or instrument(s) or undertaking(s) issued or executed by the Payee to, or in the favor of, the Payer (and the Other Agreement Amount will be discharged promptly and in all respects to the extent it is so set-off). X will give notice to the other party of any set-off effected under this paragraph.

For this purpose, either the Early Termination Amount or the Other Agreement Amount (or the relevant portion of such amounts) may be converted by X into the currency in which the other is denominated at the rate of exchange at which such party would be able, acting in a reasonable manner and in good faith, to purchase the relevant amount of such currency. The term "rate of exchange" includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or conversion into the relevant currency.

Nothing in this paragraph shall be effective to create a charge or other security interest. This paragraph shall be without prejudice and in addition to any right of set-off, combination of accounts, lien or other right to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise).

- (e) **Change of Account.** Any account designated by a party pursuant to Section 2(b) shall be in the same legal and tax jurisdiction as the original account.
- (f) **Recording of Conversations.** Each party (i) consents to the recording of telephone conversations between the trading, marketing and other relevant personnel of the parties or any of their Affiliates in connection with this Agreement or any Transaction or potential Transaction, (ii) agrees to obtain any necessary consent of, and give any necessary notice of such recording to, its relevant personnel and those of its Affiliates and (iii) agrees, to the extent permitted by applicable law, that such recordings may be submitted in evidence in any Proceedings.
- (g) **Confirmation Procedures.** Upon receipt thereof, Party B shall examine the terms of each Confirmation sent by Party A, and unless Party B objects to the terms within three New York business days after receipt of that Confirmation, those terms shall be deemed accepted and correct absent manifest error, in which case that Confirmation will be sufficient to form a binding supplement to this Agreement notwithstanding Section 8(e)(ii) of this Agreement.
- (h) **Covenants of Financial Agreements.**
- (i) Party B shall provide Party A at all times hereunder with the same covenant protection as Party B provides Party A (or any of its Affiliates) under Financial Agreements. Therefore, in addition to the Cross Default provisions of this Agreement, and notwithstanding the satisfaction of any obligation or promise to pay money to Party A (or any of its Affiliates) under any Financial Agreement, or the termination or cancellation of any Financial Agreement, Party B hereby agrees to perform, comply with and observe for the benefit of Party A hereunder all affirmative and negative covenants contained in each Financial Agreement applicable to Party B (excluding any obligation or promise to pay money under any Financial Agreement) at any time Party B has any obligation (whether absolute or contingent) under this Agreement.

(ii) For purposes hereof: (A) the affirmative and negative covenants of each Financial Agreement applicable to Party B (together with related definitions and ancillary provisions, but in any event excluding any obligation or promise to pay money under any Financial Agreement) are incorporated (and upon execution of any future Financial Agreement, shall automatically be incorporated) by reference herein (mutatis mutandis); (B) if other lenders or creditors are parties to any Financial Agreement, then references therein to the lenders or creditors shall be deemed references to Party A; and (C) for any such covenant applying only when any loan, other extension of credit, obligation or commitment under the Financial Agreement is outstanding, that covenant shall be deemed to apply hereunder at any time Party B has any obligation (whether absolute or contingent) under this Agreement.

(iii) Notwithstanding the foregoing, if the incorporation of any provision by reference from any Financial Agreement would result in the violation by Party B of the terms of that Financial Agreement, or be in violation of any law, rule or regulation (as interpreted by any court of competent jurisdiction), then this Agreement shall not incorporate that provision.

"Financial Agreement" means each existing or future agreement or instrument relating to any loan or extension of credit from Party A (or any of its Affiliates) to Party B (whether or not anyone else is a party thereto), as the same exists when executed and without regard to (i) any termination or cancellation thereof or Party A (or any of its Affiliates) ceasing to be a party thereto (whether as a result of repayment thereof or otherwise), or (ii) unless consented to in writing by Party A (or any of its Affiliates), any amendment, modification, addition, waiver or consent thereto or thereof.

- (i) **Independent Obligations.** (i) Although Party B may be entering into one or more Transactions under this Agreement to hedge against the interest expense of, or other risk associated with, an existing or future loan or other financing, this Agreement and each Transaction shall be an independent obligation of Party B separate and apart from any such loan or other financing, and therefore: (A) each party's obligations under this Agreement or any Transaction shall not be contingent on whether any loan or other financing closes, is outstanding or is repaid, in whole or in part, at any time; (B) subject to paragraph (ii) below, any repayment, acceleration, satisfaction, discharge or release of, and any amendment, modification or waiver with respect to, any loan or other financing, whether in whole or in part, at any time, shall not in any way affect this Agreement, any Transaction or either party's obligations under this Agreement or any Transaction except as otherwise expressly provided in this Agreement (including in any Additional Termination Event specified in this Schedule or in any Confirmation); (C) payments that become due under this Agreement or any Transaction shall be due whether or not (1) the Notional Amount of any Transaction at any time is different from the principal amount of any loan or other financing, (2) the Termination Date of any Transaction occurs before or after the maturity date of any loan or other financing, or (3) any other terms of any loan or other financing are different from the terms of this Agreement or any Transaction; (D) nothing in this Agreement or in any Confirmation is intended to be, nor shall anything herein or therein be construed as, a prepayment penalty, charge or premium for purposes of any loan or other financing; nor shall any terms of any loan or other financing be deemed a waiver of or otherwise impair any amount due or that may become due under this Agreement or under any Transaction; (E) if Party B at any time receives from Party A (or any of its affiliates) any payoff statement or other written statement regarding any loan or other financing, nothing in such statement shall be deemed to apply to this Agreement or any Transaction except as otherwise expressly provided in that statement with specific reference to this Agreement or such Transaction and then only to the extent so provided; (F) the terms under which any Transaction may be terminated early are set forth in this Agreement (including any Confirmation of such Transaction); and any early termination of a Transaction other than pursuant to the provisions of this Agreement (including any such Confirmation) is subject to mutual agreement of the parties, the terms of which may require one party to pay an early termination fee to the other party based upon market conditions prevailing at the time of early termination, and with any mutually agreed early termination being

evidenced by a termination Confirmation sent by Party A to Party B; and (G) if at any time any existing or future collateral or other credit support secures or otherwise supports both this Agreement (or any Transaction hereunder) and any loan or other financing (whether this Agreement or any Transaction hereunder is specifically identified in the collateral or credit support documents, or instead is referred to therein generically), then Party A (or its agent) shall be entitled to continue to hold such collateral or other credit support, and such collateral or other credit support shall continue to secure or otherwise support Party B's obligations under this Agreement (or any Transaction hereunder), until such time as all such obligations of Party B are completely satisfied notwithstanding any repayment, acceleration, satisfaction, discharge or release of any such loan or other financing.

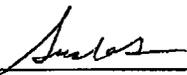
(ii) Nothing in paragraph (i) above shall be construed as impairing or limiting: any set-off rights; any cross default, credit support default or other provisions contained in this Agreement or any Confirmation to the extent such provisions refer to any repayment or acceleration of any loan or other financing; any rights or obligations under any Credit Support Documents; or any obligations of Party B under any covenant incorporated in this Schedule by reference from any loan or other financing (provided that any amendment, modification or waiver executed and delivered by Party A in writing with respect to any such covenant shall be deemed to apply hereunder to that covenant as so incorporated unless otherwise expressly provided in such writing).

- (j) **Transfer.** Notwithstanding anything contained in Section 7 of this Agreement, if the rights of Party A (or any of its Affiliates) in any loan or extension of credit under any Financial Agreement are sold, assigned or otherwise transferred to any purchaser, assignee or transferee to which Party A (or its relevant Affiliate) may lawfully make such sale, assignment or transfer, then Party A may transfer without recourse its rights and obligations in or under this Agreement (and any Credit Support Document) to any such purchaser, assignee or transferee, provided that Party B is provided with written notice of such transfer and a written acknowledgement of the purchaser, assignee or transferee stating that it has acquired such rights and obligations of Party A and is bound by the terms of this Agreement (and any Credit Support Document) as Party A's successor hereunder (and thereunder).

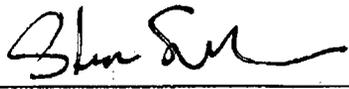
[The remainder of this page intentionally left blank. Signature pages to follow.]

IN WITNESS WHEREOF, the parties have executed this Schedule by their duly authorized signatories as of the date hereof.

WELLS FARGO BANK, N.A.

