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OPEN MEETING AGENDA ITEM

ORIGINAL

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8 Company, Inc.

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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

9 DOUG LITTLE, CHAIRMAN
10 BOB STUMP
11 BOB BURNS
12 TOM FORESE
13 ANDY TOBIN

Arizona Corporation Commission

DOCKETED

APR 20 2016

DOCKETED BY 

14 IN THE MATTER OF THE APPLICATION
15 OF TRUXTON CANYON WATER
16 COMPANY, INC. FOR AUTHORITY TO
17 INCUR LONG-TERM DEBT.

DOCKET NO. W-02168A-15-0369

**COMPLIANCE FILING
REGARDING APPROVAL TO
CONSTRUCT**

18 Pursuant to Decision No. 754653, Truxton Canyon Water Company, Inc.,
19 (“Company” or “Truxton”) hereby files the Water Infrastructure Finance Authority loan,
20 which closed on April 15, 2016. See Attachment 1. The Company certifies this loan
21 conformed to Decision No. 75663. See Attachment 2.
22
23

24 DATED this 20th day of April, 2016.

25 **MOYES SELLERS & HENDRICKS**

26 

27 Steve Wene
28

1 Original and thirteen (13) copies
2 of the foregoing filed this 20th
3 day of April, 2016 with:

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

8 *Donnelly, Herbert*
9 _____

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ATTACHMENT 1

Truxton Canyon Water Company, Inc. and
Water Infrastructure Finance Authority of Arizona

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RESOLUTION NO. 2016-1
RESOLUTION OF THE TRUXTON CANYON WATER COMPANY, INC.
AUTHORIZING THE LOAN FROM THE WATER INFRASTRUCTURE FINANCE
AUTHORITY

Recitals

- A. Truxton Canyon Water Company, Inc. ("Company") is a public service corporation and duly organized and existing under the laws of the State of Arizona for the primary purpose of providing utility service to real property within the Company's service area as well as other purposes provided by law.
- B. The Company has the authority to borrow money and to accept financial assistance pursuant to Arizona Corporation Commission Decision Nos. 74836 and 75453, as amended.
- C. The Board of Directors of the Company ("Board") has held a duly called and noticed meeting to discuss and authorize the acceptance of the loan agreement offered by the Water Infrastructure Finance Authority ("WIFA" or "Lender") as described in WIFA Loan Agreement No. 920268-16.
- D. The Board has complied with the notice, publication, meeting, hearing, and other applicable requirements.

Resolution

NOW, THEREFORE, BE IT RESOLVED by the Board as follows:

- 1.0 The Recitals set forth above are incorporated herein.
- 2.0 The Board the Company President or Manager to certify to WIFA that at a meeting of the Board was properly and duly called in accordance with applicable law and held on the date designated below at which meeting at least a quorum of said Board was present and those present constituted a legally sufficient number qualified to act and transact matters and the following resolutions were adopted and the same have not been altered, amended or revoked.
- 3.0 The Company is authorized and empowered to enter into a loan transaction with Lender to borrow the sum of Three Hundred Fifty Thousand, Nine Hundred, and Fifty Dollars (\$350,950.00). The Company's Manager Rick Neal is hereby authorized and empowered to act on behalf of the Company, to enter into the loan with Lender on such terms and conditions the Manager may approve, including, without limitation, conferring the power to appoint a receiver, and to pledge, set over, transfer, assign, mortgage, hypothecate, grant security interests in, and otherwise encumber as security for the repayment of each of such loans, any assets of the Company as may be required and agreed upon between the Manager and Lender, and to execute and deliver to Lender on behalf of, and in the name of, the Company, the Company's evidence(s) of indebtedness stating the Company's promise and obligation to pay said principal sum(s), together with any other amounts which may be provided for in such instrument(s) evidencing

said indebtedness and from time to time, when any obligation evidencing any of such loans matures, to renew the loan(s) in whole or in part until the same are paid in full.

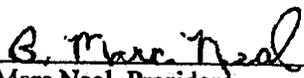
4.0 The Manager is authorized and empowered to execute on behalf of, and in the name of, the Company from time to time loan agreements, instruments granting Lender a security interest in any assets of the Company, and supplements to each, together with any and all other security agreements, instruments and documents as may be required and agreed upon between such officer or person and Lender or which Manager may deem expedient in carrying out the intents and purposes of the Resolutions set forth herein.

5.0 These Resolutions relate solely to the Company's general borrowing and do not in any manner whatsoever limit the amount of any Company borrowing heretofore or hereafter made under any other financing arrangement, and that these Resolutions are mutually exclusive, cumulative as to amounts and shall not serve to revoke or alter any Resolutions previously delivered to Lender or (unless specifically otherwise provided) be revoked by any Resolutions subsequently delivered to Lender relating to general or specific financing arrangements between Lender and the Company.

6.0 For action of the Lender in reliance thereon, the Company Secretary shall certify and deliver to the said Lender a copy of these Resolutions, and that these Resolutions shall remain in full force and effect until written notice of their repeal shall have been received by Lender and until all indebtedness which may have been incurred as aforesaid shall have been paid and satisfied.

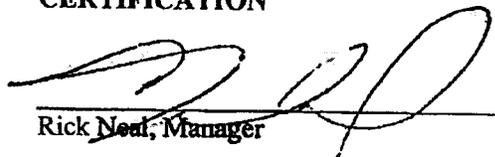
7.0 The Board certifies that the authority conferred is not inconsistent with the Laws of the State of Arizona or any other resolutions adopted by the Company.

PASSED, APPROVED, ADOPTED, SUBSCRIBED, AND SWORN this 13 day of April, 2016.



B. Marc Neal, President

CERTIFICATION



Rick Neal, Manager

***Loan Resolution 2016-010 - Truxton Canyon Water
Company
Water Infrastructure Finance Authority of Arizona***

Section 1: Resolution

WHEREAS, the Water Infrastructure Finance Authority of Arizona (the "Authority") has received from Truxton Canyon Water Company (the "Local Borrower") a request for a loan (the "Loan"); and

WHEREAS, the Authority has determined that the Local Borrower has met the requirements of Arizona Revised Statutes §49-1201 et seq. (the "Act") and the rules promulgated thereunder (the "Rules"); and

WHEREAS, the terms and conditions under which a Loan will be made and the obligations of the Local Borrower will be set forth in a loan agreement or bond purchase agreement (the "Loan Agreement") to be executed by the Local Borrower and the Authority.

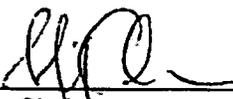
NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AUTHORITY AS FOLLOWS:

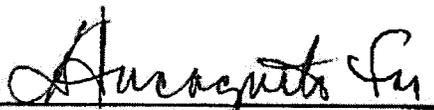
The Executive Director of the Authority is hereby authorized and directed to execute a Loan Agreement with the Local Borrower to evidence a Loan in accordance with the Act, the Rules, the Local Borrower's applications to the Authority, and the Project Summary detailed in Section 2 of this Loan Resolution.

The Executive Director and other Authority officials, as appropriate, are authorized and directed to sign any document and take such actions as necessary and appropriate to consummate the transactions contemplated by this Resolution and the Loan Agreement and to ensure that the Local Borrower has completed all requirements of the Authority as detailed in Section 3, Section 4, and Section 5 of this Loan Resolution.

This Resolution shall take effect immediately and shall terminate one year from the date of Board Action.

Dated: February 17, 2016

By: 
Chairman

Attest: 
Executive Director

Loan Resolution 2016-010 - Truxton Canyon Water Company

Water Infrastructure Finance Authority of Arizona

Section 2: Project Summary

2.1 Project Number(s)

DW 004-2016

2.2 Project Priority Data

<u>PL Rank</u>	<u>Funding Cycle</u>	<u>Population Served</u>	<u>Subsidy</u>
5	2016	2,202	85%

2.3 Project Description(s)

The Company plans to install an adsorption based arsenic treatment facility near the inactive Reda well site to treat the water from the Davis 1 and 29 wells to an arsenic concentration of less than or equal to 5 ppb. The Company will construct a 24' x 36' structure to house the treatment facility. Based upon the design of the proposed treatment, a constant flow of water through the treatment media will be required to keep it from cracking. This constant flow of water will require an electric service upgrade at the site from single to three phase electric.

2.4 Previous Board or Committee Actions

Truxton Canyon Water Company (Company) was awarded Technical Assistance funding in the amount of \$18,802.80 during the 2012 funding cycle for a transmission line replacement design. However, the Company was unable to fund the match requirements and turned down the funding.

2.5 Project Finance Committee Recommendations

Not reviewed by the Project Finance Committee.

Section 3: Financial Assistance Terms & Conditions (Section 7.1 of Due Diligence)

Financial Assistance Amount: \$350,950

Primary Repayment Source: System Revenues

Secondary Repayment Source: None

Loan Resolution 2016-010 – Truxton Canyon Water Company

Water Infrastructure Finance Authority of Arizona

Loan Term: 20 years

Frequency of Repayment: Monthly

Loan Structure: Non-governmental, Level 3 - Deed of Trust

Debt Service Reserve Fund Requirements: WIFA Held

Repair and Replacement Fund Requirements: Local - Separate Account

Requirements Prior to Loan Execution:

Require Legal Opinion: Yes

Other: No Requirement

Requirements Prior to Construction: No Requirement

Requirement During Construction (and Prior to First Disbursement): Yes

ACC approval of the arsenic surcharge mechanism that would enable the Company to meet its principal, interest and fee, and debt service reserve on the proposed loan amount of \$350,950.

Requirements Prior to Final Disbursements: No Requirement

Loan Category: Not Qualified

Policy Exceptions: Yes

WIFA Policy III.8 – Capability Review and Financial Assistance Requirements for Non-Governmental Entities; Section 3: Financial Assistance Requirements, Rate Covenant. Rates and charges will not be sufficient to operate and maintain the system and maintain WIFA coverage requirement in the short-term.

The Company must provide pro-forma financial statements showing that rates and charges are sufficient to operate and maintain the water system after one full year of arsenic treatment operation. If not sufficient, the Company must provide evidence that an application has been filed with the ACC for a rate increase or an emergency rate increase.

Section 4: Technical Terms & Conditions (Section 7.2 of Due Diligence)

Observation Schedule B:

Observation 1: Upon borrower notification of construction commencement

***Loan Resolution 2016-010 – Truxton Canyon Water
Company
Water Infrastructure Finance Authority of Arizona***

Additional Observations: at least one site observation within each 12 month period

Final Observation: 80% construction budget disbursement

Withholding Percentage: 10% (released after deliverables received)

Requirements Prior to Loan Execution: No Requirement

Requirements Prior to Construction:

Submittal of Construction Bids: Yes

Project Publicity/Signage: Yes

Other: No Requirement

Requirements During Construction:

Prior Review of Changes in Project Scope: Yes

The Local Borrower shall submit to the Authority, for review and approval prior to execution, any change to the plans and specifications, construction contracts, Eligible Project Costs, or any other change which will effect the performance standards or purpose of the Project.

Other: No Requirement

Requirements Prior to Final Disbursements:

Require Plan of Operation: Yes

Require Final Approval: Yes

Other: No Requirement

Policy Exceptions: None

Section 5: Additional Notice & Reporting Requirements (Section 7.3 of Due Diligence)

Other: Wage rate reporting requirements; Use of American Iron and Steel requirements.

Loan Agreement

between

Water Infrastructure Finance Authority of Arizona
(the "Authority")

and

Truxton Canyon Water Company, Inc.
(the "Local Borrower")

Evidencing a Loan from the
Authority to the Local Borrower

Dated as of April 15, 2016

**WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA
LOAN AGREEMENT**

This Loan Agreement (as it may be amended or supplemented from time to time, this "Agreement") is made and entered into as of the date set forth below by and between the Local Borrower and the Authority set forth below.

This Loan Agreement includes the attached Exhibits and the attached Standard Terms and Conditions. Any capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Exhibits and Standard Terms and Conditions.

Section 1. Party Names And Addresses.

Local Borrower:	Truxton Canyon Water Company, Inc.
Local Borrower Mailing Address:	3001 Westwood Drive Las Vegas, Arizona 89109 (702) 256-4006 (702) 256-2522
Attention:	Rick Neal, Manager
Local Borrower Business Office Address:	3001 Westwood Drive Las Vegas, Arizona 89109
Lender:	Water Infrastructure Finance Authority of Arizona
Lender Address:	100 North 15 th Avenue, Suite 103 Phoenix, Arizona 85007
Attention:	Executive Director

Section 2. Loan Information. The terms of the Loan include the terms set forth in the Exhibits, which are part of this Agreement:

Exhibit A	Financial Assistance Terms and Conditions
Exhibit B	Technical Terms and Conditions
Exhibit C	Reporting Requirements
Exhibit D	Debt Service Reserve and Replacement Reserve Provisions
Exhibit E	Limits on Additional Indebtedness without Lender Consent
Exhibit F	Form of Promissory Note
Exhibit G	Form of Opinion of Counsel to Borrower
Exhibit H	Borrower Disclosure

Section 3. The Loan. Subject to the terms and conditions of this Agreement, the Authority agrees to make the Loan to the Local Borrower by means of one or more disbursements

("Disbursements") in an aggregate principal amount not to exceed the Loan Amount (the "Commitment"). The undisbursed portion of the Commitment shall expire on the earlier of (i) the date that the Loan amount has been fully disbursed by the Authority, (ii) the date the final requisition received from the Local Borrower is disbursed, or (iii) the third anniversary of the Loan closing. The obligation of the Local Borrower to repay the Loan is evidenced by the Promissory Note in the form attached hereto as Exhibit F, dated of even date herewith, of the Local Borrower payable to the Authority, as it may be amended, modified, extended, renewed, restated, or supplemented from time to time (the "Note"). In the event of a conflict between the Note and this Agreement, the terms of this Agreement shall be deemed controlling. The Loan shall not constitute a revolving loan, and amounts repaid may not be reborrowed.

Section 4. Disbursements. The Authority may disburse funds by check, by electronic means or by means of magnetic tape or other transfer medium. In making Disbursements, the Authority shall be entitled to rely upon, and shall incur no liability to the Local Borrower in acting upon, any request made by a person identifying himself or herself as one of the persons authorized by the Local Borrower to request Disbursements. Disbursements of the Loan will be made only upon satisfaction of the conditions set forth in this Agreement, including the following:

(a) The Authority has received a draw request from the Local Borrower, in form and substance satisfactory to the Authority, not less than ten (10) days prior to the date for which such Disbursement is requested, specifying the amount and purpose of the Disbursement requested. The Authority will furnish an acceptable form of draw request to the Local Borrower. The Authority may revise the form of draw request from time to time.

(b) Except as hereinafter provided, disbursements shall be made only upon certification of an authorized officer of the Authority that such disbursement is proper. An authorized officer of the Authority shall approve disbursements in payment of the invoices, demands for payment, approved contractors' estimates or other evidence of cost incurrence directly to the persons or entities entitled to payment or to the Local Borrower in the case of reimbursement for costs of services already paid, and shall provide the Local Borrower with a copy of the approval and the date approved.

(c) The Authority has received such other items or documents as the Authority may reasonably require.

Section 5. Payment Of Principal, Interest And Fees. The Local Borrower shall pay to the Authority the amounts shown in Exhibit A on or before the dates shown in Exhibit A, as the same may be adjusted as provided in the Standard Terms and Conditions, to reflect any revisions to the principal repayment schedule of the Loan. Such payments shall be made by electronic funds transfer or by direct debit to the Authority.

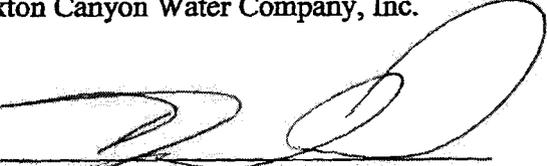
Section 6. Loan And Security Documents. The Loan shall be secured by the Continuing Security Agreement of even date herewith executed by the Local Borrower for the benefit of the Authority (the "Continuing Security Agreement") granting the Authority a security interest in the collateral described therein by the provisions of this Agreement providing for the holding of, and granting the Authority a security interest in, the Debt Service Reserve Fund and the Replacement

Reserve Fund (as described in Exhibit D). The Continuing Security Agreement, any Deed of Trust and any other agreements, documents or instruments securing the Loan are referred to as the "Security Documents". This Agreement, the Note, the Security Documents and any other agreements, documents or instruments evidencing, securing or otherwise relating to the Loan, and all exhibits thereto, are referred to as the "Loan Documents".

IN WITNESS WHEREOF, the Authority and the Local Borrower have caused this Loan Agreement to be executed and delivered as of the date of execution hereof.

DATED as of April 15, 2016.

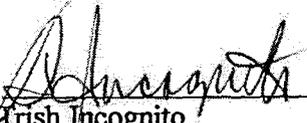
Truxton Canyon Water Company, Inc.

By: 

Name: Rick Neal

Title: Manager

Water Infrastructure Finance Authority of Arizona

By: 

Irish Incognito

Chief Financial Officer

LOAN AGREEMENT ADDENDUM

Wage Rate Requirements for Compliance with P.L. 111-88

Water Infrastructure Finance Authority of Arizona

This document (this "Wage Rate Addendum") sets forth additional requirements applicable to state revolving fund Loans made by the Water Infrastructure Finance Authority of Arizona ("WIFA") that are subject to the requirements of federal Public Law 111-88, "Making appropriations for the Department of the Interior, environment, and related agencies for the fiscal year ending September 30, 2010, and for other purposes," enacted October 30, 2009 ("P.L. 111- 88"). The provisions in this Wage Rate Addendum are a part of the Loan Agreement. Capitalized terms not otherwise defined herein shall have the meanings given them in the Loan Agreement.

The parties acknowledge and agree that funds disbursed by WIFA to the Local Borrower will include funds made available to WIFA by the federal government under P.L. 111-88, and that the requirements of P.L. 111-88 include those set forth in this Wage Rate Addendum. The Local Borrower agrees to comply with all of those requirements and agrees that failure to do so is a breach of the provisions of the Loan Agreement which may result in a default under the Loan Agreement, termination of WIFA's obligation to make disbursements on the Loan and the Local Borrower being required to repay all amounts that have been disbursed by WIFA on the Loan, together with interest and fees as provided in the Loan Agreement.

Additional Requirement for Subrecipients that are not Governmental Entities:

Obtaining Wage Determinations - Under this Wage Rate Addendum, the non-governmental borrower must submit its proposed Davis Bacon wage determinations to WIFA for approval prior to including the wage determination in any solicitation, contract task orders, work assignments, or similar instruments to existing contractors. **THIS PARAGRAPH DOES NOT APPLY TO GOVERNMENTAL ENTITIES.**

Section 1. Wage Rate Requirements

The following language must be included in all Davis Bacon covered construction contracts and subcontracts. (29 CFR Part 5.5)

(a) The Local Borrower shall insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a treatment work under the CWSRF or a construction project under the

DWSRF, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in Sec. 5.1, or the FFY 2010 appropriation, the following clauses:

(1) **Minimum wages.** (i) All laborers and mechanics employed or working upon the site of the work will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. Contributions made or costs reasonably anticipated for bona fide fringe benefits under section 1(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of paragraph (a)(1)(iv) of this section; also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period. Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in Sec. 5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: Provided, that the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under paragraph (a)(1)(ii) of this section) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible place where it can be easily seen by the workers. Local Borrowers may obtain wage determinations from the U. S. Department of Labor's web site, www.wdol.gov.

(ii)(A) The Local Borrower, on behalf of EPA, shall require that any class of laborers or mechanics, including helpers, which is not listed in the wage determination and which is to be employed under the contract shall be classified in conformance with the wage determination. The WIFA award official shall approve an additional classification and wage rate and fringe benefits therefore only when the following criteria have been met:

- (1) The work to be performed by the classification requested is not performed by a classification in the wage determination; and
- (2) The classification is utilized in the area by the construction industry; and

(3) The proposed wage rate, including any bona fide fringe benefits, bears a reasonable relationship to the wage rates contained in the wage determination.

(B) If the contractor and the laborers and mechanics to be employed in the classification (if known), or their representatives, and the Local Borrower agree on the classification and wage rate (including the amount designated for fringe benefits where appropriate), a report of the action taken shall be sent by the Local Borrower to the WIFA award official. The WIFA award official will transmit the report, to the Administrator of the Wage and Hour Division, Employment Standards Administration, U.S. Department of Labor, Washington, DC 20210 and to the EPA Davis Bacon Regional Coordinator concurrently. The Administrator, or an authorized representative, will approve, modify, or disapprove every additional classification action within 30 days of receipt and so advise the WIFA award official or will notify the WIFA award official within the 30-day period that additional time is necessary.

(C) In the event the contractor, the laborers or mechanics to be employed in the classification or their representatives, and the Local Borrower do not agree on the proposed classification and wage rate (including the amount designated for fringe benefits, where appropriate), the award official shall refer the questions, including the views of all interested parties and the recommendation of the WIFA award official, to the Administrator for determination. The Administrator, or an authorized representative, will issue a determination within 30 days of receipt and so advise the contracting officer or will notify the contracting officer within the 30-day period that additional time is necessary.

(D) The wage rate (including fringe benefits where appropriate) determined pursuant to paragraphs (a)(1)(ii) (B) or (C) of this section, shall be paid to all workers performing work in the classification under this contract from the first day on which work is performed in the classification.

(iii) Whenever the minimum wage rate prescribed in the contract for a class of laborers or mechanics includes a fringe benefit which is not expressed as an hourly rate, the contractor shall either pay the benefit as stated in the wage determination or shall pay another bona fide fringe benefit or an hourly cash equivalent thereof.

(iv) If the contractor does not make payments to a trustee or other third person, the contractor may consider as part of the wages of any laborer or mechanic the amount of any costs reasonably anticipated in providing bona fide fringe benefits under a plan or program, Provided, That the Secretary of Labor has found, upon the written request of the contractor, that the applicable standards of the Davis-Bacon Act have been met. The Secretary of Labor may require the contractor to set aside in a separate account assets for the meeting of obligations under the plan or program.

(2) **Withholding.** The Local Borrower shall upon its own action or upon written request of WIFA, EPA award official or an authorized representative of the Department of Labor withhold or cause to be withheld from the contractor under this contract or any other Federal contract with the same prime contractor, or any other federally-assisted contract subject to Davis-Bacon prevailing wage requirements, which is held by the same prime contractor, so much of the accrued payments or advances as may be considered necessary to pay laborers and mechanics, including apprentices, trainees, and helpers, employed by the contractor or

any subcontractor the full amount of wages required by the contract. In the event of failure to pay any laborer or mechanic, including any apprentice, trainee, or helper, employed or working on the site of the work, all or part of the wages required by the contract, the (Agency) may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds until such violations have ceased.

(3) **Payrolls and basic records.** (i) Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in section 1(b)(2)(B) of the Davis-Bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the Secretary of Labor has found under 29 CFR 5.5(a)(1)(iv) that the wages of any laborer or mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program described in section 1(b)(2)(B) of the Davis-Bacon Act, the contractor shall maintain records which show that the commitment to provide such benefits is enforceable, that the plan or program is financially responsible, and that the plan or program has been communicated in writing to the laborers or mechanics affected, and records which show the costs anticipated or the actual cost incurred in providing such benefits. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs. (ii)(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the Local Borrower. Such documentation shall be available on request of WIFA or EPA. As to each payroll copy received, the subrecipient shall provide written confirmation in a form satisfactory to the State indicating whether or not the project is in compliance with the requirements of 29 CFR 5.5 (a)(1) based on the most recent payroll copies for the specified week. **The payrolls shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number).** The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at <http://www.dol.gov/whd/forms/wh347.pdf> or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to the Local Borrower for transmission to WIFA or EPA, if requested by EPA, WIFA, the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of

compliance with prevailing wage requirements. It is not a violation of this section for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to the Local Borrower.

(B) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:

(1) That the payroll for the payroll period contains the information required to be provided under Sec. 5.5 (a)(3)(ii) of Regulations, 29 CFR part 5, the appropriate information is being maintained under Sec. 5.5 (a)(3)(i) of Regulations, 29 CFR part 5, and that such information is correct and complete;

(2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in Regulations, 29 CFR part 3;

(3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

(C) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by paragraph (a)(3)(ii)(B) of this section.

(D) The falsification of any of the above certifications may subject the contractor or subcontractor to civil or criminal prosecution under section 1001 of title 18 and section 231 of title 31 of the United States Code.

(iii) The contractor or subcontractor shall make the records required under paragraph (a)(3)(i) of this section available for inspection, copying, or transcription by authorized representatives of WIFA, EPA or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, the Federal agency or WIFA may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12.

(4) Apprentices and trainees - (i) Apprentices. Apprentices will be permitted to work at less than the predetermined rate for the work they performed when they are employed pursuant to and individually registered in a bona fide apprenticeship program registered with the U.S. Department of Labor, Employment and Training Administration, Office of Apprenticeship Training, Employer and Labor Services, or with a State Apprenticeship Agency recognized by the Office, or if a person is employed in his or her first 90 days of probationary employment as an apprentice in such an apprenticeship program, who is not individually registered in the program, but who has been certified by the Office of Apprenticeship

Training, Employer and Labor Services or a State Apprenticeship Agency (where appropriate) to be eligible for probationary employment as an apprentice. The allowable ratio of apprentices to journeymen on the job site in any craft classification shall not be greater than the ratio permitted to the contractor as to the entire work force under the registered program. Any worker listed on a payroll at an apprentice wage rate, who is not registered or otherwise employed as stated above, shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any apprentice performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. Where a contractor is performing construction on a project in a locality other than that in which its program is registered, the ratios and wage rates (expressed in percentages of the journeyman's hourly rate) specified in the contractor's or subcontractor's registered program shall be observed. Every apprentice must be paid at not less than the rate specified in the registered program for the apprentice's level of progress, expressed as a percentage of the journeymen hourly rate specified in the applicable wage determination. Apprentices shall be paid fringe benefits in accordance with the provisions of the apprenticeship program. If the apprenticeship program does not specify fringe benefits, apprentices must be paid the full amount of fringe benefits listed on the wage determination for the applicable classification. If the Administrator determines that a different practice prevails for the applicable apprentice classification, fringes shall be paid in accordance with that determination. In the event the Office of Apprenticeship Training, Employer and Labor Services, or a State Apprenticeship Agency recognized by the Office, withdraws approval of an apprenticeship program, the contractor will no longer be permitted to utilize apprentices at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(ii) Trainees. Except as provided in 29 CFR 5.16, trainees will not be permitted to work at less than the predetermined rate for the work performed unless they are employed pursuant to and individually registered in a program which has received prior approval, evidenced by formal certification by the U.S. Department of Labor, Employment and Training Administration. The ratio of trainees to journeymen on the job site shall not be greater than permitted under the plan approved by the Employment and Training Administration. Every trainee must be paid at not less than the rate specified in the approved program for the trainee's level of progress, expressed as a percentage of the journeyman hourly rate specified in the applicable wage determination. Trainees shall be paid fringe benefits in accordance with the provisions of the trainee program. If the trainee program does not mention fringe benefits, trainees shall be paid the full amount of fringe benefits listed on the wage determination unless the Administrator of the Wage and Hour Division determines that there is an apprenticeship program associated with the corresponding journeyman wage rate on the wage determination which provides for less than full fringe benefits for apprentices. Any employee listed on the payroll at a trainee rate who is not registered and participating in a training plan approved by the Employment and Training Administration shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any trainee performing work on the job site in excess of the

ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In the event the Employment and Training Administration withdraws approval of a training program, the contractor will no longer be permitted to utilize trainees at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(iii) Equal employment opportunity. The utilization of apprentices, trainees and journeymen under this part shall be in conformity with the equal employment opportunity requirements of Executive Order 11246, as amended, and 29 CFR part 30.

(5) Compliance with Copeland Act requirements. The contractor shall comply with the requirements of 29 CFR part 3, which are incorporated by reference in this contract.

(6) Subcontracts. The contractor or subcontractor shall insert in any subcontracts the clauses contained in 29 CFR 5.5(a)(1) through (10) and such other clauses as the EPA determines may be appropriate, and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the contract clauses in 29 CFR 5.5.

(7) Contract termination: debarment. A breach of the contract clauses in 29 CFR 5.5 may be grounds for termination of the contract, and for debarment as a contractor and a subcontractor as provided in 29 CFR 5.12.

(8) Compliance with Davis-Bacon and Related Act requirements. All rulings and interpretations of the Davis-Bacon and Related Acts contained in 29 CFR parts 1, 3, and 5 are herein incorporated by reference in this contract.

(9) Disputes concerning labor standards. Disputes arising out of the labor standards provisions of this contract shall not be subject to the general disputes clause of this contract. Such disputes shall be resolved in accordance with the procedures of the Department of Labor set forth in 29 CFR parts 5, 6, and 7. Disputes within the meaning of this clause include disputes between the contractor (or any of its subcontractors) and the Local Borrower, WIFA, EPA, the U.S. Department of Labor, or the employees or their representatives.

(10) Certification of eligibility. (i) By entering into this contract, the contractor certifies that neither it (nor he or she) nor any person or firm who has an interest in the contractor's firm is a person or firm ineligible to be awarded Government contracts by virtue of section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1).

(ii) No part of this contract shall be subcontracted to any person or firm ineligible for award of a Government contract by virtue of section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1).

(iii) The penalty for making false statements is prescribed in the U.S. Criminal Code, 18 U.S.C. 1001.

(b) Contract Work Hours and Safety Standards Act. The Local Borrower shall insert the following clauses set forth in paragraphs (b)(1), (2), (3), and (4) of this section in full in any contract in an amount in excess of \$100,000 and subject to the overtime provisions of the Contract Work Hours and Safety Standards Act. These clauses shall be inserted in addition to the clauses required by Sec. 5.5(a) or 4.6 of part 4 of this title. As used in this paragraph, the terms laborers and mechanics include watchmen and guards.

(1) Overtime requirements. No contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which he or she is employed on such work to work in excess of forty hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of forty hours in such workweek.

(2) Violation; liability for unpaid wages; liquidated damages. In the event of any violation of the clause set forth in paragraph (b)(1) of this section the contractor and any subcontractor responsible therefore shall be liable for the unpaid wages. In addition, such contractor and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in paragraph (b)(1) of this section, in the sum of \$10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of forty hours without payment of the overtime wages required by the clause set forth in paragraph (b)(1) of this section.

(3) Withholding for unpaid wages and liquidated damages. The Local Borrower, upon its own action or upon written request of the EPA Award Official or an authorized representative of the Department of Labor shall withhold or cause to be withheld, from any moneys payable on account of work performed by the contractor or subcontractor under any such contract or any other Federal contract with the same prime contractor, or any other federally-assisted contract subject to the Contract Work Hours and Safety Standards Act, which is held by the same prime contractor, such sums as may be determined to be necessary to satisfy any liabilities of such contractor or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in paragraph (b)(2) of this section.

(4) Subcontracts. The contractor or subcontractor shall insert in any subcontracts the clauses set forth in paragraph (b)(1) through (4) of this section and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in paragraphs (b)(1) through (4) of this section.

