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Arizona Corporation Commission

DOCKETED

APR 12 2013

AZ CORPORATION COMMISSION
DOCKET CONTROL

DOCKETED BY

NR

1 COMMISSIONERS

2 BOB STUMP – Chairman
3 GARY PIERCE
4 BRENDA BURNS
5 BOB BURNS
6 SUSAN BITTER SMITH

7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8 IN THE MATTER OF THE APPLICATION
9 OF MONTEZUMA RIMROCK WATER
10 COMPANY, LLC FOR APPROVAL OF
11 FINANCING TO INSTALL A WATER LINE
12 FROM THE WELL ON TIEMAN TO WELL
13 NO. 1 ON TOWERS.

Docket No. W-04254A-12-0204

14 IN THE MATTER OF THE APPLICATION
15 OF MONTEZUMA RIMROCK WATER
16 COMPANY, LLC FOR APPROVAL OF
17 FINANCING TO PURCHASE THE WELL
18 NO. 4 SITE AND THE COMPANY
19 VEHICLE.

Docket No. W-04254A-12-0205

20 IN THE MATTER OF THE APPLICATION
21 OF MONTEZUMA RIMROCK WATER
22 COMPANY, LLC FOR APPROVAL OF
23 FINANCING FOR AN 8,000-GALLON
24 HYDRO-PNEUMATIC TANK.

Docket No. W-04254A-12-0206

25 IN THE MATTER OF THE RATE
26 APPLICATION OF MONTEZUMA
RIMROCK WATER COMPANY, LLC.

Docket No. W-04254A-12-0207

27 JOHN E. DOUGHERTY,
28
29 COMPLAINANT,
30
31 V.
32 MONTEZUMA RIMROCK WATER
33 COMPANY, LLC
34
35 RESPONDENT

Docket No. W-04254A-11-0323

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IN THE MATTER OF THE APPLICATION OF MONTEZUMA RIMROCK WATER COMPANY, LLC FOR APPROVAL OF A RATE INCREASE.

Docket No. W-04254A -08-0361

IN THE MATTER OF THE APPLICATION OF MONTEZUMA RIMROCK WATER COMPANY, LLC FOR APPROVAL OF A FINANCING APPLICATION.

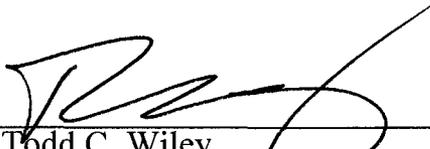
Docket No. W-04254A -08-0362

NOTICE OF FILING FINANCING APPLICATIONS

Montezuma Rimrock Water Company LLC hereby files the attached finance applications for approval in the pending rate case. Specifically, the Company seeks financing approval for four 20,000 gallon storage tanks as set forth in the Financing Application attached as Exhibit A. The Company also seeks financing approval for the lease with Nile River Leasing for the arsenic treatment building as set forth in the Financing Application attached as Exhibit B.¹ Finally, the Company seeks financing approval for the lease with Financial Pacific Leasing for the arsenic treatment facility as set forth in the Financing Application attached as Exhibit C. The Company requests that these financing applications be reviewed and approved in the pending rate case.

RESPECTFULLY SUBMITTED this 12th day of April, 2013.

FENNEMORE CRAIG

By 
Todd C. Wiley
2394 E. Camelback Road, Suite 600
Phoenix, AZ 85016
Attorneys for Montezuma Rimrock Water Company, LLC.

¹ MRWC does not believe that the Nile River Lease qualifies as a capital lease, but the Company is willing to submit that lease to the Commission for review and approval. It also should be noted that, on January 14, 2013, intervenor Mr. Dougherty requested that the Company be required to submit the Nile River and Financial Pacific lease agreement for approval by the Commission as part of the ongoing rate case application.

1 An original and 13 copies
2 of the foregoing was filed
3 this 12th day of April, 2013,
4 with:

5 Docket Control
6 Arizona Corporation Commission
7 1200 West Washington Street
8 Phoenix, Arizona 85007

9 A copy of the foregoing
10 was hand delivered/mailed/emailed this
11 12th day of April, 2013, to:

12 Sarah N. Harpring
13 Administrative Law Judge
14 Arizona Corporation Commission
15 1200 W. Washington
16 Phoenix, Arizona 85007

17 Charles Hains
18 Wes Van Cleve
19 Legal Division
20 Arizona Corporation Commission
21 1200 W. Washington
22 Phoenix, Arizona 85007

23 Steve Olea
24 Utilities Division
25 Arizona Corporation Commission
26 1200 W. Washington
Phoenix, Arizona 85007

John E. Dougherty, III
P.O. Box 501
Rimrock, Arizona 86335



8088968.1/028469.0003

EXHIBIT A

Storage Tank

ARIZONA CORPORATION COMMISSION



FINANCING APPLICATION

Montezumza Rimrock Water Company LLC
UTILITY NAME

W-04254A-12-0204 et. al.
DOCKET NO(S)

You must complete ALL items in the application according to the instructions provided. If you have any questions regarding the application please call (602) 542-4251 for Staff assistance.

IN ORDER TO PROCESS YOUR APPLICATION
PLEASE FORWARD THE ORIGINAL
AND THIRTEEN COPIES OF THE
APPLICATION PLUS
THREE PACKETS OF THE SUPPORTING
DOCUMENTATION TO:

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL CENTER
1200 WEST WASHINGTON STREET
PHOENIX, ARIZONA 85007

Application for financing approval pursuant to ARS 40-301 and 40-302 information:

1. Montezuma Rimrock Water Company, LLC
Patricia D. Olsen, Manager
3031 E. Beaver Creek Road, Rimrock, AZ 86335
928-592-9211

2. Statutory Agent:
Patricia D. Olsen
3031 E. Beaver Creek Road, Rimrock, AZ 86335
928-592-9211

3. Promissory Note
WIFA
Proposal Submittal: \$108,000
Four 20,000 gallon storage tanks at \$22,000 each and an additional \$20,000 for engineering, permitting, and installation.

4. The Finance Application is within the corporate powers of the applicant and compatible with the public interest. The storage tanks are necessary for the adequate supply of potable water and fire flow demand storage.

PUBLIC NOTICE
OF
AN APPLICATION FOR AN ORDER

AUTHORIZING THE ISSUANCE OF Promissory Note (security)
BY Montezuma Rimrock Water Company LLC (MRWC) (company)

MRWC ("Company") filed an Application with the Arizona Corporation Commission ("Commission") for an order authorizing Applicant to issue \$ 108,000 (gross proceeds) of Promissory Note (security to be issued). The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's offices in Rimrock, Arizona.

Intervention in the Commission's proceedings on the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon applicant and which, at a minimum, shall contain the following information:

1. The name, address and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15th day after this notice.

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 101961	\$
460	Unmetered Water Revenue		
474	Other Water Revenues		
	TOTAL REVENUES	\$ 101961	\$ 101276
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 14802	\$
610	Purchased Water	994	686
615	Purchased Power	6600	6064
618	Chemicals	610	711
620	Repairs and Maintenance	19490	8047
621	Office Supplies and Expense	9620	13160
630	Outside Services	7132	15890
635	Water Testing	2675	1000
641	Rents	5800	7983
650	Transportation Expenses	9279	9352
657	Insurance – General Liability	5897	4948
659	Insurance - Health and Life	3902	1597
666	Regulatory Commission Expense – Rate Case	1870	886
675	Miscellaneous Expense	2675	2477
403	Depreciation Expense	10935	7367
408	Taxes Other Than Income	9020	10291
408.11	Property Taxes	3484	3098
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 114785	\$ 93537
	OPERATING INCOME/(LOSS)	\$ <12824>	\$ 7739
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses	<292>	
427	Interest Expense	<2244>	<2773>
	TOTAL OTHER INCOME/(EXPENSE)	\$ <2536>	\$ <2773>
	NET INCOME/(LOSS)	\$ <15360>	\$ 4946

BALANCE SHEET

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 1514	\$ 1894
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable		
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies	377	377
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 1891	\$ 2271
	FIXED ASSETS		
101	Utility Plant in Service	\$ 529342	\$ 547477
103	Property Held for Future Use		
105	Construction Work in Progress		155
108	Accumulated Depreciation – Utility Plant	<220868>	<234721>
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 306474	\$ 312911
	TOTAL ASSETS	\$ 310365	\$ 315182

NOTE: The Assets on this page should be equal to Total Liabilities and Capital on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
LIABILITIES			
CURRENT LIABILITES			
231	Accounts Payable	\$ 2000	\$
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	26855	32163
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 27055	\$ 32163
LONG-TERM DEBT (Over 12 Months)			
224	Long-Term Notes and Bonds	\$ 28611	\$ 17728
DEFERRED CREDITS			
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	28575	30986
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	252556	257742
272	Less: Amortization of Contributions	<73388>	<36891>
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 207743	\$ 251837
	TOTAL LIABILITIES	\$ 263209	\$ 301726
CAPITAL ACCOUNTS			
201	Common Stock Issued	\$	\$
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	4712	11901
218	Proprietary Capital (Sole Props and Partnerships)	40444	1555
	TOTAL CAPITAL	\$ 45156	\$ 13456
	TOTAL LIABILITIES AND CAPITAL	\$ 310365	\$ 315182

CASHION TANK & STEEL CO.
SPECIALIZING IN TANK CONSTRUCTION & ERECTION

(623)932-3380
(623)932-3381 FAX

P O BOX 306
CASHION, AZ 85329

March 21, 2013

Montezuma Rim Rock Water Company
P O Box 10
Montezuma, AZ 86835

ATTN: Patricia

Gentleman,

We propose to build one 20,000 gallon water storage tank 12' X 24' high
in our yard.

The tank will include the following:

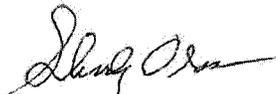
1/4" floor	3/16" roof
3/16" shell	Ladder inside & outside
Fittings to the first flange	24" top manway
Gaugeboard	1-26" shell manway

The tank will be sandblasted and painted to AWWA Inside System #1 Epoxy and
Outside System # 1 color of your choice.

