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AZ CORP COMMISSION
BUCKET CONTROL

1 SHAPIRO LAW FIRM, P.C.
Jay L. Shapiro (No. 014650)
2 1819 E. Morten Avenue, Suite 280
Phoenix, Arizona 85020
3 Telephone (602) 559-9575

4 Attorneys for Turner Ranches Water and Sanitation Company

5
6 **BEFORE THE ARIZONA CORPORATION COMMISSION**

7
8 IN THE MATTER OF THE APPLICATION
OF TURNER RANCHES WATER AND
9 SANITATION COMPANY, AN ARIZONA
CORPORATION, FOR AUTHORITY TO (1)
10 TO ISSUE EVIDENCE OF INDEBTEDNESS
IN AN AMOUNT NOT TO EXCEED
11 \$450,000 IN CONNECTION WITH
CAPITAL IMPROVEMENTS; AND
12 (2) ENCUMBER ITS REAL PROPERTY
AND PLANT AS SECURITY FOR SUCH
13 INDEBTEDNESS.

DOCKET NO: W-01677A-16-0074

APPLICATION (FINANCING)
Arizona Corporation Commission
DOCKETED

MAR 02 2016

DOCKETED BY

14
15 Pursuant to A.R.S. §§ 40-301 and 40-302, Turner Ranches Water and Sanitation
16 Company ("Turner Ranches" or "Company"), an Arizona public service corporation,
17 hereby applies for authority from the Arizona Corporation Commission ("Commission")
18 to (1) issue evidence of indebtedness in an amount not to exceed \$450,000; and
19 (2) encumber its real property and utility plant as security for such indebtedness.
20 Turner Ranches needs infrastructure improvements to be made to its system immediately.
21 The Company is presently making the improvements with funding from its Manager, First
22 National Management. The debt being sought here will be used to repay First National
23 Management. In support of this Application, Turner Ranches states as follows:

24 **A. General Background.**

25 1. Turner Ranches is a public service corporation providing non-potable water
26 for irrigation purposes to approximately 963 residential customers, 135 fire hydrants,

1 three golf courses, one cemetery, and other common areas in portions of Maricopa
2 County, Arizona, including, but not limited to, the Leisure World community in Mesa.

3 2. Turner Ranches' present rates and charges for utility service were approved
4 by the Commission in Decision No. 62319 (February 17, 2000).

5 3. Turner Ranches' business office is located at 3880 S. De Niza Road, Apache
6 Junction, Arizona 85119 and its telephone number is (480) 677-6080. The Company's
7 primary management contact is its President, Judy A. Lopez.

8 4. Ms. Lopez is the person responsible for overseeing and directing the conduct
9 of this Application. Her mailing address is P.O. Box 1020, Apache Junction, Arizona
10 85117; her telephone number is (480) 677-6080; and her email address is
11 jlopez2027@aol.com. **All discovery, data requests and other requests for information**
12 **concerning this Application should be directed to Ms. Lopez, with a copy by e-mail**
13 **to undersigned counsel at jay@shapslawaz.com and whitney@shapslawaz.com.**

14 5. Financial statements for the twelve-month period ending December 31, 2015
15 are attached as **Exhibit 1**.

16 6. Statements projecting Turner Ranches' estimated financial performance, for
17 the next five years, are attached as **Exhibit 1**.

18 **B. Purposes of Financing.**

19 7. Turner Ranches seeks Commission approval of long-term debt financing
20 contemplated herein for the purpose of repaying First National Management for funding
21 used to upgrade and perform needed maintenance on existing equipment located at water
22 wells, pump stations, and distribution system operated by the Company. Attached as
23 **Exhibit 2** is a detailed listing of the capital improvement projects and their estimated costs.
24 The improvements are necessary to maintain service and reliability of the system.

