

WATER FACILITIES EXTENSION AGREEMENT

This Agreement is made this ____ day of May, 2012 by and between GLOBAL WATER - SANTA CRUZ WATER COMPANY, an Arizona corporation ("Company"), and City of Maricopa, a municipal corporation ("City").

RECITALS

A. City desires that water utility service be extended to and for Phase I of the Estrella Gin site known as the Fire Station Site _____, in Pinal County, City of Maricopa, Arizona ("Phase I"). A legal description for Phase I is attached hereto as Exhibit "A" and incorporated herein by this reference. Phase I is contiguous to Company's current Certificate of Convenience and Necessity ("CC&N") and will be included in the next expansion of its CC&N.

B. Company is a public service corporation as defined in Article XV, Section 2 of the Arizona Constitution which owns and operates water utility facilities and holds a CC&N from the Arizona Corporation Commission (the "Commission") granting Company the exclusive right to provide water utility service within portions of Pinal County, Arizona.

C. Subject to the terms and conditions set forth hereinafter, City is willing to construct and install facilities within Phase I necessary to extend water utility service within Phase I, which facilities shall connect to the Company's system as generally shown on the map attached hereto as Exhibit "B." Company is willing to provide water utility service to Phase I in accordance with relevant law, including the rules and regulations of the Commission on the condition that City fully and timely perform the obligations and satisfy the conditions and requirements set forth below.

D. Global Water Resources, Inc., a Delaware corporation (“Global”) is the owner of the Company and City and Global entered into a “First Amended and Restated Memorandum of Understanding on June 23, 2011, (the “Revised MOU”) as authorized by City’s Resolution No. 11-39. The Revised MOU includes as its’ Exhibit A a License Agreement by and between the City, the Company, and Santa Cruz Water Company, dated November 9, 2006 (“License Agreement”).

COVENANTS AND AGREEMENTS

NOW, THEREFORE, in consideration of the following covenants and agreements, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **Construction of Facilities.** City agrees to construct and install water distribution mains and pipelines, valves, booster stations, hydrants, fittings, service lines and all other related facilities and improvements necessary to provide water utility service to Phase I as more particularly described in Exhibit “C” attached hereto and incorporated herein by this reference (referred to hereinafter as the "Facilities"). The Facilities shall connect to the Company’s system at the point shown on the approved plans as generally depicted on the map attached hereto as Exhibit “B,” and shall be designed and constructed within Phase I in a manner which allows the provision of safe and reliable water utility service to each lot therein. Subject to the terms and conditions set forth herein (including, without limitation, Company's rights of plan review and approval and inspection of final construction), City shall be responsible for all construction activities associated with the Facilities, and City shall be liable for and pay when

due all costs, expenses, claims and liabilities associated with the construction and installation of the Facilities.

2. **Construction Standards and Requirements.** The Facilities shall meet and comply with Company's standards and specifications, and all engineering plans and specifications for the Facilities shall be approved by Company and its engineers ("Company's Engineer"), prior to the commencement of construction. Company and Company's Engineer shall review the plans and specifications and shall provide any requirements or comments as soon as practicable. City shall require that its contractor be bound by and conform to the plans and specifications for the Facilities as finally approved by Company. The construction and installation of the Facilities shall be in conformance with the applicable regulations of the Arizona Department of Environmental Quality ("ADEQ"), the Commission, and any other governmental authority having jurisdiction thereover.

3. **Right of Inspection; Corrective Action.** Company shall have the right to have Company's Engineer inspect and test the Facilities at reasonable times during the course of construction as necessary to ensure conformance with plans and specifications. If at any time before the final acceptance by Company of the Facilities any construction, materials or workmanship are found to be defective or deficient in any way, or the Facilities fail to conform to this Agreement, then Company may reject such defective or deficient construction, materials and/or workmanship and require City to fully pay for all necessary corrective construction efforts ("Corrective Action"). Company reserves the right to withhold approval and to forbid connection of any defective portion of the Facilities to Company's system unless and until the Facilities have been constructed in accordance with plans and specifications and all applicable

regulatory requirements. Further, City shall promptly undertake any Corrective Action required to remedy such defects and deficiencies in construction, materials and workmanship upon receipt of notice by Company. The foregoing notwithstanding, Company shall not unreasonably withhold or delay acceptance of the Facilities.