By: 
Name: Susan Lew
Title: VP

PIMA UTILITY COMPANY,
an Arizona corporation

By: 
Name: Steve M. Soriano
Title: VP



CONFIRMATION

To: Pima Utility Company ("Counterparty")
Attention: Steve Soriano
Telephone: 480-895-4219
Email: soriano@robson.com

From: Wells Fargo Bank, N.A. ("Wells Fargo")
Telephone: (704) 383-4599
Fax: (704) 383-9139
Email: inboundconfirms@wellsfargo.com

Ref. No: 9387847

Date: August 02, 2012

Dear Steve Soriano:

This confirms the terms of the Transaction described below between Counterparty and Wells Fargo. The definitions and provisions contained in the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern. Fixed Amounts and Floating Amounts for each applicable Payment Date hereunder will be calculated in accordance with the ISDA Definitions, and if any Fixed Amount and Floating Amount are due for the same Payment Date hereunder, then those amounts shall not be payable and instead the Fixed Rate Payer shall pay the positive difference, if any, between the Fixed Amount and the Floating Amount, and the Floating Rate Payer shall pay the positive difference, if any, between the Floating Amount and the Fixed Amount.

1. The terms of the particular Transaction to which the Confirmation relates are as follows:

<u>Transaction Type:</u>	Interest Rate Swap
<u>Currency for Payments:</u>	U.S. Dollars
<u>Notional Amount:</u>	For a Calculation Period, the amount set forth opposite that Calculation Period on Attachment I hereto, provided that: (1) For each Notional Reduction Date, Counterparty shall have the option ("Option 1") to reduce the Notional Amount by an amount not greater than the Notional Reduction Amount effective as of that Notional Reduction Date by giving notice to Wells Fargo of such reduction not later than 11:00 a.m. (New York City time) on the 2nd New York Business Day prior to that Notional Reduction Date. "Notional Reduction Amount" means the amount set forth opposite each Notional Reduction Date on the table below. "Notional Reduction Date" means the 1st of each month of each year for the period commencing on (and including) August 01, 2015 and ending on (and including) July 01, 2016 (subject to adjustment in accordance with the Following Business Day Convention).

(2) For each Notional Reduction Date, Counterparty shall have the option ("Option 2") to reduce the Notional Amount by an amount not greater than the Notional Reduction Amount effective as of that Notional Reduction Date by giving notice to Wells Fargo of such reduction not later than 11:00 a.m. (New York City time) on the 2nd New York Business Day prior to that Notional Reduction Date. "Notional Reduction Amount" means the amount set forth opposite each Notional Reduction Date on the table below. "Notional

Wells Fargo: 9387847

Reduction Date" means the 1st of each month of each year for the period commencing on (and including) August 01, 2016 and ending on (and including) July 01, 2017 (subject to adjustment in accordance with the Following Business Day Convention).

(3) This is a multiple exercise Option, meaning that if Counterparty exercises Option 1 with respect to a Notional Reduction Date, such exercise shall not preclude it from exercising Option 2 with respect to any subsequent Notional Reduction Date.

Any such notice by Counterparty may be given in writing, or orally by telephone by calling Wells Fargo's derivatives desk at (213) 253-7392. Any such oral telephonic notice shall be confirmed by Counterparty in writing, provided that failure to provide such written confirmation shall not affect the validity of such exercise.

Any such reduction of the Notional Amount shall be given effect from and including the Notional Reduction Date through and including the Termination Date.

(4) Neither Wells Fargo nor Counterparty shall be obligated to pay a fee for any reduction of the Notional Amount pursuant to any exercise of such Option.

<u>Notional Reduction Date</u>	<u>Notional Reduction Amount</u>
--------------------------------	----------------------------------

Option 1:

August 01, 2015 through and including July 01, 2016	USD 1,368,000.00
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Option 2:

August 01, 2016 through and including July 01, 2017	USD 1,283,000.00
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Term:

Trade Date:	August 02, 2012
Effective Date:	August 09, 2012
Termination Date:	August 09, 2017, subject to adjustment in accordance with the Following Business Day Convention.

Fixed Amounts:

Fixed Rate Payer:	Counterparty
Payment Dates:	Monthly on the 1st of each month commencing September 04, 2012, through and including the Termination Date
Business Day Convention:	Following
Business Day:	New York
Fixed Rate:	3.035%
Fixed Rate Day Count Fraction:	Actual/360

Floating Amounts:

Floating Rate Payer:	Wells Fargo
Payment Dates:	Monthly on the 1st of each month commencing September 04, 2012, through and including the Termination Date
Business Day Convention:	Following
Business Day:	New York
Floating Rate for initial Calculation Period:	Determined on the Effective Date

Floating Rate Option: USD-LIBOR-BBA, provided that for purposes of this Transaction the definition of USD-LIBOR-BBA appearing in the ISDA Definition, is amended by deleting the words "the day that is two London Banking Days preceding". This means that USD-LIBOR-BBA for any Reset Date will be set on that Reset Date rather than two London Banking Days prior to that Reset Date.

Designated Maturity: 1 Month

Spread: Plus 2.00%

Floating Rate Day Count Fraction: Actual/360

Reset Dates: The first day of each Calculation Period, provided that if the first day of a Calculation Period is not a New York Business Day, then the USD-LIBOR-BBA rate for that Calculation Period shall be the USD-LIBOR-BBA rate set on the following New York Business Day.

Compounding: Inapplicable

Rounding convention: Notwithstanding Section 8.1 of the 2006 ISDA Definitions, USD-LIBOR-BBA shall be rounded, if necessary, to the next higher 1/8th of 1% for purposes of this Transaction.

2. The additional provisions of this Confirmation are as follows:

Calculation Agent: Wells Fargo
Payment Instructions: Wells Fargo Bank, N.A.
 CIB Group, ABA 121000248
 Ref: Derivative Desk (Trade No: 9387847)
 Account #: 01014894464228

Wells Fargo Contacts: Settlement and/or Rate Resets:
 1-800-249-3865
 1-704-410-8511

Documentation:
 Tel: (704) 383-4599
 Fax: (704) 383-9139

Collateral:
 Tel: (704) 410-8116
 Fax: (704) 410-8515
 Email: collateral.mgmt@wellsfargo.com

Payments to Counterparty: Please quote transaction reference number.
 Per your standing payment instructions or debit authorization if provided to Wachovia, as relevant. If not provided, please contact us in order for payment to be made.

Phone: 1-800-249-3865 Fax: 1-704-410-8511

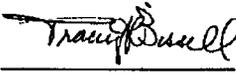
Eligibility:

Each party represents that it is entering into this Transaction in conjunction with a line of business or the financing of its business, or is an "eligible contract participant" within the meaning of the Commodity Exchange Act as in effect prior to July 16, 2011, or an "eligible swap participant" within the meaning of 17 C.F.R. 35.1(b)(2) as in effect prior to December 31, 2011.

Documentation

This Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement between Wells Fargo and Counterparty dated as of April 20, 2012, as amended and supplemented from time to time (the "ISDA Master Agreement"). All provisions contained or incorporated by reference in the ISDA Master Agreement will govern this Confirmation except as expressly modified herein.

Very truly yours,
Wells Fargo Bank, N.A.

By: 
Name: Tracey Bissell
Title: Vice President

Ref. No. 9387847

Accepted and Confirmed as of date first written
above:
Pima Utility Company

By: 
Name: Steven M. Soriano
Title: V.P.

