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 JEANINE HICKS, Clerk
 BY [Signature]
 Deputy

L. Richard Mabery, Esq.
L. RICHARD MABERY, P.C.
 234 North Montezuma Street
 Prescott, Arizona 86301
 (928) 778-1116

State Bar I.D. No. 005188

Attorney for Respondent

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF YAVAPAI

Law Offices of
 L. Richard Mabery, P.C.
 234 North Montezuma Street
 Prescott, Arizona 86301-3008
 (928) 778-1116

GEORGE W. HANCE, et al.,)

No. CV 4772

Plaintiff,)

Division 1

vs.)

WAKES ARNOLD, et ux., et al.,)

**STIPULATION FOR APPROVAL OF
 SETTLEMENT AGREEMENT AND
 FOR DISMISSAL OF PETITIONER'S
 MOTION FOR ORDER TO SHOW
 CAUSE**

Defendants.)

GREGORY A. BLUE,)

Petitioner,)

vs.)

THE VERDE DITCH COMPANY,)

Respondent.)

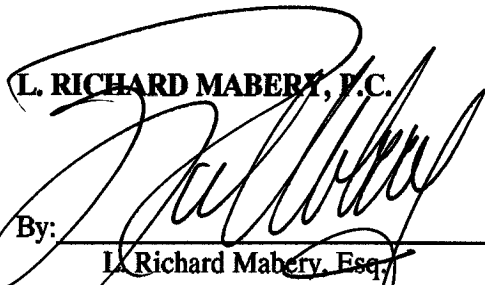
Petitioner Gregory A. Blue, In Propria Persona, and Respondent The Verde Ditch Company, through the duly appointed Commissioners, John Reddell, Dugan McDonald, Albert Dupuy Jr., John Teague and Vernon Hilbers, through counsel undersigned, hereby stipulate and agree that the Court

may enter an Order of Dismissal of Petitioner's Motion for Order to Show Cause in the above-entitled action, with prejudice, with each party to bear their own costs and attorneys' fees incurred, for the matter has been resolved by the parties pursuant to the terms and conditions set forth in the Settlement Agreement executed on July 28, 2008 (a copy of which is attached hereto as Exhibit "A" and incorporated herein by reference, and subject to the approval of the Court).

DATED this 30th day of July, 2008.



Gregory A. Blue
 95 E. Cliff House Drive, #A
 Camp Verde, Arizona 86322
 Petitioner In Propria Persona

L. RICHARD MABERY, P.C.


By: L. Richard Mabery, Esq.
Law Offices of L. Richard, P.C.
 234 North Montezuma Street
 Prescott, Arizona 86301
 Attorney for The Verde Ditch Company

Law Offices of
L. Richard Mabery, P.C.
 234 North Montezuma Street
 Prescott, Arizona 86301-3008
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/ckw

SETTLEMENT AGREEMENT

DATE:

1/28/2009 ~~-2008~~

PARTIES: Gregory A. Blue, Petitioner (hereinafter referred to as "Blue")

and

The Verde Ditch Company, Respondent (hereinafter referred to as "Verde Ditch Company")

RECITALS: Blue filed a Motion for an Order to Show Cause with the Yavapai County Superior Court on October 16, 2007 in George W. Hance, et al. vs. Wakes Arnold, et ux., et al., Cause No. CV 4772. The parties presented evidence and testimony regarding the claims of Blue and the Court has completed an on-site view of the portion of the Verde Ditch involved in the dispute.

The parties agreed to hold in abeyance further Court hearings to determine if a resolution could be obtained. The parties have reached a settlement which addresses the concerns and issues in dispute, which requires modification to a portion of the Verde Ditch and relocation of one lateral ditch and gate valve serving a portion of the Fort River Caves subdivision. The parties will ask the Court to approve the terms contained herein.

NOW, THEREFORE, in consideration of the terms and conditions set forth in this Agreement, the parties agree as follows.

1. Blue has satisfied himself that installation of a 54" pipeline to carry the waters of the Verde Ditch across Blue's property (Yavapai County Assessor's parcels 404-30-108 through 404-30-114A) will solve the problem of seepage on his property. Verde Ditch has satisfied itself that the 54" pipeline is a viable solution to Blue's claims and allow it to maintain the integrity of the Verde Ditch. Verde Ditch Company shall engage a licensed contractor to install the 54" pipeline and all associated appurtenances. However, Verde Ditch Company shall not be obligated to undertake any

work or modifications that exceed Forty-five Thousand Dollars (\$45,000.00) for the project. Blue shall pay to the Verde Ditch Company, within ten (10) days of the Court's approval of this settlement, the sum of Thirty Thousand Dollars (\$30,000.00). Such payment shall be received at the Verde Ditch Company office in Camp Verde, Arizona. In the event the total costs or expenses for this project exceed Forty-five Thousand Dollars (\$45,000.00) for any reasons beyond the control of the parties, and absent an amendment of this Settlement Agreement signed by both parties that reallocates any additional contributions necessary to complete the work specified herein, then all sums contributed shall be returned to the party contributing such sums.