(c) In addition to the clauses contained in paragraph (b), in any contract subject only to the Contract Work Hours and Safety Standards Act and not to any of the other statutes cited in 29 CFR Sec. 5.1, the Local Borrower shall insert a clause requiring that the contractor or subcontractor shall maintain payrolls and basic payroll records during the course of the work and shall preserve them for a period of three years from the completion of the contract for all laborers and mechanics, including guards and watchmen, working on the contract. Such

records shall contain the name and address of each such employee, social security number, correct classifications, hourly rates of wages paid, daily and weekly number of hours worked, deductions made, and actual wages paid. Further, the Local Borrower shall insert in any such contract a clause providing that the records to be maintained under this paragraph shall be made available by the contractor or subcontractor for inspection, copying, or transcription by authorized representatives of WIFA, EPA and the Department of Labor, and the contractor or subcontractor will permit such representatives to interview employees during working hours on the job.

Section 2. General Provisions.

(a) Binding Effect. This Wage Rate Addendum shall inure to the benefit of and shall be binding upon WIFA and the Local Borrower and their respective successors and assigns.

(b) Severability. In the event any provision of this Wage Rate Addendum shall be held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

(c) Amendments, Supplements and Modifications. This Wage Rate Addendum may not be amended, supplemented or modified without the prior written consent of WIFA and the Local Borrower.

(d) Execution in Counterparts. This Wage Rate Addendum may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

(e) Applicable Law. This Wage Rate Addendum shall be governed by and construed in accordance with the laws of the State of Arizona.

(f) Captions. The captions or headings in this Wage Rate Addendum are for convenience only and shall not in any way define, limit or describe the scope or intent of any provisions of this Wage Rate Addendum.

(g) Further Assurances. The Local Borrower shall, at the request of WIFA, authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights and agreements granted or intended to be granted by this Wage Rate Addendum.

(h) Arbitration. The parties hereto agree to use arbitration to the extent required by Section 12-1518 of the Arizona Revised Statutes.

(i) Notice Regarding A.R.S. § 38 511. To the extent applicable by provision of law, the parties acknowledge that this Wage Rate Addendum is subject to cancellation pursuant to A.R.S. § 38-511, the provisions of which are hereby incorporated herein.

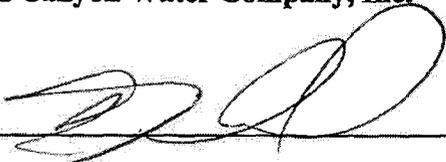
WIFA and the Local Borrower are signing this Wage Rate Addendum to be effective as part of the Loan Agreement.

Water Infrastructure Finance Authority of Arizona

By:  _____

Trish Incognito, Chief Financial Officer

Truxton Canyon Water Company, Inc.

By:  _____

Rick Neal, Manager

[Signature page to Wage Rate Addendum to Loan Agreement]

LOAN AGREEMENT ADDENDUM

American Iron and Steel Requirements for Compliance with Federal Law

Water Infrastructure Finance Authority of Arizona

This document (this "American Iron and Steel Addendum") sets forth additional requirements made applicable to state revolving fund Loans made by the Water Infrastructure Finance Authority of Arizona ("WIFA") by federal law. The provisions in this American Iron and Steel Addendum are a part of the Loan Agreement. Capitalized terms not otherwise defined herein shall have the meanings given them in the Loan Agreement.

The parties acknowledge and agree that funds disbursed by WIFA to the Local Borrower will include funds made available to WIFA by the federal government under federal law, and that the requirements of federal law include those set forth in this American Iron and Steel Addendum. The Local Borrower agrees to comply with all of those requirements and agrees that failure to do so is a breach of the provisions of the Loan Agreement which may result in a default under the Loan Agreement, termination of WIFA's obligation to make disbursements on the Loan and the Local Borrower being required to repay all amounts that have been disbursed by WIFA on the Loan, together with interest and fees as provided in the Loan Agreement.

Federal law requires that WIFA include in all assistance agreements, including the Loan Agreement, for the construction, alteration, maintenance, or repair of treatment works under the Clean Water State Revolving Fund and for the construction, alteration, maintenance, or repair of a public water system under the Drinking Water State Revolving Fund, a provision requiring the application of American Iron and Steel requirements for the entirety of the construction activities financed by the assistance agreement through completion of construction, no matter when construction commences. Whether or not the project has multiple sources of funding, the American Iron and Steel requirements apply to the entire project and not just to the activities funded by the money made available to WIFA by the federal government.

Section 1. American Iron and Steel Requirements. In accordance with federal law:

(a)(1) None of the funds made available to WIFA as authorized by title VI of the Federal Water Pollution Control Act (33 U.S.C. 1381 et seq.) or as authorized by section 1452 of the Safe Drinking Water Act (42 U.S.C. 300j-12) shall be used for a project for the construction, alteration, maintenance, or repair of a public water system or treatment works unless all of the iron and steel products used in the project are produced in the United States.

(2) In this section, the term "iron and steel products" means the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials.

(b) Subsection (a) shall not apply in any case or category of cases in which the Administrator of the Environmental Protection Agency (in this section referred to as the "Administrator") finds that—

- (1) applying subsection (a) would be inconsistent with the public interest;
 - (2) iron and steel products are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or
 - (3) inclusion of iron and steel products produced in the United States will increase the cost of the overall project by more than 25 percent.
- (c) If the Administrator receives a request for a waiver under this section, the Administrator shall make available to the public on an informal basis a copy of the request and information available to the Administrator concerning the request, and shall allow for informal public input on the request for at least 15 days prior to making a finding based on the request. The Administrator shall make the request and accompanying information available by electronic means, including on the official public Internet Web site of the Environmental Protection Agency.

Section 2. General Provisions.

(a) Binding Effect. This American Iron and Steel Addendum shall inure to the benefit of and shall be binding upon WIFA and the Local Borrower and their respective successors and assigns.

(b) Severability. In the event any provision of this American Iron and Steel Addendum shall be held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

(c) Amendments, Supplements and Modifications. This American Iron and Steel Addendum may not be amended, supplemented or modified without the prior written consent of WIFA and the Local Borrower.

(d) Execution in Counterparts. This American Iron and Steel Addendum may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

(e) Applicable Law. This American Iron and Steel Addendum shall be governed by and construed in accordance with the laws of the State of Arizona and applicable federal law.

(f) Captions. The captions or headings in this American Iron and Steel Addendum are for convenience only and shall not in any way define, limit or describe the scope or intent of any provisions of this American Iron and Steel Addendum.

(g) Further Assurances. The Local Borrower shall, at the request of WIFA , authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights and agreements granted or intended to be granted by this American Iron and Steel Addendum.

(h) Prohibition Against Discrimination. In the event that it applies, the parties agree to comply with the Arizona Governor's Executive Order 2009-9, entitled "Prohibition of Discrimination in State Contracts Non-Discrimination in Employment by Government Contractors and Subcontractors," which mandates that all persons, regardless of race, color, religion, sex, age, or national origin shall have equal access to employment opportunities, and all other applicable state and Federal employment laws, rules, and regulations, including the Americans with Disabilities Act. The Local Borrower shall take affirmative action to ensure that applicants for employment and employees are not discriminated against due to race, creed, color, religion, sex, national origin or disability.

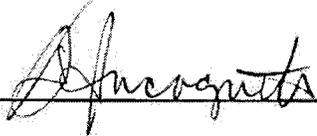
(i) Arbitration. In the event of a dispute, the parties agree to use arbitration, after exhausting applicable administrative review, to the extent required by Arizona Revised Statutes Section 12-1518, and the prevailing party shall be entitled to attorney's fees and costs with respect thereto.

(j) Notice of Arizona Revised Statutes Section 38-511 - Cancellation. Notice is hereby given of the provisions of Arizona Revised Statutes Section 38-511, as amended. By this reference, the provisions of said statute are incorporated herein to the extent of their applicability to this American Iron and Steel Addendum under the law of the State of Arizona.

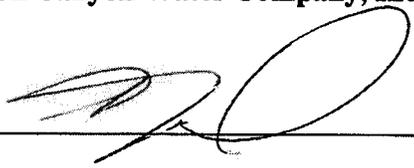
[SIGNATURE PAGE FOLLOWS]

WIFA and the Local Borrower are signing this American Iron and Steel Addendum to be effective as part of the Loan Agreement.

Water Infrastructure Finance Authority of Arizona

By:  _____
Trish Incognito, Chief Financial Officer

Truxton Canyon Water Company, Inc.

By:  _____
Rick Neal, Manager

[Signature page to American Iron and Steel Addendum to Loan Agreement]

Exhibit A of Loan Agreement

Section I: Financial Assistance Terms and Conditions
Truxton Canyon Water Company, Inc.
13-Apr-16

Loan Number	920268-16
Closing Date	04/15/16
Financial Assistance Terms and Conditions	
Original Loan Amount as of the Closing Date.....	\$ 350,950.00
Final Loan Amount as of Release of Retention.....	\$ 350,950.00
Loan Term.....	20
Combined Interest & Fee Rate.....	4.675%
First Fixed Monthly Payment.....	11/01/16
Final Fixed Monthly Payment.....	04/01/36
Debt Service Reserve Fund Requirements (Held by WIFA)	
Total Reserve Amount.....	\$ 27,463.20
Monthly Deposit.....	\$ 457.72
Reserve Funded by (Date).....	10/01/21
Repair and Replacement Fund Requirement (Held by Borrower)	
Begin Funding on (Date).....	11/01/21
Annual Amount.....	\$ 5,492.64
Monthly Deposit.....	\$ 457.72
Monthly Payment	
Period #7 - 1st Debt Service Payment	
Maximum Payment (Includes interest payable from Closing to 1st Payment).....	\$ 10,311.71
Minimum Payment	\$ 2,746.31
<i>WIFA will calculate the first payment due on Period #7; payment will depend on actual loan draws.</i>	
Periods #8 through #66.....	\$ 2,746.31
Periods #67 through #120.....	\$ 2,288.59
Periods #121 through #180.....	\$ 2,288.59
Periods #181 through #240.....	\$ 2,288.59

Section 2: Loan Repayment Schedule, Repayment Periods 1 through 80
Truxton Canyon Water Company, Inc.
13-Apr-16

Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment	Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment
1	05/01/16	4.675%	0.00	41	09/01/19	4.675%	2,746.31
2	06/01/16	4.675%	0.00	42	10/01/19	4.675%	2,746.31
3	07/01/16	4.675%	0.00	43	11/01/19	4.675%	2,746.31
4	08/01/16	4.675%	0.00	44	12/01/19	4.675%	2,746.31
5	09/01/16	4.675%	0.00	45	01/01/20	4.675%	2,746.31
6	10/01/16	4.675%	0.00	46	02/01/20	4.675%	2,746.31
7	11/01/16	4.675%	10,311.71	47	03/01/20	4.675%	2,746.31
8	12/01/16	4.675%	2,746.31	48	04/01/20	4.675%	2,746.31
9	01/01/17	4.675%	2,746.31	49	05/01/20	4.675%	2,746.31
10	02/01/17	4.675%	2,746.31	50	06/01/20	4.675%	2,746.31
11	03/01/17	4.675%	2,746.31	51	07/01/20	4.675%	2,746.31
12	04/01/17	4.675%	2,746.31	52	08/01/20	4.675%	2,746.31
13	05/01/17	4.675%	2,746.31	53	09/01/20	4.675%	2,746.31
14	06/01/17	4.675%	2,746.31	54	10/01/20	4.675%	2,746.31
15	07/01/17	4.675%	2,746.31	55	11/01/20	4.675%	2,746.31
16	08/01/17	4.675%	2,746.31	56	12/01/20	4.675%	2,746.31
17	09/01/17	4.675%	2,746.31	57	01/01/21	4.675%	2,746.31
18	10/01/17	4.675%	2,746.31	58	02/01/21	4.675%	2,746.31
19	11/01/17	4.675%	2,746.31	59	03/01/21	4.675%	2,746.31
20	12/01/17	4.675%	2,746.31	60	04/01/21	4.675%	2,746.31
21	01/01/18	4.675%	2,746.31	61	05/01/21	4.675%	2,746.31
22	02/01/18	4.675%	2,746.31	62	06/01/21	4.675%	2,746.31
23	03/01/18	4.675%	2,746.31	63	07/01/21	4.675%	2,746.31
24	04/01/18	4.675%	2,746.31	64	08/01/21	4.675%	2,746.31
25	05/01/18	4.675%	2,746.31	65	09/01/21	4.675%	2,746.31
26	06/01/18	4.675%	2,746.31	66	10/01/21	4.675%	2,746.31
27	07/01/18	4.675%	2,746.31	67	11/01/21	4.675%	2,288.59
28	08/01/18	4.675%	2,746.31	68	12/01/21	4.675%	2,288.59
29	09/01/18	4.675%	2,746.31	69	01/01/22	4.675%	2,288.59
30	10/01/18	4.675%	2,746.31	70	02/01/22	4.675%	2,288.59
31	11/01/18	4.675%	2,746.31	71	03/01/22	4.675%	2,288.59
32	12/01/18	4.675%	2,746.31	72	04/01/22	4.675%	2,288.59
33	01/01/19	4.675%	2,746.31	73	05/01/22	4.675%	2,288.59
34	02/01/19	4.675%	2,746.31	74	06/01/22	4.675%	2,288.59
35	03/01/19	4.675%	2,746.31	75	07/01/22	4.675%	2,288.59
36	04/01/19	4.675%	2,746.31	76	08/01/22	4.675%	2,288.59
37	05/01/19	4.675%	2,746.31	77	09/01/22	4.675%	2,288.59
38	06/01/19	4.675%	2,746.31	78	10/01/22	4.675%	2,288.59
39	07/01/19	4.675%	2,746.31	79	11/01/22	4.675%	2,288.59
40	08/01/19	4.675%	2,746.31	80	12/01/22	4.675%	2,288.59

Section 2: Loan Repayment Schedule, Repayment Periods 81 through 160
Truxton Canyon Water Company, Inc.
13-Apr-16

Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment	Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment
81	01/01/23	4.675%	2,288.59	121	05/01/26	4.675%	2,288.59
82	02/01/23	4.675%	2,288.59	122	06/01/26	4.675%	2,288.59
83	03/01/23	4.675%	2,288.59	123	07/01/26	4.675%	2,288.59
84	04/01/23	4.675%	2,288.59	124	08/01/26	4.675%	2,288.59
85	05/01/23	4.675%	2,288.59	125	09/01/26	4.675%	2,288.59
86	06/01/23	4.675%	2,288.59	126	10/01/26	4.675%	2,288.59
87	07/01/23	4.675%	2,288.59	127	11/01/26	4.675%	2,288.59
88	08/01/23	4.675%	2,288.59	128	12/01/26	4.675%	2,288.59
89	09/01/23	4.675%	2,288.59	129	01/01/27	4.675%	2,288.59
90	10/01/23	4.675%	2,288.59	130	02/01/27	4.675%	2,288.59
91	11/01/23	4.675%	2,288.59	131	03/01/27	4.675%	2,288.59
92	12/01/23	4.675%	2,288.59	132	04/01/27	4.675%	2,288.59
93	01/01/24	4.675%	2,288.59	133	05/01/27	4.675%	2,288.59
94	02/01/24	4.675%	2,288.59	134	06/01/27	4.675%	2,288.59
95	03/01/24	4.675%	2,288.59	135	07/01/27	4.675%	2,288.59
96	04/01/24	4.675%	2,288.59	136	08/01/27	4.675%	2,288.59
97	05/01/24	4.675%	2,288.59	137	09/01/27	4.675%	2,288.59
98	06/01/24	4.675%	2,288.59	138	10/01/27	4.675%	2,288.59
99	07/01/24	4.675%	2,288.59	139	11/01/27	4.675%	2,288.59
100	08/01/24	4.675%	2,288.59	140	12/01/27	4.675%	2,288.59
101	09/01/24	4.675%	2,288.59	141	01/01/28	4.675%	2,288.59
102	10/01/24	4.675%	2,288.59	142	02/01/28	4.675%	2,288.59
103	11/01/24	4.675%	2,288.59	143	03/01/28	4.675%	2,288.59
104	12/01/24	4.675%	2,288.59	144	04/01/28	4.675%	2,288.59
105	01/01/25	4.675%	2,288.59	145	05/01/28	4.675%	2,288.59
106	02/01/25	4.675%	2,288.59	146	06/01/28	4.675%	2,288.59
107	03/01/25	4.675%	2,288.59	147	07/01/28	4.675%	2,288.59
108	04/01/25	4.675%	2,288.59	148	08/01/28	4.675%	2,288.59
109	05/01/25	4.675%	2,288.59	149	09/01/28	4.675%	2,288.59
110	06/01/25	4.675%	2,288.59	150	10/01/28	4.675%	2,288.59
111	07/01/25	4.675%	2,288.59	151	11/01/28	4.675%	2,288.59
112	08/01/25	4.675%	2,288.59	152	12/01/28	4.675%	2,288.59
113	09/01/25	4.675%	2,288.59	153	01/01/29	4.675%	2,288.59
114	10/01/25	4.675%	2,288.59	154	02/01/29	4.675%	2,288.59
115	11/01/25	4.675%	2,288.59	155	03/01/29	4.675%	2,288.59
116	12/01/25	4.675%	2,288.59	156	04/01/29	4.675%	2,288.59
117	01/01/26	4.675%	2,288.59	157	05/01/29	4.675%	2,288.59
118	02/01/26	4.675%	2,288.59	158	06/01/29	4.675%	2,288.59
119	03/01/26	4.675%	2,288.59	159	07/01/29	4.675%	2,288.59
120	04/01/26	4.675%	2,288.59	160	08/01/29	4.675%	2,288.59

Section 2: Loan Repayment Schedule, Periods 161 through 240

Truxton Canyon Water Company, Inc.

13-Apr-16

Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment	Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment
161	09/01/29	4.675%	2,288.59	201	01/01/33	4.675%	2,288.59
162	10/01/29	4.675%	2,288.59	202	02/01/33	4.675%	2,288.59
163	11/01/29	4.675%	2,288.59	203	03/01/33	4.675%	2,288.59
164	12/01/29	4.675%	2,288.59	204	04/01/33	4.675%	2,288.59
165	01/01/30	4.675%	2,288.59	205	05/01/33	4.675%	2,288.59
166	02/01/30	4.675%	2,288.59	206	06/01/33	4.675%	2,288.59
167	03/01/30	4.675%	2,288.59	207	07/01/33	4.675%	2,288.59
168	04/01/30	4.675%	2,288.59	208	08/01/33	4.675%	2,288.59
169	05/01/30	4.675%	2,288.59	209	09/01/33	4.675%	2,288.59
170	06/01/30	4.675%	2,288.59	210	10/01/33	4.675%	2,288.59
171	07/01/30	4.675%	2,288.59	211	11/01/33	4.675%	2,288.59
172	08/01/30	4.675%	2,288.59	212	12/01/33	4.675%	2,288.59
173	09/01/30	4.675%	2,288.59	213	01/01/34	4.675%	2,288.59
174	10/01/30	4.675%	2,288.59	214	02/01/34	4.675%	2,288.59
175	11/01/30	4.675%	2,288.59	215	03/01/34	4.675%	2,288.59
176	12/01/30	4.675%	2,288.59	216	04/01/34	4.675%	2,288.59
177	01/01/31	4.675%	2,288.59	217	05/01/34	4.675%	2,288.59
178	02/01/31	4.675%	2,288.59	218	06/01/34	4.675%	2,288.59
179	03/01/31	4.675%	2,288.59	219	07/01/34	4.675%	2,288.59
180	04/01/31	4.675%	2,288.59	220	08/01/34	4.675%	2,288.59
181	05/01/31	4.675%	2,288.59	221	09/01/34	4.675%	2,288.59
182	06/01/31	4.675%	2,288.59	222	10/01/34	4.675%	2,288.59
183	07/01/31	4.675%	2,288.59	223	11/01/34	4.675%	2,288.59
184	08/01/31	4.675%	2,288.59	224	12/01/34	4.675%	2,288.59
185	09/01/31	4.675%	2,288.59	225	01/01/35	4.675%	2,288.59
186	10/01/31	4.675%	2,288.59	226	02/01/35	4.675%	2,288.59
187	11/01/31	4.675%	2,288.59	227	03/01/35	4.675%	2,288.59
188	12/01/31	4.675%	2,288.59	228	04/01/35	4.675%	2,288.59
189	01/01/32	4.675%	2,288.59	229	05/01/35	4.675%	2,288.59
190	02/01/32	4.675%	2,288.59	230	06/01/35	4.675%	2,288.59
191	03/01/32	4.675%	2,288.59	231	07/01/35	4.675%	2,288.59
192	04/01/32	4.675%	2,288.59	232	08/01/35	4.675%	2,288.59
193	05/01/32	4.675%	2,288.59	233	09/01/35	4.675%	2,288.59
194	06/01/32	4.675%	2,288.59	234	10/01/35	4.675%	2,288.59
195	07/01/32	4.675%	2,288.59	235	11/01/35	4.675%	2,288.59
196	08/01/32	4.675%	2,288.59	236	12/01/35	4.675%	2,288.59
197	09/01/32	4.675%	2,288.59	237	01/01/36	4.675%	2,288.59
198	10/01/32	4.675%	2,288.59	238	02/01/36	4.675%	2,288.59
199	11/01/32	4.675%	2,288.59	239	03/01/36	4.675%	2,288.59
200	12/01/32	4.675%	2,288.59	240	04/01/36	4.675%	2,288.77



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2. Select Your Current Rate

4.00% - 4.99%

3. Loan Type

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4. Loan Amount

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5. ENTER ZIP CODE

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MORTGAGE

Prime rate, federal funds rate, COFI

By Bankrate.com

The prime rate, as reported by The Wall Street Journal's bank survey, is among the most widely used benchmark in setting home equity lines of credit and credit card rates. It is in turn based on the federal funds rate, which is set by the Federal Reserve. The COFI (11th District cost of funds index) is a widely used benchmark for adjustable-rate mortgages.

Click on the links below to find a fuller explanation of the term.

Prime rate, federal funds rate, COFI

Updated 4/8/2016

	This week	Month ago	Year ago
WSJ Prime Rate	3.50	3.50	3.25
Federal Discount Rate	1.00	1.00	0.75
Fed Funds Rate (Current target rate 0.25-0.50)	0.50	0.50	0.25
11th District Cost of Funds	0.670	0.664	0.700

Ratings methodology

What's included? The federal funds rate is the primary tool that the Federal Open Market Committee uses to influence interest rates and the economy. Changes in the federal funds rate have far-reaching effects by influencing the borrowing cost of banks in the overnight lending market, and subsequently the returns offered on bank deposit products such as certificates of deposit, savings accounts and money market accounts. Changes in the federal funds rate and the discount rate also dictate changes in The Wall Street Journal prime rate, which is of interest to borrowers. The prime rate is the underlying index for most credit cards, home equity loans and lines of credit, auto loans, and personal loans. Many small business loans are also indexed to the Prime rate. The 11th District Cost of Funds is often used as an index for adjustable-rate mortgages.

[Back to Rate Watch main page.](#)

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Fixed Rates

- 10 year fixed
- 15 year fixed
- 20 year fixed
- 30 year fixed
- 30 year FHA
- 15 year fixed refi
- 20 year fixed refi
- 30 year fixed refi
- 30 year FHA refi
- See all fixed

Adjustable Rates

- 1 year ARM
- 3/1 ARM
- 5/1 ARM
- 7/1 ARM
- 10/1 ARM
- 1 year ARM refi
- 3/1 ARM refi
- 5/1 ARM refi
- 7/1 ARM refi
- 10/1 ARM refi

Interest Only Rates

- 3/1 ARM (IO)
- 5/1 ARM (IO)
- 7/1 ARM (IO)
- 30 year fixed (IO)
- 3/1 ARM (IO) refi
- 5/1 ARM (IO) refi
- 7/1 ARM (IO) refi
- 30 year refi
- Sell all ARMs
- Sell all IOs

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REFINANCE RATES AVERAGES

Product	Rate	Change	Last week
30 year fixed refi	3.60%	▼ 0.05	3.65%
15 year fixed refi	2.76%	▲ 0.03	2.73%
10 year fixed refi	2.72%	▲ 0.01	2.71%

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APR

Calculate New Payment

30 Year Fixed	3.38%	3.45% APR
15 Year Fixed	2.75%	2.75% APR
5/1 ARM	2.63%	3.13% APR
Refinance	\$225,000 loan	\$904/mo
Purchase	\$350,000 loan	\$1,294/mo

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Best 15 CD Rates. Simple. Compare APY & APR for CD Rates



Exhibit B

Technical Terms and Conditions

**Section 1
Budget**

Uses by Budget Item	Amount Budgeted
Planning.....	\$0.00
Design & Engineering.....	\$23,525.00
Legal/Debt Authorization.....	\$0.00
Financial Advisor.....	\$0.00
Land/System Acquisition.....	\$0.00
Equipment/Materials.....	\$206,500.00
Construction/Installation/Improvement.....	\$60,000.00
Inspection & Construction Management.....	\$0.00
Project Officer.....	\$0.00
Administration.....	\$14,350.00
Staff Training.....	\$0.00
Capitalized Interest.....	\$0.00
Refinance Loan.....	\$0.00
Other.....	\$46,575.00
Total Budget.....	\$350,950.00

**Section 2
Project Description**

The Company plans to install an adsorption based arsenic treatment facility near the inactive Reda well site to treat the water from the Davis 1 and 29 wells to an arsenic concentration of less than or equal to 5 ppb. The Company will construct a 24' x 36' structure to house the treatment facility. Based upon the design of the proposed treatment, a constant flow of water through the treatment media will be required to keep it from cracking. This constant flow of water will require an electric service upgrade at the site from single to three phase electric.

**Section 3
Estimated Observation and Disbursement Schedule**

Observation Schedule B:

Observation 1: Upon borrower notification of construction commencement

Additional Observations: at least one site observation within each 12 month period

Final Observation: 80% construction budget disbursement

Additional Observations – A WIFA representative may perform additional observations based on information provided in the projects status reports included in each Local Borrower disbursement requisition form.

Withholding Percentage: 10% (released after deliverables received)

Section 4 Requirements Prior To Construction

Section 4.1 **Construction Bids.** The Local Borrower shall submit to the Authority for review and approval prior to execution:

- (a) engineering contracts related to the Project,
- (b) bid documents related to the Project,
- (c) construction contracts related to the Project, and
- (d) certification of positive effort for disadvantaged business enterprise participation.

Section 4.2 **User Charges.** The Local Borrower has established (or, if the System is not yet in operation, the Local Borrower will, at or before the time the System commences operation, establish) a system of user charges which, with other funds lawfully available, will at all times be sufficient to pay the costs of operation and maintenance of the System, including renewals and replacements of the System. The Local Borrower also agrees that such system of user charges will be established and maintained in compliance with any applicable requirements of state and federal law as long as the Local Borrower owes amounts under this Loan Agreement. The Local Borrower at its sole option may pay the costs of operation, maintenance, repair, replacement, extensions and additions to the System from any funds lawfully available to it for such purpose.

Section 4.3 **Interest in Project Site.** As a condition of the Loan, the Local Borrower will demonstrate to the satisfaction of the Authority that the Local Borrower has or will have a fee simple or such other estate or interest in the site of the Project, including necessary easements and rights-of-way, as the Authority finds sufficient to assure undisturbed use and possession for the purpose of construction and operation of the Project for the estimated life of the Project.

Section 4.4 **Federal Clean Water Act.** The Local Borrower covenants that, to the extent legally applicable, the Project will meet the requirements of the Federal Clean Water Act in effect on the date of Loan Closing and any amendments thereto that may retroactively apply to the Loan, and the Local Borrower agrees that the Project will comply with applicable provisions of those federal laws and authorities listed in Article 9 of the Standard Terms and Conditions.

Section 4.5 **Federal Safe Drinking Water Act**. The Local Borrower covenants that, to the extent legally applicable, the Project will meet the requirements of the Federal Safe Drinking Water Act in effect on the date of Loan Closing and any amendments thereto that may retroactively apply to the Loan, and the Local Borrower agrees that the Project will comply with applicable provisions of those federal laws and authorities listed in Article 9 of the Standard Terms and Conditions.

Section 4.6 **Signs**. The Local Borrower shall select at least one of the following options to publicize information on the Project and the funding sources. The Authority shall provide guidelines for the selected options(s).

- Standard construction site signage
- Posters or wall signage in a public building or location
- Newspaper or periodical advertisement for project construction, groundbreaking ceremony, or operation of the new or improved facility
- Online signage placed on a community website or social media outlet
- Press release

Section 5 Requirements During Construction

Section 5.1 **Changes in Project Scope**. The Local Borrower shall submit to the Authority, for review and approval prior to execution, any change to the plans and specifications, construction contracts, Eligible Project Costs, or any other change which will effect the performance standards or purpose of the Project.

Section 5.2 **Completion of Project and Provision of Moneys Therefor**. The Local Borrower covenants and agrees (a) to exercise its best efforts in accordance with prudent utility construction practice to complete the Project and (b) to the extent permitted by law, to provide from its own fiscal resources all moneys, in excess of the total amount of loan proceeds it receives hereunder and under any subsequent loan from the Authority, required to complete the Project.

Section 5.3 **Inspections; Information**. The Local Borrower shall permit the Authority and any party designated by the Authority to examine, visit and inspect, at any and all reasonable times, the property, if any, constituting the Project, and to inspect and make copies of any accounts, books and records, including (without limitation) its records regarding receipts, disbursements, contracts, investments and any other matters relating thereto and to its financial standing, and shall supply such reports and information as the Authority may reasonably require in connection therewith.

Section 5.4 **Adjustments for Ineligible Costs**. The Local Borrower shall promptly reimburse the Authority for any portion of the Loan which is determined to have been used for costs that are not eligible for funding under the Authority Act, the Federal Clean Water Act, as amended, or the Federal Safe Drinking Water Act, as amended, unless such matter is curable in some other manner by the Local Borrower to the satisfaction of the Authority. Such reimbursement shall be

promptly repaid to the Authority upon written request of the Authority. Any such reimbursed principal amount will be applied to reduce the outstanding principal amount of the Loan.

Section 5.5 **Archaeological Artifacts**. In the event that archaeological artifacts or historical resources are discovered during construction excavation of the Project, the Local Borrower shall stop or cause to be stopped construction activities and will notify the State Historic Preservation Office and the Authority of such discovery.

Section 6 Requirements Prior To Final Disbursements

Section 6.1 **Plan of Operation**. After construction is 50% complete and prior to the release of the withholding, the Local Borrower will submit to the Authority a plan of operation which provides a concise, sequential description of an implementation schedule for those activities necessary to assure efficient and reliable start-up and continual operation of the Project.

Section 6.2 **Final Approval**. Prior to the release of the withholding, the Local Borrower will submit to the Authority (a) as-built drawings by a professional engineer that document all changes from the original plans and specifications (b) copies of all testing results performed by or under the supervision of a professional engineer as required by the specifications, and (c) Arizona Department of Environmental Quality (ADEQ) approval of construction or an engineer's Certificate of Completion certifying that all construction was completed in accordance with the plans and specifications or that any changes made are in conformance with the Arizona Revised Statutes, ADEQ and Environmental Protection Agency rules, permits and guidelines and are documented in the as-built drawings. Based on a review of the information submitted, the Authority reserves the right, prior to the release of the withholding, to request modifications to the Project, the system, or the materials submitted pursuant to this section.