ATTACHMENT I
Amortization Schedule for 9387847

<u>Calculation Period</u> (from and including, to but excluding)			<u>USD Notional Amount</u>	<u>USD Notional Adjustment</u> (at end of period)
09 Aug 12	to	04 Sep 12	8,370,000.00	42,500.00
04 Sep 12	to	01 Oct 12	8,327,500.00	42,500.00
01 Oct 12	to	01 Nov 12	8,285,000.00	42,500.00
01 Nov 12	to	03 Dec 12	8,242,500.00	42,500.00
03 Dec 12	to	02 Jan 13	8,200,000.00	42,500.00
02 Jan 13	to	01 Feb 13	8,157,500.00	42,500.00
01 Feb 13	to	01 Mar 13	8,115,000.00	42,500.00
01 Mar 13	to	01 Apr 13	8,072,500.00	42,500.00
01 Apr 13	to	01 May 13	8,030,000.00	42,500.00
01 May 13	to	03 Jun 13	7,987,500.00	42,500.00
03 Jun 13	to	01 Jul 13	7,945,000.00	42,500.00
01 Jul 13	to	01 Aug 13	7,902,500.00	42,500.00
01 Aug 13	to	03 Sep 13	7,860,000.00	42,500.00
03 Sep 13	to	01 Oct 13	7,817,500.00	42,500.00
01 Oct 13	to	01 Nov 13	7,775,000.00	42,500.00
01 Nov 13	to	02 Dec 13	7,732,500.00	42,500.00
02 Dec 13	to	02 Jan 14	7,690,000.00	42,500.00
02 Jan 14	to	03 Feb 14	7,647,500.00	42,500.00
03 Feb 14	to	03 Mar 14	7,605,000.00	42,500.00
03 Mar 14	to	01 Apr 14	7,562,500.00	42,500.00
01 Apr 14	to	01 May 14	7,520,000.00	42,500.00
01 May 14	to	02 Jun 14	7,477,500.00	42,500.00
02 Jun 14	to	01 Jul 14	7,435,000.00	42,500.00
01 Jul 14	to	01 Aug 14	7,392,500.00	42,500.00
01 Aug 14	to	02 Sep 14	7,350,000.00	42,500.00
02 Sep 14	to	01 Oct 14	7,307,500.00	42,500.00
01 Oct 14	to	03 Nov 14	7,265,000.00	42,500.00
03 Nov 14	to	01 Dec 14	7,222,500.00	42,500.00
01 Dec 14	to	02 Jan 15	7,180,000.00	42,500.00
02 Jan 15	to	02 Feb 15	7,137,500.00	42,500.00
02 Feb 15	to	02 Mar 15	7,095,000.00	42,500.00
02 Mar 15	to	01 Apr 15	7,052,500.00	42,500.00
01 Apr 15	to	01 May 15	7,010,000.00	42,500.00
01 May 15	to	01 Jun 15	6,967,500.00	42,500.00
01 Jun 15	to	01 Jul 15	6,925,000.00	42,500.00
01 Jul 15	to	03 Aug 15	6,882,500.00	42,500.00
03 Aug 15	to	01 Sep 15	6,840,000.00	42,500.00
01 Sep 15	to	01 Oct 15	6,797,500.00	42,500.00
01 Oct 15	to	02 Nov 15	6,755,000.00	42,500.00
02 Nov 15	to	01 Dec 15	6,712,500.00	42,500.00
01 Dec 15	to	04 Jan 16	6,670,000.00	42,500.00
04 Jan 16	to	01 Feb 16	6,627,500.00	42,500.00
01 Feb 16	to	01 Mar 16	6,585,000.00	42,500.00
01 Mar 16	to	01 Apr 16	6,542,500.00	42,500.00
01 Apr 16	to	02 May 16	6,500,000.00	42,500.00
02 May 16	to	01 Jun 16	6,457,500.00	42,500.00

<u>Calculation Period</u> (from and including, to but excluding)			<u>USD Notional Amount</u>	<u>USD Notional Adjustment</u> (at end of period)
01 Jun 16	to	01 Jul 16	6,415,000.00	42,500.00
01 Jul 16	to	01 Aug 16	6,372,500.00	42,500.00
01 Aug 16	to	01 Sep 16	6,330,000.00	42,500.00
01 Sep 16	to	03 Oct 16	6,287,500.00	42,500.00
03 Oct 16	to	01 Nov 16	6,245,000.00	42,500.00
01 Nov 16	to	01 Dec 16	6,202,500.00	42,500.00
01 Dec 16	to	03 Jan 17	6,160,000.00	42,500.00
03 Jan 17	to	01 Feb 17	6,117,500.00	42,500.00
01 Feb 17	to	01 Mar 17	6,075,000.00	42,500.00
01 Mar 17	to	03 Apr 17	6,032,500.00	42,500.00
03 Apr 17	to	01 May 17	5,990,000.00	42,500.00
01 May 17	to	01 Jun 17	5,947,500.00	42,500.00
01 Jun 17	to	03 Jul 17	5,905,000.00	42,500.00
03 Jul 17	to	01 Aug 17	5,862,500.00	42,500.00
01 Aug 17	to	09 Aug 17	5,820,000.00	5,820,000.00

ATTACHMENT 3

SECURITY AGREEMENT

1. GRANT OF SECURITY INTEREST. For valuable consideration, the undersigned PIMA UTILITY COMPANY, an Arizona corporation, or any of them ("Debtor"), hereby grants and transfers to WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") a security interest in the collateral described below (collectively, the "Collateral"). The Collateral consists of all right, title and interest of Debtor in and to the following:

(a) all revenues, accounts, deposit accounts, contract rights, chattel paper (whether electronic or tangible), instruments, promissory notes, documents, general intangibles, payment intangibles, software, letter of credit rights, health-care insurance receivables and other rights to payment of every kind now existing or at any time hereafter arising (including, without limitation, all revenues, profits and payments arising from the business and operations of Debtor at any time due or to become due to Debtor);

(b) all inventory, goods held for sale or lease or to be furnished under contracts for service, or goods so leased or furnished, raw materials, component parts, work in process and other materials used or consumed in Debtor's business, now or at any time hereafter owned or acquired by Debtor, wherever located, and all products thereof, whether in the possession of Debtor, any warehousemen, any bailee or any other person, or in process- of delivery, and whether located at Debtor's places of business or elsewhere;

(c) all warehouse receipts, bills of sale, bills of lading and other documents of every kind (whether or not negotiable) in which Debtor now has or at any time hereafter acquires any interest, and all additions and accessions thereto, whether in the possession or custody of Debtor, any bailee or any other person for any purpose;

(d) all money and property heretofore, now or hereafter delivered to or deposited with Bank or otherwise coming into the possession, custody or control of Bank (or any agent or bailee of Bank) in any manner or for any purpose whatsoever during the existence of this Agreement and whether held in a general or special account or deposit for safekeeping or otherwise;

(e) all right, title and interest of Debtor under licenses, guaranties, warranties, management agreements, marketing or sales agreements, escrow contracts, indemnity agreements, insurance policies, service or maintenance agreements, supporting obligations and other similar contracts of every kind in which Debtor now has or at any time hereafter shall have an interest;

(f) all goods, tools, machinery, furnishings, furniture and other equipment and fixtures of every kind now existing or hereafter acquired, and all improvements, replacements, accessions and additions thereto and embedded software included therein, whether located on any property owned or leased by Debtor or elsewhere, including without limitation, any of the foregoing now or at any time hereafter located at or installed on the land or in the improvements at any of the real property owned or leased by Debtor, and all such goods after they have been severed and removed from any of said real property; and

(g) all motor vehicles, trailers, mobile homes, manufactured homes, boats, other rolling stock and related equipment of every kind now existing or hereafter acquired and all additions and accessories thereto, whether located on any property owned or leased by Debtor or elsewhere;

together with whatever is receivable or received when any of the foregoing or the proceeds thereof are sold, leased, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, including without limitation, all rights to payment, including returned premiums, with respect to any insurance relating to any of the foregoing, and all rights to payment with respect to any claim or cause of action affecting or relating to any of the foregoing (collectively, "Proceeds").

2. OBLIGATIONS SECURED. The obligations secured hereby (the "Obligations") are the payment and performance of: (a) all obligations of Debtor and rights of Bank under this Agreement; (b) all of the liabilities, obligations and indebtedness of Debtor to Bank of any kind or nature arising pursuant to the Credit Agreement dated as of July 25, 2012 between Debtor and Bank (as amended, modified, restated and renewed from time to time, the "Credit Agreement") whether direct or indirect, absolute or contingent, now or hereafter existing or due or to become due and including but not limited to (i) Debtor's obligations under the Term Note (as defined in the Credit Agreement) and (ii) interest, charges, expenses, attorneys' fees, and other sums chargeable to Debtor by Bank under this Agreement or any other Loan Document (as defined in the Credit Agreement), and (c) all obligations of Debtor under any swap, derivative, foreign exchange, hedge, or similar transaction or arrangement provided by or through Bank or any of its affiliates in connection with the loan evidenced by the Credit Agreement, in each case whether Debtor may be liable individually or jointly with others or whether recovery on such indebtedness may be or hereafter becomes unenforceable.

3. TERMINATION. This Agreement will terminate upon the payment and performance in full of all Obligations and the termination of all commitments of Bank to extend credit to Debtor pursuant to the Credit Agreement.

4. OBLIGATIONS OF BANK. Bank has no obligation to make any loans hereunder. Such obligation to make loans arises, if at all, solely pursuant to the Credit Agreement.

