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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

1 FENNEMORE CRAIG, P.C.
 2 Jay L. Shapiro (No. 014650)
 2394 East Camelback Road
 Suite 600
 3 Phoenix, Arizona 85016
 4 Attorneys for Verde Santa Fe Wastewater Co., Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

7
 8 IN THE MATTER OF THE APPLICATION
 OF VERDE SANTA FE WASTEWATER CO.,
 INC., AN ARIZONA CORPORATION, FOR
 9 AUTHORITY TO: (1) ISSUE LONG-TERM
 DEBT INSTRUMENTS IN AN AMOUNT
 10 NOT TO EXCEED \$137,500 IN
 CONNECTION WITH FINANCING THE
 11 ACQUISITION OF WASTEWATER
 UTILITY PLANT OF PIVOTAL UTILITY
 12 MANAGEMENT, L.L.C.; AND (2)
 13 ENCUMBER ITS REAL PROPERTY AND
 UTILITY PLANT AS SECURITY FOR SUCH
 14 INDEBTEDNESS.

DOCKET NO: SW-03437A-14-0377

APPLICATION (FINANCING)

Arizona Corporation Commission

DOCKETED

OCT 29 2014

DOCKETED BY	
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15 Pursuant to A.R.S. §§ 40-301 and 40-302, and Decision No. 74608 (July 30, 2014),
 16 Verde Santa Fe Wastewater Co., Inc. ("VSF" or the "Company"), an Arizona public
 17 service corporation, hereby applies for authority from the Arizona Corporation
 18 Commission ("Commission") to (1) issue long-term debt instruments in the form of a note
 19 receivable and in an amount not to exceed \$137,500 on the terms and conditions set forth
 20 below, and (2) encumber its real property and utility plant as security for such
 21 indebtedness. Authority is sought for the purpose of financing the acquisition of
 22 wastewater utility plant currently owned by VSF's affiliate, Pivotal Utility Management,
 23 L.L.C. ("Pivotal"), which transaction was ordered by this Commission in Decision No.
 24 74608.

1 In support of this Application, VSF states as follows:

2 **A. General Background.**

3 1. VSF is a public service corporation engaged in providing wastewater utility
4 services in a portion of Yavapai County, Arizona, pursuant to a certificate of convenience
5 and necessity granted by the Commission.

6 2. VSF serves approximately 950 connections. The Company's present rates
7 and charges for wastewater utility service were approved by the Commission in Decision
8 No. 74608 using a test year ending December 31, 2013.

9 3. VSF's business office is located at 7581 E. Academy Boulevard, Suite 229,
10 Denver, Colorado 80230 and its telephone number is (720) 949-1384. The Company's
11 primary management contact is Jason Williamson.

12 4. Mr. Williamson is the person responsible for overseeing and directing the
13 conduct of this Application. His mailing address is 7581 E. Academy Boulevard, Suite
14 229, Denver, Colorado 80230, his telephone number is (720) 949-1384, and his email
15 address is jw@pivotalcompanies.com. All discovery, data requests and other
16 requests for information concerning this Application should be directed by email to
17 Mr. Williamson, with a copy to undersigned counsel for the Company, including by
18 e-mail to jshapiro@fclaw.com and wbirk@fclaw.com.

19 5. Financial statements for the twelve-month period ending December 31, 2013
20 are attached at Exhibit 1.

21 **B. Purpose of Financial Transaction.**

22 6. During the 100,000 gpd expansion of the VSF Wastewater Treatment Plant
23 completed in 2005, VSF signed an equipment lease for a portion of the equipment
24 required for the expansion, valued at \$250,000. The monthly lease was \$2,587.95 or
25 \$31,055.40 annually for 10 years. Leasing the equipment was cost-effective because of
26

1 the 10-year term used in calculating the lease rate. The Company could not have afforded
2 a higher lease rate.

3 7. The debt financing contemplated herein will be used to purchase this
4 equipment that VSF currently leases. A list of the equipment to be purchased is attached
5 as **Exhibit 2**.

6 8. The Company's capital structure is presently 100 percent equity. This
7 transaction, if approved and when complete, will leave VSF with a more balanced capital
8 structure consisting of approximately 70.75 percent equity and 29.25 percent debt.

9 **C. Terms and Conditions of Financial Transaction.**

10 9. The lender will be Pivotal. Pivotal is an affiliated entity that operates and
11 manages the Company under agreement. Pivotal has represented that it will provide the
12 subject financing at an interest rate not to exceed 5 percent with a maturity of 11 years.
13 Such loan agreement will be subject to the Commission approval sought in this docket.

14 10. VSF's repayment obligation to Pivotal will be secured by the grant of a
15 security interest in VSF's real property and its wastewater plants and systems.