Exhibit C

Reporting Requirements

Section 1. **Annual Loan Review.** The Authority's Annual Loan Review Form and annual financial statements in a format approved by the Authority, including the report of any annual audit(s) and all audit reports required by governmental auditing standards and any applicable Arizona rules, shall be provided by the Local Borrower to the Authority within one-hundred and eighty (180) days after the end of each fiscal year of the Local Borrower. The Local Borrower shall complete all audits and submit all reports required by the federal Single Audit Act within the time limits under that federal law, currently within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the federal agency that provided the funding or a different period is specified in a program-specific audit guide.

Section 2. **Records and Accounts.** The Local Borrower shall keep accurate records and accounts for the System, including records and accounts for the Project (the "*System Records*"), separate and distinct from its other records and accounts (the "*General Records*"). The Local Borrower must maintain the System Records in accordance with generally accepted accounting principles (GAAP), including standards relating to the reporting of infrastructure assets, as issued by the Governmental Accounting Standards Board (GASB) or by the Financial Accounting Standards Board (FASB), as applicable to the Local Borrower. If required by law, the Local Borrower must have the System Records audited annually by an independent accountant, which audit may be part of the annual audit of the General Records of the Local Borrower. The Local Borrower must make all System Records and General Records available for inspection by the Authority at any reasonable time.

Section 3. **Notice of Change In Key Personnel.** Promptly after becoming aware thereof, the Local Borrower shall provide notice in writing to the Authority of any change to the information in Section 1 of the Loan Agreement and any other change in key personnel connected to the Project and Loan.

Section 4. **Notice of Material Adverse Change.** The Local Borrower shall promptly notify the Authority of any material adverse change in the activities, prospects or condition (financial or otherwise), of the Local Borrower relating to the System, or in the ability of the Local Borrower to make all Loan Repayments from the Source of Repayment described in this Loan Agreement and otherwise to observe and perform its duties, covenants, obligations and agreements hereunder.

Section 5. **Disadvantaged Business Enterprise (DBE) Program.** The Local Borrower must report DBE participation to the Authority based on guidance from the Authority.

Section 6. **Notice of Default.** Promptly after becoming aware thereof, Local Borrower shall give notice to the Authority of (i) the occurrence of any Event of Default under the Loan Agreement or (ii) the occurrence of any breach, default, Event of Default, or event which with the giving of notice or lapse of time, or both, could become a material breach, default, or Event of Default (a "Future Breach") under any agreement, indenture, mortgage, or other instrument (other than the Loan Agreement) to which the Local Borrower is a party or by which it or any of its property is bound or affected. Local Borrower shall provide written notice to the Authority if the effect of such breach, default, Event of Default or Future Breach is to accelerate, or to permit the acceleration of, the maturity of any indebtedness under such agreement, indenture, mortgage, or other instrument;

provided, however, that the failure of the Local Borrower to give such notice shall not affect the right and power of the Authority to exercise any and all of the remedies specified herein.

Section 7. **Notice of Construction Commencement**. The Local Borrower shall promptly notify the Authority immediately upon commencement of construction activities.

Section 8. **Notice of Non-Environmental Litigation**. Promptly after the commencement or overt threat thereof, Local Borrower shall provide the Authority with written notice of the commencement of all actions, suits, or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting Local Borrower which, if adversely determined, could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or on the ability of Local Borrower to perform its obligations under the Loan Agreement.

Section 9. **Notice of Environmental Litigation**. Without limiting the provisions of Section 8 above, promptly after receipt thereof, Local Borrower shall provide the Authority with written notice of the receipt of all pleadings, orders, complaints, indictments, or other communication alleging a condition that may require Local Borrower to undertake or to contribute to a cleanup or other response under laws relating to environmental protection, or which seek penalties, damages, injunctive relief, or criminal sanctions related to alleged violations of such laws, or which claim personal injury to any person or property damage as a result of environmental factors or conditions or which, if adversely determined, could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or on the ability of Local Borrower to perform its obligations under the Loan Agreement.

Section 10. **Regulatory and Other Notices**. Promptly after receipt or submission thereof, Local Borrower shall provide the Authority with copies of any notices or other communications received from or directed to any governmental authority with respect to any matter or proceeding which could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or the ability of Local Borrower to perform its obligations under the Loan Agreement, or which reveals a substantial non compliance with any applicable law, regulation or rule.

Section 11. **Other Information**. The Local Borrower shall submit to the Authority other information regarding the condition (financial or otherwise), or operation of the Local Borrower as the Authority may, from time to time, reasonably request.

Section 12. **Additional Reporting Requirements**. The Local Borrower shall refer to the Loan Agreement Addendum for wage rate reporting requirements.

The Local Borrower must provide pro-forma financial statements showing that rates and charges are sufficient to operate and maintain the water system after one full year of arsenic treatment operation (July 1, 2017 through June 30, 2018). If not sufficient, the Local Borrower must provide evidence that an application has been filed with the ACC for a rate increase or an emergency rate increase.

Exhibit D

Debt Service Reserve And Replacement Reserve Requirements

Section 1. Debt Service Reserve Fund.

(a) There is established and maintained a Debt Service Reserve Fund held by the Authority. The deposits required pursuant to this Exhibit shall be automatically debited from the Local Borrower Deposit Account along with the Local Borrower's regularly scheduled payments of principal and interest. The amount allocated to the Debt Service Reserve Fund shall be administered and invested by the Authority and allocated to the (the "Debt Service Reserve Fund"). Amounts therein shall secure payment to the Authority of Loan repayments payable under the Loan Documents. The regularly scheduled deposits into the Debt Service Reserve Fund shall be in an amount, as determined by the Authority, so as to accumulate over five (5) years an amount equal to the highest amount of Loan repayments by the Local Borrower in any fiscal year as shown in the Loan repayment schedule, which the Local Borrower and the Authority agree is the initial amount of the debt service reserve requirement (the "Debt Service Reserve Requirement") for the Loan. Initially, the amount of the Debt Service Reserve Requirement and the amount of the required periodic build up are set forth in Exhibit A. The amount of the Debt Service Reserve Requirement and the amount of the required periodic build up will be adjusted to reflect any adjustment of the Loan repayment schedule.

(b) For so long as the Loan is outstanding, if on any Interest Payment Date or Principal Repayment Date the Local Borrower has not paid to the Authority an amount equal to the amount of principal and interest due on the Loan pursuant to this Agreement, the Local Borrower hereby consents and directs the Authority to transfer, the amount of the deficiency from the Debt Service Reserve Fund to the payment of any amounts due. The Local Borrower shall then cause to be delivered to the Authority for deposit to the Debt Service Reserve Fund after provision is made for payment of amounts which have become due under this Agreement an amount sufficient to cause the amount credited to the Debt Service Reserve Fund to be at least equal to the amount then required to be on deposit therein.

(c) The Authority may commingle funds of the Local Borrower with other funds but shall keep adequate and accurate records of moneys and investment earnings on amounts credited to the Debt Service Reserve Fund. The Local Borrower shall pay the reasonable fees and charges of the Authority for administering the Debt Service Reserve Fund from investment earnings on amounts credited to the Debt Service Reserve Fund in an amount not to exceed 10% of investment earnings.

(d) The Authority shall keep an accounting of the Debt Service Reserve Fund, indicating the principal amount therein, and net annual investment earnings (investment earnings less administrative costs and fees pursuant to Clause (c) of this Section) (the "Net Earnings"). Net Earnings shall be applied as a prepayment of principal.

(e) Subject to subsections (a), (b), (c), and (d) of this Section, when the Debt Service Reserve Fund is equal to or greater than the amounts due from the Local Borrower, the Authority shall:

(i) Apply the Debt Service Reserve Fund to pay in full all amounts payable by the Local Borrower under this Agreement.

(ii) Transfer to the Local Borrower all monies remaining in the Debt Service Reserve Fund after payment in full of all amounts payable by the Local Borrower.

Section 2. Replacement Reserve Fund.

(a) The Local Borrower shall establish a separate account to secure payment to the Authority of Loan repayments payable under the Loan Documents (the "Replacement Reserve Fund"). The Replacement Reserve Fund shall be held and administered by the Local Borrower in an account which is acceptable to the Authority pursuant to the provisions of the Agreement. The Local Borrower shall cause to be deposited on or before the first business day of each month commencing with the sixty-first (61st) month following the month in which the first Disbursement occurs amounts at least equal to one-twelfth (1/12th) of twenty percent (20%) of the highest amount of Loan repayments by the Local Borrower in any fiscal year as shown in the Loan repayment schedule. Initially, the amount of the required monthly deposit and the aggregate annual deposits are set forth in Exhibit A. The amount of the required monthly deposit will be adjusted to reflect any adjustment of the Loan repayment schedule.

(b) For so long as the Loan is outstanding, if no Event of Default, and no event or occurrence which, with the giving of notice or the passage of time or both, would become an Event of Default (an "Unmatured Event of Default"), has occurred and is continuing, the Local Borrower from time to time may withdraw moneys from the Replacement Reserve Fund and apply the moneys withdrawn for one or more of the following purposes: (i) for the acquisition of new, or the replacement of obsolete or worn out, machinery, equipment, furniture, fixtures or other personal property for the drinking water system provided that the property is depreciable; (ii) for the performance of repairs with respect to the drinking water system which are of an extraordinary and non-recurring nature provided that the property is depreciable; (iii) for the acquisition or construction of additions to or improvements, extensions or enlargements to, or remodeling of, the drinking water system provided that the property is depreciable; and/or (iv) to make payments to the Authority on the Loan.

(c) For so long as the Loan is outstanding, if on any Interest Payment Date or Principal Repayment Date the Local Borrower has not paid to the Authority an amount equal to the amount of principal and interest due on the Loan pursuant to this Agreement, and the Debt Service Reserve Fund does not hold sufficient moneys to cover the deficiency, the Authority will direct the Local Borrower to transfer, and the Local Borrower hereby consents to transfer, the amount of the deficiency from the Replacement Reserve Fund to the Authority.

(d) The Authority shall require that the Local Borrower shall keep adequate and accurate records of moneys, investments and investment earnings on amounts credited to the Replacement Reserve Fund. The Authority shall have the right to audit the records of the Local Borrower insofar as they pertain to the Replacement Reserve Fund.

Section 3. Debt Service Reserve Fund and Replacement Reserve Fund as Collateral.

(a) Grant of Security Interest. As collateral security for the prompt and complete payment when due of all obligations of the Local Borrower to the Authority under the Agreement and the Note and all other obligations and liabilities of the Local Borrower to the Authority, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter incurred, arising under, out of, or in connection with, the Agreement or any of the Loan Documents (the "Obligations"), the Local Borrower has granted, bargained, sold, assigned, pledged, and set over and by these presents does hereby grant, bargain, sell, assign, pledge, transfer and set over unto the Authority, and its successors and assigns, all of the Local Borrower's right, title and interest in and to any amounts held or deposited in the Debt Service Reserve Fund and in the Replacement Reserve Fund (the "Pledged Funds").

(b) Terms and Conditions.

(i) The Debt Service Reserve Fund and all amounts deposited therein shall be held in the sole dominion and control of the Authority and shall be administered by the Authority as a collateral account for the benefit of the Authority, and the Local Borrower shall have no rights or powers with respect to, or control over, the Debt Service Reserve Fund or any part thereof. The Local Borrower's sole right with respect to the Pledged Funds in the Debt Service Reserve Fund shall be as provided in the Agreement.

(ii) From and after the occurrence and during the continuation of an Event of Default, the Authority may, in the sole and absolute discretion of the Authority, apply the Pledged Funds in the Debt Service Reserve Fund, and, if there are insufficient Pledged Funds in the Debt Service Reserve Fund, in the Replacement Reserve Fund, to the Obligations in the following order: (i) all outstanding costs, expenses, fees and late charges due the Authority, (ii) interest at the rate or rates specified in the Loan Documents and (iii) the principal amount of the Obligations. All interest and other investment earnings amounts from time to time accrued and paid on the Pledged Funds in the Debt Service Reserve Fund and the Replacement Reserve Fund shall be retained in the Debt Service Reserve Fund and the Replacement Reserve Fund and shall be applied in accordance with the Agreement.

(iii) The Authority shall have, with respect to the Pledged Funds, all rights and remedies of a secured party under Article 9 of the Arizona Uniform Commercial Code and other applicable laws.

Section 4. Representations, Warranties and Covenants.

(a) The Authority agrees to establish upon closing and maintain the Debt Service Reserve Fund and the Local Borrower agrees to establish upon closing and maintain the Replacement Reserve Fund, both in accordance with the provisions of the Agreement.

(b) The Authority and the Local Borrower, as applicable, covenant that it will not apply, or permit the application of, amounts on deposit in, or required by the provisions of this Agreement

to be on deposit in, the Debt Service Reserve Fund and/or the Replacement Reserve Fund except in accordance with the provisions of this Agreement.

(c) The Local Borrower hereby represents and warrants to the Authority, effect on the date of the Agreement and on the date of each deposit of Pledged Funds to the Debt Service Reserve Fund and the Replacement Reserve Fund, that:

(i) No filing, recording, registration or declaration with or notice to any person or entity is required in order to preserve or perfect the first priority lien and charge intended to be created hereunder in the Pledged Funds.

(ii) Except for the security interest granted to the Authority pursuant to this Agreement, the Local Borrower is the sole owner of the Pledged Funds, having good and marketable title thereto, free and clear of any and all mortgages, liens, security interests, encumbrances, claims or rights of others.

(iii) No security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or part of the Pledged Funds is on file or of record in any public office except such as may have been filed by the Local Borrower in favor of the Authority.

(iv) This Agreement constitutes a valid and continuing first lien on and first security interest in the Pledged Funds in favor of the Authority, prior to all other liens, encumbrances, security interests and rights of others, and is enforceable as such as against creditors of and purchasers from the Local Borrower.

(d) Without the prior written consent of the Authority, the Local Borrower hereby covenants and agrees that it will not sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to, the Pledged Funds, nor will it create, incur or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance with respect to any of the Pledged Funds, or any interest therein, except for the security interest provided for by the Agreement.

(e) The Local Borrower hereby covenants and agrees that it will defend the Authority's right, title and security interest in and to the Pledged Funds against the claims and demands of all persons whomsoever except to the extent, which arise out of the willful misconduct or gross negligence of the Authority.

Exhibit E

Limits On Additional Indebtedness Without Authority Consent

Unless otherwise agreed to in writing by the Authority, while this Agreement is in effect, whether or not any Disbursement is outstanding, the Local Borrower shall not:

(a) Borrowings. Create, incur, assume, or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money, for the deferred purchase price of property or services, or for the lease of real or personal property which lease is required to be capitalized under GAAP or which is treated as an operating lease under regulations applicable to the Local Borrower but which otherwise would be required to be capitalized under GAAP (a "Capital Lease"), except for (i) accounts payable to trade creditors and current operating liabilities (other than for borrowed money) incurred in the ordinary course of the Local Borrower's business, and (ii) Capital Leases, the aggregate amount of which exceeds at any one time \$5,000.00.

(b) Leases. Create, incur, assume, or permit to exist any obligations as lessee for the rental or hire of any real or personal property, except leases which do not in the aggregate require the Local Borrower to make payments (including, without limitation, taxes, insurance maintenance, and other charges) in any fiscal year of the Local Borrower occurring during the term hereof in excess of \$5,000.00.

(c) Truxton Canyon Water Company: Create, incur, assume, or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money, to any owner or controlling individual of the Truxton Canyon Water Company the aggregate amount of which exceeds at any one time \$5,000.00, or any such liability to any one owner or controlling individual of the Truxton Canyon Water Company, regardless of amount, without such person consenting to, through the execution and delivery to WIFA of, the Subordination Agreement included in these loan documents behind Tab 13.

Exhibit F
PROMISSORY NOTE

\$350,950.00

Phoenix, Arizona
April 15, 2016

For Value Received, Truxton Canyon Water Company ("Local Borrower"), promise to pay to WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA ("Authority") or order the aggregate principal amount outstanding on the Local Borrower's loan as shown on the Authority's records which shall at all times be conclusive and govern, with interest thereon at an annual rate equal to four and six hundred seventy-five thousandths of a percent (4.675%). Interest shall be calculated on a 360-day year for all disbursements, but, in any case, shall be computed for the actual number of days in the period for which interest is charged. Principal and interest shall be payable at the times and in the manner set forth in the Loan Agreement (as hereinafter defined).

The Authority and the Local Borrower have established specific instructions and procedures by which draws against said credit will be presented for disbursement pursuant to the terms and conditions of that certain Loan Agreement of even date herewith (the "Loan Agreement"), but nothing contained herein shall create a duty on the part of the Authority to make said disbursement if the Local Borrower is in default. The undersigned shall not be entitled to total disbursements hereunder exceeding three-hundred fifty thousand, nine-hundred fifty dollars (\$350,950.00), such lesser amount determined in accordance with the Loan Agreement with respect to the Loan (as defined in the Loan Agreement).

All amounts payable hereunder shall be paid in lawful money of the United States. Principal and interest shall be payable at 100 North 15th Avenue, Suite 103, Phoenix, Arizona 85007, or at such other place as the holder hereof may designate. The Local Borrower may prepay the Loan, in whole or in part, at any time without premium or penalty pursuant to Section 1(b) of the Standard Terms and Conditions relating to the Loan.

Absent a default under this Note or the Loan Agreement, any payments received by the holder hereof shall be applied first to sums, other than principal and interest, due the holder hereof, next to the payment of all interest accrued to the date of such payment, and the balance, if any, to the payment of principal. Any payments received by the holder hereof after any Event of Default (as defined in the Loan Agreement) shall be applied to the amounts specified in this paragraph in such order as the holder hereof may, in its sole discretion, elect.

If any payment of interest and/or principal is not received by the holder hereof when such payment is due, then, as additional remedies, (a) a late charge of six percent (6%) of the amount due and unpaid will be added to the delinquent amount for any payment past due in excess of fifteen (15) days and (b) all past due payments of principal and/or interest shall bear interest from their due date until paid at an annual rate equal to the sum of (i) six percent (6%) and (ii) the interest rate specified herein, payable on demand (the "Default Rate").

This Note shall become immediately due and payable at the option of the holder hereof without presentment or demand or any notice to the Local Borrower or any other person obligated hereon, upon default in the payment of any of the principal hereof or any interest thereon when due, or if any event occurs or condition exists which authorizes the acceleration of the maturity hereof under the Loan Agreement. Time is of the essence with regard to all payment obligations in this Note. Failure to exercise any remedy or right hereunder shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.

In the event any holder hereof utilizes the services of an attorney in attempting to collect the amounts due hereunder or to enforce the terms hereof or of any agreements related to this indebtedness, or if any holder hereof becomes party plaintiff or defendant in any legal proceeding in relation to the property described in any instrument securing this Note or for the recovery or protection of the indebtedness evidenced hereby, the Local Borrower, its successors and assigns, shall repay to such holder hereof, on demand, all costs and expenses so incurred, including reasonable attorney's fees, including those costs, expenses and attorney's fees incurred after the filing by or against the Local Borrower of any proceeding under any chapter of the Bankruptcy Code, or similar federal or state statute, and whether incurred in connection with the involvement of any holder hereof as creditor in such proceedings or otherwise.

The Local Borrower and all sureties, endorsers and guarantors of this Note waive demand, presentment for payment, notice of nonpayment, protest, notice of protest and all other notice, filing of suit and diligence in collecting this Note or the release of any part primarily or secondarily liable hereon and further agree that it will not be necessary for any holder hereof, in order to enforce payment of this Note by any of them, to first institute suit or exhaust its remedies against any maker or others liable herefor, and consent to any extension or postponement of time or payment of this Note or any other indulgence with respect hereto without notice thereof to any of them.

Notwithstanding any provision contained herein to the contrary, the applicable rate of interest agreed to herein shall include the applicable interest rate described herein, in accordance with the terms of this Note, and any additional charges, costs and fees incident to this loan to the extent they are deemed to be interest under applicable Arizona law. Should the applicable rate of interest as calculated under this Note exceed that allowed by law, the applicable rate of interest will be the maximum rate of interest allowed by applicable law.

Truxton Canyon Water Company, Inc.

By 
Name: Rick Neal
Title: Manager

"Local Borrower"



MOYES SELLERS & HENDRICKS

1850 N. Central Avenue, Suite 1100 • Phoenix, AZ 85004 • fax 602.274.9135

April 15, 2016

Water Infrastructure Finance Authority of Arizona
100 N. 15th Ave., Suite 103
Phoenix, Arizona 85007
Attention: Angie Valenzuela, Senior Loan Officer

**Re: Loan ("Loan") from Water Infrastructure Finance Authority of Arizona
("Lender") to Truxton Canyon Water Company, Inc. ("Borrower")**

Ladies and Gentlemen:

We are attorneys admitted to practice in the State of Arizona and have acted as counsel to Borrower, which proposes to enter into a Loan Agreement (as hereinafter defined) with the Water Infrastructure Finance Authority of Arizona (the "Authority"). We have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents:

- A. Proposed Loan Agreement between Lender and Borrower;
- B. Promissory Note to be executed by Borrower and payable to Lender;
- C. Continuing Security Agreement to be executed by Borrower;
- D. UCC-1 Financing Statement;
- E. Articles of Incorporation of Borrower;
- F. Closing Certificate of the Borrower;
- F. Borrower's Resolution; and
- G. Evidence of the approval by the Arizona Corporation Commission of the borrowing represented by the Loan and of the rates, fees and charges of Borrower as currently in effect.

Based upon the foregoing, and subject to the qualifications and limitations set forth below, it is our opinion that:

1. Borrower is an Arizona corporation duly organized, validly existing, and in good standing under the laws of the State of Arizona.
2. The Borrower has full legal right and authority to undertake and complete the Project (as such term is defined in the Loan Agreement); subject, however, to the effect of restrictions and limitations imposed by, or resulting from, bankruptcy, insolvency, moratorium, reorganization, debt adjustment or other similar laws affecting creditors' rights generally heretofore or hereafter enacted.
3. To the best of our knowledge, after such investigation as we have deemed appropriate, and as certified by appropriate parties, the resolutions identified above have been duly and lawfully adopted in accordance with applicable Arizona law.
4. To our knowledge, without investigation except as disclosed, the authorization, execution and delivery of the Loan Agreement by the Borrower, the observance and performance by the Borrower of its duties, covenants, obligations and agreements thereunder and the consummation of the transactions contemplated therein and the undertaking and completion of the Project, except as disclosed to the Authority, do not and will not contravene an existing law or any existing order, injunction, judgment, decree, rule or regulation of any court or governmental or administrative agency, authority or person having jurisdiction over the Borrower or its property or assets or result in a breach or violation of any of the terms and provisions of, or constitute a default under, any existing bond resolution, trust agreement, indenture, mortgage, deed of trust or other agreement to which the Borrower is a party or by which it, the system or its property or assets is bound.
5. To the best of our knowledge, after such investigation as we have deemed appropriate, all approvals, consents or authorizations of, or registrations of or filings with, any governmental or public agency, authority or person required to date on part of the Borrower in connection with the authorization, execution, delivery and performance of the Loan Agreement and the undertaking and completion of the Project have been obtained or made.

We are qualified to practice law in the State of Arizona, and we do not purport to be an expert on, or to express an opinion concerning, any law other than the law of the State of Arizona. This opinion is limited in all respects of the laws in the State of Arizona now in effect, to the matters set forth herein, and to the date hereof, and we assume no obligation to revise or supplement this letter should any such law be changed by legislative action, judicial decision or otherwise. The representations, warranties, covenants and similar statements made by the Borrower in the Loan Agreement and Documents are the sole responsibility of the Borrower and are not in

any way adopted by us as part of this opinion. No opinion may be inferred or implied beyond the manner expressly stated herein and only in the context of the assumptions and qualifications herein described.

This opinion is issued to you and is not to be relied upon for any other purpose or by any other person or entity. This opinion is not to be referred to or recorded in any document or report filed with or delivered to any governmental agency or other person without our prior written consent.

Respectfully,

MOYES SELLERS & HENDRICKS

A handwritten signature in cursive script, appearing to read "Steven L. Wene".

By: Steven L. Wene

Exhibit H
Borrower Disclosure

1. Exception(s) to Subsection 3(e) of the Standard Terms and Conditions entitled "Compliance with Laws": (borrower to insert exceptions or "None")

The Company currently does not meet the arsenic standards. The Company has no knowledge of a lack of compliance regarding any other law that could materially impact the loan.

2. Exception(s) to Subsection 3(f) of the Standard Terms and Conditions entitled "Environmental Compliance": (borrower to insert exceptions or "None")

The Company incorporates the response to Exhibit H 1.

3. Exception(s) to Subsection 3(g) of the Standard Terms and Conditions entitled "Litigation": (borrower to insert exceptions or "None")

The Company has pending proceedings in the Arizona Corporation Commission and enforcement action by the Arizona Department of Environmental Quality. These matters have been disclosed by WIFA previously.

4. Exception(s) to Subsection 3(h) of the Standard Terms and Conditions entitled "Title to Property": (borrower to insert exceptions or "None")

None.

5. Exception(s) to Subsection 3(k) of the Standard Terms and Conditions entitled "Subsidiaries or Other Related Entities (insert exceptions or "None")

The Company has no subsidiary. The Company is not a subsidiary of any other entity. The term "related entity" is not defined, so the response herein is qualified to clarify the Company has no financial interconnection with another company.

Truxton Canyon Water Company, Inc.

By: 

Name: Rick Neal

Title: Manager

Date: April 15, 2016

LOAN AGREEMENT STANDARD TERMS AND CONDITIONS

Water Infrastructure Finance Authority of Arizona

This document sets forth the Standard Terms and Conditions applicable to Loans made by the Water Infrastructure Finance Authority of Arizona the ("Authority") to a Local Borrower. These Standard Terms and Conditions are a part of the Loan Agreement to which this document is attached. Capitalized terms not otherwise defined herein shall have the meanings given them in the Loan Agreement.

Section 1. Loan Repayment; Prepayments; Providing for Payment of the Loan.

(a) Loan Repayments.

(i) Loan Repayment Schedule. Local Borrower shall pay to the Authority the amounts shown in the Loan repayment schedule in Exhibit A hereto on or before the dates shown in Exhibit A as the same may be adjusted as provided below to reflect the revised principal repayment schedule of the Loan. The undisbursed portion of the Commitment shall expire on the earlier of (i) the date that the Loan amount has been fully disbursed by the Authority, (ii) the date the final requisition received from the Local Borrower is disbursed, or (iii) the third anniversary of the Loan closing. At the expiration of the Commitment, if the total amount of the Disbursements is less than the maximum Loan Amount, the amount of each principal installment due as set forth in the Loan repayment schedule contained in Exhibit A shall be adjusted based on (a) the principal balance then outstanding, (b) the amortization schedule as provided in Exhibit A and (c) the Combined Interest and Fee Rate. Upon such adjustment, the Authority shall compute the adjusted interest payment amounts for each Interest Payment Date to reflect the adjusted principal amounts and shall enter the results in the Loan repayment schedule and furnish the revised schedule to the Local Borrower.

(ii) Application of Payments. Absent a default under the Note or this Agreement, any payments received by the Authority shall be applied first to sums, other than principal and interest, due the Authority, next to the payment of all interest accrued to the date of such payment, and the balance, if any, to the payment of principal. Any payments received by the Authority after any Event of Default shall be applied to the amounts specified in this paragraph in such order as the Authority may, in its sole discretion, elect.

(iii) Late Payments. If any payment of interest and/or principal is not received by the Authority when such payment is due, then, as additional remedies, (a) a late charge of six percent of the amount due and unpaid will be added to the delinquent amount for any payment past due in excess of fifteen days and (b) all past due payments of principal and/or interest shall bear interest from their due date until paid at the annual rate equal to the sum of (i) six percent and (ii) the Interest Rate specified in Exhibit A, payable on demand.

(iv) Calculations of Interest. Interest shall be calculated on the actual number of days each Disbursement is outstanding on the basis of a year consisting of 360 days. In calculating interest, the date each Disbursement is made shall be included and the date each such Disbursement is repaid shall be excluded.

(iv) Payment on Maturity Date. On the final Principal Repayment Date, the Local Borrower shall make one final payment of principal, accrued and unpaid interest, and all other amounts due and payable hereunder and under all of the Loan Documents.

(b) Prepayment. The Loan is not subject to prepayment prior to the tenth anniversary of the final loan draw. The Local Borrower may prepay the principal amount of the Loan in whole or in part in advance of the due dates on or after the tenth anniversary of the final loan draw without penalty upon written notice delivered to the Authority at least 60 days prior to the prepayment date. If the Local Borrower makes partial prepayments of the unpaid principal under the Loan, the amount of each principal installment due as set forth in the Loan repayment schedule contained in Exhibit A shall be adjusted based on (a) the principal balance then outstanding, (b) the amortization schedule as provided in Exhibit A and (c) the Combined Interest and Fee Rate. Upon such adjustment, the Authority shall compute the adjusted interest payment amounts for each Interest Payment Date to reflect the adjusted principal amounts and shall enter the results in the Loan repayment schedule and furnish the revised schedule to Local Borrower.

(c) Providing for Payment of the Loan. The Local Borrower may at any time provide for the payment and discharge of the Loan, as provided in this subsection. The Loan shall be deemed to have been paid and discharged if the Local Borrower has delivered to the Authority proof satisfactory to the Authority that the Local Borrower has deposited with a financial institution acceptable to the Authority, in trust for and irrevocably committed to payments on the Loan, cash or non-callable direct obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of Treasury of the United States of America) and obligations of any agency or instrumentality of the United States of America the timely payment of the principal of and interest on which are unconditionally guaranteed by the United States of America, which are of such maturities and interest payment dates, and bear such interest, as will be sufficient together with any moneys also deposited, without further investment or reinvestment of either the principal amount or the interest earnings (which earnings are to be held likewise in trust and so committed), to pay all the amounts due under the Loan, as set forth in the Loan repayment schedule contained in Exhibit A, as evidenced in a report of an independent firm of nationally recognized certified public accountants addressed to and delivered to the Authority.

Section 2. Conditions Precedent.

(a) Conditions Precedent to Initial Disbursement. This Agreement and the Authority's obligation to make the initial Disbursement shall become effective only upon satisfaction, at Local Borrower's sole cost and expense, of the following conditions precedent, as determined by the Authority in its absolute and sole discretion on or before the date of such Disbursement:

(i) Loan Documents. That the Authority receive duly executed originals of this Agreement, the Note, the Security Agreement and all other instruments and documents contemplated hereby.

(ii) Entity Existence and Authorization. That the Authority receive copies of (A) all company or entity resolutions, documents and proceedings of Local Borrower authorizing the execution, delivery, and performance of the Loan Documents to which it is a party, certified to be true and correct by the Secretary of the Local Borrower, if applicable; (B) Local Borrower's Articles of Incorporation or other organizational documents, with all amendments certified by the Arizona Corporation Commission, if applicable; (C) certificate as to Local Borrower's good standing from the Arizona Corporation Commission, if applicable and (D) Local Borrower's Bylaws or similar documents with all amendments certified by the Secretary of the Local Borrower, if applicable.

(iii) Approvals. That the Authority receive evidence satisfactory to it that all consents and approvals which are necessary for, or required as a condition of, the validity and enforceability of the Loan Documents have been obtained and are in full force and effect.

