

WATER FACILITIES EXTENSION AGREEMENT

This Water Facilities Extension Agreement (this “**Agreement**” is made by and between GLOBAL WATER – SANTA CRUZ WATER COMPANY, INC., an Arizona corporation (“**Company**”), and the City of Maricopa, a municipal corporation (“**City**”). Company and City are collectively referred to hereafter as the “**Parties.**”

RECITALS

A. City desires that water utility service be extended to and for residential and/or commercial real estate development within the City, generally located at 22408 N. Ralston Road (the “**Development**”).

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 make an advance in aid of construction for facilities t necessary to extend water utility service within the Development, which facilities shall connect to the Development’s on-site facilities as generally shown on the map attached hereto as Exhibit A. Company is willing to provide water utility service to the Development 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.

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.** Company 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 each lot or building within the Development as more particularly described on Exhibit B attached hereto and incorporated herein by this reference (referred to hereinafter as the “Facilities”). The Facilities shall connect to Development’s on-site system at the point shown on the approved plans as generally depicted on the map attached hereto as Exhibit A and shall be designed and constructed 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), Company shall be responsible for all construction activities associated with the Facilities, and City shall be liable for and pay when due a portion of the 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”). Company 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. **Easements.** Company 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 to allow Company ready access to the Facilities for maintenance and repairs and other activities necessary to provide safe and reliable water utility service.

4. **Reimbursement for Engineering and Other Fees and Expenses.** City shall reimburse Company for the costs, expenses and fees, including legal fees and costs that are incurred by Company for construction and installation of 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 each lot within the Development, as described in Exhibit B. For such purpose, City will pay to Company the sum of One Million Dollars (\$1,000,000) for the estimated cost of on-site water facilities as shown on Exhibit B and the liability for income tax as set forth in Section 7. All amounts paid to Company pursuant to this provision shall constitute advances in aid of construction and be subject to refund pursuant to Section 5 of this Agreement.

5. **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 the Development. 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 (22) years 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 advance as defined in Section 4 of this Agreement.

6. **Company's Obligation to Serve.** Subject to the condition that City fully performs its obligations under this Agreement, Company shall provide water utility service to all customers within the Development 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 construct or operate the Facilities in the event City fails to make any payment provided in this Agreement. City acknowledges and understands that Company will not establish service to any customer within the Development until all amounts that City is required to pay Company hereunder have, in fact, been paid. The foregoing notwithstanding, Company shall not terminate service to any customer within the Development to whom service has been properly established because of any subsequent breach or nonperformance by City hereunder.

7. **Liability for Income Taxes.** The City's advances in aid of construction hereunder or contributions in aid of construction hereunder will constitute taxable income to Company (or taxable income to a direct or indirect parent company, if the Company is included in a consolidated tax return) and therefore City will advance additional funds to Company (the "Gross Up Amount") in relation to the tax liability related to the advances or contributions. The City shall pay the Gross Up Amount to Company within twenty (20) days following the Company's notification to City. The Company's notification shall include the basis for determining that the advance or contribution constitutes taxable income and the calculation of the Gross Up Amount, including the statutory

marginal income tax rate applicable to the Company. The calculation shall be made using the “Gross Up Sharing Method” approved by the Arizona Corporation Commission in Docket No. AU-00000A-17-0379 (Decision No. 77104, as corrected in Decision No. 77540). However, in the event the Arizona Corporation Commission modifies or eliminates the “Gross Up Sharing Method”, the Gross Up Amount will be calculated using the “Full Gross Up Method”, if permitted by the Arizona Corporation Commission. At this time, it is not known if Arizona will enact tax conformity with the TCJA; accordingly, the Gross Up Amount will be calculated assuming tax conformity is in place, but if Arizona fails to adopt tax conformity, the Company will recalculate the Gross Up Amount to reflect federal taxes only, and the Company will refund the difference to the City. In no event will the actual amount of taxes paid by the Company (or its Parent Company) in any particular year be considered in the calculation. The Gross Up obligation will apply regardless of whether the Company is taxed as a limited liability company, “S” corporation, or “C” corporation, as long as the advance or contribution received from the City constitutes taxable income to the Company or any of its direct or indirect parent companies. In the event that payment of a Gross Up Amount is required under this Section 7, the Gross Up Amount 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. If City fails to pay the Gross Up Amount with the 20 day period described above, the Company may: (1) terminate this Agreement by sending notice to the City, (2) refuse to connect the Facilities to its system; (3) set-off the amounts due from any refunds owing under this Agreement, (4) decline to accept any transfer of ownership of the Facilities from the City; or (5) take other lawful collection or enforcement actions. Notwithstanding anything to

the contrary set forth herein, Company and City hereby acknowledge and agree City will not be obligated to pay any amount in excess of One Million and 00/100 Dollars (\$1,000,000.00).

8. **Effective Date.** The effective date of this Agreement shall be the date in which the last party executes this Agreement (the “**Effective Date**”)

9. **Notice.** Any notices, demands or requests made pursuant to, under or by virtue of this Agreement shall be in writing and shall be deemed to have been given, received and become effective: (i) if personally delivered, on the date of personal delivery; (ii) if delivered by express mail or nationally recognized overnight courier service, on the next business day if designated for overnight delivery; or (iii) if mailed to the party by certified or registered mail, postage prepaid, return receipt requested, on the date that is three (3) days after deposit in the mail. Notices shall be addressed to the Parties as follows:

COMPANY:

The current Arizona Statutory Agent of record
for Global Water – Santa Cruz Water Company, Inc.
on file with the Arizona Corporation Commission
Available at <https://ecorp.azcc.gov/EntitySearch/Index>

CITY:

City of Maricopa
39700 West Civic Center Plaza
Maricopa, Arizona 85138
Attn: City Manager
Telephone: 520-316-6811

WITH A COPY TO:

Fitzgibbons Law Offices, P.L.C.
1115 East Cottonwood Lane, Suite 150
Casa Grande, Arizona 8130
Attn: Denis M. Fitzgibbons, Esq.
Telephone: 520-426-3824

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

10. **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.

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

12. **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 to, Company's refusal to serve any unit within the Development based on City's failure to pay all amounts required hereunder in a timely manner. City's indemnity obligation shall terminate after payment of the City's advances in accordance with Section 4, construction of the Facilities, and the establishment of water utility service to the Development.

13. **Successors and Assigns.** This Agreement may be assigned by either of the Parties if the assignee agrees in writing to be bound by and fully performs all 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.

14. **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.

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

16. **Attorney 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.

17. **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.

18. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which, taken together, shall constitute one and the same instrument

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IN WITNESS, WHEREOF, the Parties have executed this Agreement as of the Effective Date.

COMPANY

GLOBAL WATER – SANTA CRUZ WATER COMPANY, INC.
an Arizona corporation

By: _____
Joanne Ellsworth
Its: Vice President, Corporate and Regulatory Affairs
Date _____

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of _____, 20__ before me, personally appeared Joanne Ellsworth, personally known to me (or proved to me based on satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacity, and that by their signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

My Commission Expires: _____

CITY

By: _____
Name
Its: _____
Title
Date: _____

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this _____ day of _____, 20__ before me, personally appeared _____, personally known to me (or proved to me based on satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacity, and that by their signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

My Commission Expires: _____

EXHIBIT A
POINT(S) OF CONNECTION

EXHIBIT B
COST ESTIMATE