5. REPRESENTATIONS AND WARRANTIES. Debtor represents and warrants to Bank that: (a) Debtor's legal name is exactly as set forth on the first page of this Agreement, and all of Debtor's organizational documents or agreements delivered to Bank are complete and accurate in every respect; (b) Debtor is the owner and has possession or control of the Identified Collateral (hereinafter defined) and Proceeds thereof; (c) Debtor has the exclusive right to grant a security interest in the Identified Collateral and Proceeds thereof; (d) the Identified Collateral includes all of the equipment and tangible personal property that is necessary to conduct the business and operations of Debtor; (e) all Identified Collateral and Proceeds thereof are genuine, free from liens, adverse claims, setoffs, default, prepayment, defenses and conditions precedent of any kind or character; (f) Debtor is the owner of all Revenues and the Revenues are not subject to any other assignment, lien, encumbrance, pledge or security interest other than the security interest and rights of Bank pursuant to this Agreement and other than the obligation of

Debtor to refund certain amounts pursuant to line extension agreements or agreements for advances in aid of construction, in each case entered into in the ordinary course of business and reflected on the balance sheets and financial statements of Debtor prepared in accordance with generally accepted accounting principles consistently applied; (g) all statements contained herein are true and complete in all material respects; (h) no financing statement covering any of Debtor's interest in the Collateral or Proceeds, and naming any secured party other than Bank, is on file in any public office (excluding financing statements with respect to capitalized leases permitted pursuant to the Credit Agreement); and (i) where the Collateral consists of equipment, Debtor is not in the business of selling goods of the kind included within such Collateral, and Debtor acknowledges that no sale or other disposition of any such Collateral, including without limitation, any such Collateral which Debtor may deem to be surplus, has been consented to or acquiesced in by Bank, except as specifically set forth in writing by Bank or as otherwise permitted hereby. As used herein, "Identified Collateral" means equipment and other tangible personal property that meets all of the following requirements: (i) such property is included in the description of Collateral in Section 1 of this Agreement; (ii) such property consists of equipment and other tangible personal property that is used in the business of Debtor as a public utility engaged in the treatment of wastewater, and the sale and distribution of potable water and effluent; (iii) such property is not Excess Property; and (iv) such property is carried as an asset on balance sheets of Debtor prepared in accordance with generally accepted accounting principles consistently applied. As used herein, "Revenues" means the portion of the Collateral that consists of all fees, charges, receipts and income arising from the operation of the Debtor's business and operations whether now existing or hereafter arising and in whatever form received. As used herein, "Excess Property" means equipment of Debtor that although owned by Debtor is not reasonably necessary to the business and operations of Debtor and if disposed of would not impair the business, operations or Revenues of Debtor. For avoidance of doubt, the inclusion of the "Identified Collateral" and "Excess Property" is not intended to limit the description of Collateral in Section 1 of this Agreement.

6. COVENANTS OF DEBTOR.

(a) Debtor agrees in general: (i) to pay the Obligations when due; (ii) to indemnify Bank against all losses, claims, demands, liabilities and expenses of every kind caused by property subject hereto; (iii) to permit Bank to exercise its powers; (iv) to execute and deliver such documents as Bank requests in writing and deems necessary to create, perfect and continue the security interests contemplated hereby; (v) not to change its name, and as applicable, its chief executive office, its principal residence or the jurisdiction in which it is organized and/or registered without giving Bank prior written notice thereof; (vi) not to change the places where Debtor keeps Debtor's records concerning the Identified Collateral and Proceeds thereof without giving Bank prior written notice of the address to which Debtor is moving same; and (vii) to cooperate with Bank in perfecting all security interests granted herein and in obtaining such agreements from third parties as Bank deems necessary, proper or convenient in connection with the preservation, perfection or enforcement of any of its rights hereunder.

(b) Debtor agrees with regard to the Collateral and Proceeds, unless Bank agrees otherwise in writing: (i) that Bank is authorized to file financing statements in the name of Debtor to perfect Bank's security interest in Collateral and Proceeds; (ii) to the extent that any of the Collateral constitutes fixtures under applicable law, Bank is authorized to record a financing

statement in the official records of the county in which Debtor's real property is located and Debtor agrees upon written request from Bank to promptly provide Bank with a description of such property and such title reports as Bank may reasonably require to verify ownership and any other liens and encumbrances; (iii) where applicable, to insure the Collateral with Bank named as loss payee, in form, substance and amounts, under agreements, against risks and liabilities, and with insurance companies satisfactory to Bank; (iv) where applicable, to operate the Collateral in accordance in all material respects with all applicable statutes, rules and regulations relating to the use and control thereof, and not to use any Collateral for any unlawful purpose or in any way that would void any insurance required to be carried in connection therewith; (v) not to remove the Identified Collateral from Debtor's premises except in the ordinary course of Debtor's business; (vi) to pay when due all license fees, registration fees and other charges in connection with any Identified Collateral and Revenues; (vii) not to permit any lien on the Collateral or Proceeds, including without limitation, liens arising from repairs to or storage of the Collateral, except in favor of Bank; (viii) not to sell, hypothecate or dispose of, nor permit the transfer by operation of law of, any of the Revenues, Identified Collateral, Excess Property or the Proceeds thereof or any interest therein, except (A) sales and dispositions of Identified Collateral that is surplus property or worn out provided that such worn out Identified Collateral is replaced with property of similar or better quality, and (B) sales and dispositions of Excess Property, so long as in the case of sales and dispositions pursuant to clauses (A) and (B), such sales and dispositions do not exceed an aggregate market value of \$1,000,000 in any fiscal year without the prior written consent of Bank; (ix) to permit Bank to inspect the Collateral at any time; (x) to keep, in accordance with generally accepted accounting principles, complete and accurate records regarding all Collateral and Proceeds, and to permit Bank to inspect the same and make copies thereof at any reasonable time; (xi) following an Event of Default and the expiration of any applicable cure period provided for in the Credit Agreement, if requested by Bank, to receive and use reasonable diligence to collect Collateral consisting of accounts and other rights to payment and Proceeds, in trust and as the property of Bank, and to immediately endorse as appropriate and deliver such Collateral and Proceeds to Bank daily in the exact form in which they are received together with a collection report in form satisfactory to Bank; (xii) to give only normal allowances and credits and to advise Bank thereof immediately in writing if they affect any rights to payment or Proceeds in any material respect; (xiii) from time to time, when requested by Bank, to prepare and deliver a schedule of all Identified Collateral and Proceeds subject to this Agreement and to assign as security in writing and deliver to Bank all accounts, contracts, leases and other chattel paper, instruments, documents and other evidences thereof; (xiv) following an Event of Default and the expiration of any applicable cure period provided for in the Credit Agreement, in the event Bank elects to receive payments of rights to payment or Proceeds hereunder, to pay all expenses incurred by Bank in connection therewith, including expenses of accounting, correspondence, collection efforts, reporting to account or contract debtors, filing, recording, record keeping and expenses incidental thereto; (xv) to provide any service and do any other acts which may be necessary to maintain, preserve and protect all Identified Collateral and, as appropriate and applicable, to keep all Identified Collateral in good and saleable condition, to deal with the Identified Collateral in accordance with the standards and practices adhered to generally by users and manufacturers of like property, and to keep all Identified Collateral and the Proceeds thereof free and clear of all defenses, rights of offset and counterclaims; and (xvi) apply Revenues first to the payment of the costs and expenses (including debt service) arising in connection with the business and operations of Debtor.