(iv) Opinion of Counsel. That the Authority receive an opinion of counsel for Local Borrower (who shall be acceptable to the Authority) in form and content acceptable to the Authority.

(v) Perfection and Priority of Liens. That the Authority receive evidence satisfactory to it that the Authority has, as of the date of the initial Disbursement, a duly perfected security interest on all security provided for herein.

(vi) Permits. That the Authority receive evidence satisfactory to it that the Local Borrower possesses all necessary operating permits, authorizations, approvals, and the like which are material to the conduct of the Local Borrower's business or which may otherwise be required by law.

(vii) Fees, Expenses. That the Local Borrower pay the costs and expenses to obtain, perfect and determine the priority of any security hereof. Further, if all costs and expenses of this transaction are not known at the time of the initial disbursement, Local Borrower agrees to pay such costs and expenses upon demand.

(viii) Insurance. That the Authority receive evidence of insurance in such amount and covering such risks as are usually carried by entities engaged in the same or similar business.

(ix) Replacement Reserve. That the Authority receive evidence that the Local Borrower has established the Replacement Reserve Fund as required in Exhibit D hereto.

(x) Subordination Agreement. That the Authority receive a Subordination Agreement, in form and substance satisfactory to the Authority, fully executed by the Local Borrower and the Subordinated Creditors.

(xi) Order from Arizona Corporation Commission. The Local Borrower shall obtain and the Authority receive evidence of the necessary Order from the Arizona Corporation Commission.

(b) Disbursements Generally. The Authority's obligation to make each Disbursement hereunder, including the initial Disbursement, is subject to the satisfaction of each of the following conditions precedent on or before the date of such Disbursement:

(i) Event of Default. That no Event of Default (as that term is defined in Section 6 hereof) exists, and that there has occurred no event which with the passage of time or the giving of notice, or both, could become an Event of Default (a "Default").

(ii) Continuing Representations and Warranties. That the representation and warranties of the Local Borrower contained in this Agreement be true and correct on and as of the date of the initial Disbursement and each subsequent Disbursement as though made on and as of such date.

(iii) Other Items. That the Authority receive such other items or documents as the Authority may reasonably require.

Section 3. Representations And Warranties.

(a) Organization; Power; Etc. The Local Borrower (i) is duly organized, validly existing, and in good standing under the laws of its state of formation; (ii) is duly qualified to do business and is in good standing in each jurisdiction in which the transaction of its business makes such qualification necessary; (iii) has all requisite organizational and legal power to own and operate its assets and to carry on its business and to enter into and perform the Loan Documents to which it is a party, (iv) has duly and lawfully obtained and maintained all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or which may be otherwise required by law; (v) is eligible to borrow from the Authority.

(b) Due Authorization; No Violations; Etc. The execution and delivery by the Local Borrower of, and the performance by Local Borrower of its obligations under, the Loan Documents have been duly authorized by all requisite organizational action on the part of Local Borrower and do not and will not (i) violate any provision of any law, rule or regulations, any judgment, order or ruling of any court or governmental agency, the documents governing the operation and formation of the Local Borrower, or any agreement, indenture, mortgage, or other instrument to which the Local Borrower is a party or by which the Local Borrower or any of its properties is bound or (ii) be in conflict with, result in a breach of, or constitute with the giving of notice or lapse of time, or both, a default under any such agreement, indenture, mortgage, or other instrument. No action on the part of any individual, member or shareholder of the Local Borrower is necessary in connection with the execution and delivery by the Local Borrower of and the performance by the Local Borrower of its obligations under the Loan Documents except for actions which have occurred.

(c) Consents. No consent, permission, authorization, order, or license of any governmental authority is necessary in connection with the execution, delivery, performance, or enforcement of the Loan Documents to which Local Borrower is a party, except such as have been obtained and are in full force and effect.

(d) Binding Agreement. Each of the Loan Documents to which Local Borrower is a party is, or when executed and delivered will be, the legal, valid, and binding obligation of the Local Borrower, enforceable in accordance with its terms, subject only to limitations on enforceability imposed by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally.

(e) Compliance with Laws. Local Borrower is in compliance with all federal, state, and local laws, rules, regulations, ordinances, codes, and orders (collectively, "Laws"), the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Local Borrower, or on the ability of the Local Borrower to perform its obligations under the Loan Documents, except as the Local Borrower has disclosed on Exhibit H.

(f) Environmental Compliance. Without limiting the provisions of Subsection (e) above, all property owned or leased by the Local Borrower and all operations conducted by it are in compliance in all material respects with all Laws relating to environmental protection, the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Local Borrower, or on the ability of the Local Borrower to perform its obligations, under the Loan Documents, except as the Local Borrower has disclosed on Exhibit H.

(g) Litigation. There are no pending legal, arbitration, or governmental actions or proceedings to which the Local Borrower is a party or to which any of its property is subject which, if adversely determined, could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Local Borrower, or on the ability of the Local Borrower to perform its obligations under the Loan Documents, and to the best of Local Borrower's knowledge, no such actions or proceedings are threatened or contemplated, except as the Local Borrower has disclosed on Exhibit H.

(h) Title to Property. Local Borrower holds good and marketable title to all of its real property and owns all of its personal property free and clear of any lien or encumbrance, except the liens and encumbrances specifically identified on Exhibit H.

(i) Financial Statements; No Material Adverse Change; Etc. All financial statements submitted to the Authority in connection with the application for the Loan or in connection with this Agreement fairly and fully present the financial condition of the Local Borrower and the results of Local Borrower's operations for the periods covered thereby, and are prepared in accordance with generally accepted accounting principles for regulated utilities ("GAAP") consistently applied. Since the dates thereof, there has been no material adverse change in the financial condition or operations of the Local Borrower. All budgets, projections, feasibility studies, and other documentation submitted by Local Borrower to the Authority are based upon assumptions that are reasonable and realistic, and as of the date hereof, no fact has come to light, and no event or transaction has occurred, which would cause any assumption made therein not to be reasonable or realistic.

(j) Principal Place of Business; Records. The principal place of business and chief executive office of the Local Borrower and the place where the records required by Subsection (g) of Section 4 hereof are kept is at the business office street address of the Local Borrower shown in Section 1 of the Agreement.

(k) Subsidiaries or Other Related Entities. Local Borrower has no subsidiary or other related entity, except as the Local Borrower has disclosed on Exhibit H.

(l) Water Rights and System Condition. The Local Borrower has water rights with such amounts, priorities and qualities as are necessary to adequately service Local Borrower's customers and members. The Local Borrower controls, owns, or has access to all such water rights free and clear of the interest of any third party and has not suffered or permitted any transfer or encumbrance of such water rights, and has not abandoned such water rights, or any of them, nor has done any act or thing which would impair or cause the loss of any such water rights. The Local Borrower's utility facilities reasonably meet present demand in all material respects, are constructed in a good and workmanlike manner, are in good working order and condition, and comply in all respects with applicable laws.

Section 4. Affirmative Covenants. Unless otherwise agreed to in writing by the Authority, while this Agreement is in effect, whether or not any Disbursement is outstanding, Local Borrower agrees to:

(a) Existence as a Legal Entity. Preserve and keep in full force and effect its existence as a legal entity and good standing in the jurisdiction of its organization and formation and its good standing and qualification to transact business in all places required by law.

(b) Compliance with Laws and Agreements. Comply with (i) all Laws, the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Local Borrower, or on the ability of Local Borrower to perform its obligations under the Loan Documents; and (ii) all agreements, indentures, mortgages, and other instruments to which it is a party or by which it or any of its property is bound.

- (c) Compliance with Environmental Laws. Without limiting the provisions of Subsection (b) above, comply in all material respects with, and cause all persons occupying or present on any properties owned or leased by the Local Borrower to so comply with all Laws relating to environmental protection, the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Local Borrower, or on the ability of the Local Borrower to perform its obligations under the Loan Documents.
- (d) Licenses; Permits; Etc. Duly and lawfully obtain and maintain in full force and effect all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of the Local Borrower's business or which may be otherwise required by law.
- (e) Insurance. Maintain insurance with insurance companies or associations acceptable to the Authority in such amounts and covering such risks as are usually carried by companies engaged in the same or similar business and similarly situated, and make such increases in the type or amount of coverage as the Authority may request. All such policies insuring any collateral provided for herein, shall provide for loss payable clauses or endorsements in form and content acceptable to the Authority. At the request of the Authority, all policies (or such other proof of compliance with this Section as may be satisfactory) shall be delivered to the Authority.
- (f) Property Maintenance. Maintain and preserve at all times its property, and each and every part and parcel thereof, in good repair, working order and condition and in compliance with all applicable laws, regulations and orders.
- (g) Books and Records. Keep adequate records and books of account in accordance with GAAP consistently applied.
- (h) Inspection. Permit the Authority or its agents, during normal business hours or at such other times as the parties may agree, to examine the Local Borrower's properties, books, and records, and to discuss the Local Borrower's affairs, finances, operations, and accounts with its respective officers, directors, employees, and independent certified public accountants.
- (i) Debt Service Coverage. Achieve, at each fiscal year end a Debt Service Coverage Ratio ("DSC") of 1.20. For the purposes of this Section, DSC shall be computed by adding net income plus interest expense, depreciation and amortization expenses and dividing the total by the sum of principal and interest payments required during the period. In the computation of net income, gains and losses and any taxes or reduction of taxes resulting from the sale or other disposition or abandonment of capital assets, or from increases or decreases in value of capital assets, or from the retirement or reacquisition or resale or reissuance of debt or capital stock, shall be disregarded.
- (j) Use of Dividends and Surplus Revenues. Retain all existing capital and retained earnings in the business and retain all revenue which may accumulate over and above that needed to pay operating, maintenance, debt service, and Reserve requirements; or use same to reduce obligations due creditors; or invest same for capital expenditures related directly to the Local Borrower's ability to provide services to users.
- (k) Water Rights. Maintain or procure water rights with such amounts, priorities and qualities as are necessary to service adequately the Local Borrower's customers and members, whether riparian, appropriative, or otherwise and whether or not appurtenant and whether groundwater or surface water, any shares of stock and certificates evidencing the same; and all grandfathered groundwater rights under A.R.S. Section 45-401, et seq. (collectively, the "Water Rights"). The Local Borrower will continue to control, own or have access to all Water Rights free and clear of the interest of any third party, will not suffer any Transfer of the Water Rights, will not abandon the Water Rights, nor do any act or thing which would impair or cause the loss of any of the Water Rights. For purposes of this paragraph (m) "Transfer" means, respectively, each and all of the following"
- (i) Any or all of the Water Rights, or any interest or right of the Local Borrower in or to the Water Rights is conveyed to, or becomes vested in, any person, other than the Local Borrower and the Authority, voluntarily or involuntarily;
- (ii) The occurrence of any event that results in any option, right of first refusal, other right to acquire, or any other claim, interest, or right in, to, or against, any or all of the Water Rights being held by a person other than the Local Borrower or the Authority, whether occurring voluntarily or involuntarily and whether arising by agreement, under any law, ordinance, regulation, or rule (federal, state, or local), or otherwise;

(iii) Any lease or assignment of any of the Water Rights; and

(iv) Local Borrower enters into any agreement the performance of which would result in a Transfer under any of the clauses (i) through (iii) above, and the consummation of such agreement is not expressly conditional upon the prior written consent of the Authority in its sole and absolute discretion.

(l) Operation and Maintenance of System. Local Borrower shall, in accordance with prudent utility practice, (a) at all times operate the properties of the water system and any business in connection therewith in an efficient manner, (b) maintain its drinking water system in good repair, working order and operating condition, and (c) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to its drinking water system so that at all times the business carried on in connection therewith shall be properly and advantageously conducted.

(m) Disadvantaged Business Enterprises. As applicable, the Local Borrower shall comply with 40 C.F.R. Part 33¹ including but not limited to:

The Local Borrower must follow, document, and maintain documentation of their good faith efforts as listed below to ensure that Disadvantage Business Enterprises (DBEs) have the opportunity to participate in the project by increasing DBE awareness of procurement efforts and outreach.

(i) Ensure DBEs are made aware of contracting opportunities to the fullest extent practicable through outreach and recruitment activities; including placing DBEs on solicitation lists and soliciting them whenever they are potential sources.

(ii) Make information on forthcoming opportunities available to DBEs and arrange time frames for contracts and establish delivery schedules, where the requirements permit, in a way that encourages and facilitates participation by DBEs in the competitive process. This includes, whenever possible, posting solicitation for bids or proposals for a minimum of 30 calendar days before the bid or proposal closing date.

(iii) Consider in the contracting process whether firms competing for large contracts could be subcontracted with DBEs. This will include dividing total requirements when economically feasible into smaller tasks or quantities to permit maximum participation by DBEs in the competitive process.

(iv) Encourage contracting with a consortium of DBEs when a contract is too large for one of these firms to handle individually.

(v) Use the services and assistance of the Small Business Administration and the Minority Business Development Agency of the U. S. Department of Commerce.

(vi) If the prime contractor awards subcontracts, require the prime contractor to take the steps in section (i) through (v) above.

These conditions must be included in all procurement contracts entered into by the Local Borrower for all DWRP and CWRP projects:

(i) The prime contractor must pay its subcontractor for satisfactory performance no more than 30 days from the prime contractor's receipt of payment from the owner.

(ii) The prime contractor must notify the owner in writing prior to the termination of any Disadvantage Business Enterprise subcontractor for convenience by the prime contractor.

(iii) If a Disadvantage Business Enterprise contractor fails to complete work under the subcontract for any reason, the prime contractor must employ the six good faith efforts if soliciting a replacement contractor.

¹ See Section 30 for a full list of applicable federal laws and authorities relating to Participation by Disadvantaged Business Enterprises in Procurement Under Environmental Protection Agency (EPA) Financial Assistance Agreements.

(iv) The prime contractor must continue to employ the six good faith efforts even if the prime contractor has achieved its fair share objectives.

(v) The prime contractor must provide EPA Form 6100-2 DBE Program Subcontractor Participation Form to all of its Disadvantaged Business Enterprise subcontractors. Disadvantaged Business Enterprise subcontractors may send completed Form 6100-2 directly to the Region 9 DBE Coordinator listed below.

Joe Ochab, EPA Region 9, 75 Hawthorne St. (P-22), San Francisco, CA 94105

(vi) The prime contractor must have its Disadvantaged Business Enterprise subcontractors complete EPA Form 6100-3 – DBE Program Subcontractor Performance Form. The prime contractor must include all completed forms as part of the prime contractor's bid or proposal package to the Local Borrower.

(vii) The prime contractor must complete and submit EPA 6100-4 DBE Program Subcontractor Utilization Form as part of the prime contractor's bid or proposal package to the Local Borrower.

(viii) The Local Borrower must ensure that each procurement contract it awards contains the following terms and conditions:

The contractor shall not discriminate on the basis of race, color, national origin or sex in the performance of this contract. The contractor shall carry out applicable requirements of 40 CFR Part 33 in the award and administration of contracts awarded under EPA financial assistance agreements. Failure by the contractor to carry out these requirements is a material breach of this contract which may result in the termination of this contract or other legally available remedies.

Section 5. Negative Covenants.

Unless otherwise agreed to in writing by the Authority, while this Agreement is in effect, whether or not any disbursement is outstanding, the Local Borrower shall not:

(a) Liens. Create, incur, assume, or allow to exist any mortgage, deed of trust, deed to secure debt, pledge, lien, (including the lien of an attachment, judgment, or execution), security interest, or other encumbrance of any kind upon any of its property, real or personal. The foregoing restrictions shall not apply to (i) liens in favor of the Authority; (ii) liens for taxes, assessments, or governmental charges that are not past due; (iii) liens, pledges, and deposits under workers' compensation, unemployment insurance, and social security laws; (iv) liens, deposits, and pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), and like obligations arising in the ordinary course of the Local Borrower's business as conducted on the date hereof; and (v) liens imposed by law in favor of mechanics, materialmen, warehousemen, and like persons that secure obligations that are not past due.

(b) Mergers; Acquisitions; Etc. Merge or consolidate with any other entity, or acquire all or substantially all of the assets of any person or entity, or form or create any new subsidiary or affiliate, or commence operations under any other name, organization, or entity, including any joint venture.

(c) Transfer of Assets. Sell, transfer, lease, or otherwise dispose of any of the Local Borrower's assets, except in the ordinary course of its business or to effect any change in ownership.

(d) Change in Business. Engage in any business activities or operations substantially different from or unrelated to the Local Borrower's present business activities or operations.

Section 6. Events Of Default. Each of the following shall constitute an "Event of Default" hereunder:

(a) Payment Default. Failure by Local Borrower to make any payment or investment required to be made hereunder, under the Note, or under any other Loan Document when due.

(b) Representations and Warranties. Any representation or warranty made by the Local Borrower herein or in any other Loan Document shall prove to have been false or misleading in any material respect on or as of the date made, including deemed made in connection with each Disbursement.

(c) Covenants and Agreements. The Local Borrower should fail to perform or comply with any covenant or agreement contained herein.

(d) Cross-Default. Local Borrower should, after any applicable grace period, breach or be in default under the terms of any agreement (other than the Loan Documents) between the Local Borrower and the Authority, including, without limitation, any other loan agreement, security agreement, mortgage, deed to secure debt, or deed of trust.

(e) Other Indebtedness. The occurrence of any breach, default, event of default, or event which with the giving of notice or lapse of time, or both, could become a default or event of default under any agreement, indenture, mortgage, or other instrument by which the Local Borrower or any of its property is bound or affected (other than the Loan Documents) if the effect of such breach, default, event of default or event is to accelerate, or to permit the acceleration of, the maturity of any indebtedness under such agreement, indenture, mortgage, or other instrument.

(f) Judgments. Judgments, decrees, or orders for the payment of money in the aggregate in excess of the amount set forth in Exhibit E relating to Additional Indebtedness hereof shall be rendered against the Local Borrower and either (i) enforcement proceedings shall have been commenced; or (ii) such judgments, decrees, and orders shall continue unsatisfied and in effect for a period of twenty (20) consecutive days without being vacated, discharged, satisfied, or stayed pending appeal.

(g) Insolvency, Etc. Local Borrower: (i) shall become insolvent or shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they come due; or (ii) shall suspend its business operations or a material part thereof or make an assignment for the benefit of creditors; or (iii) shall apply for, consent to, or acquiesce in the appointment of a trustee, receiver, or other custodian for it or any of its property or, in the absence of such application, consent, or acquiescence, a trustee, receiver, or other custodian is so appointed; or (iv) shall commence with respect to it or have commenced against it any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law or statute of any jurisdiction.

(h) Material Adverse Change. Any material adverse change occurs, as reasonably determined by the Authority, in the Local Borrower's condition, financial or otherwise, operations, properties, or business or the Local Borrower's ability to perform its obligations under the Loan Documents.

(i) Failure to Amend Subordination Agreement. The Local Borrower and any additional Creditor fail to amend the Subordination Agreement in accordance with Paragraph 2 of the Subordination Agreement.

Section 7. Remedies Upon Event Of Default. Upon the occurrence of and during the continuance of each and every Event of Default:

(a) Termination: Etc. The Authority shall have no obligation to make disbursements hereunder and, upon notice to the Local Borrower, may terminate the Commitment and declare the entire unpaid principal balance of the Note, all accrued interest thereon and all other amounts payable under this Agreement and all other agreements between the Authority and the Local Borrower, to be immediately due and payable. Upon such a declaration, the unpaid principal balance of the Note and all such other amounts shall become immediately due and payable, without protest, presentment, demand, or further notice of any kind, all of which are hereby expressly waived by the Local Borrower.

(b) Enforcement. The Authority may proceed to protect, exercise, and enforce such rights and remedies as may be provided by agreement or under law including, without limitation, the rights and remedies provided for in the Note. Each and every one of such rights and remedies shall be cumulative and may be exercised from time to time, and no failure on the part of the Authority to exercise, and no delay in exercising, any right or remedy shall operate as a waiver thereof, nor shall any single or partial exercise of any rights or remedy preclude any other or future exercise thereof, or the exercise of any other right. In addition, the Authority may hold and/or set off and apply against Local Borrower's indebtedness any and all cash, accounts, securities, or other property in the Authority's possession or under its control.

(c) Application of Payments. After termination and acceleration of the Loan all amounts received by the Authority shall be applied to the amounts owing hereunder and under the Note in whatever order and manner as the Authority shall in its sole discretion elect.

Section 8. Survival. The representations, warranties, and covenants of the Local Borrower in the Loan Documents shall survive the execution and delivery of the Loan Documents and the making of the Loan.

Section 9. Integration, Change, Discharge, Termination, Or Waiver. The Loan Documents contain the entire understanding and agreement of the Authority and the Local Borrower and supersede all prior representations, warranties, agreements, arrangements, and understandings. No provision of the Loan Documents may be changed, discharged, supplemented, terminated, or waived except in a writing signed by the Authority and the Local Borrower. No waiver of any breach or default shall be deemed a waiver of any breach or default occurring thereafter or a waiver of the time of the essence provision.

Section 10. Parties And Binding Effect. This Agreement is made solely between the Authority and the Local Borrower, and no other Person shall have any rights hereunder or be a third-party beneficiary hereof. This Loan Agreement shall be binding upon the undersigned, and upon the heirs, legal representatives, successors and assigns of the undersigned; and to the extent that the Local Borrower is either a partnership or a corporation, all references herein to the Local Borrower shall be deemed to include any successor or successors, whether immediate or remote, to such partnership or corporation. The Local Borrower may not assign any of its rights or delegate any of its obligations under the Loan Documents without the prior express written consent of the Authority, and any purported assignment by the Local Borrower made in contravention hereof shall be void. The Authority may from time to time assign, or sell participation interests in, any part or all of the Obligations and its rights and obligations under the Loan Documents in its absolute and sole discretion.

Section 11. Costs And Expenses. Local Borrower agrees to pay, on demand, all internal and external costs, expenses, and fees of the Authority in respect of (i) application fees, (ii) enforcement of the Loan Documents and exercise of the rights and remedies of the Authority, (iii) defense of the enforceability of the Loan Documents or of the perfection or priority of any Lien granted in the Loan Documents, (iv) any other matter relating to the Loan Documents, the collateral provided for herein, or the transaction described in the Loan Documents, and (v) preparation for matters within (ii), (iii), or (iv) whether or not any legal proceeding is brought. Such costs shall include, without limitation, all such costs incurred in connection with any bankruptcy, receivership, or other court proceedings (whether at the trial or appellate level). At the option of the Authority such costs, expenses, and fees may be deducted from the proceeds of the Loan.

Section 12. Authority To File Notices. Local Borrower irrevocably appoints the Authority as its attorney-in-fact, with full power of substitution, to file for record, at the Local Borrower's cost and expense and in the Local Borrower's name, any notices of completion, notices of cessation of labor, or any other notices that the Authority considers necessary or desirable to protect its security.

Section 13. Inconsistencies With Loan Documents. In the event of any inconsistencies between the terms of this Agreement and any terms of any of the Loan Documents or any loan application, the terms of this Agreement shall govern and prevail.

Section 14. No Waiver. No disbursement of proceeds of the Loan shall constitute a waiver of any conditions to the Authority's obligation to make further disbursements nor, in the event the Local Borrower is unable to satisfy any such conditions, shall any such waiver have the effect of precluding the Authority from thereafter declaring such inability a default under this Agreement.

Section 15. Authority Approval Of Instruments And Parties. All proceedings taken in accordance with transactions provided for herein; all surveys, appraisals and documents required or contemplated by this Agreement and the persons responsible for the execution and preparation thereof, shall be satisfactory to and subject to approval by the Authority. The Authority's counsel shall be provided with copies of all documents which they may reasonably request in connection with the Agreement.

Section 16. Authority Determination Of Facts. The Authority shall at all times be free to establish independently, to its satisfaction, the existence or nonexistence of any fact or facts, the existence or nonexistence of which is a condition of this Agreement.

Section 17. Disclaimer By Authority. Local Borrower is not and shall not be an agent of the Authority for any purpose. The Authority is not a joint venture partner with the Local Borrower in any manner whatsoever. Approvals granted by the Authority for any matters covered under this Agreement shall be narrowly construed to cover only the parties and facts identified in any written approval or, if not in writing, such approvals shall be solely for the benefit of the Local Borrower.

Section 18. Severability. If any provision of this Agreement is unenforceable, the enforceability of the other provisions shall not be affected and they shall remain in full force and effect.

Section 19. Waiver Of Jury Trial. Local Borrower waives, and, by accepting this agreement, the Authority shall be deemed to waive, any right to a trial by jury in any action or proceeding to enforce or defend any rights (a) under this agreement or under any amendment, instrument, document or agreement delivered or which may in the future be delivered in connection herewith or (b) arising from any banking relationship existing in connection with this agreement, and the Local Borrower agrees, and, by accepting this agreement, the Authority shall be deemed to agree, that any such action or proceeding shall be tried before a court and not before a jury.

Section 20. Time Of The Essence. Time is of the essence with regard to each provision of this Agreement as to which time is a factor.

Section 21. Notices And Demands. All written demands and notices by the Authority or Local Borrower relating to the Loan Documents shall be served by certified or registered mail, return receipt requested. Each such demand or notice shall be deposited in the United States Mail postage prepaid and addressed to the addressee's address first above stated. Service of any such demand or notice shall be deemed complete on the date of actual delivery as shown by the addressee's return receipt or at the expiration of the third Business Day after mailing, whichever is earlier. Rejection or refusal to accept the demand or notice by the addressee or inability to deliver the demand or notice due to a changed address of which no notice was given shall not affect deemed service. The Authority or Local Borrower may from time to time, by written notice served on the other, designate a different address or a different attention person for service of demands and notices.

Section 22. No Construction Against Authority Or Local Borrower. The Loan Documents are the result of negotiations between the Local Borrower and the Authority. Accordingly, the Loan Documents shall not be construed for or against the Local Borrower or the Authority, regardless of which party drafted the Loan Documents or any part thereof.

Section 23. Rescission Or Return Of Payments. If at any time or from time to time, whether before or after payment and performance of the Obligations, all or any part of any amount received by the Authority in payment of, or on account of, any Obligation is or must be, or is claimed to be, avoided, rescinded, or returned by the Authority to the Local Borrower or any other Person for any reason whatsoever (including, without limitation, bankruptcy, insolvency, or reorganization of the Local Borrower or any other Person), such Obligation and the Liens on property, and rights to property that were the collateral at the time such avoided, rescinded, or returned payment was received by the Authority shall be deemed to have continued in existence or shall be reinstated, as the case may be, all as though such payment had not been received.

Section 24. Indemnification Of the Authority. Local Borrower agrees to indemnify, hold harmless, and on demand defend the Authority and its directors, officers, employees, agents, auditors, counsel, investment committee members and representatives for, from, and against any and all damages, losses, liabilities, costs, and expenses (including, without limitation, costs and expenses of litigation and reasonable attorneys' fees) arising from any claim or demand in respect of this Agreement, the Loan Documents, the collateral provided for herein, or the transaction described in the Loan Documents and arising at any time, whether before or after payment and performance of the Obligations. The

obligations of the Local Borrower and the rights of the Authority under this Section 24 shall survive payment and performance of the Obligations and shall remain in full force and effect without termination.

Section 25. Waiver Of Statute Of Limitations. Local Borrower waives, to the full extent permitted by law, the right to plead and any statutes of limitations as a defense in any action or proceeding in respect of the Loan Documents.

Section 26. Number And Gender. In this Agreement the singular shall include the plural and the masculine shall include the feminine and neuter genders, and vice versa.

Section 27. Headings And References. The headings at the beginning of each section of this Agreement are solely for convenience and are not part of this Agreement. Reference herein to a section, attachment, exhibit, or schedule is to the respective section, attachment, exhibit, or schedule herein or hereto, unless otherwise specified.

Section 28. Counterpart Execution. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this document to physically form one document.

Section 29. State of Arizona Contract Provisions.

(a) **Books and Records.** As required by the provisions of Arizona Revised Statutes Section 35-214, the Local Borrower agrees that all books, accounts, reports, files and other records relating to this Loan Agreement shall be retained and shall be subject at all reasonable times to inspection and audits by the Authority for five years after completion of this Loan Agreement, and that upon request by the Authority such records shall be produced at any of the Authority offices designated herein as the place at which notices to the Authority are to be given.

(b) **Prohibition Against Discrimination.** In the event that it applies, the parties agree to comply with the Arizona Governor's Executive Order 2009-9, entitled "Prohibition of Discrimination in State Contracts Non-Discrimination in Employment by Government Contractors and Subcontractors," which mandates that all persons, regardless of race, color, religion, sex, age, or national origin shall have equal access to employment opportunities, and all other applicable state and Federal employment laws, rules, and regulations, including the Americans with Disabilities Act. The Local Borrower shall take affirmative action to ensure that applicants for employment and employees are not discriminated against due to race, creed, color, religion, sex, national origin or disability.

(c) **Governing Law and Forum.** This Loan Agreement shall be governed by and construed in accordance with the laws and judicial decisions of the State of Arizona, except as such laws may be preempted by any federal rules or regulations. The parties hereto expressly acknowledge and agree and all Local Borrowers by their acceptance thereof shall be deemed to have acknowledged and agreed that any judicial action to interpret or enforce the terms of this Loan Agreement against the Authority shall be brought and maintained in the Superior Court of the State of Arizona in and for Maricopa County or in the United States District Court in and for the District of Arizona.

(d) **Arbitration.** In the event of a dispute, the parties agree to use arbitration, after exhausting applicable administrative review, to the extent required by Arizona Revised Statutes Section 12-1518, and the prevailing party shall be entitled to attorney's fees and costs with respect thereto.

(e) **Notice of Arizona Revised Statutes Section 38-511 – Cancellation.** Notice is hereby given of the provisions of Arizona Revised Statutes Section 38-511, as amended. By this reference, the provisions of said statute are incorporated herein to the extent of their applicability to this Loan Agreement under the law of the State of Arizona.

(f) **Additional Warranties and Certifications from the Local Borrower.** In compliance with Section 23-214(B) of the Arizona Revised Statutes, the Local Borrower warrants to the Authority that either (a) it is not an "employer" (within the meaning of Arizona Revised Statutes Section 23-214(B)) or (b) it is registered with and is participating in the employment verification pilot program as jointly administered by the United States department of homeland security and the social security administration or any of its successor programs (the "E-Verify Program") and that the proof

submitted to the Authority of that registration and participation is true and correct. The Local Borrower agrees that, until the Loan is fully paid, at all times during which it is an "employer" (within the meaning of Arizona Revised Statutes Section 23-214(B)) it will be registered with and will participate in the E-Verify Program. The breach by the Local Borrower of the foregoing shall be deemed a material breach by the Local Borrower of this Loan Agreement and may result in penalties up to and including the termination of this Loan Agreement. If the Authority determines that the Local Borrower is not so registered and participating when required, the Authority will notify the Local Borrower by certified mail of the determination of noncompliance and the Local Borrower's right to appeal the determination. On a final determination of noncompliance, the Local Borrower shall repay all monies received as an economic development incentive (within the meaning of Arizona Revised Statutes Section 23-214(B)) to the Authority within thirty days of the final determination.