16 **D. Effects of Financial Transaction.**

17 11. VSF's pro forma balance sheet for the period ending December 31, 2013 is
18 attached at **Exhibit 3**. The pro forma balance sheet reflects the impact of the financing
19 transaction that is the subject of this Application. As noted, the Company's pro forma
20 capital structure is approximately 29.25 percent debt and 70.75 percent common equity.

21 12. With the proposed new debt, VSF will have a Debt Service Coverage Ratio
22 ("DSCR") of 6.18 and a Times Interest Earned Ratio ("TIER") of 9.63. The DSCR and
23 TIER calculations, as shown on **Exhibit 4**, were calculated using an interest rate of
24 5 percent.

25 13. The loan proceeds will be issued for lawful purposes, as discussed herein,
26 and the execution of the loan agreement with Pivotal and the grant of a security interest in

1 VSF's real property, plant and system, and the undertaking of the obligations set forth
2 therein are within the Company's corporate powers. A Corporate Resolution authorizing
3 the contemplated transaction is attached at **Exhibit 5**.

4 14. VSF will file true and correct copies of all debt instruments issued within
5 thirty (30) days from the date of finalizing the loan.

6 15. The approvals sought herein are compatible with the public interest and with
7 the proper performance of VSF's duties as a public service corporation.

8 16. The financing contemplated herein will not impair VSF's ability to perform
9 its duties as a public service corporation providing wastewater utility service.

10 17. VSF is in the process of providing notice of this Application by publishing
11 notice, in the form provided by the Commission, in a newspaper of general circulation in
12 the area in which the Company provides service. Proof of publication and a true copy of
13 the notice will be filed with the Commission.

14 Based on the foregoing, VSF respectfully requests the following:

15 A. That the Commission consider this Application on an expedited basis,
16 including the scheduling of a hearing only if necessary, on this matter as soon as
17 practicable;

18 B. That the Commission enter an order approving this Application and
19 authorizing VSF to incur indebtedness in an amount not to exceed \$137,500 for a term not
20 to exceed 11 years at an interest rate not to exceed 5 percent, and to encumber its real
21 property and utility plant and system to secure such indebtedness for the purposes
22 described hereinabove; and

23 C. That the Commission authorize VSF to take such other and further action as
24 may be necessary to effectuate the purposes of this Application, as may be appropriate
25 under the circumstances herein.

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RESPECTFULLY SUBMITTED this 29th day of October, 2014.

FENNEMORE CRAIG, P.C.

By 
Jay L. Shapiro
2394 East Camelback Road
Suite 600
Phoenix, Arizona 85016
Attorneys for Verde Santa Fe Wastewater
Co., Inc.

ORIGINAL and fifteen (15) copies
of the foregoing were delivered
this 29th day of October, 2014, to:

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

By: 

9680688.1/026985.0002

EXHIBIT 1

Verde Santa Fe Wastewater Company, Inc.
Profit & Loss

January through December 2013

Jan - Dec 13

Ordinary Income/Expense

Income

49900 · Uncategorized Income	0.00
500 · WASTEWATER OPERATING REV. ACCTS	
521 · Flat Rate Revenue	
521.01 · Flat Rate Revenue - Residential	442,361.48
521.02 · Commercial Flat Rate Revenue	25,142.64
Total 521 · Flat Rate Revenue	<u>467,504.12</u>
522 · Measured Revenues	
522.01 · Effluent Wastewater	58,615.40
Total 522 · Measured Revenues	<u>58,615.40</u>
536 · Other Wastewater Revenue	
536.01 · Late Penalty Income	6,477.40
536.02 · Establishment Fees	3,575.00
Total 536 · Other Wastewater Revenue	<u>10,052.40</u>
Total 500 · WASTEWATER OPERATING REV. ACCTS	<u>536,171.92</u>
Total Income	536,171.92

Expense

4000 · Reconciliation Discrepancies	72.52
403 · Depreciation Expense	29,350.45
408 · Other Taxes	
408.01 · Property Taxes	25,792.80
Total 408 · Other Taxes	<u>25,792.80</u>
409 · Income Tax Expense	137.00
427 · Interest Expense	
427.01 · Deposit Interest	208.01
427 · Interest Expense - Other	299.02
Total 427 · Interest Expense	<u>507.03</u>
701 · Salaries & Wages	
701.1 · Payroll Expenses	27,885.45
Total 701 · Salaries & Wages	<u>27,885.45</u>
711 · Sludge Processing Expense	38,744.41
715 · Purchased Power	41,221.72
718 · Chemicals	12,874.30
720 · Materials and Supplies	9,249.94
731 · Contractual Svcs - Professional	
731.2 · Contractual Serv.-Accounting	1,100.00