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1 **C. Terms and Conditions of Financial Transactions.**

2 8. The lender will be BBVA Compass Bank. The term sheet for the proposed
3 debt financing is attached hereto as **Exhibit 3**. BBVA Compass has represented that it
4 will provide the subject financing at an interest rate equal to WSJ Prime plus 1.75 percent
5 fixed for 10 years. As a result, Turner Ranches is undertaking to negotiate a loan with
6 BBVA Compass. Such Agreement will be subject to the Commission approval sought in
7 this docket.

8 9. Turner Ranches repayment obligation to BBVA Compass will be secured by
9 the grant of a security interest in the Company's real property and its water plant and
10 systems.

11 **D. Effects of Financial Transactions.**

12 10. Turner Ranches' pro forma balance sheet for the period ending
13 December 31, 2015 is attached as **Exhibit 1**. The pro forma balance sheet reflects the
14 impact of the debt infusion that is the subject of this Application. These actions will move
15 the Company's current capital structure consisting of 100 percent equity and no debt to a
16 capital structure consisting of approximately 78.19 percent equity and 21.81 percent debt.
17 The new capital structure is more balanced and favors ratepayers as the cost of debt is less
18 than the cost of equity.

19 11. The Company will have a Debt Service Coverage Ratio (DSCR) of 4.81 and
20 a Times Interest Earned Ratio (TIER) of 6.56 if the maximum requested indebtedness
21 were incurred. The ratios will be higher as long as the amount of debt incurred remains
22 less than the maximum value requested. The DSCR and TIER calculations, as shown on
23 **Exhibit 1**, were calculated using an interest rate of WSJ Prime plus 1.75 percent.

24 12. The loan proceeds will be issued for lawful purposes, as discussed herein,
25 and the execution of the loan agreement with BBVA Compass and the grant of a security
26 interest in Turner Ranches' real property, plant and system, and the undertaking of the

1 obligations set forth therein are within the Company's corporate powers. A Corporate
2 Resolution authorizing the contemplated transaction is attached as **Exhibit 4**.

3 13. Turner Ranches will file true and correct copies of all debt instruments issued
4 with Docket Control within thirty (30) days from the date of issuance.

5 14. The approvals sought herein are compatible with the public interest and with
6 the proper performance of Turner Ranches' duties as a public service corporation.

7 15. The financing contemplated herein will not impair the Company's ability to
8 perform its duties as a public service corporation providing water utility service.

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

13 Based on the foregoing, Turner Ranches respectfully requests the following:

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

16 B. That the Commission enter an order approving this Application and
17 authorizing Turner Ranches to incur indebtedness in an amount not to exceed \$450,000
18 for the purposes described above; and

19 C. That the Commission authorize Turner Ranches to take such other and
20 further action as may be necessary to effectuate the purposes of this Application, as may
21 be appropriate under the circumstances herein.

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RESPECTFULLY SUBMITTED this 2nd day of March, 2016.

SHAPIRO LAW FIRM, P.C.

By: _____

Jay L. Shapiro
1819 E. Morten Avenue, Suite 280
Phoenix, AZ 85020

Attorneys for Turner Ranches
Water and Sanitation Company

ORIGINAL and fifteen (15) copies
of the foregoing were delivered
this 2nd day of March, 2016, to:

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

By: Whitney Burk

EXHIBIT 1

| ASSETS | Actual 2015 | Projected 2016 | Projected 2017 | Projected 2018 | Projected 2019 | Projected 2020 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| CURRENT AND ACCRUED ASSETS | | | | | | |
| 131 Cash | \$ 8,647 | \$ 25,400 | \$ 26,954 | \$ 6,197 | \$ 75,930 | \$ 181,916 |
| 134 Working Funds | - | - | - | - | - | - |
| 135 Temporary Cash Investments | - | - | - | - | - | - |
| 141 Customer Accounts Receivable | 34,899 | 31,578 | 38,052 | 38,052 | 38,052 | 38,052 |
| 146 Notes/Receivables from Associated Companies | - | - | - | - | - | - |
| 151 Plant Materials and Supplies | - | - | - | - | - | - |
| 162 Prepayments | - | - | - | - | - | - |
| 174 Miscellaneous Current and Accrued Assets | - | - | - | - | - | - |
| TOTAL CURRENT AND ACCRUED ASSETS | \$ 43,546 | \$ 56,979 | \$ 65,007 | \$ 44,249 | \$ 113,982 | \$ 219,968 |
| FIXED ASSETS | | | | | | |
| 101 Utility Plant In Service | - | - | - | - | - | - |
| 103 Property Held for Future Use | 4,624,104 | 5,048,280 | 5,164,621 | 5,344,621 | 5,394,621 | 5,394,621 |
| 105 Construction Work in Progress | 3,000 | - | - | - | - | - |
| 108 Accumulated Depreciation - Utility Plant | (3,355,676) | (3,757,783) | (3,886,224) | (4,024,983) | (4,173,797) | (4,310,824) |
| 121 Non-Utility Property | - | - | - | - | - | - |
| 122 Accumulated Depreciation - Non Utility | - | - | - | - | - | - |
| TOTAL FIXED ASSETS | \$ 1,271,428 | \$ 1,290,497 | \$ 1,278,397 | \$ 1,319,637 | \$ 1,220,824 | \$ 1,083,797 |
| 181 Unamortized Debt Discount and Expense | - | 15,113 | 13,563 | 12,013 | 10,463 | 8,913 |
| 126 Sinking Fund/Debt Reserve | - | 2,930 | 14,651 | 26,372 | 38,093 | 49,814 |
| TOTAL ASSETS | \$ 1,314,974 | \$ 1,365,518 | \$ 1,371,617 | \$ 1,402,271 | \$ 1,383,361 | \$ 1,362,491 |
| LIABILITIES | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| 231 Accounts Payable | \$ 88,129 | \$ 38,129 | \$ 38,129 | \$ 38,129 | \$ 38,129 | \$ 38,129 |
| 232 Notes Payable (Current Portion) | - | - | - | - | - | - |
| 234 Notes/Accounts Payable to Associated Companies | 96,213 | 40,000 | - | - | - | - |
| 235 Customer Deposits | - | - | - | - | - | - |
| 236 Accrued taxes | 2,079 | 2,079 | 2,079 | 2,079 | 2,079 | 2,079 |
| 237 Accrued Interest | - | - | - | - | - | - |
| 241 Miscellaneous Current and Accrued Liabilities | - | - | - | - | - | - |
| TOTAL CURRENT LIABILITIES | \$ 188,421 | \$ 80,208 | \$ 40,208 | \$ 40,208 | \$ 40,208 | \$ 40,208 |
| LONG-TERM DEBT (Over 12 Months) | | | | | | |
| 224 Long-Term Notes and Bonds | - | 441,498 | 406,297 | 369,111 | 329,828 | 286,328 |
| DEFERRED CREDITS | | | | | | |
| 251 Unamortized Premium on Debt | - | - | - | - | - | - |
| 252 Advances in Aid of Construction * | - | - | - | - | - | - |
| 255 Accumulated Deferred Investment Tax Credits | - | - | - | - | - | - |
| 271 Contributions in Aid of Construction ** | - | - | - | - | - | - |
| 272 less: Amortization of Contributions | - | - | - | - | - | - |
| 281 Accumulated Deferred Income Tax | - | - | - | - | - | - |
| TOTAL DEFERRED CREDITS | \$ - |
| TOTAL LIABILITIES | \$ 188,421 | \$ 521,706 | \$ 446,505 | \$ 409,319 | \$ 370,036 | \$ 328,536 |
| CAPITAL ACCOUNTS | | | | | | |
| 201 Common Stock Issued | \$ 1,000,000 | \$ 1,000,000 | \$ 1,000,000 | \$ 1,000,000 | \$ 1,000,000 | \$ 1,000,000 |
| 211 Paid in Capital in Excess of Par Value | (982,897) | (982,897) | (982,897) | (982,897) | (982,897) | (982,897) |
| 215 Retained Earnings | 1,109,450 | 826,710 | 908,009 | 975,849 | 996,223 | 1,016,852 |
| TOTAL CAPITAL | \$ 1,126,553 | \$ 843,813 | \$ 925,112 | \$ 992,952 | \$ 1,013,326 | \$ 1,033,955 |
| TOTAL LIABILITIES AND CAPITAL | \$ 1,314,974 | \$ 1,365,519 | \$ 1,371,618 | \$ 1,402,271 | \$ 1,383,361 | \$ 1,362,491 |
| % Debt | 0.00% | 34.35% | 30.52% | 27.10% | 24.56% | 21.81% |
| % Equity | 100.00% | 65.65% | 69.48% | 72.90% | 75.44% | 78.19% |