Section 30. Compliance with Applicable Federal Laws And Authorities

The Local Borrower agrees that the project will comply with the applicable terms and conditions of those federal laws and authorities listed below, as amended from time to time:

Environmental:

1. Archaeological and Historical Preservation Act of 1974, Pub. L. 93-291; 16 U.S.C. § 469a-1.
2. Clean Air Act, Pub. L. 95-95, as amended; 42 U.S.C. § 7401 et. seq.
3. Clean Water Act, Titles II, IV, and V, Pub. L. 92-500, as amended.
4. Coastal Barrier Resources Act, Pub. L. 97-348; 16 U.S.C. § 3501 et. seq.
5. Coastal Zone Management Act, Pub. L. 92-583, as amended; 16 U.S.C. § 1451 et. seq.
6. Endangered Species Act, Pub. L. 93-205, as amended; 16 U.S.C. § 1531 et seq.
7. Environmental Justice, Executive Order 12898.
8. Farmland Protection Policy Act, Pub. L. 97-98; 7 U.S.C. § 4201 et seq.
9. Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended.
10. Floodplain Management, Executive Order 11988, as amended by Executive Order 12148.
11. Magnunson-Stevens Fishery Conservation and Management Act, Pub L. 94-265, as amended; 16 U.S.C. § 1801 et. seq.
12. National Historic Preservation Act of 1966, Pub. L. 89-665, as amended; 16 U.S.C. § 470 et. seq.
13. Protection and Enhancement of the Cultural Environment, Executive Order 11593.
14. Protection of Wetlands, Executive Order 11990, as amended by Executive Order 12608; Pub. L. 99-645, as codified at 16 U.S.C. § 3901 et. seq.
15. Safe Drinking Water Act, section 1424(e), Pub. L. 92-523, as amended; 42 U.S.C. § 300f et. seq.
16. Wild and Scenic Rivers Act, Pub. L. 90-542, as amended; 16 U.S.C. § 1271 et. seq.
17. Migratory Bird Treaty Act of 1918, 16 U.S.C. § 703 et. seq.

Social Legislation:

1. Age Discrimination Act, Pub. L. 94-135; 42 U.S.C. § 6102.

2. Civil Rights Act of 1964, Pub. L. 88-352, Title VI; 42 U.S.C. § 2000d.
3. Equal Employment Opportunity, Executive Order 11246, as amended.
4. Participation by Disadvantaged Business Enterprises in Procurement Under Environmental Protection Agency (EPA) Financial Assistance Agreements.
 - a. Promoting the use of Small, Minority, and Women-owned Businesses, Executive Orders 11625, 12138 and 12432.
 - b. Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590.
 - c. Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1993, Pub. L. 102-389; 42 U.S.C. § 4370d.
 - d. Title X Clean Air Act, Pub. L. 101-549; 42 U.S.C. § 7601 note.
5. Rehabilitation Act of 1973, Pub. L. 93-112; 29 U.S.C. § 794 (including Executive Order 11914 and 11250).
6. Section 13 of the Federal Water Pollution Control Act, Pub. L. 92-500; 33 U.S.C. § 1251.
7. The Drug Free Workplace Act Of 1988, Pub. L. 100-690.

Economic and Miscellaneous Authority:

1. Anti-Lobbying Provision (40 CFR Part 34) and New Restrictions on Lobbying, Section 319 of Pub. L. 101-121.
2. Debarment and Suspension, Executive Order 12549.
3. Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended; 42 U.S.C. § 3331 et. seq.
4. Preservation of Open Competition and Government Neutrality, Executive Order 13502.
5. Prohibitions relating to violators of the Clean Air Act, Section 306 of the Clean Air Act, 42 U.S.C. § 7505; Section 508 of the Clean Water Act, 33 U.S.C. § 1368; Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans.
6. Uniform Relocation and Real Property Acquisition Policies Act of 1970, Pub. L. 91-646, as amended; 42 U.S.C. §§ 4601-4655.

SUBORDINATION AGREEMENT

This SUBORDINATION AGREEMENT ("Subordination Agreement") is made as of April 15, 2016 by Truxton Canyon Water Company, Inc. (hereinafter called "Local Borrower"), and Rick Neal (hereinafter called "Creditor"), in favor of WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA (hereinafter called the "Authority").

RECITALS

A. Local Borrower is or may hereafter become obligated to the Authority to the extent permitted pursuant to that certain Loan Agreement of even date herewith (the "Loan Agreement") between Local Borrower and the Authority.

B. It is a condition to the making of the Loan, as defined in the Loan Agreement, that the Local Borrower and Creditor enter into this Subordination Agreement.

C. In order to induce the Authority to enter into the Loan and to from this time, or from time to time, at its option, make loans or extend credit or other accommodations or benefits to or for the account of the Local Borrower, with or without security, or to purchase or extend credit upon any instrument or writing in respect of which the Local Borrower may be liable in any capacity in such manner and amount and upon terms and conditions as the Authority may deem advisable, and in consideration of any such loan, renewal or extension of credit which the Authority may make, the undersigned Creditor does hereby wholly subordinate, as hereinafter provided, any and all present and future indebtedness or obligations of Local Borrower to Creditor, absolute or contingent, and any instrument, negotiable or otherwise, evidencing any such indebtedness, and all claims, rights and remedies therefor, (sometimes hereinafter referred to as "Subordinated Indebtedness") to any and all indebtedness of Local Borrower to the Authority, whether now existing or hereafter arising, direct or indirect, absolute or contingent, joint, several, or joint and several, secured or unsecured, due or not due (including, without limitation, all amounts due under the Loan Agreement and the Loan Documents thereunder), and whether arising directly between Local Borrower and the Authority, or acquired outright, conditionally or as collateral security from another by the Authority, and any renewals, modifications or extensions thereof, and any interest thereon, and all costs of collecting the same, including, but not limited to reasonable attorneys' fees incurred by the Authority (sometimes hereinafter referred to as "Superior Indebtedness").

NOW THEREFORE, so long as Local Borrower is indebted to the Authority on account of Superior Indebtedness, the parties hereto undertake and agree as follows:

1. The words "Creditor" and "Local Borrower" as herein used shall include the plural as well as the singular and, if Creditor or Local Borrower includes two (2) or more, they shall be jointly and severally bound hereby.
2. The Local Borrower and Creditor agree to amend this Subordination Agreement for execution by additional Creditors.

3. The Subordinated Indebtedness shall, at all times and in all respects, be wholly subordinate and inferior in claim and right to the Superior Indebtedness, and all claims, rights and remedies and interests in collateral given as security therefor are hereby subordinated and made subsequent and inferior to the Superior Indebtedness and any claims, rights and remedies arising out of, or in connection therewith. Creditor shall not exercise any such claims, rights or remedies until repayment in full of the Superior Indebtedness.
4. So long as no Event of Default (as defined in the Loan Agreement) or event which with notice or lapse of time or both would become an Event of Default has occurred and is continuing, regularly scheduled payments on the Subordinated Indebtedness may be made by Local Borrower and accepted by Creditor as such payments become due.
5. During any period that an Event of Default, or an event which with notice or lapse of time or both would become an Event of Default, has occurred and is continuing, Local Borrower shall not make and Creditor shall not accept any payments with respect to the Subordinated Indebtedness.
6. In the event of any distribution, division, or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the assets of Local Borrower, or the proceeds thereof, to creditors of the Local Borrower, by reason of the liquidation, dissolution, or other winding up of the Local Borrower's business, or in the event of any sale, receivership, insolvency or bankruptcy proceedings by or against Local Borrower, or assignment for the benefit of creditors, or of any proceedings by or against Local Borrower for any relief under any bankruptcy or insolvency laws, or relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions, or of any other event whereby it becomes necessary or desirable to file or present claims against the Local Borrower for the purpose of receiving payment thereof, or on account thereof, then and in any such event, any payment or distribution of any kind or character, either in cash or other property, which shall be made or shall be payable with respect to any Subordinated Indebtedness shall be paid over to the Authority for application to the payment of the Superior Indebtedness, whether due or not due, and no payments shall be made upon or in respect of Subordinated Indebtedness unless and until the Superior Indebtedness shall have been paid and satisfied in full. In any such event, all claims of the Authority and all claims of the Creditor shall, at the option of the Authority, forthwith become due and payable without demand or notice.
7. Should any payment or distribution or security or proceeds thereof, other than the payments permitted pursuant to paragraphs 2 and 3 hereof, be received by Creditor upon or with respect to the Subordinated Indebtedness prior to the satisfaction of the Superior Indebtedness, Creditor will forthwith deliver the same to the Authority in precisely the form as received except for the endorsement or assignment of Creditor where necessary for application on the Superior Indebtedness, whether due or not due, and until so delivered the same shall be held in trust by Creditor as property of the Authority. In the event of the failure of Creditor to make any such endorsement or assignment, the Authority, or any of its officers or employees, on behalf of the Authority, is hereby irrevocably authorized to make the same.

8. No renewal, modification or extension of time of payment of the Superior Indebtedness, and no release or surrender of any security for the Superior Indebtedness, or the obligations of any endorsers, sureties or guarantors thereof, or release from the terms of this or any other subordination agreement of any claims subordinated, and no delay or omission in exercising any right or power on account of or in connection with the Superior Indebtedness, or under this Subordination Agreement, shall, in any manner, impair or affect the rights and duties of the Authority, the Creditor and the Local Borrower. The Authority, in its uncontrolled discretion, may waive or release any right or option under this Subordination Agreement without the consent of Local Borrower or Creditor, and without otherwise in any way affecting the obligations of Local Borrower and Creditor hereunder. Creditor hereby waives notice of the creation, existence, renewal, or modification or extension of the time of payment, of the Superior Indebtedness.

9. This Subordination Agreement shall be a continuing agreement and the Authority may continue, without notice to Creditor, to lend monies, extend credit and make other accommodations to or for the account of Local Borrower on the faith hereof.

10. Creditor agrees that the Authority, at any time and from time to time, may enter into such agreement or agreements with Local Borrower, as the Authority may deem proper, extending the time of payment or renewing or otherwise altering the terms of all or any of the obligations of Local Borrower to the Authority, or affecting any security underlying any or all of such obligations, or may exchange, sell or surrender or otherwise deal with any such security, or may release any balance of funds of Local Borrower with the Authority, without notice to Creditor and without in any way impairing or affecting this Subordination Agreement.

11. No waiver shall be deemed to be made by the Authority of any of its rights hereunder unless the same shall be in writing signed on behalf of the Authority, and each such waiver, if any, shall be a waiver only with respect to the specific matter or matters to which the waiver relates and shall in no way impair the rights of the Authority or the obligations of Creditor to the Authority in any other respect at any other time.

12. This Subordination Agreement shall inure to the benefit of the Authority and the successors and assigns of the Authority, and any financing institution joining in making said loan(s) or extending said line(s) of credit, or committing itself to make any advances in connection therewith, or which may now, or hereafter, participate therein. Notice of acceptance of this Subordination Agreement is hereby waived and this Subordination Agreement shall be binding upon the Creditor, its heirs, personal representatives, successors and assigns, as the case may be, it being understood, however, that no assignment of the Subordinated Indebtedness due Creditor from Local Borrower, or any part thereof, shall be made to one not a party hereto without the written consent of the Authority first had and obtained, as hereinabove provided.

13. Creditor agrees not to commence or join with any other creditor of Local Borrower in commencing any bankruptcy, reorganization or insolvency proceedings against the Local Borrower.

14. This Subordination Agreement shall be deemed to have been executed, delivered and performed in Arizona, and construed according to the laws of the State of Arizona. Creditor and Local Borrower waive notice of acceptance hereof and all other notices or demands whatsoever.

15. In the event of a breach of any covenant or agreement made herein by either Creditor or Local Borrower, the Authority may, at its option, declare all of the Superior Indebtedness and/or Subordinated Indebtedness immediately due and payable.

16. This Subordination Agreement may be executed in counterparts, all of which executed counterparts shall together constitute a single document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to form physically one document.

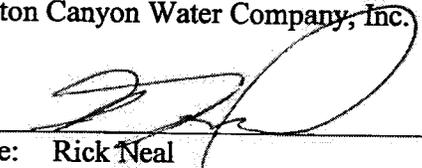
17. The parties hereto agree to use arbitration to the extent required by Section 12-1518 of the Arizona Revised Statutes, as amended.

18. This agreement shall be construed in accordance with and governed by the laws of the state of Arizona. The courts of Arizona, federal or state, shall have exclusive jurisdiction of all legal actions arising out of this agreement. By executing this agreement, the undersigned submits to the jurisdiction of the federal and state courts of Arizona.

19. To the extent applicable by provision of law, the parties acknowledge that this agreement is subject to cancellation pursuant to A.R.S. §38-511, the provisions of which are hereby incorporated herein.

IN WITNESS WHEREOF, this Subordination Agreement has been duly executed as of the date first written above.

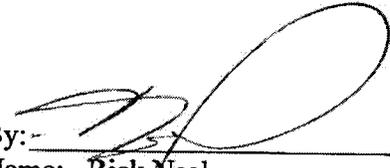
Truxton Canyon Water Company, Inc.

By: 

Name: Rick Neal

Title: Manager

"Local Borrower"

By: 

Name: Rick Neal

"Creditor"

CASH COLLATERAL AGREEMENT

This Cash Collateral Agreement is made as of April 15, 2016 between Truxton Canyon Water, Inc. Company ("Pledgor"), and Water Infrastructure Finance Authority of Arizona (the "Authority").

RECITALS:

- A. Pledgor and the Authority have entered into that certain Loan Agreement of even date herewith (the "Loan Agreement"), pursuant to which the Authority has made available to Pledgor a loan of up to three-hundred fifty thousand, nine-hundred fifty dollars (\$350,950) (the "Loan").
- B. Pursuant to the Loan Agreement, certain funds are required to be deposited from time to time by Pledgor in a Debt Service Reserve Fund administered by the Authority and in a Replacement Reserve Fund administered by the Pledgor, both of which are pledged to the Authority to secure repayment with interest of the Loan. Amounts deposited with the Authority in the Debt Service Reserve Fund and in the Replacement Reserve Fund are referred to herein as the "Pledged Funds".
- C. Pledgor and the Authority desire to enter into this Cash Collateral Agreement to provide for the deposit and holding of the Pledged Funds.
- D. The Loan Agreement, this Cash Collateral Agreement and all other documents securing or otherwise relating to the Loan shall be referred to collectively in this Cash Collateral Agreement as the "Loan Documents". All capitalized terms used in this Cash Collateral Agreement and not otherwise defined shall have the meanings given to such terms in the Loan Agreement.
- E. It is a condition to the making of the Loan that Pledgor and the Authority enter into this Cash Collateral Agreement.

NOW, THEREFORE, in order to induce the Authority to make the Loan and in consideration thereof, Pledgor and the Authority agree as follows:

1. Definitions. The following terms shall have the following meanings:

"Cash Collateral Agreement" means this Cash Collateral Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Debt Service Reserve Fund" shall have the meaning ascribed thereto in Section 2 hereof.

"Obligations" shall mean all the obligations of Pledgor to the Authority under the Loan Agreement and the Note and all other obligations and liabilities of Pledgor to the Authority, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter incurred, arising under, out of, or in connection with, the Loan Agreement, this Cash Collateral Agreement or any of the Loan Documents.

"Pledged Funds" shall mean as defined in the Recitals to this Agreement.

"Replacement Reserve Fund" shall have the meaning ascribed thereto in Section 2 hereof.

2. Establishment of Debt Service Reserve Fund and Replacement Reserve Fund. Pledgor and the Authority agree that concurrently with the execution and delivery of this Cash Collateral Agreement there is established and shall be maintained a Debt Service Reserve Fund pursuant to the Loan Agreement. At such time as is required pursuant to the Loan Agreement Pledgor shall establish a Replacement Reserve Fund in the name of Pledgor in which there shall be deposited by Pledgor all Pledged Funds as required by the provisions of the Loan Agreement.

3. Grant of Security Interest. As collateral security for the prompt and complete payment when due of all the Obligations, Pledgor has granted, bargained, sold, assigned, pledged, and set over and by these presents does hereby grant, bargain, sell, assign, pledge, transfer and set over unto the Authority, and its successors and assigns, all of Pledgor's right, title and interest in and to any Pledged Funds now or hereafter held or deposited in the Debt Service Reserve Fund and the Replacement Reserve Fund.

4. Terms and Conditions.

(a) The Debt Service Reserve Fund and all amounts deposited therein shall be held in the sole dominion and control of the Authority and shall be administered by the Authority as a collateral account for the benefit of the Authority, and Pledgor shall have no rights or powers with respect to, or control over, the Debt Service Reserve Fund or any part thereof. Pledgor's sole right with respect to the Pledged Funds in the Debt Service Reserve Fund shall be as provided herein and in the Loan Agreement.

(b) If no Event of Default, and no event which with the giving of notice or the passage of time or both could become an Event of Default, has occurred and is continuing, Pledgor from time to time may withdraw moneys from the Replacement Reserve Fund and apply the moneys withdrawn for one or more of the following purposes: (i) for the acquisition of new, or the replacement of obsolete or worn out, machinery, equipment, furniture, fixtures or other personal property for the Facility provided that the property is depreciable; (ii) for the performance of repairs with respect to the Facility which are of an extraordinary and non-recurring nature provided that the property is depreciable; (iii) for the acquisition or construction of additions to or improvements, extensions or enlargements to, or remodeling of, the Facility provided that the property is depreciable; and/or (iv) to make payments to the Authority on the Loan.

(c) From and after the occurrence and during the continuation of an Event of Default, the Authority may, in the sole and absolute discretion of the Authority, apply the Pledged Funds in the Debt Service Reserve Fund, and, if there are insufficient Pledged Funds in the Debt Service Reserve Fund, in the Replacement Reserve Fund, to the Obligations in the following order: (i) all outstanding costs, expenses, fees and late charges due to the Authority, (ii) interest at the rate or rates specified in the Loan Documents and (iii) the principal amount of the Obligations. All interest and other investment earnings amounts from time to time accrued and paid on the Pledged Funds in the Debt Service Reserve Fund and the Replacement Reserve Fund shall be retained in the Debt Service Reserve Fund

and the Replacement Reserve Fund and shall be applied in accordance with the Loan Agreement and this Cash Collateral Agreement.

(d) The Authority shall have, with respect to the Pledged Funds, all rights and remedies of a secured party under Article 9 of the Arizona Uniform Commercial Code and other applicable laws.

5. Further Assurances. Pledgor will, at any time and from time to time, execute and deliver such further documents and do such further acts as shall be required by law or be reasonably requested by the Authority to confirm or further assure the interest of the Authority hereunder.

6. No Liability for Lawful Actions. Neither the Authority nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be liable for any action lawfully taken or omitted to be taken by any of them under or in connection with this Cash Collateral Agreement (except for gross negligence or willful misconduct).

7. Notices. All notices, requests, demands or other communications to or upon the parties hereto shall be deemed to have been given or made when mailed, delivered or transmitted in accordance with the requirements of the Loan Documents.

8. No Failure, etc. No failure to exercise and no delay in exercising on the part of the Authority of any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other power or right. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

9. Waiver; Amendments. None of the terms and provisions of this Cash Collateral Agreement may be waived, altered, modified or amended except by an instrument in writing executed by the parties hereto.

10. Representations and Warranties; Covenants.

(a) Pledgor hereby represents and warrants to the Authority, effective upon the date hereof and each deposit of Pledged Funds to the Debt Service Reserve Fund and the Replacement Reserve Fund, that:

(i) No filing, recordation, registration or declaration with or notice to any person or entity is required in connection with the execution, delivery and performance of this Cash Collateral Agreement by Pledgor or in order to preserve or perfect the first priority lien and charge intended to be created hereunder in the Pledged Funds.

(ii) Except for the security interest granted to the Authority pursuant to this Cash Collateral Agreement, Pledgor is the sole owner of the Pledged Funds, having good and marketable title thereto, free and clear of any and all mortgages, liens, security interests, encumbrances, claims or rights of others.

(iii) No security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Pledged Funds is on file or of record in any public office, except such as may have been filed by Pledgor in favor of the Authority.

(iv) This Cash Collateral Agreement constitutes a valid and continuing first lien on and first security interest in the Pledged Funds in favor of the Authority, prior to all other liens, encumbrances, security interests and rights of others, and is enforceable as such as against creditors of and purchasers from Pledgor.

(b) Without the prior written consent of the Authority, Pledgor hereby covenants and agrees that it will not sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to, the Pledged Funds, nor will it create, incur or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance with respect to any of the Pledged Funds, or any interest therein, except for the security interest provided for by this Cash Collateral Agreement.

(c) Pledgor hereby covenants and agrees that it will defend the Authority's right, title and security interest in and to the Pledged Funds against the claims and demands of all persons whomsoever except to the extent which arise out of the willful misconduct or gross negligence of the Authority.

11. Authority's Expenses and Liabilities. Pledgor shall pay all costs and out-of-pocket reasonable expenses of the Authority in connection with the maintenance and operation of this Cash Collateral Agreement made in accordance with the terms hereof. Pledgor also agrees to pay all costs of the Authority, including reasonable attorneys' fees, incurred with respect to the enforcement of the Authority's rights hereunder.

12. Governing Law. This Cash Collateral Agreement shall be deemed to be a contract under, and for all purposes shall be governed by, and construed and interpreted in accordance with, the law of the State of Arizona.

13. Severability. Any provision of this Cash Collateral Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

14. Successors and Assigns. This Cash Collateral Agreement and all obligations of Pledgor hereunder shall be binding upon the successors or assigns of Pledgor, and shall, together with the rights and remedies of the Authority hereunder, inure to the benefit of the Authority and its successors and assigns.

15. Termination. This Agreement shall terminate and, upon request of Pledgor, all monies (if any) remaining in the Debt Service Reserve Fund and the Replacement Reserve Fund shall be returned to Pledgor at such time as all of the following have occurred: (i) all amounts payable to the Authority under the Loan Documents have been paid in full and all other obligations of Pledgor to the

Authority pursuant to the Loan Agreement have been performed in full, and (ii) the Authority has no further obligation to make any loans or advances to Pledgor pursuant to the Loan Agreement or any of the other Loan Documents.

16. Counterparts. This Agreement may be executed in counterparts, all of which executed counterparts shall together constitute a single document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to form physically one document.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be duly executed and delivered as of the date first above written.

Pledgor: Truxton Canyon Water Company, Inc.

By: _____

Name: Rick Neal

Title: Manager

Authority: Water Infrastructure Finance Authority of Arizona

By: _____

Chief Financial Officer

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
B. E-MAIL CONTACT AT FILER (optional)
C. SEND ACKNOWLEDGMENT TO: (Name and Address)
Water Infrastructure Finance Authority of Arizona 100 N. 15th Avenue, Suite 103 Phoenix, AZ 85007 Attention: Chief Financial Officer

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME					
Truxton Canyon Water Company, Inc.					
OR	1b. INDIVIDUAL'S SURNAME		FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
1c. MAILING ADDRESS			CITY	STATE	POSTAL CODE
3001 Westwood Drive			Las Vegas	NV	89109
					COUNTRY
					USA

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME					
OR	2b. INDIVIDUAL'S SURNAME		FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
2c. MAILING ADDRESS			CITY	STATE	POSTAL CODE
					COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME					
Water Infrastructure Finance Authority of Arizona					
OR	3b. INDIVIDUAL'S SURNAME		FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
3c. MAILING ADDRESS			CITY	STATE	POSTAL CODE
100 North 15th Avenue, Suite 103			Phoenix	AZ	85007
					COUNTRY
					USA

4. COLLATERAL: This financing statement covers the following collateral:

See Exhibit A and addendum attached hereto and incorporated herein.

5. Check only if applicable and check only one box: Collateral is held in a Trust (see UCC1Ad, item 17 and Instructions) being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box:
 Public-Finance Transaction Manufactured-Home Transaction A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box:
 Agricultural Lien Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): Lessee/Lessor Consignee/Consignor Seller/Buyer Bailee/Bailor Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
Loan Number: 920268-16

Exhibit A

Collateral Description

All of Debtor's present and future right, title, and interest in and to any and all of Debtor's Fixtures, Personal Property, General Intangibles, Accounts, Liens and Encumbrances and Proceeds as defined below, regardless of whether in the possession of Debtor, a bailee, a warehouseman, or any other Person; the agreements, documents, and instruments evidencing Accounts or granting such Liens and encumbrances and the filings and recordings relating to such Liens and Encumbrances; all books and records and all computer software, computer disks, computer tapes and other record-keeping media pertaining to any collateral listed in this Exhibit A; furniture, fixtures, machinery, and equipment of any kind or nature; and proceeds of any of the collateral listed in this Exhibit A; any accounts established for debt service or reserves, any certificate of authority, franchise or other right to conduct business as may be issued by any Governmental Authority (including, without limitation, cash and non-cash proceeds, insurance proceeds, proceeds of any proceeds, and proceeds of any taking by any Governmental Authority or any transfer in lieu of such a taking).

- (a) the water utility plants and systems of the Debtor, including, but not limited to, all water works, generating stations, substations, pump houses, wells, distribution lines, whether located upon the Real Property or upon public or private easements, leaseholds or the like and which form a part of or are used in connection with the water utility plants or systems of the Debtor (the "Fixtures");
- (b) all goods, (whether goods held for sale or returned or whether used in the business of the Debtor or to be installed in or on the Real Property), personal property, equipment, inventory, fixtures, furnishings, devices or tools and all replacements or substitutions of same (the "Personal Property");
- (c) all of the franchises, certificates, authorizations by rule, privileges, permits, grants and consents for the construction, operation, and maintenance of water plants or systems in, on, and under streets, alleys, highways, roads, public grounds, easements and rights-of-way and all rights incident thereto which were granted by private persons or entities or the governing bodies of the cities, counties, state, and countries in which the Debtor operates and including, but not limited to, permits and certificates issued pursuant to the applicable provisions of the Arizona Water Code, and all development rights, utility commitments, water and wastewater taps, living unit equivalents, capital improvements project contracts, utility construction agreements with any governmental authority, including municipal utility districts or other constitutional conservation districts created under Article III, Section 52, or Article XVI, Section 59, of the Arizona Constitution, or with any utility companies (and all refunds and reimbursements thereunder) relating to the Real Property or Improvements, as any of the foregoing may be amended, and all plants and specifications for water utility plants or systems and all Debtor's rights (but not Debtor's obligations) under any documents, contract rights, accounts, commitments, construction contracts (and all payment and performance bonds, statutory or otherwise, issued by any surety in connection with any such construction contracts, and the proceeds of such bonds), architectural contracts, engineering contracts, and general intangibles (including without limitation trademarks, trade names, and symbols) arising from or by virtue of any transactions related to the Real Property, the Improvements, or the Personal Property, management contracts and all of the Debtor's rights under any contracts otherwise providing for the purchase, lease, sale or assignment of water or water rights (the "General Intangibles");
- (d) all accounts arising from or by virtue of the sale, lease or disposition of any of the Real Property or Personal Property, or from any policy of insurance or the taking of any of the Real Property by right of eminent domain or condemnation or by private or other purchase in lieu thereof, including change of grade of street, curb cuts or other rights of access, for any public or quasi-public use under any law and all amounts due under current and future water supply customer accounts, including but not limited to those future accounts arising from any water utility plants or systems (or for delivery of water by any other means) (the "Accounts");

(e) all deposits, bank accounts, funds, instruments, notes or chattel paper of the Debtor, including, without limitation cash or securities deposited pursuant to leases to secure performance by the tenants of their obligations thereunder; and proceeds arising from or by virtue of the sale, lease or other disposition of the Real Property and proceeds (including premium refunds) of each policy of insurance relating to the Real Property (the "Proceeds")

(f) all of the following: (i) any lease or other right to use; (ii) any assignment as security, conditional sale, grant in trust, lien, mortgage, pledge, security interest, title retention arrangement, other encumbrance, or other interest or right securing the payment of money or the performance of any other liability or obligation, whether voluntarily or involuntarily created and whether arising by agreement, document, or instrument, under any law, ordinance, regulation, or rule (federal, state, or local), or otherwise; and (iii) any option, right of first refusal, other right to acquire, or other interest or right ("Liens and Encumbrances").

All other capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Uniform Commercial Code in effect in the State of Arizona (A.R.S. §§ 47-1101 through 47-9507).

Addendum

Local Borrower's Legal Description of Property

PARCEL NO. 313-44-420

Legal Description of Property

Lot 420 VALLE VISTA UNIT ONE, TRACT 1192, according to the plat thereof, recorded May 15, 1972, at Fee No. 729552 in the Office of the Recorder of Mohave County, Arizona.

EXCEPT all oil, gas, coal and minerals as reserved by Santa Fe Pacific Railroad Company in Deed recorded in Book 78 of Deeds, Pages 143-150.

PARCEL NO. 314-10-001

Legal Description of Property

The West 500 feet of the North 200 feet of the South 2282.7 feet of Section Nineteen (19), Township Twenty-three (23) North, Range Thirteen (13) West in Mohave County, Arizona.

DAVIS 1 WELL

Easement Legal Description:

A well easement located in the Southwest quarter of Section 20, T.23N., R.13 W of the Gila and Salt River Meridian, Mohave County, Arizona being more particularly described as follows:

COMMENCING at the Southwest corner of said Section 20;

THENCE N 89°56'56" E along the South line of said Section 20 a distance of 715.000 feet;

THENCE N 00°03'04" W perpendicular to the South line of said Section 20 a distance of 170.00 to the TRUE POINT OF BEGINNING;

THENCE continuing N 00°03'04" W a distance of 50.00 feet;

THENCE N 89°56'56" E a distance of 50.00 feet;

THENCE S 00°03'04" E distance of 50.00 feet;

THENCE S 89°56'56" W a distance of 50.00 feet to the TRUE POINT OF BEGINNING

DAVIS 2 WELL

Easement Legal Descriptions:

A well easement located in the Southwest quarter of Section 20, T.23N., R.13 W of the Gila and Salt River Meridian, Mohave County, Arizona being more particularly described as follows:

COMMENCING at the Southwest corner of said Section 20;

THENCE N 00°06'21" W along the West line of said Section 20 a distance of 775.000 feet;

THENCE N 89°53'39" E perpendicular to the West line of said Section 20 a distance of 72.00' to the TRUE POINT OF BEGINNING:

THENCE continuing N 89°53'39" E a distance of 50.00 feet;

THENCE N 00°06'21" W a distance of 50.00 feet;

THENCE S 89°53'39" W distance of 50.00 feet;

THENCE S 00°06'21" E a distance of 50.00 feet to the TRUE POINT OF BEGINNING.

LITTLE HACKBERRY WELL

Easement Legal Description:

A well easement located in Section 19, T.23N., R.13 W of the Gila and Salt River Meridian, Mohave County, Arizona being more particularly described as follows:

COMMENCING at the Southeast corner of said Section 19;

THENCE S 89°29'40" W along the South line of said Section 19 a distance of 2653.00 feet;

THENCE N 00°30'20" E perpendicular to the South line of said Section 19 a distance of 312.00' to the TRUE POINT OF BEGINNING:

THENCE continuing N 00°30'20" E a distance of 50.00 feet;

THENCE S 89°29'40" W a distance of 50.00 feet;

THENCE S 00°30'20" E distance of 50.00 feet;

THENCE N 89°29'40" E a distance of 50.00 feet to the TRUE POINT OF BEGINNING.

