

FILED
11:30 O'clock, a M
JUN 28 1990

By Ethel Bouton Clerk
Deputy

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

GEORGE W. HANCE, et al.,)
)
 Plaintiffs,)
)
 vs.)
)
 WALES ARNOLD, et ux, et al.,)
)
 Defendants.)

No. 4772
Division 1
ORDER OF REFERENCE

Pursuant to Rule 53, Arizona Rules of Civil Procedure,
IT IS ORDERED appointing:

- 1. John Watford
- 2. Bob Dinagar
- 3. Ken Stokes
- 4. Dale Harper

examiners of the Verde Ditch Company.

I. The examiners shall serve without compensation,
but may be reimbursed for such necessary expenses as are from
time to time approved by the court and charged to the Verde
Ditch Company.

II. The examiners' duties shall be as set forth in
Exhibit "A" attached hereto.

III. Before submitting their report to the court the
examiners shall submit a draft thereof to counsel, pursuant to
Rule 53(j).

IV. The examiners as officers of this court, which
court is the Master of the Verde Ditch, shall stand in the

position of the Master with respect to attorney-client and accountant-client privilege regarding affairs of the Verde Ditch Company.

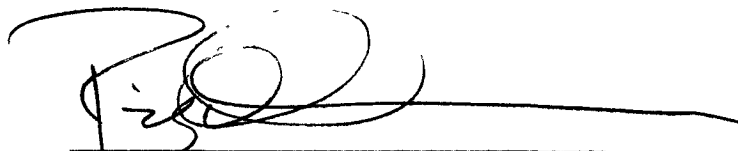
Communications between the examiners and the Commissioners appointed by the court to manage the Verde Ditch and the Ditch Company attorney, accountant and all records pertaining thereto, shall retain that confidentiality and privilege provided by the law applicable to attorney and accountant-client privilege.

Breach of confidentiality with respect to privileged communication and/or records shall be dealt with as contempt of court and all other remedies provided by law.

V. With prior approval of the court the examiners may engage the services of engineers, accountants or attorneys who will be bound by the rule of confidentiality set forth in Section IV hereof.

VI. To the extent that Exhibit "A" attached hereto differs in any way from this order, the provisions of this order shall govern.

DONE IN OPEN COURT this 28 day of June, 1990.



Hon. Richard Anderson
Superior Court, Division One

Superior Court of Arizona

YAVAPAI COUNTY
PRESCOTT, ARIZONA 86301
PHONE (602) 445-7450 Ext. 167



June 12, 1990

Mr. Bob Dinegar
P. O. Box 1870
Camp Verde, Arizona 86322

Mr. Dale Harper
HC62, Box 202
Camp Verde, Arizona 86322

Mr. John Watford
HC75, Box 3546
Camp Verde, Arizona 86322

Mr. Ken Stokes
P. O. Box 1881
Camp Verde, Arizona 86322

RE: Verde Ditch Company Reorganization

Gentlemen:

Enclosed is a copy of a letter which I have sent to Glen Everett as Chairman of the Verde Ditch Commissioners and a copy of a memo that will be sent to each shareholder. I ask that you perform the following work:

1. Examine all the affairs of the ditch. I expect you to review all of the books and records, insurance coverage, and legal matters; in sum, every document, financial or legal record involved with the operation of the ditch. Please make yourselves thoroughly familiar with the company's current and past operation and legal situation.
2. Thoroughly investigate the operation of the irrigation ditch itself and familiarize yourselves with the mechanics, engineering and hydraulic aspects of current and future ditch use and operation. To this end you will need to obtain the assistance of an hydrologist in addition to seeking information from our present commissioners.
3. After having examined the affairs of the ditch I ask that you recommend to me proposed new management structures for the operation of the ditch in the future.
4. I also ask that you provide me with management objectives for the ditch, both short term and long term.
5. Bear in mind in your analysis that the Verde Ditch Company must:
 - (a) Deliver water to the shareholders from one end of the ditch to the other;
 - (b) Maintain the ditch on a seasonal basis;
 - (c) Handle emergency repairs;
 - (d) Improve the ditch; and
 - (e) Enforce rules regarding water use or waste, encroachments and payment of fees.

Exhibit "A"

Mr. Bob Dinegar
Mr. Dale Harper
Mr. John Watford
Mr. Ken Stokes
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June 12, 1990

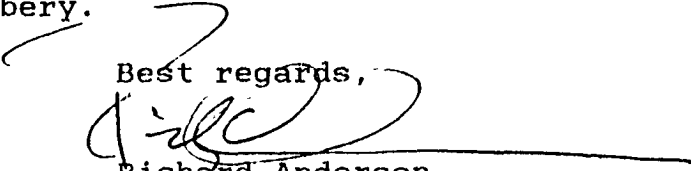
6. I expect that your work will commence no later than the first week of July, 1990, and that a new management structure for the ditch will be in place by October of this year.

7. I understand that you will assist the court in the implementation of the new management scheme.

8. This letter is your authority to discuss the affairs of the ditch with the commissioners, their attorney, bookkeeper, accountants and insurance agents and to examine all documents, correspondence, legal papers, books, records, policies of insurance and so forth that have to do with the operation of the ditch.

If sensitive issues arise regarding attorney or accountant privilege, i will handle those on a case by case basis, in consultation with you and Rick Mabery.

Best regards,



Richard Anderson

RA:jmw
cc: Glen W. Everett, Chairman
of Board of Commissioners of Verde Ditch
L. Richard Mabery, Esq.