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JAN 22 1999

L. Richard Mabery  
State Bar I.D. No. 005188

NORBERT G. WEDEPOHL, Clerk  
By *James Matthews*  
Deputy

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA  
IN AND FOR THE COUNTY OF YAVAPAI

GEORGE W. HANCE, et al.,	)	No. 4772
	)	
Plaintiffs,	)	Division 1
	)	
vs.	)	ORDER
	)	
WALES ARNOLD, et ux., et al.,	)	
In the Matter of	)	
THE VERDE DITCH COMPANY,	)	
	)	
Defendants.	)	
	)	
	)	

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The Court having been advised of the potential of obtaining financial and technical assistance from the Verde Natural Resource Conservation District ("NRCD") for the purpose of construction of an underground pipeline to serve residential users of an existing lateral from the Verde Ditch along a portion of the Montezuma Castle Highway. The Court being further advised that the Verde Ditch Company would be considered the sponsor for the funding request and contract with the NRCD and it further appearing to the Court that the construction and utilization of a underground piping system would be in the best interests of the Verde Ditch Company

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 ( ) Def/Atty VDC TOTAL 3  
P.O. Box 2345  
 ( ) Vis Judge \_\_\_\_\_ ( ) Arbiter \_\_\_\_\_  
 ( ) Div \_\_\_\_\_ w/file ( ) Other Wymoch  
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 Suite 110, P.H., A-2

and all Verde Ditch shareholders. The Court further understands that the Verde Ditch shareholders/lateral users directly affected are overwhelmingly supportive of the construction of the underground pipeline and are willing to pay their respective pro rata portion of the sponsor's portion of such costs.

NOW, THEREFORE, IT IS ORDERED AS FOLLOWS:

1. The Verde Ditch Commissioners (John Reddell, John Teague, Gordon Williams, Kevin Hauser and Vernon Hilbers) are hereby authorized and empowered to execute and deliver, on behalf of the Verde Ditch Company, all necessary documents, and for the Verde Ditch Company, through its authorized commissioners, to be the contract sponsor on the NRC contract for the Montezuma Castle Highway lateral ditch replacement project.

2. The Verde Ditch Commissioners are authorized to expend funds of the Verde Ditch Company towards the sponsors share for the construction of the underground pipeline to replace the existing lateral from the Verde Ditch. Any funds expended by the Verde Ditch Company are to be reimbursed to the Verde Ditch Company from the individual lateral users/shareholders benefitted thereby.

3. In the event an individual lateral user/shareholder does not pay its pro rata share of the sponsors portion cost for the construction of the lateral pipeline in one lump sum, the Verde Ditch Company may advance those costs and expenses otherwise payable by the individual lateral user/shareholder. The Verde Ditch Company shall recover any costs or expenditures advanced by the Verde Ditch Company by a special assessment payable by the respective shareholder/lateral user. The amount advanced may be

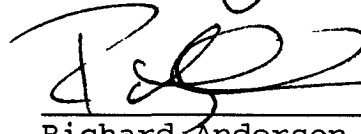
amortized over a period of not greater than five (5) years, payable in equal semi-annual installments, together with interest thereon at the rate of ten percent (10%) per annum on all unpaid amounts. Such assessment shall be a special assessment applicable only for those lateral ditch users/Verde Ditch shareholders that do not pay, in a timely manner and in one lump sum, their pro rata share of the sponsors costs under the NRCD contract. Such special assessment shall be collected along with regular Verde Ditch assessments and shall be enforceable as any other Verde Ditch assessment pursuant to the existing Rules and Regulations.

4. The Court specifically finds that it is in the best interests of the Verde Ditch Company to promote the conservation, preservation and beneficial use of surface water through cooperative efforts that increase the efficiencies of water delivery, thereby benefiting all shareholders. The Court, as Master of the Verde Ditch, does not grant permission or authorize the Verde Ditch Commissioners to execute and deliver any other loans, grants, contracts or assessments for any other lateral ditch improvements which are not a part of the Montezuma Castle Highway project as presented. Any future proposals or projects shall be reviewed by the Court on an individual basis and will be considered solely on the merits of each such project or proposal.

5. The Court further declines to authorize the Verde Ditch Commissioners to enter into any contract, loan, agreement, grant or application which contains any contractual term or condition, express or implied, which limits, reduces or restricts a Verde Ditch shareholder in the quantity, delivery or usage of Verde Ditch

water as a condition of the lateral ditch reconstruction and improvements.

DONE IN OPEN COURT this 21 day of January, 1999.



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Richard Anderson  
Master of the Verde Ditch and  
Judge of the Superior Court

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