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**L. RICHARD MABERY, P.C.**  
**234 North Montezuma Street**  
**Prescott, Arizona 86301**  
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2007-10-18 4:04

V. Rosa

**State Bar I.D. No. 005188**

Attorney for Verde Ditch Company

**IN THE SUPERIOR COURT OF THE STATE OF ARIZONA**

**IN AND FOR THE COUNTY OF YAVAPAI**

**GEORGE W. HANCE, et al.,** ) **No. CV 4772**

**Plaintiffs,** )

**vs.** )

**WALES ARNOLD, et ex., et al.,** )

**Defendants.** )

**Division 1**

**ANNUAL REPORT**

**In the matter of the VERDE DITCH )**  
**COMPANY )**

JOHN TEAGUE, JOHN REDDELL, VERNON HILBERS, DUGAN McDONALD and ALBERT DUPUY, Jr., the duly appointed Commissioners of the Verde Ditch Company, hereby file with the Court, on behalf of the Verde Ditch Company, copies of the following:

- a) Annual Meeting Agenda dated October 18, 2007 (Exhibit "A");
- b) 2007-2008 Winter Maintenance Plan (Exhibit "B");
- c) Verde Ditch Company's Income Statement for the 12 month period ending September 30, 2007 (Exhibit "C");

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- d) Verde Ditch Company's Balance Sheet dated September 30, 2007 (Exhibit "D");
- e) Document entitled "Detail for the Ditch and Dam Maintenance Statement" (Exhibit "E");
- f) Verde Ditch Company's Special Assessment Income Statement for the 12 month period ending September 30, 2007 (Exhibit "F"); and
- g) Verde Ditch Company's Special Assessment Balance Sheet for the 12 month period ending September 30, 2007 (Exhibit "G").

DATED this 10th day of September, 2007.

**L. RICHARD MABERY, P.C.**

By: 

L. Richard Mabery, Esq.

**Law Offices of L. Richard Mabery, P.C.**

234 North Montezuma Street

Prescott, Arizona 86301

Attorney for Verde Ditch Company

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**AGENDA**  
**VERDE DITCH ANNUAL MEETING**  
**THURSDAY OCTOBER 18, 2007**  
**6:00PM**

1. Call to Order
2. Read minutes from last years annual meeting.
3. New Business:
  - John Reddell explains winter work schedule
  - Jodi Allen addresses shareholders
  - Discuss weather or not to charge the special assessment on 10-01-08
4. Old Business:
  - Greg Blue property
5. Floor open to the shareholders.
6. Adjourn

**2007-2008 WINTER**  
**MAINTENANCE PLAN**

Extend a wing wall on Simonton property 12ft by 5ft

Fix broken wall on end of siphon (construction company for the sewer company broke the wall)

Fencing on siphon 1 & 2 on the Simonton property

Fix leak on the wall at Veterinary Clinic and clear out the bamboo

Repair the west end of the county siphon behind Ranch Acres, 2 walls are washed out

Build up the ditch bank at Greg Blues property

Jim Bruce and Al Dupuy want new headgates (at their expense)

Clean and maintain the ditch bank all along the 18 miles of ditch

VERDE DITCH COMPANY  
Income Statement  
Current, YTD, and Ratios  
12 Period(s) Ending September 30, 2007

	Year-to-Date	%
INCOME		
DITCH ASSESSMENTS	100,261.66	99.9
INTEREST INCOME	69.38	0.1
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TOTAL INCOME	100,331.04	100.0
COST OF SALES		
	-----	
GROSS PROFIT (LOSS)	100,331.04	100.0
EXPENSES		
DITCH LABOR	30,524.00	30.4
WORKMANS COMP EXPENSE	1,452.95	1.4
ACCOUNTING FEES	7,200.00	7.2
AUTO EXPENSE	1,980.70	2.0
BANK CHARGES	105.30	0.1
DITCH & DAM REPAIRS	38,433.24	38.3
DIESEL FUEL	1,162.55	1.2
EQUIPMENT REPAIR & MAIN	2,938.94	2.9
INSURANCE	5,128.00	5.1
LEGAL FEES	8,688.82	8.7
LICENSE & TAX	103.83	0.1
OFFICE EXPENSE	43.24	0
POSTAGE & FREIGHT	171.90	0.2
RENT	3,582.00	3.6
TELEPHONE	661.43	0.7
TRAVEL & ENTERTAINMENT	23.30	0
UTILITIES	2,802.43	2.8
	-----	
TOTAL EXPENSES	105,002.63	104.7
	-----	
NET INCOME (LOSS)	(4,671.59)	4.7
	=====	

