

2016 ANNUAL ICR AND TRR WELL FIELD REPORT

Prepared for

ICR WATER USERS ASSOCIATION

Prepared

By

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PURPOSE OF THE REPORT

This report is one of an annual series of reports for the two well fields dating back to 2013 intended to provide a description of the hydrologic conditions at each field including pumpage, water levels and yields of individual wells along with the water demand and use of water by the subdivisions served by the well fields. The report also meets requirement of paragraph 8a, iii of the Settlement Agreement between ICRWUA, Harvard Simon I, LLC, and Talking Rock Land LLC dated July 30, 2013 that ICRWUA keep the latter two parties informed of the status of the TRR well field by providing a report on the annual water demand at Talking Rock and current groundwater levels at the well field.

ICR WATER USERS ASSOCIATION

The ICR Water Users Association (ICRWUA) is a private member owned non-profit water company formed in 1995 that provides water to the Inscription Canyon Ranch, Whispering Canyons, Preserve at the Ranch and Talking Rock subdivisions. The company also provides water to the Talking Rock Golf Course. Water for the first three subdivisions comes from the ICR well field consisting of two wells while water for the Talking Rock subdivision and golf course comes from the Talking Rock Ranch (TRR) well field consisting of three wells. The ICR well field and the three subdivisions it serves constitute the ICR groundwater system whereas the TRR well field and the customers it serves constitute the TRR groundwater system. The two systems are not connected. The company is regulated by the Arizona Corporation Commission.

As of December 2016 ICRWUA provided water to 536 residential customers, an increase of 8 from 2015 and 113 above that served in January 2009, table 1. Of this amount, some 314 residential customers were served in the Inscription Canyon Ranch, Whispering Canyons, and Preserve at the Ranch subdivisions, an increase of 2 customers above 2015 and 39 above 2009. The number of residential customers served at the Talking Rock subdivision in 2016 was 222, an increase of 6 from 2015 and 74 above 2009.

Table 1, Residential Customers Served December 2009 – December 2016

| Year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| ICR | 275 | 282 | 273 | 283 | 291 | 303 | 312 | 314 |
| TRR | 148 | 160 | 161 | 170 | 190 | 208 | 216 | 222 |
| Total | 423 | 442 | 434 | 453 | 481 | 511 | 528 | 536 |

At full build-out of the four subdivisions as presently planned, the company will serve about 2,306 residential units a reduction of 114 units from the 2,420 planned as recently as one year ago.

In addition to providing water to residential customers in the four subdivisions and the Talking Rock Golf Course, ICRWUA also serves several commercial entities located within the Talking Rock and Inscription Canyon Ranch subdivisions while an additional amount of water is also provided to irrigate common areas in all of the subdivisions.

TOTAL WELL FIELD DEMAND: 2009 - 2016

The individual and combined ICR and TRR well field water demand for 2009 through 2016 based on a calendar basis is shown in table 2. Annual demand for the Talking Rock Golf Course for the same years based on monthly billing that, for a given year, runs from mid –December of the previous year to mid-December of the next year is also shown (for instance, for the year 2016 the billing period is mid-December of 2015 through mid-December 2016).

Table 2, Individual and Combined Annual ICR and TRR Well Field Demand, 2009 – 2016, in gallons

| Year | ICR | TRR | Combined | Golf Course |
|-------------|------------|-------------|-----------------|--------------------|
| 2009 | 29,988,500 | 108,222,500 | 138,211,000 | 93,892,000 |
| 2010 | 24,476,500 | 116,091,800 | 140,568,300 | 107,248,810 |
| 2011 | 25,125,980 | 106,658,000 | 131,783,980 | 102,180,500 |
| 2012 | 27,012,000 | 104,613,000 | 131,625,000 | 94,675,000 |
| 2013 | 26,375,000 | 107,520,000 | 133,895,000 | 96,138,000 |
| 2014 | 27,500,000 | 107,033,000 | 134,533,000 | 90,289,000 |
| 2015 | 25,669,000 | 94,270,000 | 119,939,000 | 81,941,000 |
| 2016 | 28,598,000 | 103,893,000 | 132,491,000 | 84,581,000 |

The 2016 annual demand at the ICR and TRR well fields respectively was 28,598,000 gallons and 103,893,000 gallons. Combined demand for all uses for 2016 was 132,491,000 gallons, approximately 12.55 million gallons greater than 2015. The 2016 golf course use of 84,581,000 gallons represents slightly more than 81percent of the total annual pumpage from the TRR well field and 64 percent of the combined pumpage from both well fields.

As shown in table 2, demand on the ICR well field in 2016 is about 2.9 million gallons higher than that of 2015 and is higher than previous years except 2009. This increase would reflect, at least in part, an increase of 39 residential units served by ICRWUA from 2009 to 2016.

Demand on the TRR well field decreased from 2009 to 2016 by about 4.3 million gallons. Golf course demand decreased by about 9.3 million gallons per year over the same time period indicating that water demand from the well field in 2016 for other purposes has increased by about 5.0 million gallons since

2009. During this same time period the number of residential units served by the well field has increased from 148 to 222, an increase of 74 units.