Tumer Ranches Water and Sanitation Company
2015 Actual and 2016-2020 Projected Revenues and Expenses

| | Actual 2015 | Projected[1] 2016 | Projected[1] 2017 | Projected 2018 | Projected 2019 | Projected 2020 |
|---|--------------------|----------------------|----------------------|--------------------|--------------------|--------------------|
| OPERATING REVENUES | | | | | | |
| 461 Water Revenue | \$ 683,735 | \$ 733,887 | \$ 884,344 | \$ 884,344 | \$ 884,344 | \$ 884,344 |
| 474 Other Water Revenues | - | - | - | - | - | - |
| TOTAL REVENUES | \$ 683,735 | \$ 733,887 | \$ 884,344 | \$ 884,344 | \$ 884,344 | \$ 884,344 |
| OPERATING EXPENSES | | | | | | |
| 601 Salaries and Wages | \$ 31,600 | \$ 45,000 | \$ 45,000 | \$ 45,000 | \$ 45,000 | \$ 45,000 |
| 610 Purchased Water | - | - | - | - | - | - |
| 615 Purchased Power | 236,964 | 241,703 | 246,537 | 251,468 | 256,497 | 261,627 |
| 618 Chemicals | - | - | - | - | - | - |
| 619 Water Treatment | - | - | - | - | - | - |
| 620 Repairs and Maintenance [2] | 61,049 | 13,310 | 13,576 | 13,848 | 14,125 | 14,407 |
| 621 Office Supplies and Expense | 7,340 | 7,487 | 7,637 | 7,789 | 7,945 | 8,104 |
| 630 Outside Services | 214,754 | 219,049 | 223,430 | 227,899 | 232,457 | 237,106 |
| 635 Water Testing | 430 | 439 | 447 | 456 | 465 | 475 |
| 641 Rents | 16,104 | 16,426 | 16,755 | 17,090 | 17,431 | 17,780 |
| 650 Transportation Expenses | 5,929 | 6,048 | 6,168 | 6,292 | 6,418 | 6,546 |
| 657 Insurance - General Liability | 4,218 | 4,302 | 4,388 | 4,476 | 4,566 | 4,657 |
| 659 Insurance - Health & Life | - | - | - | - | - | - |
| 666 Reg. Commission Expense | 8,281 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| 675 Miscellaneous Expense | 769 | - | - | - | - | - |
| 403 Depreciation | 124,100 | 81,068 | 128,441 | 138,760 | 148,814 | 159,137 |
| 408 Taxes Other Than Income | 2,557 | 3,429 | 3,429 | 3,429 | 3,429 | 3,429 |
| 408.11 Property Taxes (computed 2016-2020) | 32,439 | 30,294 | 29,943 | 32,528 | 35,362 | 37,488 |
| 670 Bad Debt Expense | - | - | - | - | - | - |
| 409 Income Tax [3] | - | - | - | - | - | - |
| TOTAL OPERATING EXP. | \$ 746,534 | \$ 653,555 | \$ 730,752 | \$ 754,034 | \$ 777,509 | \$ 778,647 |
| OPERATING INC.(LOSS) | \$ (62,799) | \$ 80,332 | \$ 153,592 | \$ 130,310 | \$ 106,835 | \$ 105,697 |
| OTHER INC./EXPENSE | | | | | | |
| 419 Interest and Dividend Income | \$ 152 | - | - | - | - | - |
| 421 Non-Utility Income | 8,711 | - | - | - | - | - |
| 426 Miscellaneous Non-Utility Income | - | - | - | - | - | - |
| 427 Interest Expense | - | (6,536) | (24,954) | (22,968) | (20,871) | (18,655) |
| TOTAL OTHER INC.(EXP.) | \$ 8,863 | \$ (6,536) | \$ (24,954) | \$ (22,968) | \$ (20,871) | \$ (18,655) |
| NET INCOME/(LOSS) | \$ (53,936) | \$ 73,796 | \$ 128,638 | \$ 107,341 | \$ 85,964 | \$ 87,042 |
| Interest | - | 6,149 | 23,404 | 21,418 | 19,321 | 17,105 |
| Principal | - | 8,502 | 35,200 | 37,186 | 39,284 | 41,499 |
| Annual Debt Service (Interest + principal)[4] | - | 14,651 | 58,604 | 58,604 | 58,604 | 58,604 |
| Debt Service Coverage Ratio (DSCR) | N/A | 9.65 | 4.81 | 4.59 | 4.36 | 4.14 |
| Times Interest Earned Ratio (TIER) | N/A | 13.07 | 6.56 | 6.08 | 5.53 | 6.18 |
| [1] Projected Revenues | | 2016 | 2017 | | | |
| Projected Revenue Increase Authorized | \$ | 134,750 | | | | |
| Estimated Debt Surcharge Revenues | \$ | 65,859 | | | | |
| Projected Revenue Increase Authorized Plus Debt Surcharge | \$ | 200,609 | | | | |
| Annualized Effect on Revenues (assumes rate increase in effect on Oct. 1, 2016) | \$ | 50,152 | \$ | 200,609 | | |