Verde Santa Fe Wastewater Company, Inc.
Profit & Loss

January through December 2013

	<u>Jan - Dec 13</u>
731.3 · Contractual Services-Legal	1,187.00
731 · Contractual Svcs - Professional - Other	<u>90.00</u>
Total 731 · Contractual Svcs - Professional	2,377.00
735 · Contractual Services-Testing	
735.01 · Lab	<u>7,689.00</u>
Total 735 · Contractual Services-Testing	7,689.00
736 · Contractual Services - Other	
736.1 · Onsite Maintenance & Repair	1,371.00
736.4 · Contractual - Ongoing Services	
736.41 · Corporate Support & Risk Mgmt	70,200.00
736.42 · Billing Contractual Services	<u>41,648.00</u>
Total 736.4 · Contractual - Ongoing Services	111,848.00
736.5 · Contractor Expenses	
736.5.1 · Onsite Contract O&M	94,200.00
736.5.3 · Collection System Maint./Repair	3,084.00
736.5.4 · Generator Service Contractor	457.98
736.5.5 · Locating Services	<u>132.05</u>
Total 736.5 · Contractor Expenses	97,874.03
736.9 · Professional Consulting Svc.	270.00
736 · Contractual Services - Other - Other	<u>360.00</u>
Total 736 · Contractual Services - Other	211,723.03
742 · Rental of Equipment	
742.01 · Lease	<u>31,055.40</u>
Total 742 · Rental of Equipment	31,055.40
750 · Transport & Delivery Expense	2,047.30
755 · Insurance Expense	
755.1 · Property Insurance	893.00
755.2 · Liability Insurance	<u>3,617.74</u>
Total 755 · Insurance Expense	4,510.74
765 · Regulatory Expenses	
765.01 · Regulatory Commiss Expense	3,673.26
765.03 · ACC Fees	-1,638.50
765.04 · Rate Case Expense	18,194.80
765 · Regulatory Expenses - Other	<u>304.00</u>
Total 765 · Regulatory Expenses	20,533.56
775 · Miscellaneous Expenses	
775.04 · Bank Service Charges	

Verde Santa Fe Wastewater Company, Inc.
Profit & Loss

January through December 2013

	<u>Jan - Dec 13</u>
775.4.4 · Vanco Fees	317.13
775.4.1 · CC Fees	4,125.87
775.4.2 · ACH Bank Fees	661.91
775.4.3 · Bank Fees Other Than ACH/CC	<u>1,180.33</u>
Total 775.04 · Bank Service Charges	6,285.24
775.05 · Travel Expense	140.33
775.06 · Communications Expense	1,215.69
775.08 · Other Utilities Expenses	444.12
775.12 · Collection Fees	131.46
775.13 · Water	517.35
775.15 · Lien Filing Fees	434.77
775.20 · Bad Debt Expense	58,940.60
775 · Miscellaneous Expenses - Other	<u>437.25</u>
Total 775 · Miscellaneous Expenses	<u>68,546.81</u>
Total Expense	<u>534,318.46</u>
Net Ordinary Income	1,853.46
Other Income/Expense	
Other Income	
421 · Miscellaneous Income	<u>370.81</u>
Total Other Income	<u>370.81</u>
Net Other Income	<u>370.81</u>
Net Income	<u><u>2,224.27</u></u>