4. **Transfer of Ownership.** Upon completion and approval of the as-built Facilities by Company and any other governmental authority whose approval is required, City shall transfer all right, title and interest in the Facilities to Company via a bill of sale in a form substantially similar to that set forth in Exhibit “D” hereto. Thereafter, Company shall be the sole owner of the Facilities and be responsible for their operation, maintenance and repair. Company's ownership and responsibility shall include all distribution mains and/or related appurtenances within Phase I up to the point of connection to the service line of Phase I receiving service. Maintenance and repair of each service line, which lines are not part of the Facilities, shall be City's responsibility. All work performed by or on behalf of City shall be warranted by City for two years from the date of transfer of the Facilities to Company against defects in materials and workmanship. City shall also covenant, at the time of transfer, that the Facilities are free and clear of all liens and encumbrances, and unless the time period for filing lien claims has expired, shall provide evidence in the form of lien waivers that all claims of contractors, subcontractors, mechanics and materialmen have been paid and satisfied.

5. **Final As-Built Drawings and Accounting of Construction Costs.** Immediately following completion and approval of the Facilities, City shall provide Company with three sets of as-built drawings and specifications for the Facilities and a reproducible copy of such drawings. City shall also provide an accounting of the cost of constructing and installing

the Facilities, which amount shall be refundable in accordance with paragraph 8, below. Company shall have no obligation to furnish service to Phase I or to accept the transfer of the Facilities until City has complied with this paragraph.

6. **Easements.** City shall be responsible for obtaining all necessary easements and rights-of-way for the construction and installation, and subsequent operation, maintenance and repair of the Facilities. Such easements and rights-of-way shall be of adequate size, location, and configuration so as to allow Company ready access to the Facilities for maintenance and repairs and other activities necessary to provide safe and reliable water utility service. Such easements and rights-of-way shall be provided to Company by City at the same time as City transfers ownership of the Facilities pursuant to paragraph 4, above. At the time of transfer, all easements and rights-of-way shall be free of physical encroachments, encumbrances or other obstacles. Company shall have no responsibility to obtain or secure on City's behalf any such easements or rights-of-way.

7. **Reimbursement for Engineering and Other Fees and Expenses.** City shall also reimburse Company for the costs, expenses and fees, including legal fees and costs that are incurred by Company for preparation of this Agreement, for reviewing and approving the plans and specifications for the Facilities to be constructed by City, for inspecting the Facilities during construction and other supervisory activities undertaken by Company, for obtaining any necessary approvals from governmental authorities (collectively the "Administrative Costs"). For such purpose, City will pay to Company the sum of ten percent (10%) of the estimated cost of facilities itemized within Exhibit "C" or \$7500, whichever is greater. City shall provide additional advances to Company, as may be requested by Company in writing from time-to-time,

to reimburse Company for any additional Administrative Costs it incurs, such costs shall be approved by both City and Company prior to incurring such costs. Pursuant to Paragraph 5 of the Revised MOU and as outlined in Exhibit C to the Revised MOU, costs due from City to Company under this Agreement shall be offset against fees due from Global to City under Section 4(a) of the License Agreement and the Commission's Record of Decision 71878.

8. **Refunds of Advances.** Company shall refund annually to City an amount equal to seven percent (7%) of the gross annual revenues received by Company from the provision of water utility service to each bona fide customer within Phase I. Such refunds shall be paid by Company on or before the first day of August, commencing in the fourth calendar year following the calendar year in which title to the Facilities is transferred to and accepted by Company and continuing thereafter in each succeeding calendar year for a total of twenty-two (22) years. No interest shall accrue or be payable on the amounts to be refunded hereunder, and any unpaid balance remaining at the end of such twenty-two year period shall be non-refundable. In no event shall the total amount of the refunds paid by Company hereunder exceed the total amount of all advances made by City hereunder. For the purposes of this provision, the total amount of City's advances shall be equal to City's actual cost of constructing the Facilities, less the costs of any corrective action as defined in paragraph 3 above, the costs of curing any defects arising during the warranty period, as provided herein, and the costs of any unreasonable overtime incurred in the construction of the Facilities.