7. POWERS OF BANK. Debtor appoints Bank its true attorney in fact to perform any of the following powers, which are coupled with an interest, are irrevocable until termination of this Agreement and may be exercised from time to time by Bank's officers and employees, or any of them, whether or not Debtor is in default (except as provided below): (a) upon the occurrence of an Event of Default and the expiration of applicable cure periods provided in the Credit Agreement (an "Event of Default"), to perform any obligation of Debtor hereunder in Debtor's name or otherwise; (b) upon the occurrence of an Event of Default and the expiration of applicable cure periods provided in the Credit Agreement, to give notice to account debtors or others of Bank's rights in the Collateral and Proceeds, to enforce or forebear from enforcing the same and make extension and modification agreements with respect thereto; (c) upon the occurrence of an Event of Default and the expiration of applicable cure periods provided in the Credit Agreement, to release persons liable on Collateral or Proceeds and to give receipts and acquittances and compromise disputes in connection therewith; (d) to release or substitute security; (e) upon the occurrence of an Event of Default and the expiration of applicable cure periods provided in the Credit Agreement, to resort to security in any order; (f) to prepare, execute, file, record or deliver assignments, schedules, designation statements, financing statements, continuation statements, termination statements, statements of assignment, applications for registration or like papers to perfect, preserve or release Bank's interest in the Collateral and Proceeds; (g) upon the occurrence of an Event of Default and the expiration of applicable cure periods provided in the Credit Agreement, to receive, open and read mail addressed to Debtor; (h) upon the occurrence of an Event of Default and the expiration of applicable cure periods provided in the Credit Agreement, to take cash, instruments for the payment of money and other property to which Bank is entitled; (i) to verify facts concerning the Collateral and Proceeds by inquiry of obligors thereon, or otherwise, in its own name or a fictitious name; (j) upon the occurrence of an Event of Default and the expiration of applicable cure periods provided in the Credit Agreement, to endorse, collect, deliver and receive payment under instruments for the payment of money constituting or relating to Proceeds; (k) to prepare, adjust, execute, deliver and receive payment under insurance claims, and to collect and receive payment of and endorse any instrument in payment of loss or returned premiums or any other insurance refund or return, and to apply such amounts received by Bank, at Bank's sole option, toward repayment of the Obligations or, where appropriate, replacement of the Collateral; provided that so long as no Event of Default has occurred and is continuing, Bank agrees that insurance proceeds may be applied to repair and replacement of Collateral subject to such customary procedures as Bank may reasonably require; (l) upon the occurrence of an Event of Default and the expiration of applicable cure periods provided in the Credit Agreement, to exercise all rights, powers and remedies which Debtor would have, but for this Agreement, with respect to all Collateral and Proceeds subject hereto; (m) upon reasonable request when no Event of Default exists, or at any time after the occurrence of an Event of Default and the expiration of applicable cure periods provided in the Credit Agreement, to enter onto Debtor's premises in inspecting the Collateral; (n) upon the occurrence of an Event of Default and the expiration of applicable cure periods provided in the Credit Agreement, to make withdrawals from and to close deposit accounts or other accounts with any financial institution, wherever located, into which Proceeds may have been deposited, and to apply funds so withdrawn to payment of the Obligations; (o) to preserve or release the interest evidenced by chattel paper to which Bank is entitled hereunder and to endorse and deliver any evidence of title incidental thereto; and (p) to do all acts and things and execute all documents in the name of Debtor or otherwise, reasonably

deemed by Bank as necessary, proper and convenient in connection with the preservation, perfection or enforcement of its rights hereunder. As used in this Agreement, the phrase "upon the occurrence of an Event of Default and the expiration of applicable cure periods provided in the Credit Agreement" means the expiration of applicable cure periods without cure having been effected.

8. PAYMENT OF PREMIUMS, TAXES, CHARGES, LIENS AND ASSESSMENTS. Debtor agrees to pay, prior to delinquency, all insurance premiums, taxes, charges, liens and assessments against the Collateral and Proceeds, and upon the failure of Debtor to do so, Bank at its option may pay any of them that Bank in its reasonable judgment believes to be superior to the lien created by this Agreement, provided Bank shall reasonably judge the legality or validity thereof and the amount necessary to discharge the same. Any such payments made by Bank shall be obligations of Debtor to Bank, due and payable immediately upon demand, together with interest at a rate determined in accordance with the provisions of this Agreement, and shall be secured by the Collateral and Proceeds, subject to all terms and conditions of this Agreement.

9. EVENTS OF DEFAULT. The occurrence of an Event of Default and the expiration of any applicable cure period pursuant to the Credit Agreement shall constitute an Event of Default under this Agreement.

10. REMEDIES. Upon the occurrence of any Event of Default, Bank shall have the right to declare immediately due and payable all or any Obligations secured hereby and to terminate any commitments to make loans or otherwise extend credit to Debtor. Bank shall have all other rights, powers, privileges and remedies granted to a secured party upon default under the Arizona Uniform Commercial Code or otherwise provided by law, including without limitation, the right (a) to contact all persons obligated to Debtor on any Collateral or Proceeds and to instruct such persons to deliver all Collateral and/or Proceeds directly to Bank, and (b) to sell, lease, license or otherwise dispose of any or all Collateral. All rights, powers, privileges and remedies of Bank shall be cumulative. No delay, failure or discontinuance of Bank in exercising any right, power, privilege or remedy hereunder shall affect or operate as a waiver of such right, power, privilege or remedy; nor shall any single or partial exercise of any such right, power, privilege or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power, privilege or remedy. Any waiver, permit, consent or approval of any kind by Bank of any default hereunder, or any such waiver of any provisions or conditions hereof, must be in writing and shall be effective only to the extent set forth in writing. It is agreed that public or private sales or other disposition, for cash or on credit, to a wholesaler or retailer or investor, or user of property of the types subject to this Agreement, or public auctions, are all commercially reasonable since differences in the prices generally realized in the different kinds of dispositions are ordinarily offset by the differences in the costs and credit risks of such dispositions. While an Event of Default exists: (a) Debtor will deliver to Bank from time to time, as requested by Bank, current lists of all Collateral and Proceeds; (b) Debtor will not dispose of any Collateral or Proceeds except on terms approved by Bank; (c) at Bank's request, Debtor will assemble and deliver all Collateral and Proceeds, and books and records pertaining thereto, to Bank at a reasonably convenient place designated by Bank; and (d) Bank may, without notice to Debtor, enter onto Debtor's premises and take possession of the Collateral. With respect to any sale or other disposition by Bank of any Collateral subject to this

Agreement, Debtor hereby expressly grants to Bank the right to sell such Collateral using any or all of Debtor's trademarks, trade names, trade name rights and/or proprietary labels or marks. Debtor further agrees that Bank shall have no obligation to process or prepare any Collateral for sale or other disposition.

11. **DISPOSITION OF COLLATERAL AND PROCEEDS; TRANSFER OF OBLIGATIONS.** In disposing of Collateral hereunder, Bank may disclaim all warranties of title, possession, quiet enjoyment and the like. Any proceeds of any disposition of any Collateral or Proceeds, or any part thereof, may be applied by Bank to the payment of expenses incurred by Bank in connection with the foregoing, including reasonable attorneys' fees, and the balance of such proceeds may be applied by Bank toward the payment of the Obligations in such order of application as Bank may from time to time elect. Upon the transfer of all or any part of the Obligations, Bank may transfer all or any part of the Collateral or Proceeds and shall be fully discharged thereafter from all liability and responsibility with respect to any of the foregoing so transferred, and the transferee shall be vested with all rights and powers of Bank hereunder with respect to any of the foregoing so transferred; but with respect to any Collateral or Proceeds not so transferred, Bank shall retain all rights, powers, privileges and remedies herein given.

12. **STATUTE OF LIMITATIONS.** Until all Obligations shall have been paid in full and all commitments by Bank to extend credit to Debtor have been terminated, the power of sale or other disposition and all other rights, powers, privileges and remedies granted to Bank hereunder shall continue to exist and may be exercised by Bank at any time and from time to time irrespective of the fact that the Obligations or any part thereof may have become barred by any statute of limitations, or that the personal liability of Debtor may have ceased, unless such liability shall have ceased due to the payment in full of all Obligations secured hereunder.

13. **MISCELLANEOUS.** When there is more than one Debtor named herein: (a) the word "Debtor" shall mean all or any one or more of them as the context requires; (b) the obligations of each Debtor hereunder are joint and several; and (c) until all Obligations shall have been paid in full, no Debtor shall have any right of subrogation or contribution, and each Debtor hereby waives any benefit of or right to participate in any of the Collateral or Proceeds or any other security now or hereafter held by Bank. Debtor hereby waives any right to require Bank to (i) proceed against Debtor or any other person, (ii) marshal assets or proceed against or exhaust any security from Debtor or any other person, (iii) perform any obligation of Debtor with respect to any Collateral or Proceeds, and (d) make any presentment or demand, or give any notice of nonpayment or nonperformance, protest, notice of protest or notice of dishonor hereunder or in connection with any Collateral or Proceeds. Debtor further waives any right to direct the application of payments or security for any Obligations of Debtor or indebtedness of customers of Debtor.

14. **NOTICES.** All notices, requests and demands required under this Agreement must be in writing, addressed to Debtor and Bank, as applicable, at the addresses and in the manner specified in the Credit Agreement.