Price on the tank will be \$22,000 for each tank. We require 50% to be paid as a down
payment and the remainder to be paid on completion, this does not include delivery

Thank you for the opportunity to quote on this project.

Sincerely,



SHIRLEY OLSON
CASHION TANK & STEEL

ACCEPTED BY

Date _____

DRINKING WATER APPLICATION
Water Infrastructure Finance Authority of Arizona (WIFA)
Financial Assistance Project Priority List Application

APPLICATION NUMBER: DW-033-2013 | Print

SECTION 1: APPLICATION INFORMATION

- 1.1 Applicant: Montezuma Rimrock Water Compa Job Title: President
- 1.2 Contact Names: First Patricia Middle Initial: _____ Last: Olsen
- 1.3 Address: 3031 E. Beaver Creek Rd. City: Rimrock State: AZ Zip: 86335
- 1.4 Phone: (928) 592-9211 Fax: _____ E-Mail: patsy@montezumawater.com
- 1.5 County in Which Project is Located: Yavapai
- 1.6 Number of Connections to System: 210 Population Served by the System: 450
- 1.7 Average Monthly Residential Fee (Base + Use): \$35.00
- 1.8 Existing Debt (principal only) Payable by System Users: \$0.00
- 1.9 Population of City or Town: 00 Median Household Income: \$37,904.00
- 1.10 ADEQ System Identification Number (PWS #): 13071
- 1.11 Is the system ACC regulated? Yes No
- 1.12 Has this project received prior year WIFA funding?
- Yes, request is for a multi-year construction project that received assistance from WIFA in a previous funding cycle
 - Yes, request is to construct a project that received pre-design or design financial or technical assistance from WIFA in a previous funding cycle
 - Yes, request is for additional financial assistance to offset actual costs or justified overruns
 - No
- 1.13 Is your system registered with the E-Verify Program? Yes No
(You will be required to provide proof of participation prior to the execution of a loan or grant agreement.)

SECTION 2: PROPOSED DRINKING WATER FINANCIAL ASSISTANCE PROJECT

- 2.1 Project Title/Name: Storage Tank Replacement
- 2.2 Type of loan required during this funding cycle? Design \$20,000.00 and/or Construction \$88,000.00
- 2.3 Briefly summarize the problem below. *(Mail or upload any supporting documentation)*

The two current 10,000 gallon storage tanks leak profusely. When originally constructed, they were not epoxy coated. They have been repaired numerous times and are beyond repair.

- 2.4 Briefly summarize the solution below.

The distribution system is comprised of two zones. In order to meet the customer demand and fire flow demand, two 40,000 gallon storage tanks must be constructed.

- 2.5 Project Purpose: *(Select only one)*
- Assist Non-Compliant Systems to Achieve Compliance
 - Assist Compliant Systems to Meet Future Requirements
 - Assist Compliant Systems to Maintain Compliance
 - Other *(Not Compliance Related)*

SECTION 3: EXISTING CONDITIONS AND PROJECT BENEFITS

- 3.1 Select Expected Project Benefit(s)
- Compliance - Existing Requirements
 - Compliance - Future Requirements
 - Expanded Service
 - Reduce Public Health Risks

3.2 Water System Improvement

Proposed Project addresses deficiencies identified by ADEQ

3.3 Consolidation and Regionalization

- Interconnecting the physical facilities of two or more existing water systems.
- Extending service to existing areas currently served by another water system.
- Consolidating the operations of multiple water systems.
- Consolidating the ownership of multiple water systems.

3.4 Water and Energy Efficiency Index

- 50 to 100% of total project costs are for water or energy efficiency components or environmentally innovative approaches.
- 10% to 49% of project costs are for water or energy efficiency components or environmentally innovative approaches.
- less than 10% of the project costs are for any water or energy efficiency components or environmentally innovative approaches.

Project's green components

Water loss due to current unrepairable storage tanks varies between 10% to 30% each month.

3.5 System Compliance **must mail or upload supporting documents*

- Notice of violations and/or consent orders from regulatory agency *
- In compliance

SECTION 4: READINESS TO PROCEED INDICATORS

4.1 Debt Authorization?

(For more information, see [WIFA Debt Authorization Guidance Document](#))

- Yes No

Enter authorization/expected authorization date: _____ [mm/dd/yyyy]

(mail or upload copy of official governing body debt authorization resolution, election results or ACC order)

4.2 Project Design *(Select only one)*

- Project is in planning stages
- Engineer has been selected
- Currently under design
- Ready for construction

Enter design completion/anticipated design completion date: 7/30/2013 [mm/dd/yyyy]

4.3 Applicable Plan and Specification Approvals *(Select only one)*

- Approval to construct has been obtained
- Plans and specification have been submitted to permitting agency for approval
- Design has not been completed
- Other or not applicable

Enter permit/anticipated permit(s) receipt date: _____ [mm/dd/yyyy]

If not applicable or if multiple permits are required, please explain:

4.4 Project Bids *(Select only one)*

- Project is not ready for bid
- Project is currently out for bid
- Bidding is complete

Enter bid/anticipated bid award date: date: _____ [mm/dd/yyyy]

4.5 Project Construction

When do you plan to begin project construction? If you may need to begin the project before the requested financial assistance is awarded, please provide details.

October 30, 2013

SECTION 5: REQUESTED AMOUNT AND CERTIFICATION/APPROVAL

5.1 Estimated Date WIFA Funding Required: 10/30/2013 [mm/dd/yyyy]

5.2 Estimated Financial Assistance Costs & Funding Source

Funding Source	Project Costs
Amount funded locally:	<u>\$0.00</u>

Amount requested from WIFA for this project: \$108,000.00
Other source: _____ \$0.00

Total: \$108,000.00

5.3 As the Authorized Representative, I certify that the information contained in this application is, to the best of my knowledge, true, accurate, and correct.

First Name	Last Name	Title
<u>Patricia</u>	<u>Olsen</u>	<u>President</u>

Authorized Signature: _____ Date: _____

Please mail it to:
Water Infrastructure Finance Authority of Arizona
1110 West Washington, Suite 290, Phoenix, Arizona 85007

Environmental Review Checklist Drinking Water Projects

Please complete the following checklist to allow WIFA to determine the necessary environmental review requirements for the proposed project. Please contact Sara Komrad at (602) 364-1319 or skomrad@azwifa.gov with any questions. Once completed, please print it, sign the last page, and upload it to your e-Apps application.

Section 1. General Information

Applicant Name: Montezuma Rimrock Water Company LLC

Project Contact: Patricia Olson Phone Number: (928) 592-9211 Date:

Project Title: DW-033-2013 - Storage Tank Replacement

Physical Location: 4599 E. Goldmine Rd.

Section 2. Categorical Exclusions

A project for which the answer to statements 1 is "yes" may be eligible for a Categorical Exclusion. However, if any of the statements from 1a. through 1e. is answered "yes," then the project is not eligible for a Categorical Exclusion. [A.A.C. R-18-15-106(B)]

- 1. Yes No The project relates to existing infrastructure systems and involves minor upgrading, minor expansion of system capacity, rehabilitation (including functional replacement) of the existing system and system components, or construction of new minor ancillary facilities adjacent to or on the same property as existing facilities.
- 1a. Yes No The project involves new or relocated discharges to surface water or groundwater.
- 1b. Yes No The project will likely result in the substantial increase in the volume or the loading of pollutant to the receiving water.
- 1c. Yes No The project will provide capacity to serve a population 30% greater than the existing population.
- 1d. Yes No A state or other regional growth plan or strategy does not support this project. Answering "yes" indicates that the project is not supported.
- 1e. Yes No The project directly or indirectly involves or relates to upgrading or extending infrastructure systems primarily for the purposes of future development.

Section 3. Extraordinary Circumstances

[A.A.C. R-18-15-106(C)] If any of the following extraordinary circumstances apply to the project, it is not eligible for a Categorical Exclusion.

- 1. Yes No The project is known or expected to have potentially significant adverse environmental impacts on the quality of the human environment either individually or cumulatively over time.
- 2. Yes No The project is known or expected to have disproportionately high and adverse human health or environmental effects on any community, including minority, low-income, or federally-recognized Indian tribal communities.
- 3. Yes No The project is known or expected to significantly affect federally listed threatened or endangered species or their critical habitat.
- 4. Yes No The project is known or expected to significantly affect national natural landmarks or any property with nationally significant historic, architectural, prehistoric, archeological, or cultural value, including but not limited to, property listed on or eligible for the Arizona or National Registers of Historic Places. <http://azstateparks.com/SIIPQ/rsview.htm>
- 5. Yes No The project is known or expected to significantly affect environmentally important natural resource areas such as:
 - 5a. Yes No wetlands.
 - 5b. Yes No floodplains.
 - 5c. Yes No significant agricultural lands.

- 5d. Yes No aquifer recharge zones.
- 5e. Yes No wild and scenic rivers. <http://www.rivers.gov/wildriverslist.html>
- 5f. Yes No significant fish or wildlife habitat Complete the Arizona Game and Fish On-Line Environmental Review Tool at <http://www.azgaf.gov/egis> and upload receipt to e-Apps.
- 5g. Yes No other environmentally important natural resource areas.
- 6. Yes No The project is known or expected to cause significant adverse air quality effects.
- 7. Yes No The project is known or expected to have a significant effect on the pattern and type of land use or growth and distribution of population, including altering the character of existing residential areas, or may not be consistent with state or local government, or federally-recognized Indian tribe approved land use or federal land management plans.
- 8. Yes No The project is known or expected to cause significant public controversy about a potential environmental impact of the proposed action.
- 9. Yes No The project is known or expected to be associated with providing financial assistance to a federal agency through an interagency agreement for a project that is known or expected to have potentially significant environmental impacts.
- 10. Yes No The project is known or expected to conflict with federal, state, or local government, or federally-recognized Indian tribe environmental, resource-protection, or land-use laws or regulations.

