ARIZONA DEPARTMENT OF WATER RESOURCES

BEFORE THE DIRECTOR


STIPULATION AND CONSENT ORDER REVOKING CERTIFICATE OF ASSURED WATER SUPPLY

The Department of Water Resources ("Department") and Lawyers Title of Arizona, Inc. Trustee of Trust Number 7950-T, and not in its corporate capacity (hereinafter referred to as the "Trust"), with Madera Highlands, L.L.C. as beneficiary, agree as follows:

I. Jurisdiction

1. This Stipulation and Consent Order is entered into pursuant to the authority of the Director of the Department ("Director") as set forth in Arizona Revised Statutes ("A.R.S.") §§ 45-105 and 45-376 and Arizona Administrative Code R12-15-709(A).

II. Factual Background

2. The Estates at Madera Highlands ("Madera Highlands") is a 157-lot subdivision located in Pima County, Arizona, within the Tucson Active Management Area.

3. The Trust is the owner of Madera Highlands.

4. On February 17, 2004, the Department issued a Certificate of Assured Water Supply (Certificate No. 27-400930, hereinafter referred to as the "Original Certificate"), to the Trust for Madera Highlands. Prior to the issuance of the Original Certificate, Madera Highlands was enrolled as a member land in the Central Arizona Groundwater Replenishment District ("CAGRD"), pursuant to A.R.S. § 48-3774.
5. On January 5, 2005, the Trust submitted an Application for a Certificate of Assured Water Supply for Madera Highlands Villages 11-14 and 16-23 ("Highlands Villages"), which includes 617 residential lots. (The application is hereinafter referred to as the "Highlands Villages Application").

6. The Trust is also the owner of Highlands Villages.

7. At the time of submittal of the Highlands Villages Application, no lots had been sold nor had any building begun at Madera Highlands.

8. The Highlands Villages Application incorporated 70 lots that were a part of the Original Certificate (the "70 Lots"). The remaining 87 lots that comprise the Original Certificate were not included in the Highlands Villages Application.

9. The preliminary plat that accompanied the Highlands Villages Application altered the plat for the 70 Lots.

10. As a result of the alteration of the plat for the 70 Lots, the legal description for Madera Highlands as enrolled and recorded by the CAGRD is no longer accurate.

11. In order to remedy Madera Highland's inaccurate legal description as recorded, the CAGRD and the Trust have agreed that the CAGRD de-enroll as member lands the lands associated with the Original Certificate.

12. The CAGRD and the Trust have also agreed, and the Department has approved, that the CAGRD will immediately enroll as member lands the lands associated with the Highlands Villages Application.

13. The Department has approved the de-enrollment of the lands associated with the Original Certificate because no lots in Madera Highlands have been sold and because the lands will be immediately re-enrolled as member lands.
14. The Department and the Trust have agreed that prior to the CAGRD’s de-enrollment of the lands associated with the Original Certificate, the Department will revoke the Original Certificate.

15. The Original Certificate must be revoked because once de-enrolled as member lands of the CAGRD, Madera Highlands no longer meets the requirement that its water use must be consistent with the management goal of the Tucson Active Management Area, as is required by A.R.S. § 45-576(1)(2) and A.A.C. R12-15-705.

16. The Department and the Trust agree that after the Department receives and approves the enrollment documents from the CAGRD for Highlands Villages the Department will issue a Certificate of Assured Water Supply for Highlands Villages.

17. The Trust agrees that once the Original Certificate is revoked, and the certificate for Highlands Villages is issued, a remainder of 87 lots will be enrolled as member lands within the CAGRD, but not be included in a certificate of assured water supply.

III. EFFECTIVE DATE

18. This Stipulation and the Consent Order below, when signed and approved by the Director or his designated representative, shall have the full force and effect of a final Decision and Order, and it shall be effective as of that date.

20. The Trust waives its right to a hearing in this matter and the right to appeal the final Decision and Order. This waiver does not apply to any right to appeal from a subsequent Decision and Order following a declaration of non-performance.
IV. CONSENT TO REVOCATION OF ORIGINAL CERTIFICATE

21. The Trust admits the jurisdiction of the Department and consents to the revocation of the Original Certificate and to entry of the Consent Order below.

22. The Trust affirms that no promise was made to induce it to enter this Stipulation and declares that it has entered this Stipulation voluntarily.

The undersigned warrant their authority to bind the parties on whose behalf their signatures are made to the provisions of this Stipulation, and the Consent Order shall be binding on the parties, their successors and assigns, forever.

LAWYER’S TITLE OF ARIZONA, INC., TRUSTEE OF TRUST
NUMBER 7950-T

By: Joyce Rodda
Its: U.P.
Date: 4/14/05

ARIZONA DEPARTMENT OF WATER RESOURCES

Mark Frank
Acting Assistant Director
Date: April 5, 2005

MADERA HIGHLANDS, L.L.C., AS BENEFICIARY

By: Don Zavagca
Its: V.P. VS. OPERATIONS
Date: 4/01/05
CONSENT ORDER

IT IS ORDERED that the terms of the foregoing Stipulation are approved and
adopted as the final Decision and Order in this case.

IT IS FURTHER ORDERED that Certificate of Assured Water Supply No. 27-
400930 is hereby revoked.

BE IT SO APPROVED this 5th day of April, 2005.

(SEAL)

Herbert R. Guenther, Director
Arizona Department of Water Resources
500 North Third Street
Phoenix, Arizona 85004

Copy of the foregoing is sent by
Certified mail this 2nd day of
April, 2005 to:

Lawyers Title of Arizona, Inc.
as Trustee of Trust 7950-T
5285 E. Williams Circle
Tucson, Arizona 85711

Madera Highlands, L.L.C.
C/O Harvard Investments
17700 N. Pacesetter Way
Scottsdale, Arizona 85255

Certified Mail No. 7003168000073370207 (Lawyers Title)
Certified Mail No. 70031680000723770221 (Madera Highlands)
Copy of the foregoing sent by
U.S. mail this 620 day of 2005 to:

Jeffrey A. Hursh
Snell & Wilmer, L.L.P
One South Church Avenue, Suite 1500
Tucson, Arizona 85701

Roy Tanney
Arizona Department of Real Estate
2910 N. 44th Street, Suite 100
Phoenix, Arizona 85018

[Signature]