

COE AND VAN LOO L.L.C.

Construction Management ■ Environmental Sciences ■ Landscape Architecture ■ Land Development ■ Land Planning ■ Surveying ■ Water Resources

June 5, 2008

William F. Haney, P. E.
3018 E. Mallory Street
Mesa, AZ 85213

Re: Proposal for Appraisal of Water Systems

Dear Mr. Haney:

Coe and Van Loo, L.L.C. (CVL) is pleased to submit this proposal for professional services regarding the subject project. For the lump sum fees shown below by task, we will perform the following services:

SCOPE OF WORK:

Task 1. Assess the acquisition value of the private water companies. Lump Sum Fee: \$31,150

The project team will assess the acquisition value of the private water companies as outlined in our statement of qualifications dated May 19, 2008. In general, the acquisition value will be determined using two commonly-used valuation methodologies:

- Engineering Valuation – this methodology, known as Replacement Cost New Less Depreciation (“RCNLD”) seeks to establish a value of the assets of the water Companies.
- Financial Valuation – this attempts to establish the value of the water companies as a business or a going concern. The methodologies to be employed to establish the financial valuation include Single Period Capitalization, Earnings Before Income, Taxes, Depreciation and Amortization (“EBITDA”), Discounted Future Cash Flow, and Market Value per Connection.

The results of this evaluation will be used as the basis for the District’s purchase negotiations, and the development of a just and reasonable offering price. Determination of improvements to the system and Operation and Maintenance costs will be included under separate tasks as described below.

The final product will consist of a report that provides the District with the information necessary to negotiate the purchase of the private water companies. CVL will present the results to the District at a scheduled Board meeting. One site trip and one Board meeting is included.