9. **Company's Obligation to Serve.** Subject to the condition that City fully perform its obligations under this Agreement, Company shall provide water utility service to all customers within Phase I in accordance with Company's tariffs and schedule of rates and charges

for service, the rules and regulations of the Commission and other regulatory authorities and requirements. However, Company shall have no obligation to accept and operate the Facilities in the event City fails to make any payment provided in this Agreement, fails to construct and install the Facilities in accordance with Company's standards and specifications and in accordance with the applicable rules and regulations of ADEQ, the Commission or any other governmental authority having jurisdiction thereover, or otherwise fails to comply with the terms and conditions of this Agreement. City acknowledges and understands that Company will not establish service to Phase I until such time as Company has accepted the transfer of the Facilities, and all amounts that City is required to pay Company hereunder have in fact been paid. The foregoing notwithstanding, the Company shall not terminate service to Phase I where service has been properly established as a consequence of any subsequent breach or nonperformance by City hereunder.

10. **Liability for Income Taxes.** In the event it is determined that all or any portion of City's advances in aid of construction hereunder constituted taxable income to Company as of the date of this Agreement or at the time Company actually receives such advances hereunder, City will advance funds to Company equal to the income taxes resulting from City's advance hereunder. These funds shall be paid to Company within twenty (20) days following notification to City that a determination has been made that any such advances constitute taxable income, whether by virtue of any determination or notification by a governmental authority, amendment to the Internal Revenue Code, any regulation promulgated by the Internal Revenue Service, or similar change to any statute, rule or regulation relating to this matter. Such notification shall include documentation reasonably necessary to substantiate

the Company's liability for income taxes resulting from the City's advances in aid of construction under this Agreement. In the event that additional funds are paid by City under this paragraph, such funds shall also constitute advances in aid of construction. In addition, City shall indemnify and hold Company harmless for, from and against any tax related interest, fines and penalties assessed against Company and other costs and expenses incurred by Company as a consequence of late payment by City of amounts described above.

11. **Notice.** All notices and other written communications required hereunder shall be sent to the parties as follows:

COMPANY:

Global Water - Santa Cruz Water Company
Attn: Cindy Liles
21410 N. 19th Avenue, Suite 201
Phoenix, Arizona 85027

CITY:

City of Maricopa
Attn: City Manager
PO Box 610
Maricopa, Arizona 85139

Each party shall advise the other party in writing of any change in the manner in which notice is to be provided hereunder.

12. **Governing Law.** This Agreement, and all rights and obligations hereunder, shall be subject to and governed by the rules and regulations of the Commission relating to domestic water utilities and generally shall be governed by and construed in accordance with the laws of the State of Arizona. City understands and acknowledges that Company's rates and charges, and other terms and conditions applicable to its provision of utility service, may be

modified from time-to-time by order of the Commission. Company shall provide City with copies of such orders that may affect City's rights and obligations hereunder.

13. **Time is of the Essence.** Time is and shall be of the essence of this Agreement.

14. **Indemnification: Risk of Loss.** City shall indemnify and hold Company harmless for, from and against any and all claims, demands and other liabilities and expenses (including attorneys' fees and other costs of litigation) arising out of or otherwise relating to City's failure to comply with any of the terms and conditions contained herein, including (without limitation) Company's refusal to serve Phase I based on City's failure to pay all amounts required hereunder in a timely manner. City's duty to indemnify Company shall extend to all construction activities undertaken by City, its contractors, subcontractors, agents, and employees hereunder.

15. **Successors and Assigns.** This Agreement may be assigned by either of the parties provided that the assignee agrees in writing to be bound by and fully perform all of the assignor's duties and obligations hereunder. This Agreement and all terms and conditions contained herein shall be binding upon and shall inure to the benefit of the successors and assigns of the parties.

16. **Dispute Resolution.** The parties hereto agree that each will use good faith efforts to resolve, through negotiation, disputes arising hereunder without resorting to mediation, arbitration or litigation.

17. **Integration: One Agreement.** This Agreement supersedes all prior agreements, contracts, representations and understandings concerning its subject matter, whether

written or oral.

18. **Attorneys' Fees.** The prevailing party in any litigation or other proceeding concerning or related to this Agreement, or the enforcement thereof, shall be entitled to recover its costs and reasonable attorneys' fees.

19. **Authority to Perform.** Company represents and warrants to City that Company has the right, power and authority to enter into and fully perform this Agreement. City represents and warrants to Company that City has the right, power and authority to enter into and fully perform this Agreement.

20. **Conflict of Interest.** The provisions of A.R.S. §38-511 relating to cancellation of contracts due to conflicts of interest shall apply to this Agreement.