Section 4. Special conditions

- 1. Yes No The project is for planning purposes only and does not include design or construction.
**If yes, the project may be exempt from environmental review requirements.*
- 2. Yes No An Environmental Assessment under NEPA has been conducted for this project or earlier phases of this project.
**If yes, provide a copy of the Environmental Assessment.*

Section 5. Certification

Once completed, please print this document, sign below, and upload it to your e-Apps application.

I verify that the information provided is accurate and complete, I understand that any material misstatement or misleading statement herein is cause for denial or rescission of any approval or approval suspended in connection with this application.

Authorized Signature

Date: 4/11/13

Printed Name

Patricia D. Olsen

Title

Manager

Company/Agency/Tribal Authority

Montezuma Rimrock Water Co

EXHIBIT B

Bw/1/1/13

ARIZONA CORPORATION COMMISSION



FINANCING APPLICATION

Montezumza Rimrock Water Company LLC
UTILITY NAME

W-04254A-12-0204 et. al.
DOCKET NO(S)

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Patricia D. Olsen
3031 E. Beaver Creek Road, Rimrock, AZ 86335
928-592-9211

3. Promissory Note
Nile River Leasing
Proposal Submittal: \$8,000
Storage Building for Arsenic Treatment System located at well site #1

4. The Finance Application is within the corporate powers of the applicant and compatible with the public interest. The storage building is necessary for the protection of the arsenic treatment system.

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122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 306474	\$ 312911
	TOTAL ASSETS	\$ 310365	\$ 315182

NOTE: The Assets on this page should be equal to Total Liabilities and Capital on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITES		
231	Accounts Payable	\$ 2000	\$
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	26855	32163
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 27055	\$ 32163
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ 28611	\$ 17728
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	28575	30986
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	252556	257742
272	Less: Amortization of Contributions	<73388>	<36891>
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 207743	\$ 251837
	TOTAL LIABILITIES	\$ 263209	\$ 301726
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$	\$
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	4712	11901
218	Proprietary Capital (Sole Props and Partnerships)	40444	1555
	TOTAL CAPITAL	\$ 45156	\$ 13456
	TOTAL LIABILITIES AND CAPITAL	\$ 310365	\$ 315182

Lessor: NILE RIVER LEASING, L.L.C. 9526 N. 46 TH ST. PHOENIX, AZ 85028 Ph. (480) 607-6800 Toll Free (888) 607-6800		Lease Number >
Full Legal Name and Place of Business of Lessee > MONTEZUMA RIMROCK WATER COMPANY LLC > PO BOX 10 > RIMROCK, AZ 86335		Place of incorporation or organization or, if an individual, location of principal residence. > > ARIZONA
Quantity Equipment Leased	Description, Model #, Catalog #, Serial #, or other Identification > 1 - ARSENIC BUILDING PLANT BUILDING CONSTRUCTION WITH ELECTRICAL CONNECTION - SIZE: 10 X 20 X 10 FEET	
Equipment Location if Different	> 4599 E. GOLDMINE RD., RIMROCK, AZ 86335	
Terms >	Amount of Each Payment (plus Sales or Use Tax, if applicable) > \$ 342.09	<input checked="" type="checkbox"/> Monthly <input type="checkbox"/> Other Specify:
	Terms of Lease > 36	No. of Payments > 36
	Advanced Payment/Security Deposit > \$ 734.46	

TERMS AND CONDITIONS OF LEASE

- LEASE.** Lessee hereby leases from Lessor, and Lessor leases to Lessee, the equipment and other property described above, together with any replacement parts, additions, repairs or accessories now or hereafter incorporated in or affixed thereto (hereinafter referred to as the "Equipment").
- ACCEPTANCE OF EQUIPMENT.** Lessee agrees to inspect the Equipment and to execute an Acknowledgement and Acceptance of Equipment by Lessee notice, as provided by Lessor, after the Equipment has been delivered and after Lessee it satisfied that the Equipment is satisfactory in every respect. Lessee hereby authorizes Lessor to insert in this Lease serial numbers or other identifying data with regard to the Equipment.
- DISCLAIMER OF WARRANTIES AND CLAIMS; LIMITATION OF REMEDIES.** THERE ARE NO WARRANTIES BY OR ON BEHALF OF LESSOR. Lessee acknowledges and agrees by his signature below as follows: (a) LESSOR MAKES NO WARRANTIES EITHER EXPRESSED OR IMPLIED AS TO THE CONDITION OF THE EQUIPMENT, ITS MERCHANTABILITY, ITS FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE, ITS DESIGN, ITS CAPACITY, ITS QUALITY, OR WITH RESPECT TO ANY CHARACTERISTICS OF THE EQUIPMENT; (b) Lessee has fully inspected the Equipment which it has requested Lessor to acquire and lease to Lessee, and the Equipment is in good condition and to Lessee's complete satisfaction; (c) Lessee leases the Equipment "as is" and with all faults; (d) Lessee specifically acknowledges that the Equipment is leased to Lessee solely for commercial or business purposes and not for personal, family, household, or agricultural purposes; (e) LESSEE SHALL HAVE NO REMEDY FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES AGAINST LESSOR; and (f) NO DEFECT, DAMAGE, OR UNFITNESS OF THE EQUIPMENT FOR ANY PURPOSE SHALL RELIEVE LESSEE OF THE OBLIGATION TO PAY RENT OR RELIEVE LESSEE OF ANY OTHER OBLIGATION UNDER THIS LEASE.
- ASSIGNMENT BY LESSEE PROHIBITED.** WITHOUT LESSOR'S PRIOR WRITTEN CONSENT, LESSEE SHALL NOT ASSIGN THIS LEASE OR SUBLEASE THE EQUIPMENT OR ANY INTEREST THEREIN, OR PLEDGE OR TRANSFER THIS LEASE, OR OTHERWISE DISPOSE OF THE EQUIPMENT COVERED HEREBY.
- COMMENCEMENT; RENTAL PAYMENTS; INTERIM RENTALS.** This Lease shall commence upon the written acceptance hereof by Lessor and shall end upon the full performance and observance by Lessee of each and every term, condition and covenant set forth in this Lease, any Schedules hereto and any extensions hereof. Rental payments shall be in the amounts and frequency as set forth on the face of this Lease or any Schedules hereto. In addition to regular rentals, Lessee shall pay to Lessor interim rent for the use of the Equipment prior to the due date of the first payment. Interim rent shall be in an amount equal to 1/30th of the monthly rental, multiplied by the number of days elapsing between the date in which the Equipment is accepted by Lessee and the commencement date of this Lease, together with the number of days elapsing between commencement of the Lease and the due date of the first payment. The payment of interim rent shall be due and payable upon Lessee's receipt of invoice from Lessor. The rental period under the Lease shall terminate following the last day of the term stated on the face hereof or in any Schedule hereto unless such Lease or Schedule has been extended or otherwise modified. Lessor shall have no obligation to Lessee under this Lease if the Equipment, for whatever reason, is not delivered to Lessee within ninety (90) days after Lessee signs this Lease.

THIS LEASE IS NOT CANCELABLE OR TERMINABLE BY LESSEE.

LESSEE UNDERSTANDS AND ACKNOWLEDGES THAT NO BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER, IS AN AGENT OF LESSOR OR BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER, IS AUTHORIZED TO WAIVE OR ALTER ANY TERM OR CONDITION OF THIS LEASE, AND NO REPRESENTATION AS TO THE EQUIPMENT OR ANY OTHER MATTER BY THE BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER, SHALL IN ANY WAY AFFECT LESSEE'S DUTY TO PAY THE RENTALS AND TO PERFORM LESSEE'S OBLIGATIONS SET FORTH IN THIS LEASE.

6. **CHOICE OF LAW.** This Lease shall not be effective until signed by Lessor at its principal office listed above. This Lease shall be considered to have been made in the State of Arizona and shall be interpreted in accordance with the laws and regulations of the State of Arizona. Lessee agrees to jurisdiction in the State of Arizona in any action, suit, arbitration or proceeding regarding this Lease. In the event of any legal action with regard to the Lease or the Equipment covered hereby, Lessee agrees that venue shall be maintained in Maricopa County, Arizona.

7. **SECURITY DEPOSIT.** As security for the prompt and complete payment of the amounts due under this Lease, and Lessee's complete performance of all its obligations under this Lease, and any extension or renewal hereof, Lessee has deposited with Lessor the amount set forth in the section shown as "Security Deposit." In the event any default shall be made in the performance of any Lessee's obligations under this Lease, Lessor shall have the right, but shall not be obligated, to apply the security deposit to the curing of such default. Within 15 days after Lessor mails notice to Lessee that Lessor has applied any portion of the security deposit to the amount of any default, Lessee shall restore said security deposit to the full amount set forth above. On the expiration or earlier termination or cancellation of this Lease, or any extension or renewal hereof, provided Lessee has paid all of the rent called for and fully performed all other provisions of this Lease, Lessor will return to the Lessee any then remaining balance of said security deposit, without interest. Said security deposit may be commingled with Lessor's other funds.

8. **LIMITED PREARRANGED AMENDMENTS; SPECIFIC POWER OF ATTORNEY.** In the event it is necessary to amend the terms of the Lease to reflect a change in one or more of the following conditions: (a) Lessor's actual cost of providing the Equipment to Lessee, or (b) A change in rental payments, or (c) Description of the Equipment, then Lessee agrees that any such amendment shall be described in a letter from Lessor to Lessee, and unless within 15 days after the date of such letter Lessee objects in writing to Lessor, this Lease shall be deemed amended and such amendments shall be incorporated in this Lease herein as if originally set forth. Lessee grants to Lessor a specific power of attorney for Lessor to use as follows: (i) Lessor may sign and file on Lessee's behalf any document Lessor deems necessary to perfect or protect Lessor's interest in the Equipment or pursuant to the Uniform Commercial Code; and (ii) Lessor may sign, endorse or negotiate for Lessor's benefit any instrument representing proceeds from any policy of insurance covering the Equipment.