15. **COSTS, EXPENSES AND ATTORNEYS' FEES.** Debtor shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated

costs of Bank's in-house counsel), expended or incurred by Bank in connection with (a) the perfection and preservation of the Collateral or Bank's interest therein, and (b) the realization, enforcement and exercise of any right, power, privilege or remedy conferred by this Agreement, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Debtor or in any way affecting any of the Collateral or Bank's ability to exercise any of its rights or remedies with respect thereto. All of the foregoing shall be paid by Debtor with interest from the date of demand until paid in full at a rate per annum equal to the greater of ten percent (10%) or Bank's Prime Rate in effect from time to time. Notwithstanding the foregoing, in the case of a dispute resulting in arbitration proceedings, as provided in the Credit Agreement, the parties have directed that any arbitrator shall award fees and costs of an arbitration to the prevailing party (as determined by the arbitrator), and Debtor shall not have any obligation to reimburse Bank for attorneys' fees or costs in matters for which Debtor is the prevailing party or for amounts in excess of the amount awarded by the arbitrator, if Bank is the prevailing party.

16. **SUCCESSORS; ASSIGNS; AMENDMENT.** This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties, and may be amended or modified only in writing signed by Bank and Debtor.

17. **OBLIGATIONS OF MARRIED PERSONS.** Any married person who signs this Agreement as Debtor hereby expressly agrees that recourse may be had against his or her separate property (as well as all marital property) for all his or her Obligations to Bank secured by the Collateral and Proceeds under this Agreement.

18. **SEVERABILITY OF PROVISIONS.** If any provision of this Agreement shall be held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or any remaining provisions of this Agreement.

19. **GOVERNING LAW.** This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona.

Debtor warrants that Debtor is an organization registered under the laws of the State of Arizona.

Debtor warrants that its chief executive office (or principal residence, if applicable) is located at the following address: 9532 East Riggs Road, Sun Lakes, Arizona 85248.

Debtor warrants that the Identified Collateral (except goods in transit), to the extent consisting of real or tangible personal property, is located or domiciled in Sun Lakes, Arizona.

IN WITNESS WHEREOF, this Agreement has been duly executed as of July 25, 2012.

PIMA UTILITY COMPANY, an Arizona corporation

By: Stan M. Soriano
Name: Stan M. Soriano
Title: VP

ATTACHMENT 4

TERM NOTE

\$8,370,000.00

Phoenix, Arizona
July 25, 2012

FOR VALUE RECEIVED, the undersigned PIMA UTILITY COMPANY, an Arizona corporation ("Borrower") promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") at its office at 100 West Washington, 25th Floor, Phoenix, Arizona 85003, or at such other place as the holder hereof may designate, in lawful money of the United States of America and in immediately available funds, the principal sum of Eight Million Three Hundred Seventy Thousand and No/100 Dollars (\$8,370,000.00), with interest thereon as set forth herein.

DEFINITIONS:

As used herein, the following terms shall have the meanings set forth after each, and any other term defined in this Note shall have the meaning set forth at the place defined:

(a) "Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in Arizona are authorized or required by law to close.

(b) "Fixed Rate Term" means a period commencing on a Business Day and continuing for one (1) or three (3) months, as designated by Borrower, during which all or a portion of the outstanding principal balance of this Note bears interest determined in relation to LIBOR; provided however, that no Fixed Rate Term may be selected for a principal amount less than One Hundred Thousand and No/100 Dollars (\$100,000.00); and provided further, that no Fixed Rate Term shall extend beyond the scheduled maturity date hereof. If any Fixed Rate Term would end on a day which is not a Business Day, then such Fixed Rate Term shall be extended to the next succeeding Business Day.

(c) "LIBOR" means the rate per annum (rounded upward, if necessary, to the nearest whole 1/8 of 1%) and determined pursuant to the following formula:

$$\text{LIBOR} = \frac{\text{Base LIBOR}}{100\% - \text{LIBOR Reserve Percentage}}$$

(i) "Base LIBOR" means the rate per annum for United States dollar deposits quoted by Bank as the Inter-Bank Market Offered Rate, with the understanding that such rate is quoted by Bank for the purpose of calculating effective rates of interest for loans making reference thereto, on the first day of a Fixed Rate Term for delivery of funds on said date for a period of time approximately equal to the number of days in such Fixed Rate Term and in an amount approximately equal to the principal amount to which such Fixed Rate Term applies. Borrower understands and agrees that Bank may base its quotation of the Inter-Bank Market Offered Rate upon such offers or other market indicators of the Inter-Bank Market as Bank in its discretion

deems appropriate including, but not limited to, the rate offered for U.S. dollar deposits on the London Inter-Bank Market.

(ii) "LIBOR Reserve Percentage" means the reserve percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor) for "Eurocurrency Liabilities" (as defined in Regulation D of the Federal Reserve Board, as amended), adjusted by Bank for expected changes in such reserve percentage during the applicable Fixed Rate Term.

(d) "Prime Rate" means at any time the rate of interest most recently announced within Bank at its principal office as its Prime Rate, with the understanding that the Prime Rate is one of Bank's base rates and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto, and is evidenced by the recording thereof after its announcement in such internal publication or publications as Bank may designate.

INTEREST:

(a) Interest. The outstanding principal balance of this Note shall bear interest (computed on the basis of a 360-day year, actual days elapsed) either (i) at a fluctuating rate per annum zero percent (0%) above the Prime Rate in effect from time to time, or (ii) at a fixed rate per annum determined by Bank to be two percent (2.00%) above LIBOR in effect on the first day of the applicable Fixed Rate Term. When interest is determined in relation to the Prime Rate, each change in the rate of interest hereunder shall become effective on the date each Prime Rate change is announced within Bank. With respect to each LIBOR selection hereunder, Bank is hereby authorized to note the date, principal amount, interest rate and Fixed Rate Term applicable thereto and any payments made thereon on Bank's books and records (either manually or by electronic entry) and/or on any schedule attached to this Note, which notations shall be prima facie evidence of the accuracy of the information noted. Borrower agrees to pay an effective rate of interest that is the sum of the interest rate provided for herein, together with any additional rate of interest resulting from any other charges of interest or in the nature of interest paid or to be paid in connection with this Note or the other Loan Documents (as defined in the Credit Agreement).

(b) Selection of Interest Rate Options. At any time any portion of this Note bears interest determined in relation to LIBOR, it may be continued by Borrower at the end the Fixed Rate Term applicable thereto so that all or a portion thereof bears interest determined in relation to the Prime Rate or to LIBOR for a new Fixed Rate Term designated by Borrower. At any time any portion of this Note bears interest determined in relation to the Prime Rate, Borrower may convert all or a portion thereof so that it bears interest determined in relation to LIBOR for a Fixed Rate Term designated by Borrower. At the time this Note is disbursed or Borrower wishes to select a LIBOR option for all or a portion of the outstanding principal balance hereof, and at the end of each Fixed Rate Term, Borrower shall give Bank notice specifying: (i) the interest rate option selected by Borrower; (ii) the principal amount subject thereto; and (iii) for each LIBOR selection, the length of the applicable Fixed Rate Term. Any such notice may be given by telephone (or such other electronic method as Bank may permit) so long as, with respect to each LIBOR selection, (A) if requested by Bank, Borrower provides to Bank written confirmation thereof not later than three (3) Business Days after such notice is given, and (B) such notice is given to Bank prior to 10:00 a.m. on the first day of the Fixed Rate Term, or at a later time

during any Business Day if Bank, at its sole option but without obligation to do so, accepts Borrower's notice and quotes a fixed rate to Borrower. If Borrower does not immediately accept a fixed rate when quoted by Bank, the quoted rate shall expire and any subsequent LIBOR request from Borrower shall be subject to a redetermination by Bank of the applicable fixed rate. If no specific designation of interest is made at the time this Note is disbursed or at the end of any Fixed Rate Term, Borrower shall be deemed to have made a Prime Rate interest selection for this Note or the principal amount to which such Fixed Rate Term applied.

(c) Taxes and Regulatory Costs. Borrower shall pay to Bank immediately upon demand, in addition to any other amounts due or to become due hereunder, any and all (i) withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to LIBOR, and (ii) future, supplemental, emergency or other changes in the LIBOR Reserve Percentage, assessment rates imposed by the Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or foreign governmental authority or resulting from compliance by Bank with any request or directive (whether or not having the force of law) from any central bank or other governmental authority and related in any manner to LIBOR to the extent they are not included in the calculation of LIBOR. In determining which of the foregoing are attributable to any LIBOR option available to Borrower hereunder, any reasonable allocation made by Bank among its operations shall be conclusive and binding upon Borrower.

(d) Payment of Interest. Interest accrued on this Note shall be payable on the first day of each month, commencing September 1, 2012.

(e) Default Interest. From and after the maturity date of this Note, or such earlier date as all principal owing hereunder becomes due and payable by acceleration or otherwise, or at Bank's option upon the occurrence, and during the continuance of an Event of Default, the outstanding principal balance of this Note shall bear interest at an increased rate per annum (computed on the basis of a 360-day year, actual days elapsed) equal to four percent (4%) above the rate of interest from time to time applicable to this Note.

