

W-03912A-16-0108
W-20958A-16-0108

ORIGINAL
ROBERT E. FEE



4501 E. GRANT ROAD
TUCSON, ARIZONA
85712

April 7, 2016
Arizona Corporation Commission
DOCKETED

AREA CODE 520 • 322-0962
TELEFAX 520 • 322-0582

APR 15 2016

Gene Gregory
161 Cobler Drive
Roanoke Rapids, NC 27870

DOCKETED BY *JL*

RECEIVED

APR 11 2016

AZ CORP COMM
Director - Utilities

RECEIVED
2016 APR 15 P 3:01
AZ CORP COMMISSION
DOCKET CONTROL

Re: Sunizona Water Company

Dear Mr. Gregory:

Earlier this last week, this office received a notice from the Sunizona Water Company that Narvol Dean Bales intends to transfer all assets of the Sunizona Water Company, including customer accounts, to you. In the documentation we received from the Arizona Corporation Commission, there was a Bill of Sale dated January 12, 2014 which indicates that Mr. Bales has already transferred the assets of the water company to you.

This office represents Judy and Paul Leiker in litigation against Mr. Bales in the Cochise County Superior Court, alleging breach of contract, breach of the covenant of good faith and fair dealing, intentional and/or negligent infliction of emotional distress, defamation, defamation per se and false light invasion of privacy. For what it's worth, I am personally confident that a jury will return a significant judgment in favor of our clients against Mr. Bales. During a recent deposition, Mr. Bales' attorney, Joane Hallinan, questioned why this office was continuing to pursue Mr. Bales when her client didn't have much property or assets to satisfy a judgment. At that time I informed Mr. Hallinan that we intended to take possession of the water company assets.

The timing of Mr. Bales' notice of his desire to sell the water company is suspect in that the notice comes just before the ongoing litigation is to be set for trial. If an Arizona court finds that Mr. Bales' transferring assets to you is motivated by an intent to keep the assets of the water company out of reach of creditors, a court may find the transfer to be a "fraudulent conveyance". Such a finding will undoubtedly lead to serious legal consequences for both Mr. Bales as the transferee, and yourself as the person who receives the assets.

Arizona has both civil and criminal statutes which address fraudulent conveyances. The criminal statutes are found mainly at A.R.S. §§13-2204 to 2206. Civil statutes starting at A.R.S. §44-1001 specify that if a transfer was made or debt incurred "with actual intent to hinder, delay or defraud any creditor of the debtor" or when the debtor "intended to incur, or believed or reasonably should have believed that he would incur, debts beyond his ability to pay as they became due", then that transfer may be fraudulent whether the creditor's claim arose before or after the transfer was made or the obligation was incurred.

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If our clients believe that transfer of the water company to you constituted a fraudulent conveyance, our clients will undoubtedly pursue various court-ordered remedies including avoidance of the asset transfer, garnishment, attachment, provisional remedies, injunctive relief, appointment of a receiver and any other relief deemed proper under the circumstances. Arizona statutes specifically discourage persons from helping debtors commit fraudulent conveyances in that Arizona allows creditors to seek all of the above remedies against the person or persons who receive the assets from the debtor. Arizona Revised Statutes Section 44-1211 specifies that any party to a fraudulent conveyance made or contrived with the intent to deceive and defraud others, or to defeat, hinder or delay creditors or others of their just debts, damages or demands is guilty of a Class 2 misdemeanor in addition to the potential civil penalties. Please be assured that our clients take these matters very seriously and will most assuredly pursue all available legal remedies in the future.

I strongly suggest that you seek professional guidance, including independent legal advice, regarding your involvement with the Sunizona Water Company.

Very truly yours,

LAW OFFICE OF ROBERT E. FEE

A handwritten signature in black ink, appearing to be 'Robert E. Fee', written in a cursive style.

Robert E. Fee

REF/tmc

cc: Judy and Paul Leiker
Arizona Corporation Commission