9. **LOCATION.** The Equipment shall be kept at the location specified above, or, if none is specified, at Lessee's address as set forth above, and shall not be removed without Lessor's prior written consent. Notwithstanding this provision, should Lessee change the location of the Equipment without first obtaining Lessor's consent, then Lessee shall immediately provide Lessor with the new location of the Equipment.

10. **USE.** Lessee shall use the Equipment in a careful manner, make as necessary repairs at Lessee's expense, shall comply with all laws relating to its possession, use, or maintenance, and shall not make any alterations, additions, or improvements to the Equipment without Lessor's prior written consent. All additions, repairs or improvements made to the Equipment shall belong to Lessor.

11. **OWNERSHIP; PERSONALTY.** The Equipment is, and shall remain, the property of Lessor, and Lessee shall have no right, title, or interest in the Equipment except as expressly set forth in this Lease.

LESSEE ACKNOWLEDGEMENTS. Lessee acknowledges the following: (a) Lessee's full and accurate legal name is as provided on page one of this Lease; (b) Lessee is a corporation () partnership () individual (); (c) Lessee is (if an organization) duly organized, validly existing and in good standing under the laws of the jurisdiction set forth on page one of this Lease.

LESSEE: MONTEZUMA RIMROCK WATER COMPANY LLC

LESSOR: NILE RIVER LEASING, L.L.C.

Date: 3/22/12

Date: 3/27/12

12. **SURRENDER.** By this Lease, Lessee acquires no ownership rights in the Equipment, and has no option to purchase same unless said option is incorporated herein by an attached Rider. Upon the expiration or earlier termination or cancellation of this Lease, or in the event of a default under Paragraph 20 hereof, Lessee, at its expense, shall return the Equipment in good repair, ordinary wear and tear resulting from proper use thereof alone excepted, by delivering it, packed and ready for shipment, to such place as Lessor may specify.

13. **RENEWAL.** As the expiration of the Lease, Lessee shall return the Equipment in accordance with Paragraph 12 hereof. At Lessor's option, this Lease may be continued on a month-to-month basis until 30 days after Lessee returns the Equipment to Lessor. In the event the Lease is so continued, Lessee shall pay to Lessor rentals in the same periodic amounts as is indicated under the section entitled Amount of Each Payment above.

14. **LOSS AND DAMAGE.** Lessee shall at all times after signing the Lease bear the entire risk loss, theft, damage or destruction of the Equipment from any cause whatsoever, and no loss, theft, damage or destruction of the Equipment shall relieve Lessee of the obligation to pay rent or to comply with any other obligation under this Lease, in the event of damage to any part of the Equipment, Lessee shall immediately place the same in good repair as Lessee's expense. If Lessor determines that any part of the Equipment is lost, stolen, destroyed, or damaged beyond repair, Lessee shall, at Lessee's option, do one of the following: (a) Replace the same with like equipment in good repair, acceptable to Lessor; or (b) Pay Lessor in cash the following: (i) all amounts due by Lessee to Lessor under this Lease up to the date of the loss, (ii) the accelerated balance of the total amounts due for the remaining term of this Lease attributable to said item; discounted to present value at a discount rate of 6% as of the date of loss; and (iii) the Lessor's estimate as of the time the Lease was entered into of Lessor's residual interest in the Equipment, discounted to present value at a discount rate of 6%, as of the date of loss. Upon Lessor's receipt of payment as set forth above, Lessee shall be entitled to receive title to the Equipment without any warranties. If insurance proceeds are used to fully comply with this subparagraph, the balance of any such proceeds shall go to Lessee to compensate for loss of use of the Equipment for the remaining term of the Lease.

15. **INSURANCE; LIENS; TAXES.** Lessee shall provide and maintain insurance against loss, theft, damage, or destruction of the Equipment in an amount not less than the full replacement value of the Equipment, with loss payable to the Lessor. Lessee also shall provide and maintain comprehensive general all-risk liability insurance including but not limited to product liability coverage, insuring Lessor and Lessee, with a severability of interest endorsement, or its equivalent, against any and all loss or liability for all damages, either to persons or property or otherwise, which might result in or happen in connection with the condition, use, or operation of the Equipment, with such limits and an insurer satisfactory to Lessor. Each policy shall expressly provide that said insurance as to Lessor and its assignee shall not be invalidated by any act, omission, or neglect of Lessee and cannot be canceled without 30 days prior written notice to Lessor. As to each policy Lessee shall furnish to Lessor a certificate of insurance from the insurer, which certificate shall evidence the insurance coverage required by the paragraph. Lessor shall have no obligation to ascertain the existence of or provide any insurance coverage for the Equipment or for Lessee's benefit, if Lessee fails to provide the insurance, Lessor will have the right, but no obligation, to have such insurance protecting Lessor and at Lessee's expense. Such placement will result in an increase in Lessee's periodic payments, the increase being attributed to Lessor's costs of obtaining such insurance and any customary charges or fees of Lessor's or its designee associated with such insurance.

Lessee shall keep the Equipment free and clear of all levies, liens, and encumbrances. Lessee shall pay all charges and taxes (local, state, and federal) which may now or hereafter be imposed upon the ownership, leasing, rental, sale, purchase, possession, or use of the Equipment, excluding, however, all taxes on or measured by Lessor's net income. If Lessee fails to pay said charges or taxes, Lessor shall have the right, but shall not be obligated, to pay such charges or taxes. In that event, Lessor shall notify Lessee of such payment and Lessee shall repay to Lessor the cost thereof within 15 days after such notice is mailed to Lessee.

16. **INDEMNITY.** Lessee shall indemnify Lessor against any claims, actions, damages or liabilities, including all attorney fees incurred out of or connected with the Equipment, without limitation. Such indemnification shall survive the expiration, cancellation, or termination of this Lease. Lessee waives any immunity Lessee may have under any industrial insurance act, with regard to indemnification of Lessor.

17. **ASSIGNMENT BY LESSOR.** Any assignee of Lessor shall have all of the rights but none of the obligations of Lessor under this Lease. Lessee shall recognize and hereby consents to any assignment of the Lease by Lessor, and shall not assert against the assignee any defense, counterclaim, or setoff that Lessee may have against Lessor. Subject to the foregoing, this Lease inures to the benefit of and is binding upon the heirs, devisees, personal representatives, survivors, successors in interest, and assigns of the parties hereto.

18. **SERVICE CHARGES; INTEREST.** If Lessee shall fail to make any payment required by the Lease within 10 days of the due date thereof, Lessee shall pay to Lessor a service charge of 10% of the amount due per month, minimum 25.00 for each month that the payment remains delinquent. In addition, Lessee shall pay to Lessor any actual additional expenses incurred by Lessor in collection efforts, including but not limited to long-distance telephone charges and travel expenses. Lessee shall pay to Lessor interest on any delinquent payment or amount due under this Lease from the due date thereof until paid, at the lesser of the maximum rate of interest allowed by law or 24% per annum.

19. **TIME OF ESSENCE.** Time is of the essence of the Lease, and the provision shall not be impliedly waived by the acceptance on occasion of late or defective performance.

20. **DEFAULT.** Lessee shall be in default if: (a) Lessee shall fail to make any payment due under the terms of this Lease for a period of 10 days from the due date thereof; or (b) Lessee shall fail to observe, keep or perform any other provision of the Lease, and such failure shall continue for a period of 10 days; or (c) Lessee has made any misleading or false statement in connection with application for or performance of the Lease; or (d) The Equipment or any part thereof shall be subject to any lien, levy, seizure, assignment, transfer, bulk transfer encumbrance, application, attachment, execution, sublease, or sale without prior written consent of Lessor, or if Lessee shall abandon the Equipment or permit any other entity or person to use the Equipment without the prior written consent of Lessor; or (e) Lessee dies or ceases to exist; or (f) Lessee defaults on any other agreement it has with Lessor; or (g) Any guarantor of the Lease defaults on any obligation to Lessor; or any of the above listed events of default occur with respect to any guarantor or any such guarantor files or has filed against it a petition under the bankruptcy laws.

21. **REMEDIES.** If Lessee is in default, Lessor, with or without notice to Lessee, shall have the right to exercise any one or more of the following remedies, concurrently or separately, and without any election of remedies being deemed to have been made: (a) Lessor may enter upon Lessee's premises and, without any court order or other process of law, may repossess and remove the Equipment, or render the Equipment unusable without removal, either with or without notice to Lessee. Lessee hereby waives any trespass or right of action for damages by reason of such entry, removal or disabling. Any such repossession shall not constitute a termination of the Lease unless Lessor so notifies Lessee in writing; (b) Lessor may require Lessee, at its expense, to return the Equipment in good repair, ordinary wear and tear resulting from proper use thereof excepted, by delivering it, packed and ready for shipment, to such place as Lessor may specify; (c) Lessor may cancel or terminate this Lease and may retain any and all prior payments paid by Lessee; (d) Lessor may declare all sums due and to become due under the Lease immediately due and payable without notice or demand to Lessee; (e) Lessor may re-lease the Equipment, without notice to Lessee, to any third party, upon such terms and conditions as Lessor alone shall determine, or may sell the Equipment, without notice to Lessee, at private or public sale, at which sale Lessor may be the purchaser with respect to any exercise of Lessor's right to recover and/or dispose of any Equipment or other collateral securing Lessee's obligations under this Lease, Lessee acknowledges and agrees as follows: (i) Lessor shall have no obligation, subject to the requirements of commercial reasonableness, to clean-up or otherwise prepare the Equipment or any other collateral for disposition, (ii) Lessor may comply with any applicable state or federal law requirements in connection with any disposition of the Equipment or other collateral, and any actions taken in connection therewith shall not be deemed to have adversely affected the commercial reasonableness of any disposition of such Equipment and/or other collateral; (f) Lessor may sue for and recover from Lessee the sum of all unpaid rents and other payments due under the Lease then accrued, all accelerated future payments due under the Lease, reduced to their present value using a discount rate of 6%, as of the date of default, plus Lessor's estimate at the time the Lessee was entered into of Lessor's residual interest in the Equipment, reduced to present value at a discount rate of 6%, as of the date of default, less the net proceeds of disposition, if any, of the Equipment; (g) To pursue any other remedy available at law, by statute or equity.