Verde Santa Fe Wastewater Company, Inc.
Balance Sheet

As of December 31, 2013

Dec 31, 13

ASSETS

Current Assets

Checking/Savings

BANK ACCOUNTS

131 · CASH

131.01 · VSF Wastewater Co. Operating 5,093.82

Total 131 · CASH 5,093.82

Total BANK ACCOUNTS 5,093.82

Total Checking/Savings 5,093.82

Accounts Receivable

141 · CUSTOMER ACCOUNTS RECEIVABLE

141.03 · Golf Course 2,483.30

141.10 · Checks - to be assigned 20.00

141 · CUSTOMER ACCOUNTS RECEIVABLE - Other 20,922.28

Total 141 · CUSTOMER ACCOUNTS RECEIVABLE 23,425.58

Total Accounts Receivable 23,425.58

Other Current Assets

1499 · Undeposited Funds 2,791.18

1499.01 · Collections Payments 25.26

Total Other Current Assets 2,816.44

Total Current Assets 31,335.84

Fixed Assets

108 · ACCUMULATED DEPRECIATION

108.01 · A/D - Organizational Costs -25,499.93

108.02 · A/D - Structures & Improvements -29,389.51

108.03 · A/D - Sewer Collections -154,505.52

108.04 · A/D - Services -34,394.33

108.05 · A/D - Flow Meters -9,456.30

108.07 · A/D - Treatment/ Disposal

108.7.1 · A/D - Pumping Equipment -92,509.18

108.07 · A/D - Treatment/ Disposal - Other -368,029.87

Total 108.07 · A/D - Treatment/ Disposal -460,539.05

108.08 · A/D - Office Furn. & Equip. -4,024.76

108.09 · A/D - Tools & Equipment -2,860.56

108.10 · A/D - Other Tangible Plant -29,483.49

108.11 · A/D - Lab Equipment -346.56

Total 108 · ACCUMULATED DEPRECIATION -750,500.01

Verde Santa Fe Wastewater Company, Inc.
Balance Sheet

As of December 31, 2013

Dec 31, 13

350 · WASTEWATER UTILITY PLANT ACCTS	
351 · Organizational Costs	30,909.00
353 · Land and Land Rights	45,400.00
354 · Structures & Improvements	108,242.24
361 · Sewer Collections - Gravity	328,735.14
363 · Services to Customers	73,179.39
364 · Flow Measuring Devices	12,958.37
380 · Treatment and Disposal Equip.	
380.01 · Equalization Systems	128,161.45
380.03 · Lift Station	4,368.53
380.04 · Pumping Equipment	158,239.96
380 · Treatment and Disposal Equip. - Other	<u>604,987.64</u>
Total 380 · Treatment and Disposal Equip.	895,757.58
390 · Office Furniture & Equipment	5,803.12
393 · Tools, Shop & Garage Equipment	4,676.44
394 · Laboratory Equipment	630.13
398 · Other Tangible Plant	
398.01 · Headworks Equipment	63,253.69
398 · Other Tangible Plant - Other	<u>16,253.51</u>
Total 398 · Other Tangible Plant	<u>79,507.20</u>
Total 350 · WASTEWATER UTILITY PLANT ACCTS	<u>1,585,798.61</u>
Total Fixed Assets	<u>835,298.60</u>
TOTAL ASSETS	<u><u>866,634.44</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
231 · ACCOUNTS PAYABLE	<u>35,927.41</u>
Total Accounts Payable	35,927.41
Other Current Liabilities	
230 · ACCRUED LIABILITIES	
235 · Customer Deposits	<u>8,270.07</u>
Total 230 · ACCRUED LIABILITIES	8,270.07
241 · Payroll Liabilities	<u>-789.14</u>
Total Other Current Liabilities	<u>7,480.93</u>
Total Current Liabilities	<u>43,408.34</u>

Verde Santa Fe Wastewater Company, Inc.
Balance Sheet

As of December 31, 2013

Dec 31, 13

Total Liabilities	43,408.34
Equity	
200 · EQUITY CAPITAL	
201 · Common Stock Issued	<u>203,657.91</u>
Total 200 · EQUITY CAPITAL	203,657.91
251 · RETAINED EARNINGS	
271 · CONTRIBUTIONS IN AID OF CONSTR.	126,649.44
271.01 · Contr. in Aid of Construction	
271.1.1 · CIAC - Capacity Fee	110,050.00
271.01 · Contr. in Aid of Construction - Other	<u>868,254.67</u>
Total 271.01 · Contr. in Aid of Construction	<u>978,304.67</u>
Total 271 · CONTRIBUTIONS IN AID OF CONSTR.	978,304.67
272 · Amortization of Contributions	
272.02 · Accum. Amortization CIAC	-405,388.33
272.05 · Accum. Amort. Capacity Fees	<u>-82,221.86</u>
Total 272 · Amortization of Contributions	-487,610.19
Net Income	<u>2,224.27</u>
Total Equity	<u>823,226.10</u>
TOTAL LIABILITIES & EQUITY	<u><u>866,634.44</u></u>

EXHIBIT 2

EXHIBIT 2

Quantity	Description of Equipment Leased
1	Horizontal Cylindrical Fiberglass sludge holding tank (12' X 25' = 20,092 gallons
1	Vertical Cylindrical Chlorine Contact Tank (8' X 13.5' = 5,076 gallons
1	Olympian D150PL 150kW standby generator with Transfer switch
1	Inline Franklin Miller SS6000 comminutor
2	Horizontal Cylindrical Fiberglass anoxic tanks (10' X 18.5' = 10,094 gal. each
2	Horizontal Cylindrical Fiberglass aeration tanks (12' X 47'-9" = 39,362 gal. each