WALAPAI 1 WELL

Easement Legal Description:

A well easement located in the Southeast quarter of Section 8, T.23N., R.15 W. and the Northeast quarter of Section 15, T.23N, R.15 W. of the Gila and Salt River Meridian, Mohave County, Arizona being more particularly described as follows:

COMMENCING at the Southeast corner of said Section 8 also the Northeast corner of said Section 15;

THENCE N 89°57'40" W along the South line of said Section 8 and North line of said Section 15 a distance of 735.000 feet to the TRUE POINT OF BEGINNING:

THENCE N 00°02'20" E perpendicular to the South line of said Section 8 a distance of 100.00 feet;

THENCE continuing N 89°57'40" W parallel to the South line of said Section 8 a distance of 200.00 feet;

THENCE S 00°02'20" W a distance perpendicular to the South line of said Section 8 and North line of said Section 15 a distance of 200.00 feet;

THENCE S 89°57'40" E parallel to the North line of said Section 15 a distance of 200.00 feet;

THENCE N 00°02'20" E a distance of 100.00 feet to the TRUE POINT OF BEGINNING.

WELL 29

Easement Legal Description:

A well easement located in the South half of Section 29, T.23N., R.13 W. of the Gila and Salt River Meridian, Mohave County, Arizona being more particularly described as follows:

COMMENCING at the Southeast corner of said Section 29;

THENCE S 89°04'45" W along the South line of said Section 29 a distance of 2597.00 feet;

THENCE N 00°55'15" W perpendicular to the South line of said Section 29 a distance of 1608.00' to the TRUE POINT OF BEGINNING:

THENCE N 20°24'08" W a distance of 50.00 feet;

THENCE S 65°39'52" W a distance of 50.00 feet;

THENCE S 20°24'08" E a distance of 50.00 feet;

THENCE N 65°39'52" E a distance of 50.00 feet to the TRUE POINT OF BEGINNING.

Continuing Security Agreement

(This agreement contains grants of security interests by a transmitting utility. The collateral includes items that are or are to become fixtures.)

Date: April 15, 2016

Parties: **Obligor:** Truxton Canyon Water Company, Inc.

Obligor 3001 Westwood Drive
Address: Las Vegas, Arizona 89109
(702) 256-4006
(702) 256-2522

Secured Water Infrastructure Finance Authority of Arizona
Party:

Secured 100 North 15th Avenue, Suite 103
Party Phoenix, Arizona 85007
Address:

Attention: Executive Director

Agreement: For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Obligor agrees for the benefit of Secured Party as follows:

1. Schedule Of Terms.

Name in which Obligor conducts business: Truxton Canyon Water Company, Inc.

See Exhibit "A" for locations of collateral attached hereto and incorporated herein:

2. Definitions. In this Agreement, the following terms shall have the following meanings, and all capitalized terms used in this Agreement not defined herein and used or defined in the Uniform Commercial Code will have their respective meanings in the Uniform Commercial Code:

"Accounts" means all accounts arising from or by virtue of the sale, lease or disposition of any of the Real Property or Personal Property, or from any policy of insurance or the taking of any of the Real Property by right of eminent domain or condemnation or by private or other purchase in lieu thereof, including change of grade of street, curb cuts or other rights of access, for any public or quasi-public use under any law and all amounts due under current and future Customer accounts,

including but not limited to those future accounts arising from any water utility plants or systems (or for delivery of water by any other means);

"Agreement" means this Security Agreement as it may be amended, modified, extended, renewed, restated, or supplemented from time to time.

"Collateral" means all of Obligor's present and future right, title, and interest in and to any and all of the following types of property, regardless of whether in the possession of Obligor, a bailee, a warehouseman, or any other Person: Fixtures, Personal Property, Accounts, General Intangibles, Liens and Encumbrances and Proceeds; the agreements, documents, and instruments evidencing Accounts or granting such Liens and Encumbrances and the filings and recordings relating to such Liens and Encumbrances; all books and records and all computer software, computer disks, computer tapes, and other record keeping media pertaining to any of the Collateral; furniture, fixtures, machinery, and equipment of any kind or nature; and proceeds of any of the Collateral; any accounts established for debt service or reserves; any certificate of authority, franchise or other right to conduct business as may be issued by any Governmental Authority (including, without limitation, cash and non-cash Proceeds, insurance proceeds, proceeds of any proceeds, and proceeds of any taking by any Governmental Authority or any transfer in lieu of such a taking).

"Commitment" means any and all obligations of Secured Party from time to time to make advances to Obligor, or to make other financial accommodations for Obligor.

"Customer" means a water supply customer of Obligor.

"Default Rate" means a rate per annum of interest equal to the sum of (i) six percent (6%) per annum, and (ii) the rate per annum of interest applicable from time to time to the principal amount under the Note.

"Event of Default" shall have the meaning specified in Section 6.

"Fixtures" means the water utility plants and systems of the Debtor, including, but not limited to, all water works, generating stations, substations, pump houses, wells, distribution lines, whether located upon the Real Property or upon public or private easements, leaseholds or the like and which form a part of or are used in connection with the water utility plants or systems of the Debtor.

"General Intangibles" means all of the franchises, certificates, authorizations by rule, privileges, permits, grants and consents for the construction, operation, and maintenance of water plants or systems in, on, and under streets, alleys, highways, roads, public grounds, easements and rights-of-way and all rights incident thereto which were granted by private persons or entities or the governing bodies of the cities, counties, state, and countries in which the Debtor operates and including, but not limited to, permits and certificates issued pursuant to the applicable provisions of the Arizona Water Code, and all development rights, utility commitments, water and wastewater taps, living unit equivalents, capital improvements project contracts, utility construction agreements with any governmental authority, including municipal utility districts or other constitutional conservation districts created under Article III, Section 52, or Article XVI, Section 59, of the Arizona

Constitution, or with any utility companies (and all refunds and reimbursements thereunder) relating to the Real Property or improvements, as any of the foregoing may be amended, and all plants and specifications for water utility plants or systems and all Debtor's rights (but not Debtor's obligations) under any documents, contract rights, accounts, commitments, construction contracts (and all payment and performance bonds, statutory or otherwise, issued by any surety in connection with any such construction contracts, and the proceeds of such bonds), architectural contracts, engineering contracts, and general intangibles (including without limitation trademarks, trade names, and symbols) arising from or by virtue of any transactions related to the Real Property, any improvements thereon, or the Personal Property, management contracts and all of the Debtor's rights under any contracts otherwise providing for the purchase, lease, sale or assignment of water or water rights.

"Governmental Authority" means any government, any court, and any agency, authority, body, bureau, department, or instrumentality of any government.

"Inventory" means all goods and other tangible and intangible personal property (i) owned by Obligor or in which Obligor has rights or an interest under any agreement, document, instrument, or otherwise (including, without limitation, a lease) now or hereafter from time to time and (ii) either (A) consumed or to be consumed in the business of Obligor, (B) held for sale, lease, or other disposition by Obligor, (C) sold, leased, or furnished under contracts for service, or (D) used for demonstration, display, executive, model, or similar uses, or to be so used. Inventory includes, without limitation, (i) raw materials, scrap materials and by-products, work in progress, supplies, components, parts, spare parts, accessories, and finished goods, (ii) the rights and interest of Obligor in goods or other tangible or intangible personal property sold, leased, or furnished under contracts of service, (iii) goods or other tangible or intangible personal property sold, leased, or furnished under contracts of service and returned to or repossessed by Obligor, and (D) all accessions and additions to any goods or other tangible or intangible personal property included in Inventory.

"Lien or Encumbrance" and **"Liens and Encumbrances"** mean each and all of the following: (i) any lease or other right to use; (ii) any assignment as security, conditional sale, grant in trust, lien, mortgage, pledge, security interest, title retention arrangement, other encumbrance, or other interest or right securing the payment of money or the performance of any other liability or obligation, whether voluntarily or involuntarily created and whether arising by agreement, document, or instrument, under any law, ordinance, regulation, or rule (federal, state, or local), or otherwise; and (iii) any option, right of first refusal, other right to acquire, or other interest or right.

"Loan Agreement" means that certain Loan Agreement of even date herewith by and between Obligor and Secured Party, as it may be amended, modified, extended, renewed, restated or supplemented from time to time.

"Loan Documents" means the Loan Agreement, this Agreement and any and all other agreements, documents, and instruments from time to time evidencing, guarantying, securing, or otherwise relating to the Obligations (including, without limitation, any and all promissory notes, loan agreements, and guaranties), as they may be amended, modified, extended, renewed, restated, or supplemented from time to time.

"Note" means that certain promissory note of even date herewith executed by Obligor in favor of Secured Party, as it may be amended, modified, extended, renewed, restated or supplemented from time to time.

"Obligations" means (i) payment by Obligor of all sums due under and pursuant to the Note, the Loan Agreement, or any other Loan Document; (ii) performance by Obligor of all terms and conditions set forth in any or all of the Loan Documents; and (iii) any and all other liabilities and obligations of Obligor to Secured Party existing now or in the future (except indebtedness of any individual for personal, family, or household purposes), whether for the payment of money or otherwise, whether absolute or contingent, whether as principal, endorser, guarantor, or otherwise, whether originally due to Secured Party or to a third Person and assigned or endorsed to Secured Party, and whether several, joint, or joint and several, all as they may be amended, modified, extended, renewed, restated, or supplemented from time to time.

"Permitted Exceptions" means a Lien and Encumbrance granted by Obligor with the consent of Secured Party.

"Person" means a natural person, a partnership, a joint venture, an unincorporated association, a corporation, a limited liability company, a trust, any other legal entity, or any Governmental Authority.

"Personal Property" means all goods, (whether goods held for sale or returned or whether used in the business of the Debtor or to be installed in or on the Real Property), personal property, equipment, Inventory, fixtures, furnishings, devices or tools and all replacements or substitutions of same.

"Proceeds" means all deposits, bank accounts, funds, instruments, notes or chattel paper of Obligor, including, without limitation cash or securities deposited pursuant to leases to secure performance by the tenants of their obligations thereunder; and proceeds arising from or by virtue of the sale, lease or other disposition of the Real Property and proceeds (including premium refunds) of each policy of insurance relating to the Real Property.

"Real Property" means all real property owned by Obligor.

"Remittance Account" means an account established with a financial institution acceptable to Secured Party for the benefit of Secured Party and subject to the sole dominion and control of Secured Party.

"Requirements" means any and all obligations, other terms and conditions, requirements, and restrictions in effect now or in the future by which Obligor or any or all of the Collateral is bound or which are otherwise applicable to any or all of the Collateral or the business or operations of Obligor including, without limitation, such obligations, other terms and conditions, restrictions, and requirements imposed by: (i) any law, ordinance, regulation, or rule (federal, state, or local); (ii) any approvals and permits; (iii) any Permitted Exceptions; (iv) any insurance policies; (v) any other agreement, document, or instrument to which Obligor is a party or by which Obligor or any of the

Collateral is bound; or (vi) any judgment, order, or decree of any arbitrator, other private adjudicator, or Governmental Authority to which Obligor is a party or by which Obligor, any or all of the Collateral, or the business or operations of Obligor is bound.

"Transfer" means the occurrence of any of the following:

(i) Any or all of the Collateral, or any interest or right of Obligor in or to the Collateral, is conveyed to, or becomes vested in, any Person, other than Obligor and Secured Party, voluntarily or involuntarily;

(ii) The occurrence of any event that results in any option, right of first refusal, other right to acquire, or any other claim, interest, or right in, to, or against, any or all of the Collateral being held by a Person other than Obligor and Secured Party, whether occurring voluntarily or involuntarily and whether arising by agreement, under any law, ordinance, regulation, or rule (federal, state, or local), or otherwise; or

(iii) Obligor enters into any agreement the performance of which would result in a Transfer under clause (i) or (ii) above, and the consummation of such agreement is not expressly conditional upon the prior written consent of Secured Party in its absolute and sole discretion,

except (A) disposition of Inventory by lease, sale, or otherwise for fair consideration in the ordinary course of the business of Obligor, excluding from such exception bulk sales, dispositions to one or more creditors, and transfers in satisfaction of indebtedness, and (B) the Permitted Exceptions.

"Uniform Commercial Code" means the Uniform Commercial Code as in effect from time to time in the State of Arizona (currently, Arizona Revised Statutes Sections 47-1101 through 47-9507).

3. Grant Of Security Interest. Obligor grants to Secured Party a Security Interest in the Collateral to secure payment and performance of the Obligations.

4. Obligor Representations And Warranties. Obligor represents and warrants to Secured Party as of the date of this Agreement:

4.1 **Ownership of Collateral.** Obligor is the legal and beneficial owner of the Collateral, subject only to the Permitted Exceptions. There are no Liens and Encumbrances on the Collateral or claims thereof, except the Permitted Exceptions. There is no financing statement now filed or recorded covering any of the Collateral or in which Obligor is named or has signed as a Debtor, except financing statements related to the Permitted Exceptions.

4.2 **Validity, Perfection, and Priority of Security Interest.** The Security Interest granted in this Agreement (i) is legal, valid, binding, and enforceable, (ii) is a perfected security interest in all the Collateral, and (iii) is and shall remain prior to any security interest other than the Permitted Exceptions.

4.3 Names; Location of Collateral; Place of Business or Chief Executive Office; and Books and Records. Obligor conducts its business and other activities solely in the name(s) set forth in Section 1. The Collateral, the sole place of business or the chief executive office of Obligor, and all books and records of Obligor relating to the Collateral are at the location(s) set forth in Section 1.

5. Obligor Covenants. Until any Commitment terminates in full, and the Obligations are paid and performed in full, Obligor agrees that, unless Secured Party otherwise agrees in writing in Secured Party's absolute and sole discretion:

5.1 Payment and Performance of Obligations. Obligor shall pay and perform the Obligations. Obligor shall comply with and perform the Requirements.

5.2 Transfer; Liens and Encumbrances; Defense of Obligor's Title and of Security Interest.

5.2.1 Obligor shall not suffer to occur any Transfer. Except for Permitted Exceptions, Obligor shall not suffer to exist any Lien or Encumbrance on any or all of the Collateral, regardless of whether junior or senior to the security interest granted herein. Obligor shall notify Secured Party immediately of any claim of any Lien or Encumbrance on any or all of the Collateral. Except for financing statements relating to Permitted Exceptions, Obligor shall not execute or suffer to exist or to be filed or recorded any financing statement that covers any or all of the Collateral or in which Obligor is named or signs as Debtor.

5.2.2 Obligor shall defend the Collateral, the title and interest therein of Obligor represented and warranted in this Agreement, and the legality, validity, binding nature, and enforceability of the security interest granted herein, the perfection thereof, and the priority thereof against (i) any attachment, levy, or other seizure by legal process or otherwise of all or part of the Collateral, (ii), except for Permitted Exceptions, any Lien or Encumbrance or claim thereof on any or all of the Collateral, (iii) any attempt to realize upon any or all of the Collateral under any Lien or Encumbrance other than the Permitted Exceptions, regardless of whether junior or senior to the security interest herein, or (iv) any claim questioning the legality, validity, binding nature, enforceability, perfection, or priority of the security interest herein. Obligor shall notify Secured Party immediately in writing of any of the foregoing.

5.3 Names; Books and Records; Location of Collateral; Place of Business or Chief Executive Office. Obligor shall maintain complete and accurate books and records relating to the Collateral. Unless Obligor obtains the prior written consent of Secured Party and takes in advance all actions and makes all filings and recordings necessary or appropriate to assure the perfection and priority of the security interest granted herein, Obligor shall not change its name, shall conduct its business and other activities solely in the name(s), trade name(s), and fictitious name(s) in Section 1, and shall not move the Collateral, its sole place of business or chief executive office, or its books and records relating to the Collateral from the location(s) in Section 1. Anything in this Section 5.3 to the contrary notwithstanding, Obligor may move the Inventory between any of such locations and between any of such locations and any location at which services are rendered to Customers or where the Inventory is delivered to Customers.

5.4 Inspection. Secured Party and such persons as Secured Party may designate shall have the right, at any reasonable time from time to time, (i) to enter upon the premises at which any of the Collateral or any of the books and records relating to the Collateral is located, (ii) to inspect the Collateral, (iii) to make extracts and copies from Obligor's books and records relating to the Collateral, and (iv) to verify under reasonable procedures determined by Secured Party the amount, condition, quality, quantity, status, validity, and value of, or any other matter relating to, the Collateral (including, without limitation, in the case of Accounts or Collateral in the possession of a third Person by contacting the obligors of the Accounts or the third Persons possessing such Collateral for the purpose of making such verification). Obligor shall provide access to such premises. Secured Party shall have the absolute right to share any information it gains from any such inspection or verification with any other Person holding an interest or a participation in any of the Obligations.

5.5 Further Assurances. Obligor shall promptly execute, acknowledge, deliver, and cause to be duly filed and recorded all such additional agreements, documents, and instruments (including, without limitation, financing statements) and take all such other actions as Secured Party may reasonably request from time to time to better assure, perfect, preserve, and protect the security interest granted herein, the priority thereof, and the rights and remedies of Secured Party hereunder. If any amount payable under or in connection with any Receivable shall be evidenced by any Instrument or any of the Inventory by a Document, such Document or Instrument shall be immediately pledged and delivered to the Secured Party, duly endorsed in a manner satisfactory to the Secured Party.

5.6 Maintenance of Inventory. Obligor shall keep the Inventory in good and leasable, saleable, and usable condition and shall store the Inventory properly to protect it from damage, destruction, and deterioration. Obligor shall not misuse or conceal the Inventory nor take any action or fail to take any action with respect to Inventory that might affect any insurance coverage. Unless Secured Party approves in advance in writing, Obligor shall not use any Inventory for demonstration, executive, or any similar purpose, other than reasonable and customary quality control tests and inspections. Obligor shall pay promptly when due all liabilities and obligations incurred to acquire or lease Inventory or otherwise relating to Inventory.

5.7 Insurance. The risk of loss of, damage to, or destruction of the Collateral at all times shall be on Obligor. At its expense, Obligor will maintain insurance in form and amounts, and with companies, in all respects satisfactory to Secured Party, covering all of the insurable Collateral on an all-risk basis at full replacement value. Obligor shall deliver to Secured Party the original, or a certified copy, of each policy of insurance and evidence of payment of all premiums therefor within thirty (30) days of the date hereof. Such policies of insurance shall contain an endorsement or an independent instrument furnished to Secured Party, providing that such insurance company will give Secured Party at least 30 days prior written notice before any such policy or policies of insurance shall be altered or canceled. Obligor hereby agrees to apply all insurance proceeds received under the Insurance Policy to remedy the loss covered thereby

(including reimbursing Obligor for funds expended to remedy such loss), to satisfy the indebtedness evidenced by the Note, or as otherwise consented to by Secured Party.

5.8 Taxes. Obligor shall promptly pay when due any and all property, excise, and other taxes and all assessments, duties, and other charges levied or imposed on any or all of the Collateral or imposed on Obligor in respect of any or all of the Collateral, this Agreement, or the security interest granted herein. Obligor shall also pay when due any and all lawful claims for labor, materials, and supplies, that, if unpaid, might become a Lien or Encumbrance on any or all of the Collateral.

5.9 Special Covenants Regarding Collateral.

5.9.1 Use of Inventory. Until an Event of Default, Obligor may possess, process, use, and consume in the manufacture or processing of finished goods, and lease, sell, or otherwise dispose of for fair consideration the Inventory, all in the ordinary course of Obligor's business, excluding, however, any bulk sale, any disposition to one or more creditors, and any transfer in satisfaction of indebtedness.

5.9.2 Proceeds of Inventory and Accounts and Notification to Accounts Obligors. Upon the occurrence of an Event of Default, to the extent applicable, (i) Obligor will notify the obligors of Accounts to make payments of any or all Accounts directly into a Remittance Account established in favor of Secured Party, and (ii) Obligor shall on the day of receipt by Obligor of any Accounts or any proceeds of Inventory or Accounts, transmit the same to Secured Party in the form received by Obligor. Obligor agrees to account to Secured Party for all Accounts and all proceeds of Inventory and Accounts and, pending transmittal of any proceeds to Secured Party, to hold the same in the form received separate and apart from, and not commingled with, any other property of Obligor and in trust for Secured Party. Amounts in the Remittance Account and any cash proceeds received by Secured Party will be applied periodically by Secured Party to payment of such of the Obligations, whether or not then due, determined by Secured Party in its absolute and sole discretion.

5.10 No Obligations and Limit of Liability of Secured Party. Secured Party does not assume and shall have no liability or obligation for any liabilities or obligations of Obligor relating to the Collateral. Secured Party shall have no obligation to notify Obligor with respect to the payment or performance or non-payment or non-performance of any third Person obligations included in the Collateral (including, without limitation, payment or non-payment of any Accounts) or to enforce the payment or performance by any third Person of obligations included in the Collateral (including, without limitation, payment of the Accounts). In exercising its rights and remedies in the Loan Documents and its other rights and remedies and in performing any obligations to Obligor, Secured Party and its stockholders, directors, officers, employees, agents, and representatives shall have no liability or responsibility whatsoever (including, without limitation, any liability or obligation for any injury to the assets, business, operations, or property of Obligor), other than for its gross negligence or willful misconduct. No action taken or omitted to be taken by the Secured Party with respect to all or part of the Collateral shall give rise to any claim, counterclaim, defense, or offset in

favor of Obligor against Secured Party (except for claims for gross negligence or willful misconduct by Secured Party).

5.11 Costs and Expenses of Performance of Obligor's Covenants. Obligor will perform all its obligations under this Agreement at its sole cost and expense.

5.12 Actions by Secured Party; Power of Attorney.

5.12.1 If Obligor fails to pay or perform any of the Obligations under this Agreement, Secured Party in its absolute and sole discretion, without obligation so to do, without releasing Obligor from such Obligations, and without notice to or demand upon Obligor, may pay or perform the same in such manner and to such extent as Secured Party determines necessary or appropriate in its absolute and sole discretion.

5.12.2 Without limiting the general powers, whether conferred herein, in another Loan Document, or by law, upon an Event of Default or in exercising its rights under Section 5.12.1, Secured Party shall have the right but not the obligation to do any or all of the following from time to time, to the extent applicable: (i) to enter upon any premises where any of the Collateral or the books and records relating to the Collateral are located and take possession of the Collateral; (ii) to maintain, preserve, protect, repair, restore, assign, lease, pledge, sell, and otherwise dispose of and deal with the Collateral; (iii) to make additions, alterations, and improvements to the Collateral to keep the Collateral in good condition and repair; (iv) to enforce the rights and remedies of Obligor with respect to the Collateral; (v) to perform or cause compliance with the Requirements; (vi) to adjust, compromise, defend, deposit a bond or give security in connection with, discharge, enforce, make demands related to, pay or otherwise obtain the discharge or release, prosecute, release, settle, terminate, or waive any claim or legal proceeding relating to any or all of the Collateral (including, without limitation, claims under insurance policies and claims against Obligor or the Collateral that Secured Party believes to be valid, regardless of whether actually valid); (vii) to send verifications to obligors of Accounts and issuers of Documents evidencing or representing Collateral; (viii) to notify obligors of Accounts to make payments directly to Secured Party; (ix) to execute, deliver, file, record, amend, modify, extend, renew, restate, supplement, and terminate agreements, documents, and instruments included in or relating to the Collateral (including, without limitation, invoices, bills of lading, and Documents); (x) to receive, endorse, and collect Accounts (including, without limitation, checks, Instruments, and other orders for the payment of money made payable to Obligor or representing any Collateral), and to give receipts and full or partial discharge for the same; (xi) to obtain, realize upon, and release guaranties and security for obligations of third Persons included in the Collateral (including, without limitation, the Accounts); (xii) to obtain any insurance required under this Agreement, to pay the premiums for such required insurance, to file, prosecute, compromise, and settle proofs of claim under such insurance, and to receive insurance proceeds payable to Secured Party alone; (xiii) to commence, appear and participate in, prosecute, and terminate any legal proceeding relating to (A) the Collateral, (B) the security interest granted herein, (C) the perfection

or priority of such security interest, or (D) the rights or remedies of Secured Party under the Loan Documents or the law; (xiv) to compromise, contest, deposit a bond or give security in connection with, discharge, pay, purchase, or settle any Lien or Encumbrance (including, without limitation, any Permitted Exception), whether senior or junior to the security interest granted herein; (xv) to do all other acts and things that Secured Party may, in its absolute and sole discretion, determine to be necessary or appropriate to carry out the purpose of the Loan Documents, as fully and completely as if Secured Party were the absolute owner of the Collateral, and (xvi) to pay from Secured Party's own funds or from proceeds of advances of any unadvanced portion of any Commitment, which advances Obligor hereby authorizes Secured Party to make for account of Obligor, all related costs, expenses, and fees (including, without limitation, attorneys' fees and costs of legal proceedings) incurred by Secured Party, which costs, expenses, and fees, if paid from Secured Party's funds, Obligor agrees to pay to Secured Party upon demand together with interest thereon at the Default Rate from the date incurred until paid in full. All costs, expenses, and fees incurred by Secured Party shall be prima facie evidence of the necessity therefor and the reasonableness thereof. Nothing in this Agreement shall be construed as requiring or obligating Secured Party to make any inquiry as to the nature or sufficiency of any payment received by Secured Party, to present or file any claim or notice, or to take any other action with respect to the Collateral.

5.12.3 Obligor hereby appoints Secured Party as Obligor's attorney-in-fact for the purpose of carrying out the provisions of this Agreement (including, without limitation, the obligations of Obligor). This appointment is coupled with an interest and is irrevocable. Without limiting the generality of the foregoing, Secured Party shall have the power as attorney-in-fact to do the things described in Section 5.12.2 as and when provided in such section.

5.12.4 Nothing in this Agreement shall relieve Obligor of any of its obligations under any Loan Document or under any other agreement, document, or instrument or in any way limit the rights or remedies of Secured Party.

6. Events Of Default. Each of the following shall be an event of default ("Event of Default"):

6.1 Attachment, garnishment, levy of execution, or seizure by legal process of any or all of the Collateral.

6.2 Any legal proceeding or other action against or affecting any or all of the Collateral is commenced (including, without limitation, any prejudgment attachment or garnishment) and is not quashed, stayed, or released within thirty (30) days.

6.3 Giving of notice of a sale under the Uniform Commercial Code or any other action by any Person, other than Secured Party, to realize upon any of the Collateral under any Lien or Encumbrance, regardless of whether such Lien or Encumbrance is a Permitted Exception and regardless of whether junior or senior to the security interest granted herein.

6.4 Any Transfer occurs.

6.5 Any Lien or Encumbrance on any or all of the Collateral, other than the Permitted Exceptions, is created or exists, whether junior or senior to the security interest herein.

6.6 Any or all of the Collateral is lost, stolen, suffers substantial damage or destruction, or declines materially in value.

6.7 Obligor abandons any or all of the Collateral.

6.8 The occurrence of a default or any event or condition that with notice, passage of time, or both would be a default in respect of any Permitted Exception.

6.9 The occurrence of a default or condition or event designated as a default, an event of default, or an Event of Default in any other Loan Document or in any agreement, document, or instrument relating to any other indebtedness of Obligor to Secured Party.

7. Rights And Remedies Of Secured Party. Upon occurrence of an Event of Default, Secured Party may, at its option, in its absolute and sole discretion and without demand or notice, do any or all of the following:

7.1 Acceleration of Obligations. Declare any or all of the Obligations to be immediately due and payable, whereupon such Obligations shall be immediately due and payable within 30 days.

7.2 Possession and Other Actions Concerning Collateral. Either in person or by agent, with or without bringing any action or legal proceeding, without regard to the adequacy of its security, or by means of a court appointed receiver, enter upon any premises in which the Collateral or the books and records relating to the Collateral are located and take sole and exclusive possession of all or any part of the Collateral, and take any or all of the actions described in Section 5.12.2. In the event Secured Party demands, or attempts to take possession of the Collateral in the exercise of the rights under this Agreement, Obligor shall promptly turn over and deliver possession of the Collateral to Secured Party. Secured Party may enter upon any premises upon which any of the Collateral or any books and records relating to the Collateral are located in order to exercise Secured Party's right to take possession of the Collateral and may remove the Collateral from such premises or render the Collateral unusable.

7.3 Replevin. As a matter of right and without notice to Obligor or anyone claiming under Obligor, Secured Party shall be entitled to orders of replevin by a court of any or all Collateral from time to time.

7.4 Other Rights and Remedies. Exercise any and all other rights and remedies of Secured Party. In this regard, Secured Party may, among any other rights and remedies, sell all or any part of the Collateral at public or private sale for cash, upon credit, in exchange for other property, or for future delivery as Secured Party shall deem appropriate. As to sale or other disposition of the Collateral, except as to any of the Collateral that is perishable, threatens to decline speedily in

value, or is of a type customarily sold on a recognized market as to which no notice shall be required, Secured Party will give Obligor reasonable notice of the time and place of any public sale or of the time after which any private sale or any other intended disposition is to be made. Obligor agrees that any such notice shall be sufficient if given at least ten (10) days prior to such sale or other disposition. Secured Party may be a purchaser at any sale. Secured Party may pay the purchase price at any sale by crediting the amount of the purchase price against the obligations.

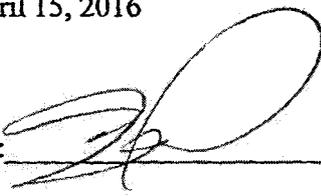
8. Application Of Proceeds. All Collateral and all proceeds of Collateral received by Secured Party, before or after an Event of Default, will be applied by Secured Party to the Obligations, whether or not due, in such order as Secured Party shall determine in its absolute and sole discretion, subject to any requirements of law. Any Collateral and any balance of such proceeds remaining after payment of the Obligations in full will be paid to Obligor, its successors or assigns, or as the law or a court of competent jurisdiction may direct. Any proceeds of Collateral in the form of a check shall be credited against the Obligations only upon the expiration of such period of time after receipt thereof by Secured Party as Secured Party determines is reasonably sufficient to allow for clearance or payment thereof. Any other proceeds of Collateral will be credited against the Obligations only upon conversion into cash and receipt of such cash by Secured Party. Each such credit shall, however, be conditional upon final payment to Secured Party of the item giving rise to such credit.

9. Provisions In Other Loan Documents Govern This Agreement. This Agreement is subject to certain terms and provisions in the other Loan Documents, to which reference is made for a statement of such terms and provisions.

10. Counterparts. This Agreement may be executed in counterparts, all of which executed counterparts shall together constitute a single document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to form physically one document.

Dated as of the date first above stated.

April 15, 2016

By: 

Name: Rick Neal
Title: Manager
"Obligor"

Exhibit "A"

Legal Descriptions

PARCEL NO. 313-44-420

Legal Description of Property

Lot 420 VALLE VISTA UNIT ONE, TRACT 1192, according to the plat thereof, recorded May 15, 1972, at Fee No. 729552 in the Office of the Recorder of Mohave County, Arizona.

EXCEPT all oil, gas, coal and minerals as reserved by Santa Fe Pacific Railroad Company in Deed recorded in Book 78 of Deeds, Pages 143-150.

PARCEL NO. 314-10-001

Legal Description of Property

The West 500 feet of the North 200 feet of the South 2282.7 feet of Section Nineteen (19), Township Twenty-three (23) North, Range Thirteen (13) West in Mohave County, Arizona.