No right or remedy herein conferred upon or reserved to Lessor is exclusive of any other right or remedy herein, or by law or by equity provided or permitted, but each shall be cumulative of every other right or remedy given herein or now or hereafter existing by law or equity or otherwise, and may be enforced concurrently therewith or from time to time. No single or partial exercise by Lessor of any right or remedy hereunder shall preclude any other or further exercise of any other right of remedy.

22. **MULTIPLE LESSEES.** Lessor may, with the consent of any one of the Lessees hereunder, modify, extend, or change any of the terms hereof without consent or knowledge of the others, without in any way releasing, waiving, or impairing any right granted to Lessor against the others. Lessees and each of them are jointly and severally responsible and liable to Lessor under the Lease.

23. **EXPENSE OF ENFORCEMENT.** In the event of any legal action with respect to the Lease, the prevailing party in any such action shall be entitled to reasonable attorney fees, including attorney fees incurred at the trial level, including action in bankruptcy court on appeal or review, or incurred without action, suits or proceedings, together with all costs and expenses incurred in pursuit thereof.

24. **ENTIRE AGREEMENT; NO ORAL MODIFICATIONS; NO WAIVER.** This instrument constitutes the entire agreement between Lessor and Lessee. No provision of the Lease shall be modified or rescinded unless in writing signed by a representative of Lessor. Waiver by Lessor of any provision hereof in one instance shall not constitute waiver as to any other instance.

25. **SEVERABILITY.** This Lease is intended to constitute a valid and enforceable legal instrument, and no provision of this Lease that may be deemed unenforceable shall in any way invalidate any other provision or provisions hereof, all of which shall remain in full force and effect.

CERTIFICATE OF AUTHORITY

The undersigned, being the duly elected MEMBER of the Company named in the foregoing Lease, hereby certifies that: (a) PATRICIA D. OLSEN, in his/her capacity as MANAGING MEMBER of the Company, is authorized by the Bylaws or other organizational documents of the Company, or by a resolution duly adopted or other authorization properly given by the Board of Directors, the Managers, the Managing Member(s) or the Managing Partner(s) of the Company, as applicable, in accordance with the Bylaws or other organizational documents of the Company, to negotiate, execute and deliver on behalf and in the name of this Company, the Commercial Lease, (b) that such authorization has not been revoked and continues in full force and effect, (c) that the execution of such documents by such officer shall be conclusive evidence of his/her approval thereof and (d) this Lease and such other documents constitute legal and binding obligations of the Company. IN WITNESS WHEREOF, I have affixed my name as MEMBER of the Company on the date set forth below.

Printed Name
>PATRICIA D. OLSEN

Date
3/22/12

DELIVERY AND ACCEPTANCE CERTIFICATE

Re: MONTEZUMA RIMROCK WATER COMPANY LLC

Lease No.:

To Lessor: NILE RIVER LEASING, L.L.C.

All of the items referred to in the above-referenced Lease have been delivered to and have been received by the undersigned. All installation or other work necessary prior to the use thereof has been completed. Said equipment has been examined and/or tested and is in good operating order and condition, and is in all respects satisfactory to the undersigned and is as represented. Said equipment has been accepted by the undersigned and complies with all terms of the Lease.

In the future, even if the equipment fails to perform as expected or represented, we will continue to honor the above-referenced Lease by continuing to make our periodic payments in the normal course of business, and we will look solely to the seller or manufacturer for the performance of all covenants and warranties. In addition, we agree to indemnify and hold harmless and defend the Lessor from such nonperformance of all the aforementioned equipment.

We acknowledge the Lessor is neither the manufacturer, distributor, or seller of all the equipment and has no control, knowledge, or familiarity with the conditioning, capacity, functioning, or other characteristics of the equipment.

NOTICE TO THE LESSEE: DO NOT SIGN THIS ACCEPTANCE UNTIL THE EQUIPMENT HAS BEEN DELIVERED, ASSEMBLED, INSTALLED AND ACCEPTED BY YOU AS SATISFACTORY IN ALL RESPECTS. PAYMENT TO THE SUPPLIER WILL NOT BE MADE UNTIL THIS NOTICE IS SIGNED AND RETURNED TO THE LESSOR.

EQUIPMENT: 1 - ARSENIC BUILDING PLANT - BUILDING CONSTRUCTION WITH ELECTRICAL CONNECTION - SIZE: 10 X 20 X 10.

LESSEE: MONTEZUMA RIMROCK WATER COMPANY LLC

By: [Redacted Signature] Title: MANAGING MEMBER Date: 5/10/2012
Patricia D. Olsen

PHONE # (928) 592-9211 CELL # (928) 300-3291

EMAIL: Patsy @ MontezumaWater.com

I hereby authorize _____ (title) to verbally verify my/our acceptance of the above-referenced equipment in my absence.

PHONE # () _____

EXHIBIT C

Arsenic

ARIZONA CORPORATION COMMISSION



FINANCING APPLICATION

Montezumza Rimrock Water Company LLC
UTILITY NAME

W-04254A-12-0204 et. al.
DOCKET NO(S)

You must complete ALL items in the application according to the instructions provided. If you have any questions regarding the application please call (602) 542-4251 for Staff assistance.

IN ORDER TO PROCESS YOUR APPLICATION
PLEASE FORWARD THE ORIGINAL
AND THIRTEEN COPIES OF THE
APPLICATION PLUS
THREE PACKETS OF THE SUPPORTING
DOCUMENTATION TO:

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL CENTER
1200 WEST WASHINGTON STREET
PHOENIX, ARIZONA 85007

Application for financing approval pursuant to ARS 40-301 and 40-302 information:

1. Montezuma Rimrock Water Company, LLC
Patricia D. Olsen, Manager
3031 E. Beaver Creek Road, Rimrock, AZ 86335
928-592-9211

2. Statutory Agent:
Patricia D. Olsen
3031 E. Beaver Creek Road, Rimrock, AZ 86335
928-592-9211

3. Promissory Note
Financial Pacific Leasing, LLC
Proposal Submittal: \$38,000
Arsenic Treatment System

4. The Finance Application is within the corporate powers of the applicant and compatible with the public interest. The Arsenic Treatment System is necessary for the treatment of water to meet the EPA drinking water standards.

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 101961	\$
460	Unmetered Water Revenue		
474	Other Water Revenues		
	TOTAL REVENUES	\$ 101961	\$ 101276
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 14802	\$
610	Purchased Water	994	686
615	Purchased Power	6600	6064
618	Chemicals	610	711
620	Repairs and Maintenance	19490	8047
621	Office Supplies and Expense	9620	13160
630	Outside Services	7132	15890
635	Water Testing	2675	1000
641	Rents	5800	7983
650	Transportation Expenses	9279	9352
657	Insurance - General Liability	5897	4948
659	Insurance - Health and Life	3902	1597
666	Regulatory Commission Expense - Rate Case	1870	886
675	Miscellaneous Expense	2675	2477
403	Depreciation Expense	10935	7367
408	Taxes Other Than Income	9020	10291
408.11	Property Taxes	3484	3098
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 114785	\$ 93537
	OPERATING INCOME/(LOSS)	\$ <12824>	\$ 7739
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses	<292>	
427	Interest Expense	<2244>	<2773>
	TOTAL OTHER INCOME/(EXPENSE)	\$ <2536>	\$ <2773>
	NET INCOME/(LOSS)	\$ <15360>	\$ 4946

BALANCE SHEET

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 1514	\$ 1894
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable		
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies	377	377
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 1891	\$ 2271
	FIXED ASSETS		
101	Utility Plant in Service	\$ 529342	\$ 547477
103	Property Held for Future Use		
105	Construction Work in Progress		155
108	Accumulated Depreciation – Utility Plant	<220868>	<234721>
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 306474	\$ 312911
	TOTAL ASSETS	\$ 310365	\$ 315182

NOTE: The Assets on this page should be equal to Total Liabilities and Capital on the following page.

BALANCE SHEET (CONTINUED)

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	TOTAL CAPITAL	\$ 45156	\$ 13456
	TOTAL LIABILITIES AND CAPITAL	\$ 310365	\$ 315182

LEASE AGREEMENT

For internal use only.
This document is subject to a security interest in favor of Wells Fargo Capital Finance, LLC as Collateral Agent for the Secured Parties

LEASE #: 796680.001

LESSEE
MONTEZUMA RIMROCK WATER COMPANY LLC
BILLING ADDRESS:
PO BOX 10
RIMROCK, AZ 86335
COUNTY: YAVAPAI

VENDOR/SUPPLIER
KEVLOR DESIGN GROUP, LLC
430 FITZGERALD PLACE
ATLANTA, GA 30348

EQUIPMENT DESCRIPTION (Attach separate Equipment List if needed) new used

SEE EQUIPMENT LIST

EQUIPMENT LOCATION. Complete only if Equipment will not be located at Lessee's address above.

ADDRESS: 4599 E. GOLDMINE RD., RIMROCK, AZ 86335

SCHEDULE OF LEASE PAYMENTS

Lease Term (Months)	Number of Payments	Amount of Each Lease Payment			Number Prepayment(s)	Administrative Fee	Security Deposit	Initial Amount Due	Option Price/Guaranteed Purchase
		Rental	Tax	Total Payment					
60	60	\$1,058.18	\$77.78	\$1,135.96	2	\$420.00	\$0.00	\$2,691.92	\$1.00

Payment Due Date: 1st 15th Pro rata rental is calculated as follows: (Monthly Rental Payment divided by 30 days = Daily Rate) x (# of Days Between Acceptance Date And First Payment Date) = Total. Pro rata rental is billed on your first invoice.

THIS LEASE AGREEMENT ("Lease") IS SUBJECT TO THE TERMS AND CONDITIONS PRINTED HEREON AND ON THE FOLLOWING PAGES, ALL OF WHICH ARE MADE A PART HEREOF AND WHICH LESSEE ACKNOWLEDGES HAVING READ. PLEASE READ CAREFULLY BEFORE SIGNING.