VERDE DITCH COMPANY  
Balance Sheet

September 30, 2007

ASSETS

ASSETS

BANK ACCT-BANK ONE	19,751.96	
TOTAL ASSETS		19,751.96

FIXED ASSETS

GENERAL EQUIPMENT	62,776.45	
LAPTOP COMPUTER	683.69	
FURNITURE & FIXTURES	470.51	
LAND	100.00	
TOTAL FIXED ASSETS		64,030.65

TOTAL ASSETS		83,782.61
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LIABILITIES

LIABILITIES  
LONG TERM LIABILITIES

CAPITAL

CAPITAL STOCK	88,454.20	
NET PROFIT/LOSS	(4,671.59)	
TOTAL CAPITAL		83,782.61

TOTAL LIABILITIES AND CAPITAL		83,782.61
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**DETAIL FOR THE DITCH & DAM MAINTENANCE**

Bell Cement-Rebar & Ties	1,445.81
Bill Cox Property	660.00
Pipe @ Pecan Farm	6,035.07
Bill Cox Property	510.00
Bill Cox Property	630.00
Ace/supplies	41.06
Bell Cement-Pecan Farm, Ryal & Windy Point	3,094.90
Bill Cox Property	1,080.00
Blair Jenner Property	1,200.00
Blair Jenner Property	1,200.00
Chalk Hill unload Pipe	381.89
Concrete	7,040.26
Jenner Property	800.76
Ace/Supplies	38.31
Jenner Property	465.00
Ace/Supplies	214.02
Headgate Superior & Dickinson	1,683.98
Sedona West	488.18
Ace/Supplies	6.47
Backhoe work @ Industrial & Dickinson	212.16
Dam Repair	1,951.88
Tractor @ Greg Blue Property	130.00
Jenner Property	7,772.70
Fix Wally's Property	392.90
Fix hole in bank at the dam	954.72
Ace/Supplies	<u>3.17</u>
 TOTAL	 38,433.24

VERDE DITCH SPECIAL ASSESSMENT  
Income Statement  
Current, YTD, and Ratios  
12 Period(s) Ending September 30, 2007

	Year-to-Date	%
INCOME		
SPECIAL ASSESSMENTS	67,188.35	98.9
INTEREST INCOME	723.14	1.1
	-----	
Total INCOME	67,911.49	100.0
COST OF SALES		
	-----	
Gross Profit (Loss)	67,911.49	100.0
EXPENSES		
ACCOUNTING FEES	1,800.00	2.7
BANK CHARGES	27.20	0
CONCRETE FOR WALL	6,287.76	9.3
HOMESTEAD PATENTS	250.00	0.4
LEGAL FEES	8,598.78	12.7
MAPPING	1,326.00	2.0
SURVEY	24,210.00	35.6
	-----	
Total EXPENSES	42,499.74	62.6
	-----	
Net Income (Loss)	25,411.75	37.4
	=====	



VERDE DITCH SPECIAL ASSESSMENT  
Balance Sheet

September 30, 2007

Assets

ASSETS

CHASE BANK-GENERAL ACCT 31,027.23  
CHASE BANK-SAVINGS ACCT 50,570.98

Total ASSETS 81,598.21

FIXED ASSETS

Total Assets 81,598.21  
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Liabilities

LIABILITIES  
LONG TERM LIABILITIES

CAPITAL

CAPITAL STOCK 56,186.46  
NET PROFIT/LOSS 25,411.75

Total CAPITAL 81,598.21  
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Total Liabilities and Capital 81,598.21  
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