EXHIBIT 3

Verde Santa Fe Wastewater Company, Inc.
Balance Sheet Actual and Proforma

Line No.	Actual 12/31/2013	Proforma Adjustments	Proforma
1	ASSETS		
2	\$ 1,585,799	\$ 137,500	\$ 1,723,299
3	-		-
4	-		-
5	(750,500)		(750,500)
6	<u>\$ 835,299</u>		<u>\$ 972,799</u>
7			
8	\$ -		\$ -
9			
10	<u>\$ -</u>		<u>\$ -</u>
11			
12	CURRENT ASSETS		
13	\$ 5,094		\$ 5,094
14	-		-
15	23,443		23,443
16	-		-
17	-		-
18	-		-
19	-		-
20	2,816		2,816
21	<u>\$ 31,353</u>		<u>\$ 31,353</u>
22			
23			\$ -
24			\$ -
25	<u>\$ -</u>		<u>\$ -</u>
26			
27	\$ -		\$ -
28			
29	<u>\$ 866,652</u>		<u>\$ 1,004,152</u>
30			
31			
32	LIABILITIES AND STOCKHOLDER'S EQUITY		
33			
34	<u>\$ 332,532</u>		<u>\$ 332,532</u>
35			
36	<u>\$ -</u>	\$ 137,500	<u>\$ 137,500</u>
37			
38	CURRENT LIABILITIES		
39	\$ 35,927		\$ 35,927
40	-		-
41	-		-
42	-		-
43	8,287		8,287
44	-		-
45	-		-
46	(789)		(789)
47	<u>\$ 43,425</u>		<u>\$ 43,425</u>
48	DEFERRED CREDITS		
49	\$ -		\$ -
50	-		-
51	-		-
52	978,305		978,305
53	(487,610)		(487,610)
54	<u>\$ 490,695</u>		<u>\$ 490,695</u>
55			
56	<u>\$ 866,652</u>		<u>\$ 1,004,152</u>
57			
58			
59	Capital Structure		
60	\$ -	0.00%	\$ 137,500 29.25%
61	\$ 332,532	100.00%	\$ 332,532 70.75%
62	<u>\$ 332,532</u>	<u>100.00%</u>	<u>\$ 470,032 100.00%</u>
63			
64	Adjustments		
65	1 - WW Treatment Plant		
66	2 - Loan on WW Treatment Plant		

EXHIBIT 4

Verde Santa Fe Wastewater Company, Inc.
Actual and Proforma Income Statement
12 Months Ended

Line No.		Actual 12/31/2013	1	Proforma Adjustment	Proforma
1	Revenues				
2	Flat Rate Revenues	\$ 467,504	1	\$ 37,651	\$ 505,155
3	Measured Revenues	58,615	2	(51,088)	7,527
4	Other Revenues	10,052	2	(428)	9,624
5	Total Revenues	<u>\$ 536,171</u>			<u>\$ 522,306</u>
6	Operating Expenses				
7	Salaries and Wages	\$ 27,885			\$ 27,885
8	Purchased Wastewater Treatment	-			-
9	Sludge Removal	38,744			38,744
10	Purchased Power	41,222			41,222
11	Chemicals	12,874			12,874
12	Materials and Supplies	9,250			9,250
13	Contractual Services - Professional	3,514			3,514
14	Contractual Services - Other	211,723			211,723
15	Contractual Services - Testing	7,689			7,689
16	Rents	31,055	3	(31,055)	-
17	Transportation Expenses	2,047			2,047
18	Insurance - Expense	4,511			4,511
19	Reg. Comm. Expense	19,397			19,397
20	Miscellaneous Expense	68,547	2	(51,088)	17,459
21	Bad Debt Expense	-			-
22	Depreciation and Amortization Expense	29,350	4	12,500	41,850
23	Taxes Other Than Income	-			-
24	Property Taxes	25,793			25,793
25	Income Tax	137	5	9,367	9,504
26					
27	Total Operating Expenses	<u>\$ 533,738</u>			<u>\$ 473,462</u>
28	Operating Income	<u>\$ 2,433</u>			<u>\$ 48,844</u>
29	Other Income (Expense)				
30	Interest Income	-			-
31	Other Income	371			371
32	Interest Expense	(571)	6	(6,058)	(6,629)
33	Other Expense	(10)			(10)
34	Gain (loss) on Disposal of Equip	-			-
35	Total Other Income (Expense)	<u>\$ (210)</u>			<u>\$ (6,268)</u>
36	Net Profit (Loss)	<u>\$ 2,223</u>			<u>\$ 42,576</u>
37					
38					
39	Debt Service Coverage Ratio				6.18
40	Times Interest Earned Ratio				9.63
41					
42	Adjustments				
43	1 Revenue Increase granted 7/30/2014				
44	2 Normalize revenues and expenses based on rate case.				
45	3 Remove lease expense for WW plant				
46	4 Depreciation on WW plant with remaining life of 11 years				
47	5 Computed Income taxes at effective rate of 22%				
48	6 Interest expense on \$137,500 loan				
49					

EXHIBIT 5

**ACTION BY UNANIMOUS WRITTEN CONSENT
OF THE DIRECTORS OF VERDE SANTA FE WASTEWATER CO., INC.**

We, the undersigned, being all the directors of Verde Santa Fe Wastewater Co., Inc. ("VSF"), a corporation duly organized under the laws of the State of Arizona, hereby take the following action by unanimous written consent in lieu of a meeting of the directors, which consent may be executed in one or more counterparts, such resolutions having the same force and effect as if adopted at a formal meeting of the Board of Directors, pursuant to the authority of statutes and regulations governing Arizona for profit corporations and the By-Laws of VSF.