[2] Lake maintenance expense of \$48,000 removed from projected 2016 and forward.

[3] Imputed Income Taxes at effective federal and state tax rate of 21%.

[4] Assumes Loan repayment begins in November 2016.

Turner Ranches Water and Sanitation Company
 2015 Actual and 2016-2020 Projected Statements of Cash Flows

| Line No. | Actual 2015 | Projected 2016 | Projected 2017 | Projected 2018 | Projected 2019 | Projected 2020 |
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EXHIBIT 2

Turner Ranches Ranked Priority Projects

| Priority | Name | Description | Work Description | Estimated Construction Cost |
|----------|--|--|---|-----------------------------|
| 1 | TR 10 Well Rebuild | Pull TR 10, 250 hp motor possibly needs bearing change (hear knocking sound), production has steadily been dropping and, on occasion, well will bind and not turn. | Includes removal and installation, replacement of column pipe, tube and shaft, camera well, single casing patch, rebuild motor, rebuild bowl assembly | 62,258 |
| 2 | Recker Well Rebuild | Well discharges silt (possible casing failure) and production has declined rapidly, motor running noisy and need rebuild or replacement. | Includes removal and installation, replacement of column pipe, tube and shaft, camera well, single casing patch, replace motor, replace bowl assembly | 95,616 |
| 3 | TR 10 Back-up | Since loss of effluent (2013), there is no means to provide alternate supply to TR 10. This project seeks other permanent supply methods. This may be accomplished through RWCD (getting water allotment or using RWCD wells to pump TR water, or other ideas). Following up with Mesa on getting camera on FF10 to review extent of casing damage and seeing if they would be willing to sell or lease site to TR | Pending estimates | |
| 4 | Addition of Jockey pump at F&I Station | Low flows through the F&I station require the 75 hp VFD to operate continually. Max flows on the 75 hp vfd pump are about 800 gpm. The addition of a VFD operated small jockey pump to pick up the minimal flows of 250 to 300 gpm would allow the 75 hp pump to shut down until needed. This would also address the problem of not having the pump station operate properly if single VFD is out of service. | \$45,000 (Had estimate from Precision Elect of \$33,000 for new motor and VFD but did not include pump head.) | |
| 5 | Taylor Well Rebuild | Taylor shaft wobbles considerably, motor casing severely corroded. | Includes removal and installation, replacement of column pipe, tube and shaft, camera well, single casing patch, replace motor, replace bowl assembly | 33,721 |
| | | | | 95,616 |