2016 RESIDENTIAL, COMMERCIAL, and LANDSCAPE DEMAND

The monthly and annual 2016 water demands for all major users within ICRWUA's service except the Talking Rock Golf Course, are shown for the ICR and TRR groundwater systems in tables 3 and 4 respectively. Values shown are based on monthly billing records that date from December 17, 2015 through December 15, 2016 rather than on a calendar basis. Column 2 in tables 3 and 4 shows the monthly residential water demand in gallons; column 3 shows the number of residential units or homes served; column 4 shows the number of residential units served that consumed no water for the month; and columns 5 and 6 show the monthly use for common area landscape and commercial purposes in gallons respectively. Column 7 shows the total monthly demand with residential, landscape and commercial combined; column 8 shows average residential demand including landscape and commercial use in gallons per day per residence for each month and for the year calculated by dividing total demand in column 8 by the number of residencies that actually received water (column 3 minus column 4).

As shown by the tables, monthly demand varies significantly with demand increasing during the drier pre-monsoon part of the year in response to increased residential and common area use of drip irrigation for plants. The increased use in the ICR groundwater system from April through November (column 8) reflects a greater use of water for drip irrigation for residential landscape compared to the Talking Rock subdivision where the same increase is more in response to an increase in irrigation of common areas (column 5).

Table 3, 2016 ICR Groundwater System Residential, Landscape, and Commercial Water Demand

| 1 Month | 2 Residential Demand | 3 Residential Customers | 4 Zero use Residential Customers | 5 Landscape Demand | 6 Commercial Demand | 7 Total Demand | 8 Total Residential Use (gpd/r) |
|--------------|----------------------------|-------------------------------|---|--------------------------|---------------------------|----------------------|--|
| January | 1,127,070 | 310 | 18 | 3,510 | 800 | 1,131,380 | 138 |
| February | 1,180,600 | 309 | 17 | 800 | 1,080 | 1,182,480 | 127 |
| March | 1,430,600 | 307 | 17 | 2,520 | 900 | 1,434,020 | 155 |
| April | 1,722,540 | 307 | 25 | 50,160 | 930 | 1,773,630 | 197 |
| May | 2,374,800 | 303 | 11 | 28,700 | 1,300 | 2,404,800 | 257 |
| June | 2,716,290 | 304 | 10 | 47,790 | 1,720 | 2,765,800 | 294 |
| July | 3,413,610 | 303 | 10 | 14,990 | 3,200 | 3,431,800 | 366 |
| August | 3,095,680 | 307 | 6 | 25,470 | 3,560 | 3,124,710 | 324 |
| Sept. | 2,399,120 | 308 | 11 | 17,150 | 2,230 | 2,418,500 | 254 |
| October | 2,120,880 | 315 | 10 | 17,490 | 8,190 | 2,146,560 | 220 |
| Nov. | 2,560,120 | 312 | 9 | 20,180 | 1,970 | 2,582,270 | 266 |
| Dec. | 1,295,400 | 314 | 18 | 1,980 | 2,070 | 1,299,450 | 137 |
| Total | 25,436,710 | 308¹ | 13.5¹ | 230,740 | 27,950 | 25,695,400 | 239² |

¹average annual value.

²average residential demand per residence including landscape and commercial use.

Table 4, 2016 TRR Groundwater System Residential, Landscape, and Commercial Water Demand

| 1 Month | 2 Residential Demand | 3 Residential Customers | 4 Zero use Residential Customers | 5 Landscape Demand | 6 Commercial Demand | 7 Total Demand | 8 Total Residential Use (gpd/r) |
|--------------|----------------------------|-------------------------------|---|--------------------------|---------------------------|----------------------|--|
| January | 441,500 | 216 | 29 | 0 | 78,358 | 519,858 | 90 |
| February | 493,310 | 217 | 29 | 20 | 64,901 | 558,231 | 99 |
| March | 674,680 | 215 | 29 | 8,040 | 43,216 | 725,936 | 145 |
| April | 778,720 | 213 | 20 | 399,310 | 172,629 | 1,350,659 | 233 |
| May | 1,116,190 | 210 | 11 | 401,580 | 60,453 | 1,578,223 | 273 |
| June | 1,213,680 | 213 | 11 | 416,530 | 120,274 | 1,750,484 | 289 |
| July | 1,665,140 | 217 | 8 | 632,500 | 136,546 | 2,434,186 | 416 |
| August | 1,455,220 | 219 | 7 | 866,080 | 126,889 | 2,448,189 | 385 |
| Sept. | 1,072,740 | 222 | 14 | 647,240 | 113,977 | 1,833,957 | 294 |
| October | 1,030,690 | 230 | 15 | 659,050 | 109,339 | 1,799,079 | 279 |
| Nov. | 1,056,230 | 222 | 22 | 428,310 | 93,054 | 1,577,594 | 272 |
| Dec. | 630,150 | 222 | 19 | 2,460 | 66,300 | 698,910 | 119 |
| Total | 11,628,250 | 218¹ | 18¹ | 4,461,120 | 1,185,936 | 17,275,306 | 236² |

¹average annual value

²average residential demand per residence including landscape and commercial use.

