

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF YAVAPAI

DIVISION: 1

ETHEL BOUTON, Clerk of the Superior Court

HON. RICHARD ANDERSON, Judge

By: Susan Lynn Collins, Deputy Clerk

CASE NO.: 4772

DATE: June 27, 1990

TITLE:	:	COUNSEL:
	:	
	:	
GEORGE W. HANCE et al.,	:	
	:	
Plaintiff(s),	:	
	:	
vs.	:	
	:	
WALES ARNOLD et ux., et al.	:	
In the Matter of:	:	
THE VERDE DITCH COMPANY,	:	
	:	
Defendant(s).	:	

HEARING ON: Meeting

REPORTER: David W. Lundy

Meeting having been set at the request of the Honorable Richard Anderson, Judge of the Yavapai County Superior Court, Master of the Verde Ditch, and same coming on regularly, the following persons are present: Richard Anderson, Master of the Verde Ditch; L. Richard Mabery, counsel for the Verde Ditch Company; Glen Everett, Chairman of the Board of Commissioners for the Verde Ditch; Dale Harper and Bob Dinegar, volunteers designated by the Court to participate in an over-all study of the business operations and affairs of the Verde Ditch Company; Marty Cathcart, bookkeeper for the Verde Ditch Company. David W. Lundy reports the proceeding.

The Court notes for the record that the following persons do not appear, their presence having not been requested: Ken Stokes and John Watford, volunteers also appointed by the Court to investigate possible restructuring; John Redell, Vince Higgenbotham, Doc Ferguson, and Gordon Brocker, Commissioners of the Verde Ditch.

The Court makes introductory remarks and states the purpose of the meeting is to attempt explanation of his recent actions and the underlying reasons/purpose for appointment of a committee to do a study of the operations of the ditch and the affairs of the Ditch Company, the members of which are to

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report their findings to the Court: there has been a lot of miscommunication over the past months, and the Court wants to utilize this meeting to clarify any misconceptions and misinformation. It has also been suggested that the Court step aside and turn the ditch over to an association or corporation; the Court has determined that would not be in the best interests of shareholders at this time, however, in view of pending water rights issues and other legal considerations.

Mr. Everett submits a letter of resignation, then withdraws same after discussion.

Discussion is held regarding the issue of liability of committee members. Mr. Mabery suggests that perhaps Rule 53 may give the committeemen liability protection.

Discussion is held regarding the Court's letter of June 12 authorizing committee persons to view all documents and how that might breach the attorney-client privilege, the Court advising that the authority extended does not apply to confidential matters known to or in possession of Mr. Mabery. The Court states he could appoint one or more of the committeemen as a special master which would thereby allow that person to view such things as an officer of the Court. There Court then advises committeemen regarding confidentiality.

Discussion is held regarding who in the committee is to do what specific things: Mr. Harper will look over maintenance and operation of the ditch; Mr. Watford is to review financial matters; Mr. Dinegar will review legal and insurance matters; Mr. Stokes is to get a current list of shareholders. Mr. Harper is designated speaker for the committee, followed by Mr. Dinegar if Mr. Harper is not available. Appointments with Marty by committee members to review books and records are to be arranged and scheduled through the committee speaker. All books and records are to remain at the business premises where they are now maintained and are to be reviewed during regular business hours.

To preserve confidentiality the Court will issue an order or orders under Rule 53 appointing one or more of the committeemen a special master for the Verde Ditch Company. Upon suggestion of Mr. Mabery, pursuant to Rule 53(J) report drafts of the committeemen shall be submitted to and reviewed by counsel for the Verde Ditch Company prior to finalization and presentation to the Court. The Court will draft an order or orders for appointment of special masters for review by counsel prior to issuance. The rule of confidentiality will apply to all committee members and special masters and shall thereby extend to all persons who assist the committee members and special masters; committee members/special masters may arrange the assistance of qualified, volunteer persons (i.e., CPAs) who are not family members or relatives.

The meeting is adjourned at 12:10, P.M.

cc: L. Richard Mabery, Esq.