RESOLVED, that VSF is authorized to apply to the Commission to obtain approval of the financing contemplated in VSF's Application (Financing) ("Application"), in an amount necessary to finance the acquisition of wastewater equipment currently owned by Pivotal Utility Management, L.L.C. ("Pivotal") and leased by VSF (as described in the attached UCC Financing Statement),

RESOLVED, that the current lease agreement with Pivotal is discontinued (retroactively), effective July 1, 2014, and that, in accordance with the attached amortization schedule, VSF and Pivotal will establish a standard loan agreement in place of the lease agreement,

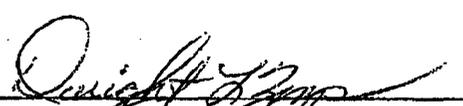
RESOLVED, that upon execution of the loan agreement, ownership of the equipment will transfer from Pivotal to VSF,

RESOLVED, that VSF may obtain financing in an amount not to exceed \$137,500, at an interest rate not to exceed 5 percent, for a term not to exceed eleven (11) years,

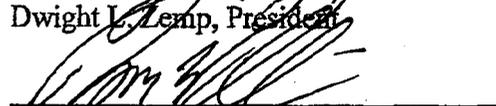
FURTHER RESOLVED, that VSF authorizes its officers, agents, and attorneys to prepare and submit all proper filings and disclosures, and seek and obtain any and all necessary permits and approvals in connection with the processing of the Application.

Dated: October 28, 2014

VERDE SANTA FE WASTEWATER CO.,
INC.



Dwight L. Zemp, President



Jason Williamson, Vice President &
Treasurer

John W. Clingman, Secretary

**ACTION BY UNANIMOUS WRITTEN CONSENT
OF THE DIRECTORS OF VERDE SANTA FE WASTEWATER CO., INC.**

We, the undersigned, being all the directors of Verde Santa Fe Wastewater Co., Inc. ("VSF"), a corporation duly organized under the laws of the State of Arizona, hereby take the following action by unanimous written consent in lieu of a meeting of the directors, which consent may be executed in one or more counterparts, such resolutions having the same force and effect as if adopted at a formal meeting of the Board of Directors, pursuant to the authority of statutes and regulations governing Arizona for profit corporations and the By-Laws of VSF.

RESOLVED, that VSF is authorized to apply to the Commission to obtain approval of the financing contemplated in VSF's Application (Financing) ("Application"), in an amount necessary to finance the acquisition of wastewater equipment currently owned by Pivotal Utility Management, L.L.C. ("Pivotal") and leased by VSF (as described in the attached UCC Financing Statement),

RESOLVED, that the current lease agreement with Pivotal is discontinued (retroactively), effective July 1, 2014, and that, in accordance with the attached amortization schedule, VSF and Pivotal will establish a standard loan agreement in place of the lease agreement,

RESOLVED, that upon execution of the loan agreement, ownership of the equipment will transfer from Pivotal to VSF,

RESOLVED, that VSF may obtain financing in an amount not to exceed \$137,500, at an interest rate not to exceed 5 percent, for a term not to exceed eleven (11) years,

FURTHER RESOLVED, that VSF authorizes its officers, agents, and attorneys to prepare and submit all proper filings and disclosures, and seek and obtain any and all necessary permits and approvals in connection with the processing of the Application.

Dated: October 28, 2014

VERDE SANTA FE WASTEWATER CO.,
INC.

Dwight L. Zemp, President

Jason Williamson, Vice President &
Treasurer

John W. Clingman, Secretary

SECRETARY OF STATE

2005 JUN 15 AM 8:20

FILED

200513695075

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER (optional)
Jason Williamson (303) 333-1250

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

Pivotal Utility Management, LLC
6825 E. Tennessee Avenue, Suite 547
Denver, CO 80224

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1-3

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
Verde Santa Fe Wastewater Company

OR 1b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

1c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY
6825 E. Tennessee Avenue, Suite 547 Denver CO 80224 USA

1d. TAX ID #: SSN OR EIN ADD'L INFO RE ORGANIZATION DEBTOR 1e. TYPE OF ORGANIZATION 1f. JURISDICTION OF ORGANIZATION 1g. ORGANIZATIONAL ID #, if any
86-0885680 Corporation Arizona 0816377-8 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. TAX ID #: SSN OR EIN 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 S/P) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME
Pivotal Utility Management, LLC

OR 3b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

3c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY
6825 E. Tennessee Avenue, Suite 547 Denver CO 80224 USA

4. This FINANCING STATEMENT covers the following collateral:

(See Exhibit A)

Note:

This transaction is a true lease. This UCC Financing Statement is filed for notice purposes.