DAVIS 1 WELL

Easement Legal Description:

A well easement located in the Southwest quarter of Section 20, T.23N., R.13 W of the Gila and Salt River Meridian, Mohave County, Arizona being more particularly described as follows:

COMMENCING at the Southwest corner of said Section 20;

THENCE N 89°56'56" E along the South line of said Section 20 a distance of 715.000 feet;

THENCE N 00°03'04" W perpendicular to the South line of said Section 20 a distance of 170.00 to the TRUE POINT OF BEGINNING;

THENCE continuing N 00°03'04" W a distance of 50.00 feet;

THENCE N 89°56'56" E a distance of 50.00 feet;

THENCE S 00°03'04" E distance of 50.00 feet;

THENCE S 89°56'56" W a distance of 50.00 feet to the TRUE POINT OF BEGINNING

DAVIS 2 WELL

Easement Legal Descriptions:

A well easement located in the Southwest quarter of Section 20, T.23N., R.13 W of the Gila and Salt River Meridian, Mohave County, Arizona being more particularly described as follows:

COMMENCING at the Southwest corner of said Section 20;

THENCE N 00°06'21" W along the West line of said Section 20 a distance of 775.000 feet;

THENCE N 89°53'39" E perpendicular to the West line of said Section 20 a distance of 72.00' to the TRUE POINT OF BEGINNING:

THENCE continuing N 89°53'39" E a distance of 50.00 feet;

THENCE N 00°06'21" W a distance of 50.00 feet;

THENCE S 89°53'39" W distance of 50.00 feet;

THENCE S 00°06'21" E a distance of 50.00 feet to the TRUE POINT OF BEGINNING.

LITTLE HACKBERRY WELL

Easement Legal Description:

A well easement located in Section 19, T.23N., R.13 W of the Gila and Salt River Meridian, Mohave County, Arizona being more particularly described as follows:

COMMENCING at the Southeast corner of said Section 19;

THENCE S 89°29'40" W along the South line of said Section 19 a distance of 2653.00 feet;

THENCE N 00°30'20" E perpendicular to the South line of said Section 19 a distance of 312.00' to the TRUE POINT OF BEGINNING:

THENCE continuing N 00°30'20" E a distance of 50.00 feet;

THENCE S 89°29'40" W a distance of 50.00 feet;

THENCE S 00°30'20' E distance of 50.00 feet;

THENCE N 89°29'40" E a distance of 50.00 feet to the TRUE POINT OF BEGINNING.

WALAPAI 1 WELL

Easement Legal Description:

A well easement located in the Southeast quarter of Section 8, T.23N., R.15 W. and the Northeast quarter of Section 15, T.23N, R.15 W. of the Gila and Salt River Meridian, Mohave County, Arizona being more particularly described as follows:

COMMENCING at the Southeast corner of said Section 8 also the Northeast corner of said Section 15;

THENCE N 89°57'40" W along the South line of said Section 8 and North line of said Section 15 a distance of 735.000 feet to the TRUE POINT OF BEGINNING:

THENCE N 00°02'20" E perpendicular to the South line of said Section 8 a distance of 100.00 feet;

THENCE continuing N 89°57'40" W parallel to the South line of said Section 8 a distance of 200.00 feet;

THENCE S 00°02'20" W a distance perpendicular to the South line of said Section 8 and North line of said Section 15 a distance of 200.00 feet;

THENCE S 89°57'40" E parallel to the North line of said Section 15 a distance of 200.00 feet;

THENCE N 00°02'20" E a distance of 100.00 feet to the TRUE POINT OF BEGINNING.

WELL 29

Easement Legal Description:

A well easement located in the South half of Section 29, T.23N., R.13 W. of the Gila and Salt River Meridian, Mohave County, Arizona being more particularly described as follows:

COMMENCING at the Southeast corner of said Section 29;

THENCE S 89°04'45" W along the South line of said Section 29 a distance of 2597.00 feet;

THENCE N 00°55'15" W perpendicular to the South line of said Section 29 a distance of 1608.00' to the TRUE POINT OF BEGINNING:

THENCE N 20°24'08" W a distance of 50.00 feet;

THENCE S 65°39'52" W a distance of 50.00 feet;

THENCE S 20°24'08" E a distance of 50.00 feet;

THENCE N 65°39'52" E a distance of 50.00 feet to the TRUE POINT OF BEGINNING.

WHEN RECORDED RETURN TO:

Water Infrastructure Finance Authority
100 North 15th Avenue, Suite 103
Phoenix, Arizona 85007
Attention: Finance Director

FOR RECORDER'S USE ONLY

NOTICE:

**THIS DEED OF TRUST GRANTS A SECURITY INTEREST
BY A TRANSMITTING UTILITY**

THIS DEED OF TRUST CONTAINS AFTER ACQUIRED PROPERTY PROVISIONS

**COMBINATION WATER UTILITY DEED OF TRUST,
SECURITY AGREEMENT & FIXTURE FILING**

This combined Deed of Trust, Security Agreement and Fixture Filing ("Deed of Trust") is made on the date stated below among the Borrower, Lender, and Trustee who are identified and whose addresses are stated below. By signing this Deed of Trust, Borrower agrees to the terms and conditions and makes the covenants stated in this Deed of Trust.

Date: April 15, 2016

Borrower: Truxton Canyon Water Company, Inc.

Borrower's Address: 3001 Westwood Drive
Las Vegas, Arizona, 89109
(702) 256-4006
(702) 256-2522

Lender: WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA

Lender's Address: 100 North 15th Avenue, Suite 103
Phoenix, Arizona 85007

Trustee: First American Title

Trustee's Address: 2500 Paseo Verde Pkwy., Suite 120
Henderson, NV 89074

Note: Promissory note in the original principal amount of \$350,950, dated April 15, 2016, executed by Borrower and payable to Lender as the same may be modified, amended, extended, supplemented or restated from time to time.

Real
Property: All as further described on Exhibit "A" attached hereto and incorporated herein
for all purposes.

Other
Provisions:

Article I - Security

1.1 Conveyance In Trust. For value received, the receipt and sufficiency of which Borrower acknowledges, and to secure the payment of the Indebtedness described in Section 2.1 and performance of the covenants and agreements of Borrower stated in this Deed of Trust and in the Loan Documents (as hereafter defined), Borrower conveys the Mortgaged Property described in Section 1.2, including without limitation the real property, to the Trustee in trust, with power of sale, To Have And To Hold the Mortgaged Property, together with the rights, privileges, and appurtenances thereto belonging unto the Trustee and the Trustee's substitutes or successors forever. Borrower binds itself and its heirs, executors, administrators, personal representatives, successors, and assigns to Warrant And Forever Defend the Mortgaged Property unto the Trustee, and the Trustee's substitutes or successors and assigns, against the claim or claims of all persons claiming or to claim the same or any part thereof.

1.2 Mortgaged Property. The Mortgaged Property encumbered by this Deed of Trust includes all of the following specifically described property, whether now owned or hereafter acquired, including replacements or additions thereto, and shall be deemed to be and remain subject to this Mortgage, all of which shall be hereinafter referred to as the "Mortgaged Property".

(a) all of the real property and all rights, hereditaments, appurtenances pertaining thereto, water and water rights, timber, crops, mineral interests, leases, rents, royalties, bonuses, issues, profits, revenues or other benefits of such real property, more specifically described in Exhibit "A" hereof ("Real Property").

(b) any and all of the buildings, improvements or tenements attached to or placed, erected, constructed, or developed on the Real Property (the "Improvements");

(c) the water utility plants and systems of the Borrower, including, but not limited to, all water works, generating stations, substations, pump houses, wells, distribution lines, whether located upon the Real Property or upon public or private easements, leaseholds or the like and which form a part of or are used in connection with the water utility plants or systems of the Borrower (the "Fixtures");

(d) all goods, (whether goods held for sale or returned or whether used in the business of the Borrower or to be installed in or on the Real Property), personal property, equipment, inventory, fixtures, furnishings, devices or tools and all replacements or substitutions of same (the "Personal Property");

(e) all of the franchises, certificates, authorizations by rule, privileges, permits, grants and consents for the construction, operation, and maintenance of water plants or systems in, on, and under streets, alleys, highways, roads, public grounds, easements and rights-of-way and all rights incident thereto which were granted by private persons or entities or the governing bodies of the cities, counties, state, and countries in which the Borrower operates and including, but not limited to, permits and certificates issued pursuant to the applicable provisions of the Arizona Water Code, and all development rights, utility commitments, water and wastewater taps, living unit equivalents, capital improvements project contracts, utility construction agreements with any governmental authority, including municipal utility districts or other constitutional conservation districts created under Article III, Section 52, or Article XVI, Section 59, of the Arizona Constitution, or with any utility companies (and all refunds and reimbursements thereunder) relating to the Real Property or Improvements, as any of the foregoing may be amended, and all plants and specifications for water utility plants or systems and all Borrower's rights (but not Borrower's obligations) under any documents, contract rights, accounts, commitments, construction contracts (and all payment and performance bonds, statutory or otherwise, issued by any surety in connection with any such construction contracts, and the proceeds of such bonds), architectural contracts, engineering contracts, and general intangibles (including without limitation trademarks, trade names, and symbols) arising from or by virtue of any transactions related to the Real Property, the Improvements, or the Personal Property, management contracts and all of the Borrower's rights under any contracts otherwise providing for the purchase, lease, sale or assignment of water or water rights (the "General Intangibles");

(f) all accounts arising from or by virtue of the sale, lease or disposition of any of the Mortgaged Property, or from any policy of insurance or the taking of any of the Mortgaged Property by right of eminent domain or condemnation or by private or other purchase in lieu thereof, including change of grade of street, curb cuts or other rights of access, for any public or quasi-public use under any law including, without limitation, any compensation awarded to Borrower under Section 13.255, Arizona Water Code, as amended and all amounts due under current and future water supply customer accounts, including but not limited to those future accounts arising from any water utility plants or systems (or for delivery of water by any other means, subject to this Deed of Trust (the "Accounts");

(g) all deposits, bank accounts, funds, instruments, notes or chattel paper arising from or by virtue of any transactions related to the Mortgaged Property, including, without limitation cash or securities deposited pursuant to leases to secure performance by the tenants of their obligations thereunder; and proceeds arising from or by virtue of the sale, lease or other disposition of the Mortgaged Property and proceeds (including premium refunds) of each policy of insurance relating to the Mortgaged Property (the "Proceeds").

1.3 Subrogation. Any of the proceeds of the Note utilized to take up any outstanding liens against all or any part of the Mortgaged Property have been advanced by Lender at Borrower's request and upon Borrower's representation that such amounts are due and are secured by valid liens against the Mortgaged Property. Lender shall be subrogated to any and all rights, powers, superior titles, liens, and equities owned or claimed by any owner or holder of any outstanding liens and debts, however remote, regardless of whether said liens or debts are acquired by Lender by assignment or are released by the holder thereof upon payment.

Article II - Indebtedness & Payments

2.1 Indebtedness. The indebtedness secured by this Deed of Trust (the "Indebtedness") shall mean and include the following:

- (a) Any and all sums becoming due and payable pursuant to the Note or the Loan Agreement;
- (b) Any and all other sums becoming due and payable by Borrower (or any one or more of them, if more than one) to Lender as a result of advancements made by Lender pursuant to the terms and conditions of this Deed of Trust or any other Loan Documents securing or executed in connection with or otherwise relating to the Note, including without limitation the repayment of any future advances made by Lender to Borrower as provided in paragraph (c) below and the repayment of any sums advanced for the protection of Lender's security pursuant to Section 4.16;
- (c) All other indebtedness and obligations of Borrower, or any one or more of them, to Lender, whether presently existing, or in any manner or means hereafter incurred by Borrower, or any one or more of them, and evidenced in any manner whatsoever, either by notes, advances, overdrafts, bookkeeping entries, guaranty agreements, liens or security interest instruments, or any other method or means including any renewal and extension of the Note, or of any part of any present or future indebtedness, or other obligations, of Borrower, or any one or more of them, and including any further loans and advancements made by Lender to Borrower, or any one or more of them. The fact of repayment of all indebtedness, and performance of all other obligations, of Borrower, to Lender shall not terminate the lien arising hereunder unless the same be released by Lender at the request of Borrower; but otherwise it shall remain in full force and effect to secure all future advances, indebtedness and other obligations, regardless of any additional security that may be taken as to any past or future indebtedness or other obligations; and
- (d) Any and all renewals, extensions, replacements, rearrangements, substitutions, or modifications of the Indebtedness, or any part of the Indebtedness.
- (e) Any and all obligations of Borrower to Lender arising from the Loan Documents, including without limitation, Borrower's obligations to purchase equity in Lender.

2.2 Secured Obligations. As used herein, the term "Secured Obligations" shall mean

- (a) The payment and performance of all covenants and agreements contained in that certain Loan Agreement of even date herewith, as that agreement may be amended, supplemented or replaced from time to time, entered by and between Borrower and Lender, together with the promissory note or notes issued thereunder (collectively the "Note") and such other documents or instruments as may be delivered by Borrower to Lender pursuant to the term Loan Agreement (collectively the "Loan Documents"); and

(b) Without limiting the generality of the foregoing, the payment of all indebtedness, liabilities and amounts from time to time evidenced by the Loan Documents, and to the extent permitted by law, all other indebtedness and liabilities, direct or indirect, of the Borrower to the Lender due or to become due hereunder, or under any other Loan Document or otherwise (including, without limitation, any future advances, disbursements, payments and reimbursements made, and charges, expenses and costs incurred by the Lender pursuant to the terms of this Deed of Trust or any Loan document) to a maximum total indebtedness secured by this Deed of Trust of three hundred fifty thousand, nine hundred fifty and 00/100 Dollars (\$350,950), provided however, Lender shall not be obligated to make any such future advances or extensions except as expressly required by and then only subject to the terms, conditions and covenants of the Loan Documents. All accrued and unpaid interest on the indebtedness, if not paid when due under the terms of the Loan Documents, shall become so much additional Indebtedness hereunder and shall be a further lien or charge upon the Mortgaged Property.

2.3 Payment of Principal and Interest. Borrower shall promptly pay when due the principal of and interest on the indebtedness evidenced by the Note, any prepayment and late charges provided in the Note, and all other sums secured by this Deed of Trust.

2.4 Application of Payments. Unless applicable law provides otherwise, all payments received by Lender from Borrower under the Note or this Deed of Trust shall be applied by Lender in the following order of priority: (a) amounts payable to Lender by Borrower under this Deed of Trust; (b) sums payable to Lender under the Note, to be applied to principal or interest as Lender may determine in its discretion; and (c) any other sums secured by this Deed of Trust in such order as Lender, at Lender's option, may determine.

2.5 Guarantor. The term "Guarantor" shall include any person, company or entity obligated to pay or guaranteeing collection of all or any portion of the Indebtedness, directly or indirectly.

Article III - Security Agreement

3.1 Uniform Commercial Code Security Agreement. This Deed of Trust is also intended to be a security instrument between Borrower, as debtor, and Lender, as secured party, pursuant to the Uniform Commercial Code as adopted in the State of Arizona ("Arizona UCC") for any of the items specified above as part of the Mortgaged Property which, under applicable law, may be subject to a security interest pursuant to the Arizona UCC, and Borrower hereby grants Lender a security interest in all such items to secure payment of the Indebtedness. Borrower agrees that Lender may file this Deed of Trust, or a reproduction thereof, with the Secretary of State of Arizona, in the real estate records or other appropriate index, as a financing statement for any of the items specified above as part of the Mortgaged Property. Any reproduction of this Deed of Trust or of any other security agreement or financing statement shall be sufficient as a financing statement. In addition, Borrower agrees to execute and deliver to Lender, upon Lender's request, any financing statement, as well as continuations, extensions, renewals, and amendments thereof, and reproduction of this Deed of Trust in such form as Lender may require to perfect a security interest with respect to said items. Borrower shall pay all costs of filing such financing statement

and any extensions, renewals, amendments, and releases thereof and shall pay all reasonable costs and expenses of any record searches for financing statements Lender may reasonably require. Without the prior written consent of Lender, Borrower shall not create or suffer to be created pursuant to the Arizona UCC any other security interest in said items, including replacements and additions thereto, in favor of any entity other than Lender. Upon the occurrence of an Event of Default (as that term is defined in Article V below), including the covenants to pay when due all sums secured by this Deed of Trust, Lender shall have the remedies of a secured party under the Arizona UCC and, at Lender's option, may also invoke the remedies provided in Article VI of this Deed of Trust as to such items. In exercising any remedies, Lender may proceed against the items of real property and any items of personal property specified above as part of the Mortgaged Property separately or together and in any order whatsoever, without in any way affecting the availability of Lender's remedies under the Arizona UCC or of the remedies provided in Article VI of this Deed of Trust.

3.2 Notice of Changes. Borrower shall give advance notice in writing to Lender of any proposed change in Borrower's name, identity, or structure and shall execute and deliver to Lender, prior to or concurrently with the occurrence of any such change, all additional financing statements that Lender may require to establish and maintain the validity and priority of Lender's security interest with respect to any of the Mortgaged Property.

3.3 Fixtures. Some of the items of the Mortgaged Property are goods that are or are to become fixtures related to the Real Property. Borrower and Lender intend that, as to those goods, this Deed of Trust shall be effective as a financing statement filed as a fixture filing from the date of its filing for record in the Secretary of State's Office or in the real estate records of the county in which the Mortgaged Property is situated. Information concerning the security interest created by this Deed of Trust may be obtained from Lender, as secured party, at Lender's Address stated above. The mailing address of the Borrower, as debtor, is as stated above.

Article IV - Borrower's Representations, Warranties, Covenants & Agreements

Borrower covenants, warrants, and represents to and agrees with Lender as follows:

4.1 Payment and Performance. Borrower shall make all payments on the Indebtedness when due and shall punctually and properly perform all of Borrower's covenants, obligations and liabilities under this Deed of Trust and the other Loan Documents.

4.2 Title to Property and Liens of this Deed of Trust. Borrower has good and indefeasible title to the Real Property and the Improvements, and good and marketable title to the Personal Property, free and clear of any liens, charges, encumbrances, security interests, and adverse claims whatsoever, except as otherwise provided herein. If the interest of Lender in the Mortgaged Property or any part thereof shall be endangered or shall be attacked, directly or indirectly, Borrower authorizes Lender, at Borrower's expense, to take all necessary and proper steps for the defense of such interest, including the employment of attorneys, the prosecution or defense of litigation, and the compromise or discharge of claims made against such interest.

4.3 Insurance. Borrower shall, at its sole cost and expense, obtain and keep (or cause to be obtained and kept) in force while this Deed of Trust is in effect, such insurance coverages and policies as Lender may reasonably request from time to time.

4.4 Taxes and Assessments. Borrower shall pay all taxes and assessments against or affecting the Mortgaged Property as the same become due and payable, and, upon request by Lender, Borrower shall deliver to Lender such evidence of the payment thereof as Lender may require. If Borrower fails to do so, Lender may pay them, together with all costs and penalties thereon, at Borrower's expense; provided, however, that Borrower may in good faith, in lieu of paying such taxes and assessments as they become due and payable, by appropriate proceedings, contest their validity. Pending such contest, Borrower shall not be deemed in default under this Deed of Trust because of such nonpayment if: (a) prior to delinquency of the asserted tax or assessment, Borrower furnishes Lender an indemnity bond secured by a deposit in cash or other security acceptable to Lender, or with a surety acceptable to Lender, in the amount of the tax or assessment being contested by Borrower plus a reasonable additional sum to pay all costs, interest and penalties that may be imposed or incurred in connection therewith, conditioned that such tax or assessment, with interest, cost and penalties, be paid as herein stipulated; and (b) Borrower promptly pays any amount adjudged by a court of competent jurisdiction to be due, with all costs, penalties and interest thereon, on or before the date such judgment becomes final. In any event, the tax, assessment, penalties, interest, and costs shall be paid prior to the date on which any writ or order is issued under which the Mortgaged Property or any part of the Mortgaged Property may be sold in satisfaction thereof.

4.5 Condemnation.

(a) Borrower assigns to Lender all judgments, decrees, and awards for injury or damage, direct or consequential, to the Mortgaged Property, and all awards pursuant to proceedings for condemnation or other taking, whether direct or indirect, of the Mortgaged Property or any part of the Mortgaged Property. Lender may apply any condemnation proceeds to the Indebtedness in such manner as Lender may elect. Borrower shall promptly notify Lender of any action or proceeding (or threatened action or proceeding) relating to any condemnation or other taking, whether direct or indirect, of all or any part of the Mortgaged Property. Borrower shall, unless otherwise directed by Lender in writing, file or defend its claim under any such action and prosecute same with due diligence to its final disposition and shall cause any awards or settlements to be paid over to Lender for disposition pursuant to the terms of this Deed of Trust. Borrower authorizes Lender, at Lender's option, as attorney-in-fact for Borrower, to commence, appear in, and prosecute, in Lender's or Borrower's name, any action or proceeding relating to any condemnation or other taking of the Mortgaged Property, whether direct or indirect, and to settle or compromise any claim in connection with such condemnation or other taking. The proceeds of any award, payment, or claim for damages, direct or consequential, in connection with any condemnation or other taking, whether direct or indirect, of the Mortgaged Property, or part thereof, or for conveyances in lieu of condemnation, are hereby assigned to and shall be paid to Lender. Lender shall be entitled to participate in, control, and be represented by attorneys of

Lender's own choice in any such action. Borrower shall deliver, or cause to be delivered, to Lender such instruments as may be requested by it from time to time to permit such participation.

(b) Borrower authorizes Lender to apply such awards, payments, proceeds, or damages, after the deduction of Lender's expenses incurred in the collection of such amounts, at Lender's option, to restoration or repair of the Mortgaged Property, or to payment of the sums secured by this Deed of Trust, whether or not then due, in the order of application set forth in Section 2.4, with the balance, if any, to Borrower. Unless Borrower and Lender otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the installments referred to in Sections 2.3 or change the amount of such installments. Borrower agrees to execute such further evidence of assignment of any awards, proceeds, damages, or claims arising in connection with such condemnation or taking as Lender may require.

(c) In the event Lender, as a result of any such judgment, decree, or award, reasonably believes that the payment or performance of any obligation secured by this Deed of Trust is impaired, Lender may, without notice, declare all of the Indebtedness immediately due and payable.

4.6 Taxes on Note or Deed of Trust. If at any time any law shall be enacted imposing or authorizing the imposition of any tax upon this Deed of Trust, or upon any rights, titles, liens, or security interests created by this Deed of Trust, or upon the Note, or any part of the Indebtedness, Borrower shall immediately pay all such taxes; provided that, if it is unlawful for Borrower to pay such taxes, Borrower shall prepay the Note in full without penalty within sixty (60) days after demand therefor by Lender.

4.7 Repair, Waste, Alterations, Etc. Borrower shall keep every part of the Mortgaged Property in good operating order, repair, and condition and shall not commit or permit any waste thereof. Borrower shall make promptly all repairs, renewals, and replacements necessary to such end. Borrower shall discharge all claims for labor performed and material furnished therefor, and shall not suffer any lien of mechanics or materialmen to attach to any part of the Mortgaged Property. Borrower shall have the right to contest in good faith the validity of any such mechanic's or materialman's lien, provided Borrower shall first furnish Lender a bond or other security satisfactory to Lender in such amount as Lender shall reasonably require, but not more than two hundred percent (200%) of the amount of the claim, and provided further that Borrower shall thereafter diligently proceed to cause such lien to be removed and discharged. If Borrower shall fail to discharge any such lien, then, in addition to any other right or remedy of Lender, Lender may, but shall not be obligated to, discharge the lien, either by paying the amount claimed to be due, or by procuring the discharge of such lien by depositing in court a bond for the amount claimed, or otherwise giving security for such claim, or by taking such action as may be prescribed by law. Borrower shall guard every part of the Mortgaged Property from removal, destruction, and damage, and shall not do or suffer to be done any act whereby the value of any part of the Mortgaged Property may be lessened. Borrower or any tenant or other person shall not materially alter the Mortgaged Property without the prior written consent of Lender.

4.8 No Drilling or Exploration. Without the prior written consent of Lender, there shall be no drilling or exploring for or extraction, removal, or production of minerals from the surface or subsurface of the Real Property. The term "minerals" as used in this Deed of Trust shall include without limitation oil, gas, casinghead gas, coal, lignite, hydrocarbons, methane, carbon dioxide, helium, uranium, and all other natural elements, compounds and substances, including sand and gravel but it shall not include water.

4.9 Hold Harmless. Borrower shall defend, at Borrower's own cost and expense, and hold Lender harmless from, any proceeding or claim in any way relating to the Mortgaged Property or the Loan Documents. All costs and expenses incurred by Lender in protecting its interests under this Deed of Trust, including all court costs and reasonable attorneys' fees and expenses, shall be borne by Borrower. The provisions of this Section shall survive the payment in full of the Indebtedness and the release of this Deed of Trust as to events occurring and causes of action arising before such payment and release.

4.10 Trade Names. At the request of Lender, Borrower shall execute a certificate in form satisfactory to Lender listing the trade names under which Borrower intends to operate the Mortgaged Property and representing and warranting that Borrower does business under no other trade name with respect to the Mortgaged Property. Borrower shall immediately notify Lender in writing of any change in any trade name, and shall, upon request of Lender, execute any additional financing statements and other certificates required to reflect the change in trade names and shall execute and file any assumed name certificate required by applicable laws.

4.11 Further Assurances. Borrower, upon the request of Lender, shall execute, acknowledge, deliver, and record such further instruments and do such further acts as may be necessary, desirable, or proper to carry out the purposes of this Deed of Trust or the other Loan Documents and to subject to the liens and security interests created by this Deed of Trust or the other Loan Documents any property intended to be covered by this Deed of Trust and the other Loan Documents pursuant to their terms, including without limitation any renewals, additions, substitutions, replacements, improvements, or appurtenances to the Mortgaged Property.

4.12 Recording and Filing. Borrower shall cause this Deed of Trust and the other recordable Loan Documents and all amendments, supplements, extensions, and substitutions thereof to be recorded, filed, re-recorded, and re-filed in such manner and in such places as Lender shall reasonably request. Borrower shall pay all such recording, filing, re-recording, and refiling fees, title insurance premiums, and other charges.

4.13 Payment of Debts. Borrower shall promptly pay when due all obligations regarding the ownership and operation of the Mortgaged Property, except any such obligations which are being diligently contested in good faith by appropriate proceedings and as to which Borrower, if requested by Lender, shall have furnished to Lender security satisfactory to Lender.

4.14 Modification by Subsequent Owners. Borrower agrees that Borrower shall be bound by any modification of this Deed of Trust or any of the other Loan Documents made by Lender and

any subsequent owner of the Mortgaged Property, with or without notice to such Borrower, and no such modifications shall impair the obligations of such Borrower under this Deed of Trust or any other Loan Document. Nothing in this Section shall be construed as permitting any transfer of the Mortgaged Property which would constitute an Event of Default under other provisions of this Deed of Trust.

4.15 Inspection. Lender may make or cause to be made reasonable entries upon and inspections of the Mortgaged Property.

4.16 Protection of Lender's Security.

(a) If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which affects the Mortgaged Property or title thereto or the interest of Lender therein, including without limitation eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then Lender, at Lender's option, may make such appearances, disburse such sums and take such action as Lender deems necessary, in its sole discretion, to protect Lender's interest, including without limitation, (i) disbursement of attorney's fees, (ii) entry upon the Mortgaged Property to make repairs, and (iii) procurement of satisfactory insurance as provided in the Loan Agreement.

(b) Any amounts disbursed by Lender pursuant to this Section, with interest thereon, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be immediately due and payable and shall bear interest from the date of disbursement at the default rate stated in the Note unless collection from Borrower of interest at such rate would be contrary to applicable law, in which event such amounts shall bear interest at the highest non-usurious rate which may be collected from Borrower under applicable law. Borrower covenants and agrees that Lender shall be subrogated to the lien of any deed of trust or other lien discharged, in whole or in part, by the Indebtedness. Nothing contained in this Section shall require Lender to incur any expense or take any action under this Deed of Trust.

4.17 Subordinate Deed of Trust. With the exception of the permitted encumbrances in Exhibit "B" hereto, Borrower shall not, without the prior written consent of Lender, grant any lien, security interest, or other encumbrance (a "Subordinate Deed of Trust") covering any of the Mortgaged Property. If Lender consents to a Subordinate Deed of Trust or if the foregoing prohibition is determined by a court of competent jurisdiction to be unenforceable, any such Subordinate Deed of Trust shall contain express covenants to the effect that:

(a) the Subordinate Deed of Trust is unconditionally subordinate to this Deed of Trust;

(b) if any action (whether judicial or pursuant to a power of sale) shall be instituted to foreclose or otherwise enforce the Subordinate Deed of Trust, no tenant of any of the Leases shall be named as a party defendant, and no action shall be taken that would terminate any occupancy or tenancy without the prior written consent of Lender;

(c) Rents, if collected by or for the holder of the Subordinate Deed of Trust, shall be applied first to the payment of the Indebtedness then due and expenses incurred in the ownership, operation, and maintenance of the Mortgaged Property in such order as Lender may determine, prior to being applied to any indebtedness secured by the Subordinate Deed of Trust; and

(d) written notice of default under the Subordinate Deed of Trust and written notice of the commencement of any action (whether judicial or pursuant to a power of sale) to foreclose or otherwise enforce the Subordinate Deed of Trust shall be given to Lender with or immediately after the occurrence of any such default or commencement.

4.18 Liens. With the exception of the permitted encumbrances listed in Exhibit "B" hereto, Borrower shall promptly discharge any lien which has, or may have, priority over or equality with, the lien of this Deed of Trust, and Borrower shall pay, when due, the claims of all persons supplying labor or materials to or in connection with the Mortgaged Property. Without Lender's prior written permission, Borrower shall not allow any lien inferior to this Deed of Trust to be perfected against the Mortgaged Property.

4.19 Business Use. Borrower warrants and represents to Lender that the proceeds of the Note will be used solely for business or commercial purposes, and in no way will the proceeds be used for personal, family or household purposes.

Article V - Events Of Default

The occurrence of any one of the following shall be a default under this Deed of Trust and the Loan Documents ("Event of Default"):

5.1 Failure to Pay Indebtedness. Any of the Indebtedness is not paid when due, whether by acceleration or otherwise.

5.2 Nonperformance of Covenants. Any covenant, representation, warranty, or condition in this Deed of Trust or any of the other Loan Documents is not fully and timely performed, or the occurrence of any default or event of default under this Deed of Trust or any other Loan Document.

5.3 False Representation. Any statement, representation or warranty in this Deed of Trust or any of the other Loan Documents, any financial statement, or any other writing delivered to Lender in connection with the Indebtedness is false, misleading, or erroneous in any material respect.