COMPANY:

GLOBAL WATER - SANTA CRUZ WATER COMPANY,
an Arizona corporation

By: _____
Cindy M. Liles
Its: Secretary and Treasurer

CITY:

By: _____
Anthony Smith
Its: Mayor

EXHIBIT "A"
LEGAL DESCRIPTION

EXHIBIT "A"
WATER EASEMENT

A PORTION OF LAND LOCATED IN SECTION 21, TOWNSHIP 4 SOUTH, RANGE 3 EAST, MARICOPA COUNTY, ARIZONA, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTH QUARTER CORNER OF SAID SECTION 21, BEING MARKED BY AN ADOT ALUMINUM CAP IN HAND HOLE, FROM WHICH THE NORTHWEST CORNER OF SAID SECTION 21, BEING MARKED BY AN ADOT ALUMINUM CAP IN HAND HOLE, BEARS SOUTH 89 DEGREES 34 MINUTES 07 SECONDS WEST, 2673.82 FEET;

THENCE SOUTH 00 DEGREES 35 MINUTES 32 SECONDS EAST, ALONG THE NORTH MID-SECTION LINE OF SAID SECTION 21, 2630.30 FEET TO A PK NAIL MARKING THE CENTER OF SAID SECTION 21 AND ALSO BEING THE **POINT OF BEGINNING**;

THENCE CONTINUING ALONG THE SOUTH MID-SECTION LINE OF SAID SECTION 21, SOUTH 00 DEGREES 35 MINUTES 32 SECONDS EAST, 40.00 FEET TO A POINT ON THE FUTURE SOUTH RIGHT-OF-WAY LINE OF WEST EDISON ROAD;

THENCE ALONG SAID FUTURE SOUTH RIGHT-OF-WAY LINE, SOUTH 89 DEGREES 49 MINUTES 04 SECONDS WEST, 216.52 FEET TO A POINT OF TANGENT CURVATURE, CONCAVE NORTHEASTERLY, WHOSE RADIUS IS 1115.00 FEET;

THENCE NORTHWESTERLY ALONG SAID CURVE TO THE RIGHT THROUGH A CENTRAL ANGLE OF 11 DEGREES 33 MINUTES 21 SECONDS, AN ARC LENGTH OF 224.88 FEET;

THENCE DEPARTING SAID FUTURE SOUTH RIGHT-OF-WAY LINE SOUTH 13 DEGREES 25 MINUTES 46 SECONDS WEST, 250.00 FEET;

THENCE NORTH 76 DEGREES 34 MINUTES 14 SECONDS WEST, 80.00 FEET;

THENCE NORTH 68 DEGREES 47 MINUTES 09 SECONDS WEST, 241.07 FEET;

THENCE NORTH 19 DEGREES 33 MINUTES 42 SECONDS EAST, 247.00 FEET TO A POINT ON SAID FUTURE SOUTH RIGHT-OF-WAY LINE OF WEST EDISON ROAD;

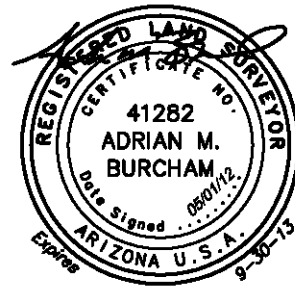
THENCE NORTH 26 DEGREES 30 MINUTES 58 SECONDS EAST, 80.00 FEET TO A POINT ON SAID FUTURE NORTH RIGHT-OF-WAY LINE OF WEST EDISON ROAD, ALSO BEING A POINT OF NON-TANGENT CURVATURE, CONCAVE NORTHEASTERLY, WHOSE CENTER BEARS NORTH 26 DEGREES 30 MINUTES 58 SECONDS EAST, 1035.00 FEET;

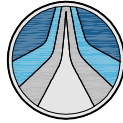
THENCE SOUTHEASTERLY ALONG SAID NORTH RIGHT-OF-WAY LINE AND ALSO ALONG SAID CURVE TO THE LEFT THROUGH A CENTRAL ANGLE OF 26 DEGREES 41 MINUTES 54 SECONDS, AN ARC LENGTH OF 482.28 FEET;

THENCE NORTH 89 DEGREES 49 MINUTES 04 SECONDS EAST, 186.24 FEET;
THENCE DEPARTING SAID NORTH RIGHT-OF-WAY LINE, SOUTH 00 DEGREES 10 MINUTES 56 SECONDS EAST, 40.00 FEET TO A POINT ON THE FUTURE CENTER LINE OF SAID WEST EDISON ROAD;

THENCE ALONG SAID FUTURE CENTER LINE, NORTH 89 DEGREES 49 MINUTES 04 SECONDS EAST, 30.00 FEET TO THE **POINT OF BEGINNING**.