THIS LEASE, WHICH CONSISTS OF 5 PAGES, IS NOT BINDING UNTIL ACCEPTED BY LESSOR.

LESSEE: MONTEZUMA RIMROCK WATER COMPANY LLC

LESSOR: FINANCIAL PACIFIC LEASING, LLC

PATRICIA D. OLSEN, MEMBER AND INDIVIDUALLY

By _____
(Signature Only)

5/2/2012

(Date)

(Title)

THIS IS A NON-CANCELABLE LEASE FOR THE TERM INDICATED.

Lessor, hereby Leases to Lessee, and Lessee hereby hires and takes from Lessor all property described in this Lease or hereafter and made a part hereof (collectively, together with any substitutions or replacements thereto, the "Equipment").

1. ENTIRE AGREEMENT. This Lease constitutes the entire agreement between Lessor and Lessee. No oral agreement, guarantee, promise, condition, representation or warranty shall be binding on Lessor. All prior conversations, agreements or representations related hereto and/or to the Equipment are integrated herein. No modification hereof shall be binding unless in writing and signed by Lessor.

CONTINUED ON FOLLOWING PAGES

2. **LESSEE REPRESENTATIONS.** Lessee acknowledges that no salesman or agent of the supplier of the equipment is authorized to waive or alter any term or condition of this Lease and no representation as to the Equipment or any matter by the Supplier shall in any way effect Lessee's duty to pay the Lease payments and perform its other obligations as set forth in this Lease. Lessee represents that its exact legal name, state of formation, location of its chief executive office and/or its place of residence as applicable have been correctly identified to Lessor.

3. **STATUTORY FINANCE LEASE.** Lessee agrees and acknowledges that it is the intent of both parties to this Lease that it qualify as a statutory finance Lease under Article 2A of the Uniform Commercial Code. Lessee acknowledges and agrees that Lessee has selected both: (1) the Equipment; and (2) the Supplier from whom Lessor is to purchase the Equipment. Lessee acknowledges that Lessor has not participated in any way in Lessee's selection of the Equipment or of the Supplier, and Lessor has not selected, manufactured, or supplied the Equipment.

LESSEE IS ADVISED THAT IT MAY HAVE RIGHTS UNDER THE CONTRACT EVIDENCING LESSOR'S PURCHASE OF THE EQUIPMENT FROM THE SUPPLIER CHOSEN BY LESSEE AND THAT LESSEE SHOULD CONTACT SUCH SUPPLIER FOR A DESCRIPTION OF ANY SUCH RIGHTS.

4. **ASSIGNMENT BY LESSEE PROHIBITED WITHOUT LESSOR'S PRIOR WRITTEN CONSENT.** LESSEE SHALL NOT ASSIGN THIS LEASE OR ANY INTEREST THEREIN, OR SUBLEASE THE EQUIPMENT, OR PLEDGE OR TRANSFER THIS LEASE OR OTHERWISE DISPOSE OF THE EQUIPMENT COVERED HEREBY.

5. **APPLICABLE LAW AND VENUE.** ALL MATTERS INVOLVING THE CONSTRUCTION, VALIDITY, PERFORMANCE, OR ENFORCEMENT OF THIS LEASE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF WASHINGTON. LESSEE CONSENTS TO THE PERSONAL JURISDICTION OF THE COURTS OF THE STATE OF WASHINGTON AND AGREES THAT AT LESSOR'S SOLE OPTION, JURISDICTION AND LOCATION FOR ANY DISPUTE, SUIT OR ACTION ARISING UNDER OR IN REACTION TO THE LEASE, AND ALL DOCUMENTS EXECUTED IN CONNECTION THEREWITH, SHALL BE IN KING COUNTY, STATE OF WASHINGTON. LESSEE WAIVES THE RIGHT OF JURY TRIAL. LESSOR SHALL HAVE THE OPTION OF COMMENCING AN ACTION IN ANY COURT HAVING JURISDICTION OVER THE SUBJECT MATTER AND PARTIES TO THE TRANSACTION.

6. **NO WARRANTY.** Lessor, not being the manufacturer of the equipment, nor manufacturer's agent, MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE FITNESS FOR A PARTICULAR USE OR OTHERWISE, QUALITY, DESIGN, CONDITION, CAPACITY, SUITABILITY, MERCHANTABILITY OR PERFORMANCE OF THE EQUIPMENT OR OF THE MATERIAL OR WORKMANSHIP THEREOF, IT BEING AGREED THAT THE EQUIPMENT IS LEASED "AS IS" AND THAT ALL SUCH RISKS, AS BETWEEN LESSOR AND LESSEE, ARE TO BE BORNE BY LESSEE AT ITS SOLE RISK AND EXPENSE. Lessee accordingly agrees not to assert any claim whatsoever against Lessor based thereon. In addition, Lessee waives any and all rights and remedies conferred by UCC 2A-508 through 2A-522, including, but not limited to, Lessee's right to (a) cancel or repudiate the Lease; (b) reject or revoke acceptance of the Equipment; (c) deduct from rental payments all or any part of any claimed damages resulting from Lessor's default under the Lease; (d) recover from Lessor any general, special, incidental, or consequential damages, for any reason whatsoever. Lessee further waives any and all rights, now or hereafter, conferred by statute or otherwise, that may require Lessor to spill, re-lease, or otherwise use or dispose of the Equipment in mitigation of Lessor's damages or that may otherwise limit or modify any of Lessor's rights or remedies hereunder.

7. **TERM.** The initial term of this Lease is set forth on the first page of this Lease. The term begins on the earlier of the following dates: (a) the date Lessee requests Lessor to make payment to the Supplier; or (b) the Acceptance Date as indicated on the Inspection/Verification Certificate.

8. **END OF TERM OPTIONS.** If the option exists and so long as no Event of Default exists, Lessee may, at the end of the original or any renewal term, purchase all (but not less than all) the Equipment by paying the option price set forth in the Schedule of Lease Payments plus any applicable taxes and fees. If option price is designated as a Guaranteed Purchase, Lessee shall be required to purchase the Equipment, rather than have an option to do so. If no option price is indicated, Lessor will use its reasonable judgment to determine the Equipment's fair market value. Upon payment of the Fair Market Value price and applicable taxes and fees, Lessor's interest in the Equipment shall terminate and Lessee shall accept the Equipment "AS IS, WHERE IS" without any representation of warranty whatsoever.

9. **LEASE PAYMENT; SECURITY DEPOSIT.** The lease payments for the Equipment leased shall be in the amount designated in the schedule of payments and shall commence on the indicated payment due date (immediately following the Equipment Acceptance Date). Lessee shall pay Lessor said lease payments on or before the due date, at the office of Lessor or to such other person or place as Lessor may designate in writing. Lessee agrees to pay pro rata rental (based on the monthly lease payments) for the period from the Acceptance Date, to the due date of the first payment. Said pro rata rental shall be in addition to the first payment and shall be made simultaneously with the first payment. Prepayments are credited with one payment being applied to the first month's rental and any other prepayments then applied to the last month(s) rental(s). Any security deposit shall remain as security for performance of all the terms and conditions of this Lease. In the event any default shall be made in the performance of any of Lessee's obligations under this Lease, Lessor shall have the right, but shall not be obligated, to apply the security deposit to the curing of such default. On the expiration or earlier termination or cancellation of this Lease, or any extension or renewal hereof, provided Lessor has paid all of the rental called for and fully performed all other provisions of this Lease, Lessor will return to Lessee any then remaining balance of said security deposit, without interest. Said security deposit may be commingled with Lessor's other funds.

10. **LATE CHARGES AND COLLECTION CHARGES.** A late charge of 10% of the total monthly lease payment, or \$10, whichever is greater, will be assessed when a payment is not received on or before the due date. An additional late charge will be assessed for each month a payment remains unpaid. If Lessee's delinquency requires additional collection efforts, a charge will be assessed in accordance with Lessor's collection charge schedule. In addition, Lessee shall be assessed for any charges levied by an outside collection agency following Lessee's default.

11. **LOCATION AND USE OF EQUIPMENT.** Lessee shall keep the equipment at the location designated in the Lease, unless Lessor, in writing, permits its removal. The Equipment shall be used solely in the conduct of Lessee's business. Lessee shall notify Lessor if equipment is used for transporting or storing product considered hazardous material. Lessee warrants that Equipment is leased for commercial or business purposes and not for consumer, personal, home or family purposes.

12. **SURRENDER OF EQUIPMENT.** At the expiration of the term of this lease, or upon demand by Lessor pursuant to Paragraph 19 of this Lease or in the event of an option price pursuant to paragraph 8 of this Lease, Lessee at its expense shall return the Equipment in proper working order, condition and repair by delivering it packed and ready for shipment to such place or on board such carrier as Lessor may specify. **WARNING: FAILURE TO RETURN THE EQUIPMENT MAY RESULT IN CRIMINAL PROSECUTION AND/OR ADDITIONAL RENTAL CHARGES, ON A MONTH TO MONTH BASIS, UNTIL THE EQUIPMENT IS RECOVERED BY LESSOR.**

13. **NOTICES.** Services of all notices under this agreement shall be sufficient if given personally or mailed to Lessor at 3455 S. 344th Way, Suite 300, Federal Way, WA 98001, or P.O. Box 4668, Federal Way, WA 98003; or to Lessee at Lessee's address set forth above or at such other address as a party may provide in writing from time to time. Any notices required by this Lease shall be deemed to be delivered when a record properly directed to the

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Intended recipient has been (a) deposited with the US Postal Service, (b) transmitted by facsimile, (c) transmitted through the Internet, or (d) has been personally delivered.