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

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

8. OPTIONAL FILER REFERENCE DATA

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

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

9a. ORGANIZATION'S NAME Verde Santa Fe Wastewater Company			
OR	9b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:

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11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - Insert only one 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. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	11e. TYPE OF ORGANIZATION	11f. JURISDICTION OF ORGANIZATION	11g. ORGANIZATIONAL ID #, if any	<input type="checkbox"/> NONE

12. ADDITIONAL SECURED PARTY'S or ASSIGNOR S/P'S NAME - Insert only one 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 covers timber to be cut or as-extracted collateral, or is filed as a fixture filing.

14. Description of real estate:

PARCEL 407-37-106C8
VERDE SANTA FE PHSE 1 AN IRREG PTN OF
TRACT C LESS RECT PTN IN SW COR PER
3595/661 AND LESS A TRI PTN IN NE CO
R PER 3595/663 SEC 6-15-4E CONT 2.05AC

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 — effective 30 years

Filed in connection with a Public-Finance Transaction — effective 30 years

Verde Santa Fe Wastewater Company
6825 E. Tennessee Avenue, Suite 547
Denver, CO 80224

EXHIBIT A

<u>Quantity</u>	<u>Description of Equipment Leased</u>
1	Horizontal Cylindrical Fiberglass sludge holding tank (12' X 25' = 20,092 gallons)
1	Vertical Cylindrical Chlorine Contact Tank (8' X 13.5' = 5,076 gallons)
1	Olympian D150PL 150kW standby generator with Transfer switch
1	Inline Franklin Miller SS6000 comminutor
2	Horizontal Cylindrical Fiberglass anoxic tanks (10' X 18.5' = 10,094 gal.each)
2	Horizontal Cylindrical Fiberglass aeration tanks (12' X 47'-9" = 39,362 gal. each)

6/06/05
11:26:48

Yavapai County Treasurer
Legal Descriptions

TX013DSS
SUBCTL01
VIEW

Parcel
407-37-106C8

Name
FIRST AM TITLE INS CO TR 8248

Description
VERDE SANTA FE PHSE 1 AN IRREG PTN OF TRACT C LESS RECT
PTN IN SW COR PER 3595/661 AND LESS A TRI PTN IN NE CO
R PER 3595/663 SEC 6-15-4E CONT 2.05AC

Attn: Kathy
=

CMD01:Help

C01671

Bottom



FEE
\$5
\$8
\$1
\$1

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

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Jason Williamson (303) 383-1250

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Pivotal Utility Management, LLC
6825 E. Tennessee Avenue, Suite 547
Denver, CO 80224

This Document does not conform with requirements of ARS 11-480

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OR
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1c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY
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17. Check only if applicable and check only one box.
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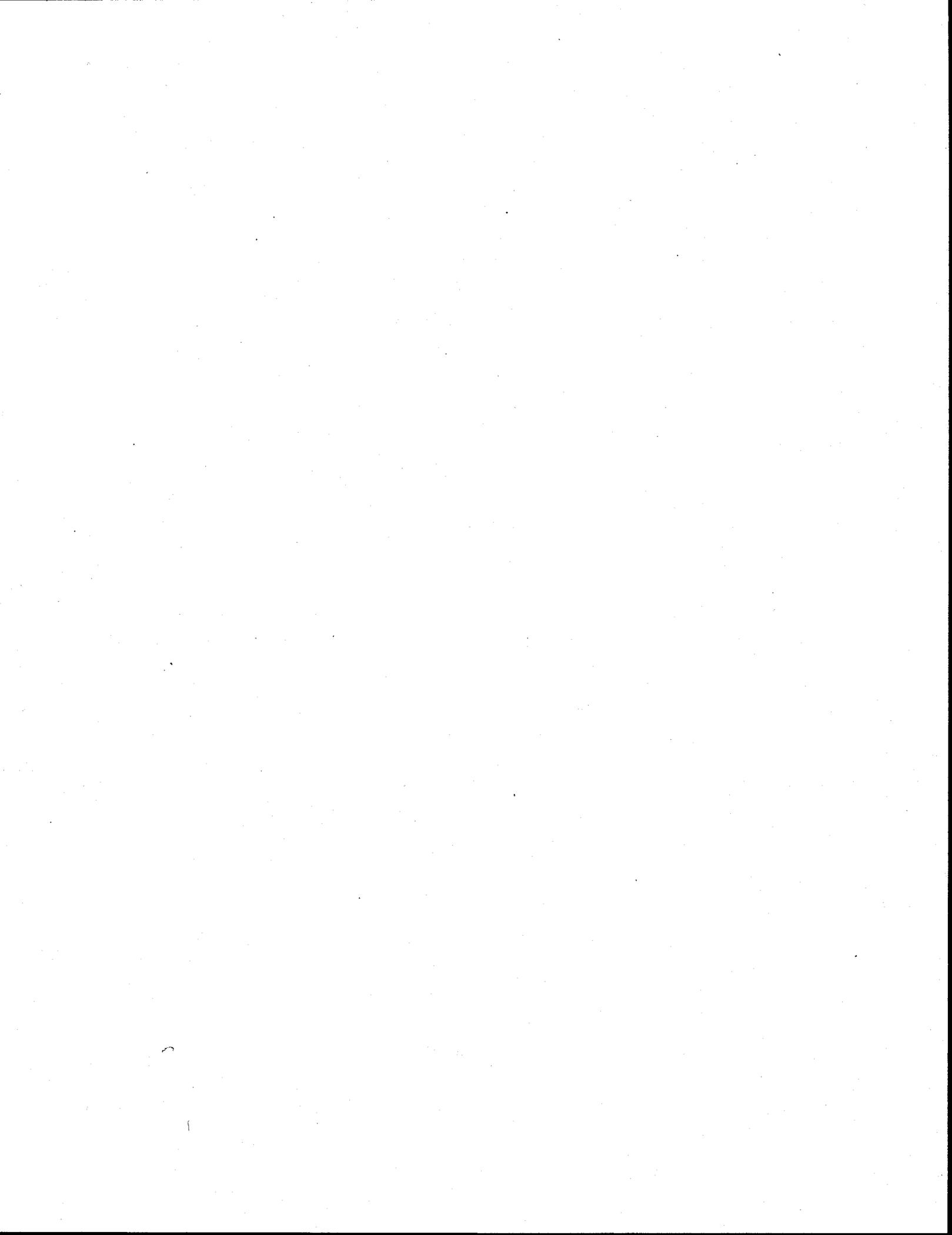
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 Filed in connection with a Manufactured-Home Transaction — effective 30 years
 Filed in connection with a Public-Finance Transaction — effective 30 years