SAID PARCEL CONTAINS 131,719 SQUARE FEET OR 3.0239 ACRES, MORE OR LESS.





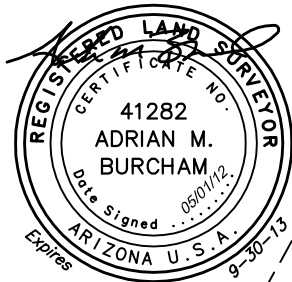
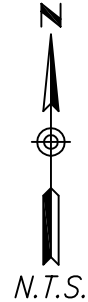
NW COR. SEC. 21
T4S, R3E
ADOT A.C.H.H.

N 1/4 COR. SEC 21
T4S, R3E
ADOT A.C.H.H.

S89°34'07"W 2673.82'

LEGEND

- = PROPERTY LINE
- = EASEMENT LINE
- = CENTER LINE
- = SECTION LINE
- = SURVEY MONUMENT AS NOTED
- = PK NAIL
- R.O.W. = RIGHT-OF-WAY



RADIAL LINE
N26°30'58"E
1035.00'

S00°10'56"E
40.00'

N89°49'04"E
30.00'

S00°35'32"E 2630.30'

ROOSEVELT AVENUE

N89°49'04"E
186.24'

$\Delta = 26^\circ 41' 54''$
 $R = 1035.00'$, $L = 482.28'$

W. EDISON RD.

POB

S89°49'04"W
216.52'

S00°35'32"E
40.00'

$R = 1115.00'$, $L = 224.88'$
 $\Delta = 11^\circ 33' 21''$

CENTER SEC 21
T4S, R3E
PK NAIL

80'
FUTURE
R.O.W.

N19°33'42"E
247.00'

N26°30'58"E
80.00'

S13°25'46"W
250.00'

N68°47'09"W
241.07'

N76°34'14"W
80.00'

EXHIBIT "A"

WATER EASEMENT

City of Maricopa, Pinal County, Arizona

Project No.
11187

Date
05/01/12

Project Manager
AARON MICHALENKO

Project Eng.

Sht. 1 of 1

EXHIBIT 'B'