14. LIABILITY AND INDEMNITY; LOSS AND DAMAGE. Lessee shall indemnify and hold Lessor harmless from liability expense of every kind or nature from whatever cause, including, but not limited to, the liability arising under any statute, ordinance or regulation in connection with the use of the Equipment and from all liability on account of any claim for personal injury, death, or property damage to any person or party whatsoever, including Lessee, arising out of the manufacture, selection, operation, use, maintenance, or delivery of the Equipment. Such indemnification shall survive the expiration, cancellation, or termination of this Lease. Lessee hereby assumes and shall bear the entire risk of loss and damage to the Equipment from any cause whatsoever, regardless of whether the loss is insured. In the event of loss or damage to the Equipment, or to any part thereof, Lessee, at the option of the Lessor, shall (a) Replace the same in good condition, repair and working order; or (b) Replace the same, with like property of the same or greater value provided, however, at Lessee's option, the remaining obligation under this Lease can be satisfied by the payment of the remaining unpaid lease payments and the estimated value of the Equipment at the expiration of this Lease, and other amounts due under the Lease, less the net amount of the recovery, if any, actually received by Lessor from insurance or otherwise for such loss or damage. Except as expressly provided in this paragraph, total or partial destruction of any of the Equipment or total or partial loss of use or possession thereof to Lessee shall not release or relieve Lessee from the duty to pay the lease payments herein provided.

15. INSURANCE. Lessee, at its own expense, shall keep the Equipment insured for the full term of this Lease and any renewals or extensions thereof, for the full insurable value thereof against all risks of loss or damage, and against such other risks in such amounts as Lessor may specify, including liability insurance, with limits not less than \$500,000, unless Lessor specifies an increased amount due to the equipment location or use of equipment (bodily injury and property damage) combined single limit. Provided, however, in those instances where Lessee is leasing the Equipment defined by Lessor as "mobile Equipment," Lessee shall procure and maintain, for the full lease term, all risk physical damage insurance as opposed to insurance against fire and theft, with extended or combined coverage. All insurance policies must provide that no cancellation shall be effective without thirty (30) days' prior written notice to Lessor. Lessee shall deliver to Lessor the policies or evidence of insurance with a standard form of endorsement attached thereto showing Lessor to be named as an additional insured, together with receipts for the premiums thereunder. Lessee shall, at the request of Lessor, name as Loss Payee such party who may have a security interest in the Equipment. Lessee agrees that any dispute regarding insurance charges will be determined by arbitration conducted under the rules of the American Arbitration Association in Seattle, Washington.

16. LESSEE'S FAILURE TO PAY TAXES, INSURANCE, ETC. Should Lessee fail to make any payment or do any act as herein provided, then Lessor shall have the right, but not the obligation, without notice to or demand upon Lessee, and without releasing Lessee from any obligation hereunder, to make or do the same and to pay, purchase, contest, or compromise any encumbrance, charge or lien which in the judgment of Lessor appears to affect the Equipment, and in exercising such rights, incur any liability and expend whatever amounts in its absolute discretion it may deem necessary therefore. Should Lessee fail to provide Lessor the policies or evidence of insurance described herein, Lessor shall have the right, but not the obligation, to secure insurance on the Equipment in such form and amount as Lessor deems reasonable to protect Lessor's interests. Lessee understands that, if Lessor secures insurance on the Equipment the insurance may not name Lessee as an insured and may not fully protect Lessee's interests. Lessee agrees that, if Lessor secures insurance on the Equipment, Lessee will pay an insurance charge that may be substantially higher than the premium that Lessee would pay if Lessee placed said insurance independently. Lessee agrees that, in addition to the premium, the insurance charge Lessee is required to pay Lessor will include an interest charge, administrative and processing fees, which will result in profit to Lessor and its agents. All sums so incurred or expended by Lessor shall be without demand immediately due and payable by Lessee and shall bear interest at eighteen percent (18%) per annum if not prohibited by law, otherwise at the highest lawful contract rate. The parties agree that any claim, dispute, or controversy regarding insurance or any fee charged by Secured Party for securing insurance or for any other action taken by Secured Party under this Agreement will, upon demand by either party, be submitted to binding arbitration conducted by the American Arbitration Association in Seattle, Washington; provided however, such agreement does not authorize class arbitration or entitle any party to bring third parties or other claims into the arbitration proceeding. This agreement to arbitrate certain claims does not limit the right of any party to commence or continue any legal action with respect to other claims arising under this Agreement.

17. AUTHORITY TO SIGN. If Lessee is a Limited Liability Company ("LLC"), partnership or corporation, the person signing the Lease on behalf of such LLC, partnership or corporation hereby warrants that (s)he has full authority from the LLC, partnership or corporation to sign this Lease and obligate the LLC, partnership or corporation.

18. DEFAULT REMEDIES.

a) An event of default shall occur if:

- (1) Lessee fails to pay any Lease installment and such failure continues for a period of ten (10) days;
- (2) Lessee shall fail to perform or observe any covenant, condition, or obligation to be performed or observed by it hereunder and such failure continues uncorrected for fifteen (15) days;
- (3) Lessee or any guarantor has made any misleading or false statement, or representation in connection with application for performance of this Lease;
- (4) Lessee or any guarantor becomes insolvent or is the subject of a petition in bankruptcy or under any other insolvency law or law providing for relief of debtors, either voluntary or involuntary, or makes an assignment for the benefit of creditors, or is named in, or the Equipment becomes subjected to a suit for the appointment of a receiver, or any action is taken for the dissolution of Lessee, if Lessee be a corporation;
- (5) If the Equipment is seized or levied upon under any legal or governmental process;
- (6) Lessee attempts to remove, sell, transfer, encumber, part with possession or subject the Equipment or any item thereof, without first obtaining Lessor's consent;
- (7) Lessee or any guarantor defaults in the performance of any obligation owed to Lessor under the provisions of any other agreement with the Lessor.

b) Upon the occurrence of an event of default, Lessor shall have the right to exercise any one or more of the following remedies:

- (1) To declare the entire unpaid lease payments and other sums payable by Lessee hereunder to be immediately due and payable;
- (2) Cause Lessee, at Lessee's expense, promptly to return any or all of the Equipment to Lessor, all without demand or legal process, and to allow Lessor to enter into the premises where the Equipment may be found and take possession of or remove the same, whereupon all rights of Lessee in the Equipment shall terminate absolutely; and
 - (i) Retain the Equipment and all lease payments made hereunder; or
 - (ii) Retain all prior lease payments and sell the Equipment at public or private sale, with or without notice to Lessee. The sale price, less 10% to cover Lessor's internal costs, will be credited against the remaining unpaid lease payments, unpaid late charges, estimated value of Equipment at the expiration of the lease term, charges for retaking, storage, repairing and reselling the Equipment; reasonable attorney's fees incurred by Lessor and other amounts due under the Lease in such order as Lessor in its sole discretion shall determine. Lessee shall remain liable for the deficiency and any surplus remaining after such application of proceeds of sale shall be

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paid to whomever may be lawfully entitled to receive the same; or

(iii) Retain the Equipment and all prior payments, with Lessee remaining liable for the unpaid lease payments, unpaid late charges, charges for retaking and restoring Equipment to proper order and working condition, reasonable attorney's fees incurred by Lessor, together with other amounts due under the Lease; or

(iv) Lease the Equipment for any portion thereof, for such period, rental, and to such persons as Lessor shall select, and credit Lessee with an amount equal to Lessor's capital cost of this new lease, less ten percent (10%) after declaring all costs and expenses incurred in connection with the recovery, repair, storage and leasing of the Equipment against obligations due from Lessee to Lessor hereunder, with Lessee remaining responsible for any deficiency; it is agreed that the amounts to be retained by Lessor and the balance to be paid by Lessee under this paragraph (2) shall not be a penalty but shall be as and for liquidated damages for the breach of this Lease and as reasonable return for the use of the Equipment and for the depreciation thereof.

(3) No remedy hereon conferred upon or reserved to Lessor is intended to be exclusive of any other remedy herein or by law provided; but shall be cumulative and in addition to every other remedy available to Lessor. The forbearance on the part of Lessor to exercise any right or remedy available hereunder in the event of Lessee's default or Lessor's failure to demand punctual performance or any obligation of Lessee shall not be deemed a waiver (A) of any such right or remedy, or (B) the requirement of punctual performance; or (C) of any subsequent breach or default on the part of Lessee.

18. **ATTORNEY'S FEES AND EXPENSE.** In the event Lessor is required to retain an attorney to assist in the enforcement of its rights under this Lease, it shall be entitled to a reasonable attorney's fee, however incurred, in addition to costs and necessary disbursements, whether or not suit becomes necessary, including fees incurred in appeal or in connection with a bankruptcy proceeding.

20. **OPERATION, MAINTENANCE AND REPAIR.** Lessor shall not be obligated to install, erect, test, adjust, service or make repairs or replacements to the Equipment. Lessee shall bear the expense of all necessary repairs, maintenance, operation, and replacements required to be made to maintain the Equipment to proper working condition, using as a guide the maintenance program described in the owner's manual, if any, for each item of Equipment and shall perform all maintenance required to insure full validation of a manufacturer's warranty on the Equipment. Lessee shall comply with all laws and regulations relating to ownership, possession, operation, use and maintenance of the Equipment. No equipment shall be used contrary to its intended use, or the provisions of any insurance policy covering the Equipment.

21. **TAXES.** Lessee shall pay and discharge all sales, use, property and other taxes now or hereafter imposed by any taxing authority upon the Equipment based upon the ownership, leasing, renting, sale, possession or use thereof, whether the same be assessed to Lessor or Lessee, together with any penalties or interest in connection therewith, and will submit written evidence of the payment at Lessor's request. Sales or use tax due on rental payments shall be due at the same time as the rental payment. For those property taxes required to be filed by Lessor, Lessor will include the Equipment as property in the possession of Lessee for purposes of tax assessments. A processing fee of the greater of \$10.00 or 10% of the tax will be collected from Lessee for managing the payment of any taxes which are the responsibility of Lessee. Upon termination of the Lease, Lessee will pay Lessor personal property taxes, reasonably estimated, for every year assessed by the taxing authority but unpaid as of termination. In the event that the actual personal property tax bill is within \$500 of such estimate, then Lessor shall not seek reimbursement from Lessee for any underpayment, and Lessor may retain any overpayment; if the difference between such estimate and the actual tax bill exceeds \$500, Lessor shall refund or Lessee shall remit the entire difference.