2. Installation of the 54" pipeline allows relocation of a gate valve and a portion of the existing lateral ditch serving the Fort River Caves subdivision. Blue shall engage a licensed contractor to construct and install the gate valve, underground pipeline and valves. The Verde Ditch Company shall be provided plans for the gate valve for approval and such approval shall not be unreasonably withheld. Blue shall be solely responsible for all costs and expenses of installing the gate valve, underground pipeline and valves and any other improvements required for the Fort River Caves subdivision lateral. Blue and the Verde Ditch Company will each be responsible for that portion of the work to be performed as set forth in Schedule 1, attached hereto and incorporated herein by reference.

3. The parties envision that all work shall commence and be completed between December, 2008 and February, 2009, during the normal winter maintenance schedule of the Verde Ditch.

4. The modifications to the Verde Ditch, as well as the installation of the gate valve, and Fort River Caves subdivision lateral underground pipeline contemplated hereby are undertaken as

a good faith effort by the parties to provide an economically viable resolution to the pending dispute; to protect the integrity of the Verde Ditch; to lessen the potential of damage in the event of leakage or failure of the Ditch; to facilitate the ability of the Verde Ditch to receive controlled flows of drainage water from the Four R's LLC's existing detention pond; and to provide an improved and more efficient lateral for the Fort River Caves subdivision shareholders.

5. The parties acknowledge that the repairs or modifications to the Verde Ditch are specific only this particular site and dispute, and the Verde Ditch Company modifications are not intended to be appropriate or precedential as to any other portion of the Verde Ditch, other adjoining property owners' rights or obligations, or other shareholders of the Verde Ditch Company.

6. Blue's responsibility shall be limited to making the Thirty Thousand Dollar (\$30,000.00) contribution for the design and construction of the 54" pipeline to be installed and maintained by the Verde Ditch Company, as well as providing the necessary funding and contractor to install the gate valve and underground pipeline serving the Fort River Caves subdivision.

7. The parties covenant and agree that the terms contained herein are in settlement and compromise of disputed claims, and the terms hereof are not an admission, in whole or in part, of the truth, falsity or accuracy of any claims or defenses, or obligation arising by or between the parties heretofore, but that the terms contained herein are a compromise and settlement of all claims, known or unknown, and waiver of all rights to pursue such claims by Blue against the Verde Ditch Company, its Commissioners and shareholders, and from the Verde Ditch Company against Blue as such claims exist in the pending Motion for Order to Show Cause.

8. This Agreement shall be binding upon the parties, shareholders, heirs, successors, assigns, personal representatives and devisees.

9. This Agreement contains the full covenants and terms of the settlement and compromise by and between the parties and shall not be modified, in whole or in part, except by a document in writing, signed by the parties.

10. Time is of the essence hereof.

11. This Agreement shall be interpreted pursuant to the laws of the State of Arizona, without prejudice or reference of authorship.

12. Upon the approval by the Court of this settlement, the existing Motion for Order to Show Cause filed by Blue on October 16, 2007 shall be deemed withdrawn and shall be dismissed with prejudice, with each party to pay their own attorneys' fees and costs. The parties shall have the right to seek enforcement of the terms contained herein, but no provision hereof shall be enforceable by or deemed to be for the benefit of any person or entity that is not an express signatory hereto.

13. This Agreement shall not be deemed a release, waiver or abandonment of any rights and obligations of the Verde Ditch Company for access, maintenance, repair or operation of the Verde Ditch over and across the Blue property, nor shall this Agreement or the performance of the terms hereof by either party add, diminish or modify any liabilities, obligations or rights of either party existing as a matter of law. The Verde Ditch Company shall maintain the Verde Ditch pipeline once constructed across Blue's property. Future repairs or maintenance of the Verde Ditch pipeline will be within and across the historical access rights and locations and Blue shall maintain his structures, walls and improvements built on his property. Future repairs and maintenance of the Fort River Cave subdivision underground irrigation pipeline, gate valve and valves shall be the obligation of the Fort River Caves subdivision shareholders entitled to use the irrigation water provided and any other adjacent property owners that are involved in the underground pipeline usage and repair.