5.4 Bankruptcy or Insolvency. The owner of the Mortgaged Property or any person obligated to pay any part of the Indebtedness:

- (a) does not pay its debts as they become due or admits in writing its inability to pay its debts or makes a general assignment for the benefit of creditors; or
- (b) commences any case, proceeding, or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution, or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization, or relief of debtors; or
- (c) in any involuntary case, proceeding, or other action commenced against it which seeks to have an order for relief entered against it, as debtor, or seeks reorganization, arrangement, adjustment, liquidation, dissolution, or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization, or relief of debtors, (i) fails to obtain a dismissal of such case, proceeding or other action within sixty (60) days of its commencement, or (ii) converts the case from one chapter of the Federal Bankruptcy Code to another chapter, or (iii) is the subject of an order for relief; or
- (d) conceals, removes, or permits to be concealed or removed, any part of its property, with intent to hinder, delay, or defraud its creditors or any of them, or makes or suffers a transfer of any of its property which may be fraudulent under any bankruptcy, fraudulent conveyance, or similar law; or makes any transfer of its property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid, or suffers or permits, while insolvent, any creditor to obtain a lien upon any of its property through legal proceedings which is not vacated within sixty (60) days from the date thereof; or
- (e) has a trustee, receiver, custodian, or other similar official appointed for or take possession of all or any part of the Mortgaged Property or any other of its property or has any court take jurisdiction of any other of its property which remains undismissed for a period of sixty (60) days (except where a shorter period is specified in the immediately following paragraph (f)); or
- (f) fails to have discharged within a period of ten (10) days any attachment, sequestration, or similar writ levied upon any property of such person; or
- (g) fails to pay immediately any final money judgment against such person.

5.5 Transfer of the Mortgaged Property. Title to all or any part of the Mortgaged Property (other than obsolete or worn Personal Property replaced by adequate substitutes of equal or greater value than the replaced items when new) shall become vested in any party other than Borrower, whether by operation of law or otherwise. Lender may, in its sole discretion, waive this Event of Default, but it shall have no obligation to do so, and any waiver may be conditioned upon such one or more of the following which Lender may require: (a) the grantee's integrity, reputation, character, creditworthiness, and management ability being satisfactory to Lender in its sole judgment; and (b) grantee executing, prior to such sale or transfer, a written assumption agreement containing such terms as Lender may require, such as a principal paydown on the Note, an increase in the rate of interest payable under the Note, a transfer fee, and any other

modification of the Note, this Deed of Trust or any of the other Loan Documents which Lender may require.

5.6 Grant of Easement, Etc. Without the prior written consent of Lender, Borrower grants any easement or dedication, files any plat, condominium declaration, or restriction, or otherwise encumbers the Mortgaged Property, unless such action is expressly permitted by this Deed of Trust or any of the other Loan Documents.

5.7 Abandonment. Borrower abandons or vacates any of the Mortgaged Property.

5.8 Deterioration. Lender reasonably determines that the condition of the Mortgaged Property has materially deteriorated.

5.9 Foreclosure of Other Liens. The holder of any lien, security interest or assignment on the Mortgaged Property institutes foreclosure or other proceedings for the enforcement of its remedies thereunder.

5.10 Liquidation, Death, Etc. The liquidation, termination, dissolution, failure to maintain good standing in the State of Arizona (if applicable), death, or legal incapacity of Borrower or any Guarantor.

5.11 Material, Adverse Change. The occurrence of any material, adverse change in the financial condition of Borrower or any Guarantor.

5.12 Default by Partner, Venturer, Or Member. If Borrower is a partnership or joint venture, a default by any general partner or joint venturer under Borrower's partnership agreement or joint venture agreement. If Borrower is a limited liability company, a default by any member under Borrower's charter or articles of organization.

5.13 Transfer of Ownership or Borrower. If Borrower or the owner of the Mortgaged Property (if other than Borrower) is a corporation, the sale, pledge, encumbrance, or assignment of any shares of its stock without the prior written consent of Lender. If Borrower or the owner of the Mortgaged Property (if other than Borrower) is a partnership or joint venture, the sale, pledge, encumbrance, or assignment of any of its partnership or joint venture interests or the withdrawal from or admission into it of any general partner or joint venturer without the prior written consent of Lender. If Borrower or the owner of the Mortgaged Property (if other than Borrower) is a limited liability company, the sale, pledge, encumbrance, or assignment of any of its membership interests or the withdrawal from or admission into it of any member without the prior written consent of Lender.

5.14 Event of Default under Loan Documents. The occurrence of an Event of Default under any Loan Document.

Article VI - Default & Remedies

6.1 Acceleration and Waiver of Notices. Upon the occurrence of an Event of Default, Lender, at Lender's option, may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law or provided herein. Borrower acknowledges that the power of sale granted to Lender may be exercised by Lender without prior judicial hearing. Borrower and each Guarantor, surety, and endorser of all or any part of the Indebtedness expressly waive all presentations for payment, notices of intention to accelerate maturity, notices of acceleration of maturity, notices of intention to demand payment, demands for payment, protests, and notices of protest. Borrower and each Guarantor, surety, and endorser acknowledge and understand that by these waivers they waive any right they may have to receive notices of default under this Deed of Trust, the Note, and the other Loan Documents, as well as any opportunity to cure any such default.

6.2 Notice of Sale. Notice of sale of all or part of the Mortgaged Property by the Trustee shall be given as provided by applicable law. Any notice that is required or permitted to be given to Borrower may be addressed to Borrower at Borrower's Address stated above. Any notice that is to be given by certified mail to any other debtor may, if no address for such other debtor is shown by the records of Lender, be addressed to such other debtor at the address of Borrower as is shown by the records of Lender. The Trustee or his successor or substitute may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by Trustee, including the posting of notices and the conduct of sale, but in the name and on behalf of Trustee, his successor or substitute. If Trustee or his successor or substitute shall have given notice of sale hereunder, any successor or substitute Trustee thereafter appointed may complete the sale and the conveyance of the Mortgaged Property pursuant thereto as if such notice had successor or substitute Trustee conducting the sale.

Borrower hereby authorizes Lender to give any notices necessary or appropriate under Section 13.301 of the Arizona Water Code, as amended, to the Arizona Natural Resource Conservation Commission on behalf of Borrower. Borrower further acknowledges Lender's right to attend any hearing and to otherwise undertake any actions necessary or appropriate to effect a transfer of the Mortgaged Property to Lender, and Borrower shall cooperate fully, at Buyer's expense, to obtain approval of any transfer of the Mortgaged Property to Lender.

6.3 Trustee's Sale. Trustee shall conduct any sale in any manner, and at such place and time, as may be permitted by applicable law. To the extent permitted by applicable law, any sale may be adjourned by announcement at the time and place appointed for such sale without further notice except as may be required by law. Trustee may sell all or any portion of the Mortgaged Property, together or in lots or parcels. In no event shall Trustee be required to exhibit, present or display at any such sale any of the Personal Property to be sold at such sale. Lender may bid and become the purchaser of all or any part of the Mortgaged Property at any trustee's or foreclosure sale hereunder, and the amount of Lender's successful bid may be credited on the Indebtedness. In the event any sale hereunder is not completed or is defective in the opinion of Lender, such sale shall

not exhaust the power of sale hereunder and Lender shall have the right to cause a subsequent sale or sales to be made hereunder.

6.4 Partial Sale. The sale by Trustee of less than the whole of the Mortgaged Property shall not exhaust the power of sale herein granted, and Trustee is specifically empowered to make successive sales under such power until the whole of the Mortgaged Property shall be sold; and if the proceeds of such sale of less than the whole of the Mortgaged Property shall be less than the aggregate of the Indebtedness and the expenses thereof, this Deed of Trust and the lien, security interest and assignment hereof shall remain in full force and effect as to the unsold portion of the Mortgaged Property just as though no sale had been made; provided, however, that Borrower shall never have any right to require the sale of less than the whole of the Mortgaged Property, but Lender shall have the right, at its sole election, to request Trustee to sell less than the whole of the Mortgaged Property. If there is a default on the payment of any installment on the Note or any portion of the Indebtedness, and Lender elects not to accelerate the unpaid balance of the Note or Indebtedness, Lender shall have the option to proceed with foreclosure in satisfaction of such unpaid installment or other amount either through judicial proceedings or by directing Trustee to proceed as if under a full foreclosure, conducting the sale as herein provided without declaring the entire Indebtedness due. It is agreed that such sale, if so made, shall not in any manner affect the unmatured part of the Indebtedness, but as to such unmatured part this Deed of Trust shall remain in full force and effect as though no sale had been made under the provisions of this Section. Several sales may be made hereunder without exhausting the right of sale for any unmatured part of the Indebtedness.

6.5 Foreclosure of all Property. The Real Property, Improvements, and Personal Property may be sold in one or more public sales pursuant to applicable law. Borrower shall assemble the Personal Property and make it available to Lender upon Lender's written request. Borrower and all persons obligated to pay the Indebtedness agree that notice of sale of the Mortgaged Property provided pursuant to Section 6.2 above, is and shall constitute commercially reasonable notice of the sale of the Mortgaged Property or any part of the Mortgaged Property. Lender shall also be entitled to foreclose its security interests against the Personal Property in accordance with any other rights and remedies Lender may have as a secured party under the Arizona UCC.

6.6 Trustee's Deed. Trustee shall deliver to the purchaser a Trustee's deed and such other assignments and documents of transfer and sale as Trustee may deem necessary conveying the Mortgaged Property so sold in fee simple with covenants of general warranty. Borrower covenants and agrees to defend generally the purchaser's title to the Mortgaged Property against all claims and demands. At any such sale (a) Borrower hereby agrees, in its behalf and in behalf of Borrower's heirs, executors, administrators, successors, personal representatives and assigns, that any and all recitals made in any deed of conveyance given by Trustee with respect to the identity of Lender, the occurrence or existence of any default, the acceleration of the maturity of any of the Indebtedness, the request to sell, the notice of sale, the giving of notice to all debtors legally entitled thereto, the time, place, terms and manner of sale, and receipt, distribution and application of the money realized therefrom, or the due and proper appointment of a substitute Trustee, and, without being limited by the foregoing, with respect to any other act or thing

having been duly done by Lender or by Trustee hereunder, shall be taken by all courts of law and equity as prima facie evidence that the statements or recitals state facts and are without further question to be so accepted, and Borrower hereby ratifies and confirms every act that Trustee or any substitute Trustee hereunder may lawfully do in the premises by virtue hereof, and (b) the purchaser may disaffirm any easement granted, subdivision plat filed, or rental, lease or other contract made in violation of any provision of this Deed of Trust, and may take immediate possession of the Mortgaged Property free from, and despite the terms of, such grant of easement, subdivision plat, or rental, lease or other contract.

6.7 Proceeds of Sale. Trustee shall apply the proceeds of the sale in the following order: (a) to all reasonable costs and expenses of the sale, including but not limited to, reasonable Trustee's fees and attorney's fees and costs of title evidence; (b) to all sums secured by this Deed of Trust in such order as Lender, in Lender's sole discretion, directs; and (c) the excess, if any, to the person or persons legally entitled thereto.

6.8 Possession after Sale. If the Mortgaged Property is sold pursuant to Section 6.3, Borrower or any person holding possession of the Mortgaged Property through Borrower shall immediately surrender possession of the Mortgaged Property to the purchaser at such sale upon the purchaser's written demand. If possession is not surrendered upon the purchaser's written demand, Borrower or such person shall be a tenant at sufferance and may be removed by writ of possession or by an action for forcible entry and detainer.

6.9 Costs and Expenses. Lender shall be entitled to collect all costs and expenses incurred in pursuing such remedies, including but not limited to, attorney's fees and costs of documentary evidence, abstracts, and title reports.

6.10 Substitute Trustee. Lender, at Lender's option, with or without cause, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder by an instrument recorded in the county in which this Deed of Trust is recorded. Without conveyance of the Mortgaged Property, the successor trustee shall succeed to all title, power, and duties conferred upon the Trustee by this Deed of Trust and by applicable law.

6.11 Remedies Cumulative. Each remedy provided in this Deed of Trust is distinct and cumulative to all other rights or remedies under this Deed of Trust or afforded by law or equity, and may be exercised concurrently, independently, or successively, in any order whatsoever.

6.12 Forbearance by Lender not a Waiver. Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy. The acceptance by Lender of payment of any sum secured by this Deed of Trust after the due date of such payment shall not be a waiver of Lender's right to either require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the Indebtedness, nor shall Lender's receipts of any awards, proceeds

or damages under this Deed of Trust operate to cure or waive Borrower's default in payment of sums secured by this Deed of Trust.

6.13 Waiver Of Marshaling. Notwithstanding the existence of any other security interests in the Mortgaged Property held by Lender or by any other party, Lender shall have the right to determine the order in which any or all portions of the Indebtedness are satisfied from the proceeds realized upon the exercise of the remedies provided in this Article VI. Borrower, any party who consents to this Deed of Trust, and any party who now or hereafter acquires a security interest in the Mortgaged Property and who has actual or constructive notice of this Deed of Trust and Lender's rights and interests under this Deed of Trust, hereby waive any and all right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided by this Deed of Trust.

Article VII - Environmental, Health & Safety Matters

7.1 Definitions. For the purposes of this Deed of Trust, Borrower, Lender, and Trustee agree that, unless the context otherwise specifies or requires, the following terms shall have the following meanings:

(a) "Governmental Requirements" means any and all laws, statutes, ordinances, rules, regulations, orders, or determinations of any governmental authority, whether federal, state, county, city, or otherwise, pertaining to health, safety, or the environment in effect in any and all jurisdictions in which Borrower conducts business or where the Mortgaged Property is located, including without limitation: (i) the Resource Conservation and Recovery Act of 1976 (42 U.S.C. § 6901 et seq.), as amended from time to time including without limitation as amended by the Used Oil Recycling Act of 1980, the Solid Waste Disposal Act Amendments of 1980, and the Hazardous and Solid Waste Amendments of 1984 ("RCRA"), and regulations promulgated thereunder; (ii) the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. § 9601 et seq.), as amended from time to time, including without limitation as amended by the Superfund Amendments and Reauthorization Act of 1986 ("CERCLA"), and regulations promulgated thereunder; (iii) the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), as amended from time to time; (iv) the Americans with Disabilities Act of 1990 (42 U.S.C. § 12101 et seq.), as amended from time to time ("ADA"), and all regulations and guidelines promulgated pursuant to the ADA, and all other similar laws, and the Fair Housing Amendments Act of 1988, and all as amended from time to time and including all regulations promulgated pursuant to any one or more of them; (v) the Endangered Species Act (15 U.S.C. § 1531 et seq.), as amended from time to time; and (vi) laws, statutes, ordinances, rules, regulations, orders, or determinations relating to "wetlands", including without limitation those set forth in the Clean Water Act (33 U.S.C. § 1251 et seq.), as amended from time to time; (vii) the Arizona Water Code, as amended from time to time.

(b) "Hazardous Materials" means (i) any "hazardous waste" as defined by RCRA, and regulations promulgated thereunder; (ii) any "hazardous substance" as defined by CERCLA, and regulations promulgated thereunder; (iii) any toxic substance as defined under or regulated by

the Toxic Substances Control Act; (iv) asbestos, polychlorinated biphenyls, radon, or explosive or radioactive materials; (v) underground and above ground storage tanks, whether empty, filled or partially filled with any substance, including without limitation any petroleum product or any other "hazardous substance"; (vi) any substance the presence of which on the Mortgaged Property is prohibited by any Governmental Requirements; and (vii) any other substance which by any Governmental Requirements requires special handling or notification of any federal, state, or local governmental entity in its collection, storage, treatment, or disposal.

(c) "Hazardous Materials Contamination" means the contamination (whether presently existing or hereafter occurring) of any improvements, facilities, soil, groundwater, air, or other elements on or of the Mortgaged Property by Hazardous Materials, or the contamination of the buildings, facilities, soil, groundwater, air, or other elements on or of any other property as a result of Hazardous Materials at any time (whether before or after the date of this Deed of Trust) emanating from the Mortgaged Property.

(d) "Environmental Claim" means any investigative, enforcement, cleanup, removal, containment, remedial, or other governmental or regulatory action at any time threatened, instituted, or completed pursuant to any Governmental Requirements against Borrower or against or with respect to the Mortgaged Property or its use, and any claim threatened or made by any person against Borrower or against or with respect to the Mortgaged Property or its use relating to damage, contribution, cost recovery, compensation, or injury resulting from any alleged breach or violation of any Governmental Requirements.

(e) "Environmental Condition" means any condition, circumstance, or matter related to or connected with the Mortgaged Property or Borrower's ownership and use of the Mortgaged Property which is covered by any Governmental Requirements.

7.2 Representations and Warranties. Borrower represents and warrants to Lender that:

(a) Borrower has obtained all necessary permits, licenses, and authorizations for the Mortgaged Property and Borrower's use of the Mortgaged Property, including without limitation all necessary permits, licenses, and authorizations for Borrower's intended development of the Mortgaged Property, construction of the Improvements, or any other improvements to or construction on the Mortgaged Property, if applicable; and

(b) the Mortgaged Property is in compliance with all Governmental Requirements, and Borrower's intended use of the Mortgaged Property will comply with all Governmental Requirements; and

(c) Not in limitation of the foregoing, that: (i) no Hazardous Materials are now located on the Mortgaged Property, and neither Borrower nor, to the best of Borrower's knowledge and belief after due inquiry, any other person has ever caused or permitted any Hazardous Materials to be placed, held, located, or disposed of on, under, or at the Mortgaged Property or any part thereof; (ii) no part of the Mortgaged Property is being used or, to the best of Borrower's knowledge and

belief after due inquiry, has been used at any previous time for the disposal, storage, treatment, processing, or other handling of Hazardous Materials, nor is any part of the Mortgaged Property affected by any Hazardous Materials Contamination; (ii) to the best of the Borrower's knowledge and belief after due inquiry, no property adjoining the Mortgaged Property is being used, or has ever been used at any previous time, for the disposal, storage, treatment, processing, or other handling of Hazardous Materials, nor is any other property adjoining the Mortgaged Property affected by Hazardous Materials Contamination; (iv) to the best of Borrower's knowledge and belief after due inquiry, no investigation, administrative order, consent order and agreement, litigation, or settlement with respect to Hazardous Materials or Hazardous Materials Contamination is proposed, threatened, anticipated or in existence with respect to the Mortgaged Property; and (v) to the best of Borrower's knowledge and belief after due inquiry, the Mortgaged Property is not currently on and has never been on any federal or state "Superfund" or "Superlien" list.

7.3 Borrower's Covenants. Borrower agrees to (a) give notice to Lender immediately upon Borrower's acquiring knowledge of the presence of any Hazardous Materials on the Mortgaged Property or of any Hazardous Materials Contamination with a full description thereof; (b) give notice to Lender immediately upon Borrower's acquiring knowledge of any Environmental Claim; (c) comply at all times with any Governmental Requirements applicable to the Mortgaged Property; (d) require all employees, agents, or representatives of Borrower, all tenants and their agents and employees, and all contractors, subcontractors, suppliers, or other persons performing or involved in the construction or maintenance of the Mortgaged Property and Improvements to comply at all times with all Governmental Requirements; (e) provide Lender with satisfactory evidence of such compliance with Governmental Requirements; and (f) provide Lender, within thirty (30) days after demand by Lender, with a bond, letter of credit, or similar financial assurance evidencing to Lender's satisfaction that the necessary funds are available to pay the cost of complying with any Governmental Requirements, including without limitation removal, treatment and disposal of Hazardous Materials on the Mortgaged Property or Hazardous Materials Contamination to the Mortgaged Property and discharge of any assessments or liens which may be established on or against the Mortgaged Property as a result thereof.

7.4 Site Assessments. Lender (by its officers, employees, and agents) at any time and from time to time, either prior to or after the occurrence of an Event of Default, may contract for the services of persons (the "Site Reviewers") to perform site assessments ("Site Assessments") on the Mortgaged Property for the purpose of determining whether there exists on the Mortgaged Property any Environmental Condition which could reasonably be expected to result in a violation of any Governmental Requirements or in an Environmental Claim. The Site Assessments may be performed at any time upon reasonable notice to Borrower, and under reasonable conditions established by Borrower which do not impede the performance of the Site Assessments. The Site Reviewers are authorized to enter upon the Mortgaged Property for such purposes. The Site Reviewers are further authorized to perform both above and below the ground testing for environmental damage or the presence of Hazardous Materials on the Mortgaged Property and such other tests on the Mortgaged Property as may be necessary to conduct the Site Assessments in the reasonable opinion of the Site Reviewers. Borrower will supply to the Site

Reviewers such historical and operational information regarding the Mortgaged Property as may be reasonably requested by the Site Reviewers to facilitate the Site Assessments and will make available for meetings with the Site Reviewers appropriate personnel having knowledge of such matters. On request, Lender shall make the results of such Site Assessments fully available to Borrower, which (prior to an event of default hereunder) may, at Borrower's election, participate under reasonable procedures in the direction of such Site Assessments and the description of tasks of the Site Reviewers. The cost of performing such Site Assessments shall be paid by Borrower upon demand of Lender and any such obligations shall be Indebtedness secured by this Deed of Trust.

7.5 Indemnification. Borrower, for valuable consideration which Borrower acknowledges receiving, shall defend, indemnify, and hold harmless Lender and Trustee from and against any and all liabilities (including strict liability and including, with regard to Site Assessments, Lender's own negligence), actions, demands, penalties, losses, costs, or expenses (including without limitation attorneys' fees and expenses, and remedial costs), suits, costs of any settlement or judgment and claims of any and every kind whatsoever which may now or in the future (whether before or after the release of this Deed of Trust) be paid, incurred or suffered by or asserted against Lender or Trustee by any person or entity or governmental agency for, with respect to, or as a direct or indirect result of and violation or breach of any Governmental Requirements or any Environmental Claim, regardless of whether or not caused by or within the control of Borrower, Lender or Trustee. The representations, covenants, warranties, and indemnifications contained in this Article VII shall survive the release of this Deed of Trust.

7.6 Lender's Rights. Lender shall have the right, but not the obligation, prior or subsequent to an Event of Default, without in any way limiting Lender's other rights and remedies under this Deed of Trust, to enter onto the Mortgaged Property or to take such other actions as it deems necessary or advisable to clean up, remove, resolve, or minimize the impact of, or otherwise deal with, any Environmental Condition on the Mortgaged Property following receipt of any notice from any person or entity asserting the existence of any Environmental Condition pertaining to the Mortgaged Property or any part thereof which, if true, could result in an order, suit, imposition of a lien on the Mortgaged Property, or other action and/or which, in Lender's sole opinion, could jeopardize Lender's security under this Deed of Trust. All costs and expenses paid or incurred by Lender in the exercise of any such rights shall be Indebtedness secured by this Deed of Trust and shall be payable by Borrower upon demand.

7.7 No Waiver. Notwithstanding any provision in this Article VII or elsewhere in this Deed of Trust, or any rights or remedies granted by this Deed of Trust, Lender does not waive and expressly reserves all rights and benefits now or hereafter accruing to are available to Lender under the "security interest exception" set forth in 42 C.F.R. § 300.1100. No action taken by Lender pursuant to this Deed of Trust or any other Loan Document shall be deemed or construed to be a waiver or relinquishment of any such rights or benefits under the "secured creditor exception".

Article VIII - Miscellaneous Provisions

8.1 Release. Upon payment of all sums and the performance of all obligations secured by this Deed of Trust, Lender shall release this Deed of Trust. Borrower shall pay Lender's reasonable costs incurred in releasing this Deed of Trust.

8.2 Borrower and Lien not Released. From time to time, Lender may, at Lender's option, without giving notice to or obtaining the consent of Borrower, Borrower's successors or assigns or any junior lienholder or Guarantor, without liability on Lender's part and notwithstanding the existence of an Event of Default, extend the time for payment of the Indebtedness or any part thereof, reduce the payments thereon, release anyone liable on any of the Indebtedness, accept a renewal note or notes therefor, modify the terms and time of payment of the Indebtedness, release from the liens of this Deed of Trust any part of the Mortgaged Property, take or release other or additional security, reconvey any part of the Mortgaged Property, consent to any map or plan of the Mortgaged Property, consent to the granting of any easement, join in any extension or subordination agreement, and agree in writing with Borrower to modify the rate of interest or period of amortization of the Note or change the amount of the installments payable thereunder. Any actions taken by Lender pursuant to the terms of this Section 8.2 shall not affect the obligation of Borrower or Borrower's successors or assigns to pay the sums secured by this Deed of Trust and to observe the covenants of Borrower contained herein, shall not affect the guaranty of any person, corporation, partnership, or other entity for payment of the Indebtedness or any part thereof, and shall not affect the liens or priority of liens of this Deed of Trust on the Mortgaged Property. Borrower shall pay Lender a reasonable charge, together with such title insurance premiums and attorney's fees as may be incurred at Lender's option, for any such action if taken at Borrower's request.

8.3 Notice. Except for any notice required under applicable law to be given in another manner, (a) any notice to Borrower provided for in this Deed of Trust or in the Note shall be given by mailing such notice by United States mail, postage prepaid, addressed to Borrower at Borrower's address stated in this Deed of Trust or at such other address as Borrower may designate by notice to Lender as provided herein, and (b) any notice to Lender shall be given by United States mail, postage prepaid, addressed to Lender at Lender's address stated in this Deed of Trust or to such other address as Lender may designate by notice to Borrower as provided herein. Any notice provided for in this Deed of Trust or in the Note shall be deemed to have been given to Borrower or Lender when given in the manner designated herein, but actual notice, however given or received, shall always be effective.

8.4 Successors and Assigns Bound. The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of Section 5.5.

8.5 Joint and Several Liability. All covenants and agreements of Borrower shall be joint and several.

8.6 Agents. In exercising any rights hereunder or taking any actions provided for herein, Lender may act through its employees, agents or independent contractors as authorized by Lender.

8.7 Governing Law. This Deed of Trust shall be governed by the applicable laws of the State of Arizona and the laws of the United States of America applicable to transactions in the State of Arizona.

8.8 Severability. In the event that any provision of this Deed of Trust or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provisions, and to this end the provisions of this Deed of Trust and the Note are declared to be severable.

8.9 Usury Disclaimer. The term "Maximum Lawful Rate" means maximum rate of interest and the term "Maximum Lawful Amount" means the maximum amount of interest that is permissible under applicable state or federal law for the type of loan evidenced by the Note and the other Loan Documents. Lender does not intend to contract for, charge, or receive more than the Maximum Lawful Rate or Maximum Lawful Amount permitted by applicable state or federal law, and to prevent such an occurrence Lender and Borrower agree that all amounts of interest, whenever contracted for, charged or received by Lender, with respect to the loan of money evidenced by the Note or with respect to any other amount payable under this Deed of Trust or any of the other Loan Documents, shall be spread, prorated or allocated over the full period of time the Note is unpaid, including the period of any renewal or extension of the Note. If demand for payment of the Note is made by Lender prior to the full stated term, the total amount of interest contracted for, charged or received to the time of such demand shall be spread, prorated or allocated along with any interest thereafter accruing over the full period of time that the Note thereafter remains unpaid for the purpose of determining if such interest exceeds the Maximum Lawful Amount. At maturity (including maturity due to Lender's acceleration of the Note) or on earlier final payment of the Note, Lender shall compute the total amount of interest that has been contracted for, charged or received by Lender or payable by Borrower under this Note and compare such amount to the Maximum Lawful Amount that could have been contracted for, charged or received by Lender. If such computation reflects that the total amount of interest that has been contracted for, charged or received by Lender or payable by Borrower exceeds the Maximum Lawful Amount, then Lender shall apply such excess to the reduction of the principal balance and not to the payment of interest; or if such excess interest exceeds the unpaid principal balance, such excess shall be refunded to Borrower. This provision concerning the crediting or refund or excess interest shall control and take precedence over all other agreements between Borrower and Lender so that under no circumstances shall the total interest contracted for, charged or received by Lender exceed the Maximum Lawful Amount.

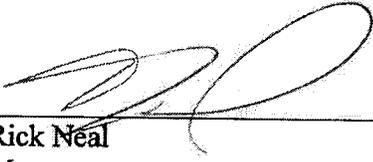
8.10 Partial Invalidity. In the event any portion of the sums intended to be secured by this Deed of Trust cannot be lawfully secured hereby, payments in reduction of such sums shall be applied first to those portions not secured hereby.

8.11 Captions. The captions and headings of the Articles and Sections of this Deed of Trust are for convenience only and are not to be used to interpret or define the terms and provisions of this Deed of Trust.

8.12 Definitions.

- (a) Combination Deed of Trust and Security Agreement is defined in the preamble.
- (b) Borrower is defined in the preamble.
- (c) Lender is defined in the preamble.
- (d) Security is defined in Article I.
- (e) Mortgaged Property is defined in Section 1.2.
- (f) Real Property is defined in Section 1.2(a).
- (g) Improvements are defined in Section 1.2(b).
- (h) Fixtures are defined in Section 1.2(c).
- (i) Personal Property is defined in Section 1.2(d).
- (j) General Intangibles are defined in Section 1.2(e).
- (k) Accounts are defined in Section 1.2(f).
- (l) Proceeds are defined in Section 1.2(g).
- (m) Indebtedness is defined in Section 2.1.
- (n) Secured Obligations are defined in Section 2.2.
- (o) Other Loan Documents are defined in Section 2.3.

Truxton Canyon Water Company, Inc.

By: 

Name: Rick Neal

Title: Manager

STATE OF ~~ARIZONA~~ Nevada

COUNTY OF Clark

This Deed of Trust was acknowledged before me on April 15, 2016 by Richard Neal, of Truxton Canyon Water Company, Inc. an Arizona water company, on behalf of said entity.

Notary Public 

SEAL

My Commission Expires 8/1/16



Exhibit "A"

Legal Description

PARCEL NO. 313-44-420

Legal Description of Property

Lot 420 VALLE VISTA UNIT ONE, TRACT 1192, according to the plat thereof, recorded May 15, 1972, at Fee No. 729552 in the Office of the Recorder of Mohave County, Arizona.

EXCEPT all oil, gas, coal and minerals as reserved by Santa Fe Pacific Railroad Company in Deed recorded in Book 78 of Deeds, Pages 143-150.

PARCEL NO. 314-10-001

Legal Description of Property

The West 500 feet of the North 200 feet of the South 2282.7 feet of Section Nineteen (19), Township Twenty-three (23) North, Range Thirship (13) West in Mohave County, Arizona.

Exhibit "B"

"Permitted Exceptions" means the following:

- 1 Sale, transfer, or other disposition of any Personal Property that is consumed or worn out in ordinary usage and that is promptly replaced with similar items of equal or greater value.
- 2 Liens and encumbrances being contested in accordance with Section 4.7 of the Deed of Trust.
- 3 Taxes and Assessments being contested in accordance with Section 4.4 of this Deed of Trust.
4. Liens and encumbrances in favor of Lender.

ATTACHMENT 2

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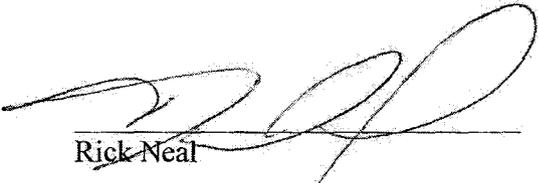
CERTIFICATION

STATE OF ARIZONA)
) ss.
County of Mohave)

I, the undersigned, hereby certify as follow:

- 1) I am over the age of eighteen.
- 2) I have personal knowledge of the statements set forth herein and I am competent to testify at a hearing or trial with respect to the same.
- 3) I certify that the loan between Truxton Canyon Water Company, Inc. and the Water Infrastructure Finance Authority complies with the authorization granted by the Arizona Corporation Commission.

DATED this 20th day of January, 2016.


Rick Neal