

OPERATING AND CONSULTING AGREEMENT

This Operating and Consulting Agreement (Agreement) is made as of this ____ day of September 2009 between Pine Water Company ("PWCO"), Strawberry Water Company ("SWCO"), Brooke Utilities, Inc. ("BUI") and the Pine Strawberry Water Improvement District ("PSWID"). The Parties hereby stipulate and agree as follows:

After payment by the District of the sums and amounts owed pursuant to the Final Judgment of Condemnation in Yavapai County Superior Court case no. CV2009-0785, PWCO, SWCO and BUI shall, at the sole cost of PWCO, SWCO and BUI, consult and cooperate with PSWID in transitioning operation of water services provided by PWCO and SWCO to PSWID for a total of fifteen (15) days after such payment as follows:

- (1) Providing final meter reads;
- (2) Providing gate lock combinations, where applicable;
- (3) Providing an inventory of supplies and materials;
- (4) Providing booster pump locations;
- (5) Providing KWH of power consumption on well pumps and booster pumps;
- (6) Providing operational instructions as to North Pine and South Pine, pressure zones, booster pump, usage history, age, replacement dates;
- (7) Providing operational instructions of Pine inter-tie connection;
- (8) Providing operational instruction for Project Magnolia;
- (9) Providing operational instructions of South Pine water movement booster pump;
- (10) Providing operational instructions of "storage water" on Water Tank Rd.;
- (11) Providing operational instructions of Strawberry east and west inter-tie connections;
- (12) Providing water development plans for Strawberry well field;
- (13) Providing an explanation of water usage of Hale well in Strawberry;
- (14) Providing water movements from tank to tank in both Pine and Strawberry;
- (15) Providing back pressurization of SV1 water tank through Strawberry west inter-tie connection;

- (16) Providing PWCO's and SWCO's capital expenditure budget for the current fiscal year;
- (17) Providing the number of current accounts for each of SWCO's legacy water systems, also known as Williamson Waterworks, E&R Water Co., and United Utilities;
- (18) Providing total water consumed in gallons for each of PWCO's and SWCO's identified customer classes by month for all months from January 2004 to the present;
- (19) Providing total water purchased in gallons or pumped from PWCO's and SWCO's wells by month for all months from January 2004 to the present;
- (20) Providing total water sales by month from PWCO to SWCO for all months from January 2004 to the present;
- (21) Providing total water consumed in gallons for each of PWCO's and SWCO's identified customer classes by month for the period January 2004 to the present in each of the usage blocks that are normally associated with the water systems;
- (22) Providing the total number of active water customers for each identified customer class for PWCO and SWCO for all months from January 2004 to the present;
- (23) Providing the number of water meters by meter size for each identified customer class for PWCO and SWCO for the most recent month available;
- (24) Providing revenues by month for each identified customer class for PWCO and SWCO for all months from January 2004 to the present.
- (25) Providing separate totals for revenues and for any sales taxes collected from PWCO and SWCO ratepayers;
- (26) Providing any existing additional relevant materials, reports, studies, etc. developed by or for PWCO and SWCO related to rates, including historical cost of service studies, ordinances, and relevant contracts;
- (27) Warranting that all real and personal property taxes levied upon any property being transferred or conveyed to PSWID are paid in full as of the date of the Judgment;
- (28) Working together with PSWID to ensure that at no time is any facility that should be locked left unlocked or in an unguarded condition (with PSWID to provide any new locks);

- (29) Working with PSWID to provide for a smooth transition to PSWID of all outside utility services presently used by PWCO, SWCO and BUI, including electrical, telephone call lines, gas, or any other public utility service necessary to provide for the full and complete operation of the water systems; and
- (30) Working with PSWID to provide for a smooth transition of all water storage tank telemetry and monitoring systems for the useful operation of the water systems.

At the expiration of the fifteen (15) day period noted above, PSWID shall execute the attached certification warranting and acknowledging that the operation and consulting obligations of PWCO, SWCO and BUI have been completed and satisfied under this Agreement, and PSWID shall provide such certification to PWCO, SWCO and BUI within three (3) days after expiration of such fifteen (15) day period. This Agreement shall be governed by and construed in accordance with Arizona law.

PINE STRAWBERRY WATER
IMPROVEMENT DISTRICT

PINE WATER COMPANY

By: _____

By: _____

Its: _____

Its:

STRAWBERRY WATER COMPANY

BROOKE UTILITIES, INC.

By: _____

By: _____

Its: _____

Its:

CERTIFICATION

By signing below, the Pine Strawberry Water Improvement District (“PSWID”), through its duly authorized representative, hereby certifies, acknowledges and agrees that Pine Water Company (“PWCO”), Strawberry Water Company (“SWCO”), and Brooke Utilities, Inc. (“BUI”) have fully satisfied and completed their duties and obligations under the Operating and Consulting Agreement dated September ____, 2009, and that PWCO, SWCO and BUI shall not have any further obligations relating to operation of the water systems.

PINE STRAWBERRY WATER IMPROVEMENT DISTRICT

By: _____

Its: _____

Date _____

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