14. The Verde Ditch Company and the contractors engaged to perform the work contemplated hereon are granted an additional temporary access easement over and across the Blue property to facilitate the work performed, if necessary, but such temporary easement shall cease upon completion of the work performed hereunder and the contractor performing such work shall restore the Blue property to the condition previously existing. Future repairs or maintenance of the Verde Ditch pipeline will be within and across the historical access rights and locations.

15. All notices of communication shall be delivered via First Class Mail, or hand delivered, effective upon the actual delivery if by hand or three days after the mailing by depositing, postage pre-paid with the United States Post Office, to:

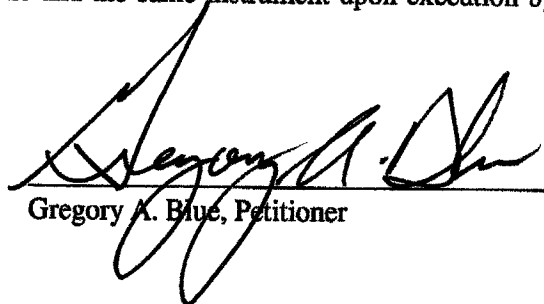
Blue
 Gregory A. Blue
 95 East Cliff House Drive, #A
 Camp Verde, Arizona

The Verde Ditch Company
 P.O. Box 2345
 Camp Verde, Arizona 86322

with a copy to:
 L. Richard Mabery, P.C.
 234 North Montezuma Street
 Prescott, Arizona 86301


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IN WITNESS WHEREOF, this Settlement Agreement has been executed the day and year first above written, considered to be effective upon the signature of all parties and approval by the Yavapai County Superior Court. This Agreement may be executed in duplicate and/or in counterparts, each of which shall constitute one and the same instrument upon execution by all parties.



 Gregory A. Blue, Petitioner

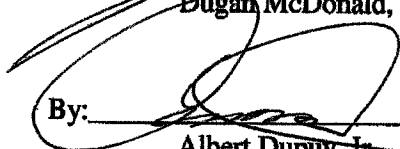
The Verde Ditch Company

By: 

 John Reddell, Commissioner

By: 

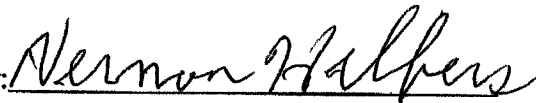
 Dugan McDonald, Commissioner

By: 

 Albert Dupuy, Jr., Commissioner

By: 

 John Teague, Commissioner

By: 

 Vernon Hilbers, Commissioner

/lmh

SCHEDULE 1

A. Work to be Performed by Verde Ditch Company¹

- 1) Installation of 320 Lf of 54" pipe commencing at the western property line of Blue and continuing to the eastern boundary line of the Blue property.
- 2) Completion of inlet and outlet head walls.
- 3) Approval and obtaining any necessary permits from any governmental authorities or jurisdictions, if any.
- 4) Construction of appropriate clean out devices at designated locations and construction of appropriate inlet for controlled drainage from the Four R's LLC's existing detention pond.

Estimated Costs

Verde Ditch

Pipe and pipeline 54"

Head walls and clean outs

\$36,088.00

Inlet for detention pond overflow

plus sales tax

B. Work to be Performed by Licensed Contractor Engaged by Gregory Blue²

- 1) Construction of Fort River Caves lateral
- 2) New head wall
- 3) 12" canal gate
- 4) Approximately 200' 12" underground irrigation pipeline
- 5) Repair of pavement (if necessary)
- 6) Submit plans to the Verde Ditch Commissioners for approval of the lateral head gate
- 7) Approvals and obtaining any necessary permits from any governmental authorities or jurisdictions, if any.
- 8) Place thrust blocks where needed
- 9) Install three (3) 4" T's and three (3) 4" alfalfa valves on parcel 404-30-116.

Estimated Costs

Gregory Blue

\$6,500.00

plus sales tax

¹The Verde Ditch Company intends to continue the 54" pipeline easterly from the Blue property to the Montezuma Castle Highway. While the pipeline will connect to and be completed simultaneously with the Blue property project, the completion of that project is not a part of this settlement or funding contribution.

²An appropriate legal description for the location of the replacement easement for the Fort River Caves Ditch lateral and any necessary approvals for the construction and relocation of the underground lateral pipeline, gate and valve shall be obtained and an easement recorded for the new lateral location. The work to connect the 12" underground pipeline to a new gate and valve in the bank of the Verde Ditch will be completed simultaneously with the construction of the 54" pipeline.