ARIZONA DEPARTMENT OF WATER RESOURCES
BEFORE THE DIRECTOR

In The Matter of Certificate of Assured Water Supply No. 27-401145, The Villages at Litchfield Park, Phase II, Parcel 6,

STIPULATION AND CONSENT ORDER REVOKING
CERTIFICATE OF ASSURED WATER SUPPLY NO. 27-401145.0000

The Department of Water Resources ("Department"), Kabuto/SunCor Joint Venture, an Arizona general partnership ("Company") and SCC-Canyon II, LLC, a Delaware limited liability company ("SCC-Canyon II, L.L.C") 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 45-576 and Arizona Administrative Code R12-15-701 et seq.

II. FACTUAL BACKGROUND

2. The Villages at Litchfield Park, Phase II, Parcel 6 ("The Villages") is a 61-lot subdivision located in Maricopa County, Arizona, within the Phoenix Active Management Area.

3. On April 15, 2004, the Department issued Certificate of Assured Water Supply No. 27-401145.0000 ("Original Certificate"), to the Company for The Villages. The Company was the owner of the Villages at the time the Original Certificate was issued. Prior to the issuance of the Original Certificate, The Villages was enrolled as a member land in the Central Arizona Groundwater Replenishment District ("CAGRD"), pursuant to A.R.S. § 48-3774.

4. On November 30, 2005, SCC-Canyon II, LLC submitted an Application for a Certificate of Assured Water Supply for The Village at Litchfield Park, Phase 2/Toll Brothers at Litchfield Park ("Toll Brothers Village"), which consists of 345 residential lots, including the 61
lots that were in the Original Certificate (the “61 lots”). (The application is hereinafter referred to as the “Toll Brothers Village Application.”)

5. SCC-Canyon II, LLC is the current owner of Toll Brothers Village.

6. At the time of submittal of the Toll Brothers Village Application, no lots had been sold nor had any building begun at The Villages.

7. The preliminary plat that accompanied the Toll Brothers Village Application altered the plat for which the Original Certificate was issued.

8. As a result of the alteration of the plat for the 61 Lots, the legal description for The Villages as enrolled and recorded by the CAGRD is no longer accurate.

9. In order to remedy inaccurate legal description, the CAGRD, the Company and SCC-Canyon II, LLC have agreed that the CAGRD will de-enroll as member lands the lands included in the Original Certificate (“de-enrollment”).

10. Prior to de-enrollment, the Department must revoke the Original Certificate. The Original Certificate must be revoked because after de-enrollment, The Villages will not meet the requirement that its water use must be consistent with the management goal of the Phoenix Active Management Area pursuant to A.R.S. § 45-576(1)(2) and A.A.C. R12-15-705.

11. The CAGRD, the Company and SCC-Canyon II, LLC have also agreed, and the Department has approved, that the CAGRD will immediately enroll as member lands the lands associated with the Toll Brothers Village Application.

12. The Department approves the de-enrollment of the lands associated with the Original Certificate because:

   a. No lots in The Villages have been sold;

   b. The Original Certificate will be revoked prior to de-enrollment; and

   c. The lands will be immediately re-enrolled as member lands.
13. The Department, the Company and SCC-Canyon II, LLC agree that after the Department receives and approves the enrollment documents from the CAGRD for Toll Brothers Village, if the application meets all other requirements for a Certificate of Assured Water Supply set forth in A.R.S. § 45-576 and A.A.C. R12-15-701 et seq., the Department will issue Certificate of Assured Water Supply No. 27-401950.0000 to SCC-Canyon 2.

III. EFFECTIVE DATE

14. 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 shall be effective as of that date.

15. The Company 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.

16. SCC-Canyon II, LLC 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

17. The Company and SCC-Canyon II, LLC admit the jurisdiction of the Department and consent to the revocation of the Original Certificate and entry of the Consent Order below.

18. The Company affirms that no promise was made to induce it to enter into this Stipulation and declares that it has entered into this Stipulation voluntarily.

19. SCC-Canyon II, LLC affirms that no promise was made to induce it to enter into this Stipulation and declares that it has entered into 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.
KABUTO/SUNCOR JOINT VENTURE, AN ARIZONA GENERAL PARTNERSHIP

Jay T. Ellington, Executive V.P. of Suncor Development Company
Name and Title Managing Partner

ARIZONA DEPARTMENT OF WATER RESOURCES

Sandra Fabritz-Whitney
Assistant Director

Date 5/25/2006

Approved as to Form:

Amy Smith
Associate Corporate Counsel
Name and Title

5/23/06
Date

Approved as to Form:

Nicole D. Swindle
Deputy Counsel

5/25/06
Date

SCC-CANYON II, L.L.C., A DELAWARE LIMITED LIABILITY COMPANY

M. Leigh Asht, President
Name and Title

Date 5-17-06

Approved as to Form:
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. 27-401145.0000 is hereby revoked.

BE IT SO APPROVED this 11th day of MAY, 2006.

(SEAL)

Herbert R. Guenther, Director
Arizona Department of Water Resources

Copy of the foregoing is sent by Certified mail this 2nd day of June, 2006 to:

Kabuto/SunCor Joint Venture
80 E. Rio Salado Parkway, Suite 410
Tempe, Arizona 85281

Certified Mail No. 7003168023770467

SCC-Canyon II, L.L.C.
14350 N 87th St, Suite 310
Scottsdale, Arizona 85260

Certified Mail No. 70031680800723770474

Copy of the foregoing sent by U.S. mail this 2nd day of 2006 to:

Jonathan Stringer
Toll Brothers Inc.
14350 N. 87th St., Suite 310
Scottsdale, Arizona 85260
Roy Tanney
Arizona Department of Real Estate
2910 N. 44th Street, Suite 100
Phoenix, Arizona 85018

[Signature]

Kathleen A. Donofrio