Turner Ranches Ranked Priority Projects

| Priority | Name | Description | Work Description | Estimated Construction |
|------------------------------------|-------------------------------------|---|---|------------------------|
| 6 | Taylor Well Electrical Improvements | Existing equipment is old (> 30 yrs) and MCC cabinet is rusted in several places allowing water leakage. Project involves replacement of cabinet and replacement of all electrical components. | \$50,000 est. Waiting for Swain to work out numbers. | 50,000 |
| 7 | Recirc Station | Current operation has only a single pump to pump back water to upper lake. Failure requires renting of gas/diesel powered equipment to pump water back until single pump repaired. This project would install a second pump of equal capacity to alternate with the existing pump. Work will need to also be done to the electrical components and to the wet well pump stand to accommodate the 2 pump system. | Cost of \$20,000 based on past pump replacement in 2012. Estimate of \$7,000 for electrical upgrades and \$5,000 for wet well alterations (not firm est). | |
| 8 | Hydrant Replacement | There are currently 6 hydrants that were not replaced during the last hydrant replacement project in 1998. | Excavation, removal, replacement and backfill. | 32,000 |
| 9 | Valve Replacement | There are currently 10 distribution valves that do not operate. They either will not open or close. | Unit cost of \$8,400 per valve | 29,006 |
| 10 | TR 11 Well Rebuild | TR 11 has not been pulled in over 10 years, motor runs hot | | 84,000 |
| Total for Priority Projects | | | | 532,055 |

EXHIBIT 3

**Summary of Terms and Conditions
of Proposed Credit Facility****Date:** 1/22/16

This summary of indicative terms and conditions is not a commitment to lend or to provide any other service related to a financing. Any such commitment or undertaking will be issued only in writing subject to appropriate documentation, the terms of which are not limited to those set forth herein. This summary of indicative terms and conditions is intended as an outline of certain of the material terms of a proposed financing and is not intended to summarize all of the conditions, covenants, representations, warranties and other provisions that would be contained in definitive loan documents, and is subject to, among other things, completion of due diligence, credit approval by BBVA Compass and SBA eligibility with completion of all loan documents along with other provisions as outlined below.

Borrower: Turner Ranches Water and Sanitation Co.
Operating Company: Turner Ranches Water and Sanitation Co.
Guarantors:

- Judy A Lopez
- Ronald R Lopez
- Sequoia Industries, Ltd

Facility: SBA 7a loan;
Loan amount not to exceed: \$450,000

Use of Funds:

To upgrade/replace/repair/perform needed maintenance to existing equipment located at water wells operated by Turner Ranches Water and Sanitation Company.
Improvements approximately \$500,000
Estimated closing costs \$15,500
Total uses: \$515,500

Source of Funds:

Loan proceeds: \$465,500
Total Sources: \$465,500

*Closing costs and fees have been estimated for planning purposes only. Allocation of sources and uses are based on an estimated total loan balance of \$465,500

Purpose: Proceeds to be used to upgrade/replace/repair/perform needed maintenance to existing equipment located at water wells operated by Turner Ranches Water and Sanitation Company.
Maturity: 10 years
Repayment: Monthly Principal and Interest payment, based on a fully amortized schedule. Amortization period subject to final approval of maximum loan term. Any remaining Principal and accrued Interest due at maturity.
Interest Rate WSJ Prime + 1.75% fixed for ten years. The rate based on this structure if closed today would be 5.25%.

CONFIDENTIAL

This term sheet does not represent a commitment to lend and may not be relied upon as such.