12" Water Line Point of Connection

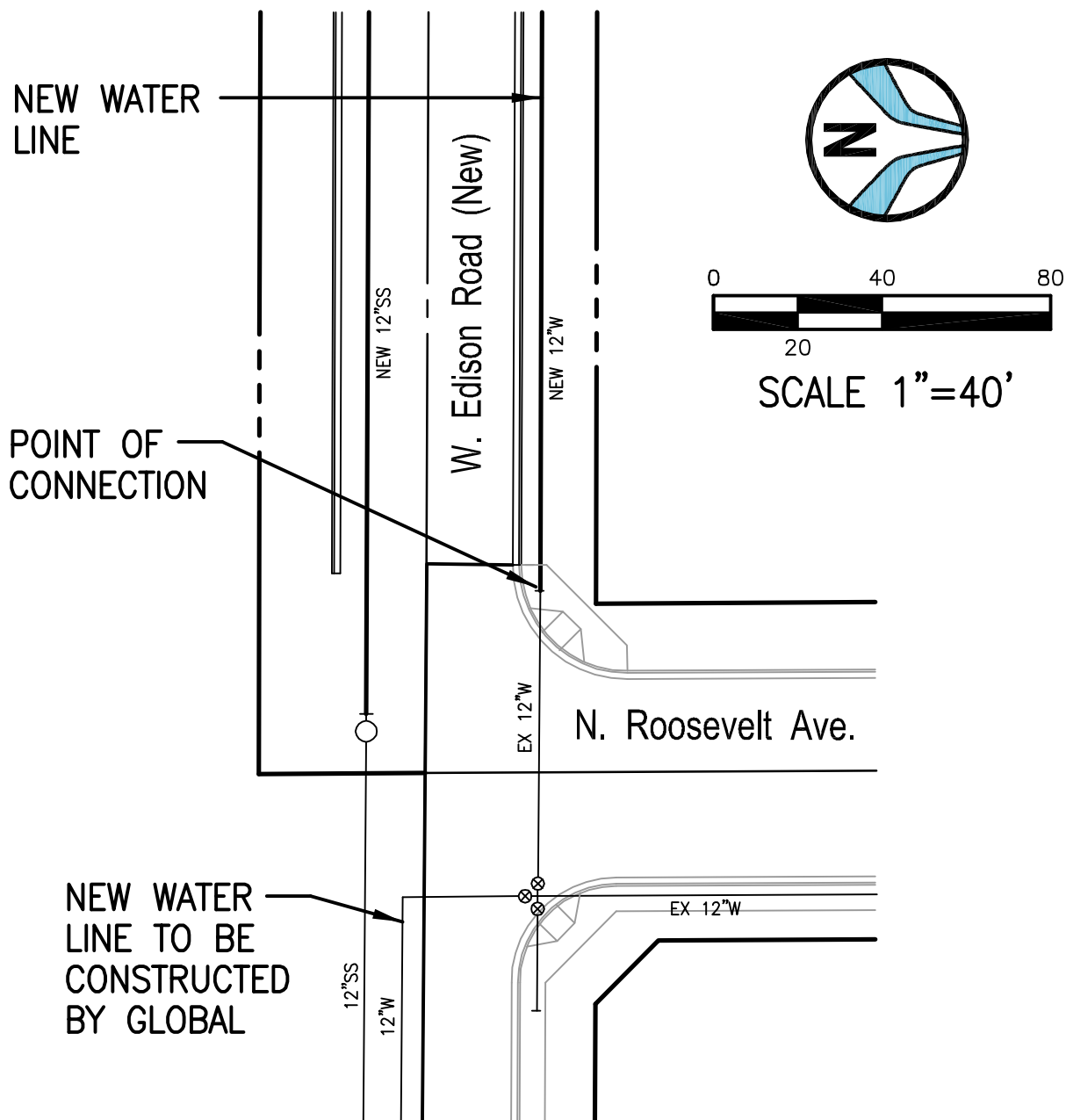


EXHIBIT 'C'
WATER FACILITY BUDGET

ITEM	QTY	UNIT	UNIT \$	TOTAL \$
6" C-900 WATER MAIN	144	L.F.	\$40.00	\$5,760.00
8" C-900 WATER MAIN	304	L.F.	\$50.00	\$15,200.00
12" C-900 WATER MAIN	673	L.F.	\$80.00	\$53,840.00
6" VALVE	3	Each	\$500.00	\$1,500.00
8" VALVE	2	Each	\$750.00	\$1,500.00
12" VALVE	2	Each	\$1,100.00	\$2,200.00
TYPE 'C' VALVE BOX	7	Each	\$200.00	\$1,400.00
FIRE HYDRANT	1	Each	\$2,000.00	\$2,000.00
CURB STOP / FLUSHING PIPE	2	Each	\$600.00	\$1,200.00
2" WATER SERVICE	54	L.F.	\$35.00	\$1,890.00

SUBTOTAL	\$86,490.00
SALES TAX (7.28%)	\$6,296.47
TOTAL	<u>\$92,786.47</u>

EXHIBIT "D"

Sample Assignment and Bill of Sale

FOR VALUABLE CONSIDERATION, the receipt and adequacy of which are hereby acknowledged, the CITY OF MARICOPA, an Arizona municipal corporation ("Assignor"), hereby transfers all of Assignor's rights, title and interest in the water distribution mains and pipelines, valves, hydrants, fittings, service lines and all other water-related facilities and improvements constructed in Assignor's parcel known as Phase I of the City Complex, more particularly described in Exhibit A, attached hereto and incorporated herein, and those facilities being conveyed more particularly described in Exhibit B, attached hereto and incorporated herein, (the "Facilities") to Global Water – Santa Cruz Water Company, an Arizona corporation (the "Company").

Assignor warrants that the Facilities are free and clear of all liens and encumbrances and that all claims of contractors, subcontractors, mechanics and materialmen relating to the construction and installation of the Facilities have been paid and satisfied.

Assignor further warrants the Facilities and all work performed by or on behalf of the Assignor in connection with construction and installation of the Facilities for a period of two years from the date of this Assignment and Bill of Sale.

Company agrees to all of the above terms and conditions and accepts title to the Facilities as of the date set forth below.

Dated:

COMPANY:

GLOBAL WATER – SANTA CRUZ WATER COMPANY,
an Arizona corporation

By: _____
Cindy M. Liles
Its: Secretary and Treasurer

CITY:

City of Maricopa
a Municipal Corporation

By: _____
Anthony Smith
Its: Mayor