22. **LESSOR'S ASSIGNMENT.** Lessor may assign all or any of Lessor's other rights hereunder. After such assignment, Lessee waives any right Lessee may have to claim or assert any defenses, setoffs or counterclaims against assignee of Lessor. Lessee will settle all claims arising out of alleged breach of warranties, defenses, setoffs and counterclaims it may have against Lessor directly with Lessor and not set up any such against Lessor's assignee. An assignee of Lessor shall not be obligated to perform any of Lessor's obligations under this Lease. Lessee, on receiving notice of any such assignment, shall abide thereby and make payment as may therein be directed. Following such assignment, solely for the purpose of determining assignee's rights hereunder, the term "Lessor" shall be deemed to include or refer to Lessor's assignee. Lessee acknowledges that the Equipment may be subject to a security interest which is prior to Lessee's interest in the Equipment.

23. **TITLE; LESSEE'S INTEREST; GRANT OF SECURITY INTEREST.** The Equipment is, and shall remain, the property of Lessor, and Lessee shall have no right, title or interest therein or thereto except as expressly set forth in this Lease. The Equipment is, and shall at all time be and remain, personal property notwithstanding that the Equipment or any part thereof may now be, or hereafter become, in any manner affixed or attached to real property. Lessee shall keep the equipment free of any liens, claims or encumbrances other than those in favor of Lessor. Lessee shall obtain the necessary permission from the owner of any real property where the Equipment is to be affixed to the realty or be deemed a fixture in order that the Equipment shall at all times be severable and removable therefrom by Lessor, free of any right, title, claim or interest of the property owner and of Lessee except as herein provided. In addition to all of the other rights of Lessor under this Lease, Lessee grants to Lessor a security interest in and to the leased property and all proceeds thereof (including insurance proceeds) as security for performance of all of Lessee's obligations to Lessor of every kind and nature, now existing or hereafter arising, including, but not limited to, Lessee's obligations under this Lease and under any other agreement with Lessor.

24. **LIMITED PREARRANGED AMENDMENTS; AUTHORIZATION; SPECIFIC POWER OF ATTORNEY.** In the event it is necessary to amend this Lease to correct an obvious error or to reflect a change in one or more of the following: (a) Lessor's actual cost of procuring the Equipment, or (b) Lessor's actual cost of providing the equipment to Lessee, or (c) a change in rental payments as a result of (a) or (b) above or (d) description of the Equipment, Lessee agrees that any such amendment shall be described in a letter from Lessor to Lessee; this Lease shall be deemed amended and such amendments shall be incorporated in this Lease herein as if originally set forth. Lessee further grants to Lessor a specific power of attorney for Lessor to sign, endorse or negotiate for Lessor's benefit any instrument representing proceeds from any policy of insurance covering the Equipment.

25. **FINANCIAL STATEMENTS; CREDIT REPORTS.** Lessor may require from time to time, and Lessee agrees to furnish, statements setting forth the financial condition and operations of Lessee. Lessee authorizes Lessor, its successors, assigns and prospective assigns, to obtain a personal credit profile on Lessee or any guarantor from any credit reporting company.

26. **MISCELLANEOUS.** Lessee will not change or remove any insignia or lettering on the Equipment and shall conspicuously identify each item of the Equipment by suitable lettering thereon to indicate Lessor's ownership. Lessor and Lessee agree that facsimile signatures on any document pertaining to this lease agreement shall be accepted by Lessor, Lessee and all guarantors as binding and enforceable and to have the same force and effect as original signatures. Lessee authorizes Lessor to communicate with Lessee through electronic means. All Lessee email addresses provided to Lessor will be confidential, and will not be shared, sold or spammed. Delinquent lease installments and other sums due under this Lease shall bear interest at eighteen percent (18%) per annum if not prohibited by law, otherwise at the highest lawful contract rate. If there is more than one Lessee, Lessor may, with the consent of any one of the Lessees, modify, extend, or change any one of the terms hereof without consent or knowledge of the others; without in any way releasing, waiving, or impairing any right granted to Lessor against the others. Lessee and each of them are jointly and severally responsible and liable to Lessor under this Lease. If Lessor is required by law to discount any unpaid lease payment or other sums payable by Lessee hereunder, then the parties hereto agree that the discount rate used shall be five percent (5%) annually. If any provision of this Lease is contrary to, prohibited by, or held invalid under applicable laws or regulations or any jurisdiction in which it is sought to be enforced, then such provision shall be considered severable and inapplicable, but shall not invalidate the remaining provisions of this Lease.

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GUARANTEE

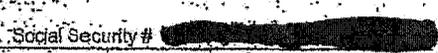
To induce Lessor to enter into a Lease with or otherwise extend financial accommodations to MONTEZUMA RIMROCK WATER COMPANY LLC ("Lessee"), the undersigned Guarantor unconditionally guarantees to Lessor the prompt payment when due of all Lessee's obligations to Lessor. Lessor shall not be required to proceed against the Lessee or the Equipment or enforce any other remedy before proceeding against the undersigned. The undersigned waives notice of acceptance hereof and all other notices or demand of any kind to which the undersigned may be entitled. The undersigned consents to any extensions or modifications granted to Lessee and the release and/or compromise of any obligations of Lessee or any other obligors and guarantors or any collateral therefore without notice and without in any way releasing the undersigned from his or her obligations hereunder. Guarantor waives any right to require Lessor to apply payments in a certain manner and acknowledges that Lessor may apply payments received in the fashion most advantageous to Lessor. Furthermore, Guarantor waives any and all claims against Lessee, by subrogation or otherwise, until such time as Lessee's obligations to Lessor are fully and finally satisfied. This is a continuing guarantee and shall not be discharged, impaired or affected by death of the undersigned or the existence or nonexistence of Lessee as a legal entity. This continuing Guarantee shall bind the heirs, administrators, representatives, successors, and assigns of the undersigned and may be enforced by or for the benefit of any assignee or successor of Lessor.

The provisions of the Guarantee shall extend to and apply to all the obligations of Lessee to Lessor, now existing or hereafter made, incurred or created, however arising, and whether set forth in separate agreements, schedules, applications, orders or collateral documents. The execution of this Lease Guarantee shall not extinguish, release or waive any existing obligations, promises, or guarantees of Guarantor for the benefit of Lessor. The undersigned agrees to pay a reasonable attorney's fee, and all other costs and expenses incurred by Lessor or its successors or assigns in the enforcement of the Guarantee, whether or not a lawsuit is started.

The undersigned personal guarantor consents to Financial Pacific Leasing, LLC obtaining a consumer credit report on the undersigned from time to time in the credit evaluation and review process.

Law Which Applies. THIS AGREEMENT IS GOVERNED BY WASHINGTON LAW. EACH GUARANTOR CONSENTS TO THE PERSONAL JURISDICTION OF THE COURTS OF THE STATE OF WASHINGTON FOR ANY DISPUTE, SUIT OR ACTION ARISING UNDER OR IN RELATION TO THIS GUARANTEE AND AGREES THAT ALL LAWSUITS COMMENCED BY A GUARANTOR AGAINST LESSOR MUST BE FILED IN SUCH COURTS, AT LESSOR'S SOLE OPTION, VENUE (LOCATION) FOR ANY PROCEEDING SHALL LIE IN KING COUNTY, STATE OF WASHINGTON. EACH GUARANTOR WAIVES THE RIGHT TO A JURY TRIAL. LESSOR SHALL HAVE THE OPTION OF COMMENCING AN ACTION IN ANY COURT HAVING PROPER JURISDICTION.

This Guarantee and each of its provisions may be waived or modified only by record signed by Lessor. Lessor's waiver of any right to demand performance hereunder shall not be a waiver of any subsequent or other right to demand performance hereunder. If any provision of this Guarantee shall be determined to be unenforceable, then such provision shall be severed from this Guarantee without affecting any other provision of the Guarantee which shall remain fully enforceable.

	(No Title)	X		(No Title)
Date <u>3/22/12</u>	Social Security # 	Date <u>3/22/12</u>	Social Security # 	
Home Phone # 	Home Phone # 			
X	(No Title)	X	(No Title)	
Date _____	Social Security # _____	Date _____	Social Security # _____	
Home Phone # _____	Home Phone # _____			

DELIVERY AND ACCEPTANCE AUTHORIZATION

Lessee's signature authorizes Lessor to verify, by phone with a representative of Lessee the date the Equipment was accepted by the Lessee; the Equipment description, including the serial numbers; the schedule of lease payments; that all necessary installation has been completed; that the Equipment has been examined by Lessee and is in good operating order and condition and is in all respects satisfactory to Lessee and that Equipment is accepted by Lessee for all purposes under the Lease. This information will be recorded on an Inspection/Verification Certificate, a copy of which will be forwarded to Lessee upon completion by Lessor. Lessee hereby authorizes Lessor to either insert or print the Lessor and/or Vendor name(s), Equipment description, Equipment location and schedule of Lease payments. Lessee hereby authorizes Lessor to make payment to the Vendor upon completion of the Inspection/Verification Certificate.

LESSEE: MONTEZUMA RIMROCK WATER COMPANY LLC

 Date 3/22/12
MEMBER AND INDIVIDUALLY

PUBLIC NOTICE
OF
AN APPLICATION FOR AN ORDER

AUTHORIZING THE ISSUANCE OF Promissory Note (security)
BY Montezuma Rimrock Water Company LLC (MRWC) (company)

MRWC ("Company") filed an Application with the Arizona Corporation Commission ("Commission") for an order authorizing Applicant to issue \$38,000 (gross proceeds) of Promissory Note (security to be issued). The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's offices in Rimrock, Arizona.

Intervention in the Commission's proceedings on the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon applicant and which, at a minimum, shall contain the following information:

1. The name, address and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15th day after this notice.