Packaging Fee: \$500

Prepayment fee Noneter

Collateral:

- 1st lien position on Property the Wells are located
- 1st lien position on Equipment to be acquired
- 1st lien position on existing equipment

Closing Costs: Normal due diligence will be required, out-of-pocket costs may include, but are not limited to, legal costs, Appraisal report, Environmental report, etc.

Deposit Accounts: The structure and terms contained herein are conditioned upon Borrower maintaining its primary depository accounts with Lender and agreeing to allow Lender to automatically debit its accounts with Lender for amounts due under the Facility.

Conditions Precedent:

- Appraisal report.
- Environmental Report
- Survey
- Title opinions
- Insurance requirements
- SBA 7A Loan approval from the U.S. Small Business Administration reflecting a guaranty percentage of 75% Satisfaction of any loan conditions or terms imposed by the U.S. Small Business Administration in connection with its approval and guaranty. Borrowers and guarantors agree to provide necessary documentation and execute required forms for Bank to obtain said government guaranty. Bank will prepare SBA application and subsequent forms to obtain valid SBA guaranty on behalf of the borrower(s), guarantors if applicable, affiliates. For this service Bank will charge the above noted packaging fee.
- Properly executed documents in form and substance satisfactory to Lender and/or Lender's counsel evidencing or supporting the Facilities, which may include, but are not limited to, a promissory note and/or credit agreement, pledge or security agreements, financing statements and general/unlimited/unconditional guarantees.
- Additional conditions precedent that Lender considers customary and reasonably appropriate for the Facility.

**Note, all of the foregoing are subject to Lender's receipt and satisfactory review.*

BBVA Compass Bank

Steve Gation
Vice President
SBA Lending Division

This term sheet is issued in reliance on the accuracy of all information, representations, schedules, and other data and materials submitted by Borrower, all of which are deemed material. This term sheet does not contain all of the terms and conditions or other provisions that may be included in the final documents evidencing the Facilities, and is issued at a time before Lender has undertaken a full business, credit, and legal analysis of Borrower and the Facilities.

The terms and provisions of this correspondence are confidential and may not be disclosed by Borrower to any other person or entity. However, the foregoing restrictions on disclosure shall not apply to disclosure(s): (i) to Borrower's legal counsel for purposes of advising Borrower with respect hereto and provided, however, that such counsel agrees to preserve the confidentiality of this correspondence; or (ii) in response to any properly issued subpoena from any court or other governmental authority with jurisdiction over Borrower, provided that Lender has been furnished reasonable advance notice of the intended disclosure and the opportunity to prevent or limit the scope of any such disclosure.

This term sheet is intended for the sole and exclusive benefit of Borrower and Lender and may not be relied upon by third parties.

CONFIDENTIAL

This term sheet does not represent a commitment to lend and may not be relied upon as such.

EXHIBIT 4

**ACTION BY UNANIMOUS WRITTEN CONSENT
OF THE DIRECTORS OF
TURNER RANCHES WATER AND SANITATION COMPANY**

We, the undersigned, being all the directors of Turner Ranches Water and Sanitation Company ("Turner Ranches"), 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 the statutes and regulations governing Arizona for profit corporations and the By-Laws of Turner Ranches.

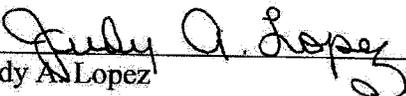
RESOLVED, that Turner Ranches is authorized to apply to the Commission to obtain approval of the financing contemplated in Turner Ranches Application (Financing) ("Application"), in an amount necessary to fund improvements to Turner Ranches' utility system,

RESOLVED, that Turner Ranches may obtain financing in an amount not to exceed \$450,000, at an interest rate equal to WSJ Prime plus 1.75 percent fixed for 10 years,

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

Dated: February 29, 2016

TURNER RANCHES WATER AND
SANITATION COMPANY



Judy A. Lopez



Ronald Lopez