Verde Santa Fe Wastewater Company
6825 E. Tennessee Avenue, Suite 547
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2	Horizontal Cylindrical Fiberglass aeration tanks (12' X 47'-9" = 39,362 gal. each)



Verde Santa Fe WW
Amortization Schedule

Exhibit

Line
No.

1			
2	Original Principal	\$	137,500.00
3	Annual Interest Rate		5.00%
4	Term (years)		11.00
5	Monthly Payment		\$1,350.74

8	<u>Month</u>	<u>Principle</u>	<u>Interest</u>	<u>Payment</u>	<u>Balance</u>
9	1	\$1,350.74	\$0.00	\$1,350.74	\$ 136,149.26
10	2	\$783.45	\$567.29	\$1,350.74	135,365.81
11	3	\$786.71	\$564.02	\$1,350.74	134,579.10
12	4	\$789.99	\$560.75	\$1,350.74	133,789.10
13	5	\$793.28	\$557.45	\$1,350.74	132,995.82
14	6	\$796.59	\$554.15	\$1,350.74	132,199.23
15	7	\$799.91	\$550.83	\$1,350.74	131,399.32
16	8	\$803.24	\$547.50	\$1,350.74	130,596.08
17	9	\$806.59	\$544.15	\$1,350.74	129,789.49
18	10	\$809.95	\$540.79	\$1,350.74	128,979.54
19	11	\$813.32	\$537.41	\$1,350.74	128,166.22
20	12	\$816.71	\$534.03	\$1,350.74	127,349.50
21	13	\$820.12	\$530.62	\$1,350.74	126,529.39
22	14	\$823.53	\$527.21	\$1,350.74	125,705.85
23	15	\$826.96	\$523.77	\$1,350.74	124,878.89
24	16	\$830.41	\$520.33	\$1,350.74	124,048.48
25	17	\$833.87	\$516.87	\$1,350.74	123,214.61
26	18	\$837.34	\$513.39	\$1,350.74	122,377.26
27	19	\$840.83	\$509.91	\$1,350.74	121,536.43
28	20	\$844.34	\$506.40	\$1,350.74	120,692.09
29	21	\$847.86	\$502.88	\$1,350.74	119,844.24
30	22	\$851.39	\$499.35	\$1,350.74	118,992.85
31	23	\$854.94	\$495.80	\$1,350.74	118,137.91
32	24	\$858.50	\$492.24	\$1,350.74	117,279.41
33	25	\$862.07	\$488.66	\$1,350.74	116,417.34
34	26	\$865.67	\$485.07	\$1,350.74	115,551.67
35	27	\$869.27	\$481.47	\$1,350.74	114,682.40
36	28	\$872.90	\$477.84	\$1,350.74	113,809.50
37	29	\$876.53	\$474.21	\$1,350.74	112,932.97
38	30	\$880.19	\$470.55	\$1,350.74	112,052.79
39	31	\$883.85	\$466.89	\$1,350.74	111,168.93
40	32	\$887.54	\$463.20	\$1,350.74	110,281.40
41	33	\$891.23	\$459.51	\$1,350.74	109,390.16
42	34	\$894.95	\$455.79	\$1,350.74	108,495.22
43	35	\$898.68	\$452.06	\$1,350.74	107,596.54