REPAYMENT AND PREPAYMENT:

(a) Repayment. Principal shall be payable on the first day of each month in installments of Forty-Six Thousand Five Hundred and No/100 Dollars (\$46,500.00) each, commencing September 1, 2012, and continuing up to and including July 1, 2017, with a final installment consisting of all remaining unpaid principal (together with all accrued and unpaid interest, costs, expenses and fees) due and payable in full on July 25, 2017 (the "maturity date").

(b) Application of Payments. Each payment made on this Note shall be credited first, to any interest then due and second, to the outstanding principal balance hereof. All payments credited to principal shall be applied first, to the outstanding principal balance of this Note which bears interest determined in relation to the Prime Rate, if any, and second, to the outstanding principal balance of this Note which bears interest determined in relation to LIBOR, with such payments applied to the oldest Fixed Rate Term first.

(c) Prepayment.

Prime Rate. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to the Prime Rate at any time, in any amount and without penalty.

LIBOR. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to LIBOR at any time and in the minimum amount of One Hundred Thousand and No/100 Dollars (\$100,000.00); provided however, that if the outstanding principal balance of such portion of this Note is less than said amount, the minimum prepayment amount shall be the entire outstanding principal balance thereof. In consideration of Bank providing this prepayment option to Borrower, or if any such portion of this Note shall become due and payable at any time prior to the last day of the Fixed Rate Term applicable thereto by acceleration or otherwise, Borrower shall pay to Bank immediately upon demand a fee which is the sum of the discounted monthly differences for each month from the month of prepayment through the month in which such Fixed Rate Term matures, calculated as follows for each such month:

- (i) Determine the amount of interest which would have accrued each month on the amount prepaid at the interest rate applicable to such amount had it remained outstanding until the last day of the Fixed Rate Term applicable thereto.
- (ii) Subtract from the amount determined in (i) above the amount of interest which would have accrued for the same month on the amount prepaid for the remaining term of such Fixed Rate Term at LIBOR in effect on the date of prepayment for new loans made for such term and in a principal amount equal to the amount prepaid.
- (iii) If the result obtained in (ii) for any month is greater than zero, discount that difference by LIBOR used in (ii) above.

Borrower acknowledges that prepayment of such amount may result in Bank incurring additional costs, expenses and/or liabilities, and that it is difficult to ascertain the full extent of such costs, expenses and/or liabilities. Borrower, therefore, agrees to pay the above-described prepayment fee and agrees that said amount represents a reasonable estimate of the prepayment costs, expenses and/or liabilities of Bank. If Borrower fails to pay any prepayment fee when due, the amount of such prepayment fee shall thereafter bear interest until paid at a rate per annum four percent (4.00%) above the Prime Rate in effect from time to time (computed on the basis of a 360-day year, actual days elapsed).

All prepayments of principal shall be applied on the most remote principal installment or installments then unpaid.

EVENTS OF DEFAULT:

This Note is made pursuant to and is subject to the terms and conditions of that certain Credit Agreement between Borrower and Bank dated as of July 25, 2012, as amended from time to time (the "Credit Agreement"). Any default in the payment or performance of any obligation under this Note, or any defined event of default under the Credit Agreement, shall constitute an "Event of Default" under this Note.

MISCELLANEOUS:

(a) Remedies. Upon the occurrence of any Event of Default, the holder of this Note, at the holder's option, may declare all sums of principal and interest outstanding hereunder to be immediately due and payable without presentment, demand, notice of nonperformance, notice of protest, protest or notice of dishonor, all of which are expressly waived by Borrower. Borrower shall pay to the holder immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of the holder's in-house counsel), expended or incurred by the holder in connection with the enforcement of the holder's rights and/or the collection of any amounts which become due to the holder under this Note, and the prosecution or defense of any action in any way related to this Note, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity.

(b) Obligations Joint and Several. Should more than one person or entity sign this Note as a Borrower, the obligations of each such Borrower shall be joint and several.

(c) Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of Arizona.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has executed this Note as of the date first written above.

PIMA UTILITY COMPANY, an Arizona corporation

By: Steve Sobiano
Name: Steve M. Sobiano
Title: VP

ATTACHMENT 5

From:

To: AZ SOS UCC FAX

08/06/2012 14:58

#552 P.002/004

FILED
ARIZONA SECRETARY OF STATE
 08/06/2012 03:17 PM
201217020915

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER (optional)

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

Snell & Wilmer L.L.P.
 One Arizona Center
 Phoenix, Arizona 85004-2202
 Attention: Therese Buchanan

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - Insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME

Pima Utility Company

OR 1b. INDIVIDUAL'S LAST NAME

FIRST NAME

MIDDLE NAME

SUFFIX

1c. MAILING ADDRESS

9532 E. Riggs Rd.

CITY

Sun Lakes

STATE

AZ

POSTAL CODE

85248

COUNTRY

USA

1d. SEE INSTRUCTIONS

ADD'L INFO RE ORGANIZATION DEBTOR

1e. TYPE OF ORGANIZATION

corporation

1f. JURISDICTION OF ORGANIZATION

Arizona

1g. ORGANIZATIONAL ID #, if any

0086671-9

NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - Insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME

OR 2b. INDIVIDUAL'S LAST NAME

FIRST NAME

MIDDLE NAME

SUFFIX

2c. MAILING ADDRESS

CITY

STATE

POSTAL CODE

COUNTRY

2d. SEE INSTRUCTIONS

ADD'L INFO RE ORGANIZATION DEBTOR

2e. TYPE OF ORGANIZATION

2f. JURISDICTION OF ORGANIZATION

2g. ORGANIZATIONAL ID #, if any

NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR SP) - Insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME

Wells Fargo Bank, National Association

OR 3b. INDIVIDUAL'S LAST NAME

FIRST NAME

MIDDLE NAME

SUFFIX

3c. MAILING ADDRESS

100 West Washington, 25th Floor

CITY

Phoenix

STATE

AZ

POSTAL CODE

85003

COUNTRY

USA

4. This FINANCING STATEMENT covers the following collateral:

See Exhibit A attached hereto and made a part hereof.

5. ALTERNATIVE DESIGNATION (if applicable): LESSOR CONSIGNEE/CONSIGNOR BAILEE/BAILOC SELLER/BUYER AG. LIEN NON-UCC FILING

6. This FINANCING STATEMENT is to be filed (for record) (for recording) in the REAL ESTATE RECORDS. Attach Addendum 7. Check to REQUEST SEARCH REPORT (S) on Debtor(s) All Debtors Debtor 1 Debtor 2 (ADDITIONAL FEE) (optional)

8. OPTIONAL FILER REFERENCE DATA

To be filed with AZ SOS

EXHIBIT A

The Collateral consists of all right, title and interest of Debtor in and to the following:

(a) all revenues, accounts, deposit accounts, contract rights, chattel paper (whether electronic or tangible), instruments, promissory notes, documents, general intangibles, payment intangibles, software, letter of credit rights, health-care insurance receivables and other rights to payment of every kind now existing or at any time hereafter arising (including, without limitation, all revenues, profits and payments arising from the business and operations of Debtor at any time due or to become due to Debtor);

(b) all inventory, goods held for sale or lease or to be furnished under contracts for service, or goods so leased or furnished, raw materials, component parts, work in process and other materials used or consumed in Debtor's business, now or at any time hereafter owned or acquired by Debtor, wherever located, and all products thereof, whether in the possession of Debtor, any warehousemen, any bailee or any other person, or in process- of delivery, and whether located at Debtor's places of business or elsewhere;

(c) all warehouse receipts, bills of sale, bills of lading and other documents of every kind (whether or not negotiable) in which Debtor now has or at any time hereafter acquires any interest, and all additions and accessions thereto, whether in the possession or custody of Debtor, any bailee or any other person for any purpose;

(d) all money and property heretofore, now or hereafter delivered to or deposited with Bank or otherwise coming into the possession, custody or control of Bank (or any agent or bailee of Bank) in any manner or for any purpose whatsoever during the existence of this Agreement and whether held in a general or special account or deposit for safekeeping or otherwise;

(e) all right, title and interest of Debtor under licenses, guaranties, warranties, management agreements, marketing or sales agreements, escrow contracts, indemnity agreements, insurance policies, service or maintenance agreements, supporting obligations and other similar contracts of every kind in which Debtor now has or at any time hereafter shall have an interest;

(f) all goods, tools, machinery, furnishings, furniture and other equipment and fixtures of every kind now existing or hereafter acquired, and all improvements, replacements, accessions and additions thereto and embedded software included therein, whether located on any property owned or leased by Debtor or elsewhere, including without limitation, any of the foregoing now or at any time hereafter located at or installed on the land or in the improvements at any of the real property owned or leased by Debtor, and all such goods after they have been severed and removed from any of said real property; and

(g) all motor vehicles, trailers, mobile homes, manufactured homes, boats, other rolling stock and related equipment of every kind now existing or hereafter acquired and all additions and accessories thereto, whether located on any property owned or leased by Debtor or elsewhere;

together with whatever is receivable or received when any of the foregoing or the proceeds thereof are sold, leased, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, including without limitation, all rights to payment, including returned premiums, with respect to any insurance relating to any of the foregoing, and all rights to payment with respect to any claim or cause of action affecting or relating to any of the foregoing (collectively, "Proceeds").

**OFFICIAL RECORDS OF
MARICOPA COUNTY RECORDER
HELEN PURCELL
20120699292 08/07/2012 10:58
ELECTRONIC RECORDING**

83161B-5-1-1--
sarabiam

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER (optional)
B. SEND ACKNOWLEDGMENT TO: (Name and Address)
Snell & Wilmer L.L.P. One Arizona Center Phoenix, Arizona 85004-2202 Attention: Therese Buchanan

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME Pima Utility Company					
OR	1b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
1c. MAILING ADDRESS 9532 E. Riggs Rd.		CITY Sun Lakes	STATE AZ	POSTAL CODE 85248	COUNTRY USA
14. SEE INSTRUCTIONS	ADD'L INFO RE ORGANIZATION DEBTOR	1a. TYPE OF ORGANIZATION corporation	1b. JURISDICTION OF ORGANIZATION Arizona	1c. ORGANIZATIONAL ID #, if any 0086671-9	<input type="checkbox"/> NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME					
OR	2b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
2c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY
24. SEE INSTRUCTIONS	ADD'L INFO RE ORGANIZATION DEBTOR	2a. TYPE OF ORGANIZATION	2b. JURISDICTION OF ORGANIZATION	2c. ORGANIZATIONAL ID #, if any	<input type="checkbox"/> NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME Wells Fargo Bank, National Association					
OR	3b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
3c. MAILING ADDRESS 100 West Washington, 25th Floor		CITY Phoenix	STATE AZ	POSTAL CODE 85003	COUNTRY USA

4. This FINANCING STATEMENT covers the following collateral:

See Exhibit A attached hereto and made a part hereof.

5. ALTERNATIVE DESIGNATION (if applicable)	LESSOR/LESSEE	COVERED BY CO-SIGNOR	BALEE/SALOR	SELLER/BUYER	AS LEND	NON-UCC FILING
6. <input checked="" type="checkbox"/> THIS FINANCING STATEMENT IS TO BE FILED (or recorded) IN THE PUBLIC UTILITY RECORDS - (if applicable)	7. CHECKS REQUIRED (SEARCH) REPORT (to be done)	8. ALL Debtors	Debtor 1	Debtor 2		

To be filed with Maricopa County, Arizona

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

8. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

8a. ORGANIZATION'S NAME
Pima Utility Company

OR

8b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME/SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only 210 name (11a or 11b) - do not abbreviate or combine names

11a. ORGANIZATION'S NAME

OR

11b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

11c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

11d. **SEE INSTRUCTIONS** ADDL. INFO RE ORGANIZATION DEBTOR 11e. TYPE OF ORGANIZATION 11f. JURISDICTION OF ORGANIZATION 11g. ORGANIZATIONAL ID #, if any NONE

12. ADDITIONAL SECURED PARTY'S or ASSIGNOR S/P'S NAME - insert only 210 name (12a or 12b)

12a. ORGANIZATION'S NAME

OR

12b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

12c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

13. This FINANCING STATEMENT secures **liabilities to be out of** or **as-selected collateral, or is filed as a** **fixture filing.**

14. Description of real estate:

The Collateral includes fixtures located on the real property described on Exhibit B attached hereto and made a part hereof.

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

16. Additional collateral description:

17. Check only if applicable and check only one box.
 Debtor is a Trust or Trustee acting with respect to property held in trust or Decedent's Estate

18. Check only if applicable and check only one box.
 Debtor is a TRANSMITTING UTILITY
 Filed in connection with a Manufactured-Home Transaction
 Filed in connection with a Public-Utility Transaction

EXHIBIT A

The Collateral consists of all right, title and interest of Debtor in and to the following:

(a) all revenues, accounts, deposit accounts, contract rights, chattel paper (whether electronic or tangible), instruments, promissory notes, documents, general intangibles, payment intangibles, software, letter of credit rights, health-care insurance receivables and other rights to payment of every kind now existing or at any time hereafter arising (including, without limitation, all revenues, profits and payments arising from the business and operations of Debtor at any time due or to become due to Debtor);

(b) all inventory, goods held for sale or lease or to be furnished under contracts for service, or goods so leased or furnished, raw materials, component parts, work in process and other materials used or consumed in Debtor's business, now or at any time hereafter owned or acquired by Debtor, wherever located, and all products thereof, whether in the possession of Debtor, any warehousemen, any bailee or any other person, or in process- of delivery, and whether located at Debtor's places of business or elsewhere;

(c) all warehouse receipts, bills of sale, bills of lading and other documents of every kind (whether or not negotiable) in which Debtor now has or at any time hereafter acquires any interest, and all additions and accessions thereto, whether in the possession or custody of Debtor, any bailee or any other person for any purpose;

(d) all money and property heretofore, now or hereafter delivered to or deposited with Bank or otherwise coming into the possession, custody or control of Bank (or any agent or bailee of Bank) in any manner or for any purpose whatsoever during the existence of this Agreement and whether held in a general or special account or deposit for safekeeping or otherwise;

(e) all right, title and interest of Debtor under licenses, guaranties, warranties, management agreements, marketing or sales agreements, escrow contracts, indemnity agreements, insurance policies, service or maintenance agreements, supporting obligations and other similar contracts of every kind in which Debtor now has or at any time hereafter shall have an interest;

(f) all goods, tools, machinery, furnishings, furniture and other equipment and fixtures of every kind now existing or hereafter acquired, and all improvements, replacements, accessions and additions thereto and embedded software included therein, whether located on any property owned or leased by Debtor or elsewhere, including without limitation, any of the foregoing now or at any time hereafter located at or installed on the land or in the improvements at any of the real property owned or leased by Debtor, and all such goods after they have been severed and removed from any of said real property; and

(g) all motor vehicles, trailers, mobile homes, manufactured homes, boats, other rolling stock and related equipment of every kind now existing or hereafter acquired and all additions and accessories thereto, whether located on any property owned or leased by Debtor or elsewhere;

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together with whatever is receivable or received when any of the foregoing or the proceeds thereof are sold, leased, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, including without limitation, all rights to payment, including returned premiums, with respect to any insurance relating to any of the foregoing, and all rights to payment with respect to any claim or cause of action affecting or relating to any of the foregoing (collectively, "Proceeds").

EXHIBIT B

That portion of the Northwest quarter of the Southwest quarter of Section 30, Township 2 South, Range 5 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, in an unincorporated area of the County of Maricopa, State of Arizona, described as follows:

COMMENCING at the West quarter corner of said Section 30;

Thence Southerly along the Westerly line of said Section 30 South 00 degrees. 12 minutes 20 seconds West a distance of 615.41 feet;

Thence Easterly at right angles to said Westerly line South 89 degrees 47 minutes 40 seconds East a distance of 55.00 feet to a line parallel with and distant 55.00 feet Easterly, measured at right angles, from said Westerly line, said point being the POINT OF BEGINNING;

Thence continuing Easterly at right angles to said Westerly line South 89 degrees 47 minutes 40 seconds East a distance of 475.00 feet;

Thence Southerly at right angles to last said course South 00 degrees 12 minutes 20 seconds West a distance of 361.50 feet;

Thence Westerly at right angles to last said course North 89 degrees 47 minutes 40 seconds West a distance of 460.00 feet to the beginning of a tangent curve concave Northeasterly and having a radius of 15.00 feet;

Thence Northwesterly along said tangent curve through a central angle of 90 degrees 00 minutes 00 seconds an arc distance of 23.56 feet to a point of tangency on said parallel line;

Thence Northerly along said parallel line North 00 degrees 12 minutes 20 seconds East a distance of 346.50 feet to the POINT OF BEGINNING.