THE ICR WELL FIELD

There are two wells in the Inscription Canyon Ranch (ICR) well field about 47 feet apart; ICR 1 and ICR 2. The latter well is often referred to as Whispering Canyon 1 (WC 1). ICR 1 is the original well constructed by the developer of the Inscription Canyon Ranch subdivision to serve the subdivision as initially planned. Whispering Canyons L.L.C constructed ICR 2 and paid all other cost associated with bringing this well on line. The well field provides water to the Inscription Canyon Ranch (ICR), Whispering Canyon (WC), and Preserve at the Ranch subdivisions.

The wells are located in Section 17, Township 16 North, Range 3 West. They are situated in the Mint Wash floodplain about one-half mile west of Williamson Valley road where the road crosses the wash. Construction of ICR 1 began on June 24, 1994 and was completed on August 5, 1994. Initial use of the well began in the mid-late 1990s. Construction of ICR 2 began March 30, 2002 and was completed April 10, 2002.

The wells are owned by Aqua Meadows and are on land owned by Aqua Meadows. ICRWUA has an agreement dated August 1, 1995 that gives the Association the right to operate and use ICR 1 as a water supply for the ICR and Preserve at the Ranch subdivisions for 100 years subject to renewal every 25 years. The purpose of this agreement is to satisfy the Arizona Department of Water Resources 100 year Water Adequacy Requirement. An amendment to the agreement (Amendment 1) dated July 24, 2001 adds Whispering Canyon. It is the responsibility of ICRWUA to operate and maintain the two wells and pay all cost associated with operation and maintenance. Per contract with Aqua Meadows, the Association is permitted to withdraw 164,518,498 gallons per year for servicing the ICR, WC, and Preserve at the Ranch subdivisions.

The well field is managed so that ICR 1 is the main source of water. Well 2 serves as a backup well and is used in a manner to preserve its operational efficiency. Only one well is used on a given day and it is in service, on average for about 3 hours or less.

The aquifer tapped by the wells consists of a mixture of unconsolidated sediments consisting of a mixture of clay, silt, sand, and gravel. In places the sediment has been cemented to form a conglomerate. The base of the aquifer is formed by granitic and metamorphic rocks occurring at depth of about 223 ft. at ICR 1 and about 220 ft. at well 2. The pump intakes at ICR 1 is 172 below land surface. Depth to the pump intake at ICR 2 is 160 feet.

The altitude of the water table varies naturally in accordance with the seasonal pattern of precipitation. At the time ICR 1 was completed the regional water table was at a depth of about 18 ft. below land surface. At ICR 2, which is slightly higher in elevation than well 1, the initial depth to water was 19 ft.

2016 Monthly Well Demand

Total pumpage at ICR wells 1 and 2 in 2016 were 9,611,000 gallons and 18,987,000 gallons respectively, table 5. Monthly demand on the well field in 2016 increased from about 1,243,000 gallons in January to a high of 3,872,000 gallons in July when pumpage peaked. Demand slowly decreased from this level falling to about 1,220,000 gallons in December.

Table 5, 2016 ICR Wells 1 and 2 Monthly and Annual Pumpage, in gallons

| Month | well 1 | well 2 | total |
|--------------|------------------|-------------------|-------------------|
| January | 1,243,000 | 0 | 1,243,000 |
| February | 1,379,000 | 0 | 1,379,000 |
| March | 765,000 | 1,154,000 | 1,919,000 |
| April | 0 | 2,349,000 | 2,349,000 |
| May | 0 | 2,992,000 | 2,992,000 |
| June | 76,000 | 3,586,000 | 3,662,000 |
| July | 0 | 3,872,000 | 3,872,000 |
| August | 0 | 3,031,000 | 3,031,000 |
| Sept | 766,000 | 2,003,000 | 2,769,000 |
| Oct | 2,369,000 | 0 | 2,369,000 |
| Nov | 1,793,000 | 0 | 1,793,000 |
| Dec | 1,220,000 | 0 | 1,220,000 |
| Total | 9,611,000 | 18,987,000 | 28,598,000 |

2009-2016 Monthly Well Field Demand

The variation in monthly demand at the ICR well field for 2009 through 2016 is shown in table 6.

Minimum demand occurs in one of the winter months, December, January, or February, with lowest demand generally occurring in February. The months of June and July are predominantly the months of highest demand although this has also occurred once in August. The difference between maximum and minimum demand for a given year averages about 2.4 million gallons and has been as much as approximately 2.7 million gallons.

Annual demand at the well field over this time period has ranged from a high of 29,988,500 gallons in 2009 to a low of 24,476,500 gallons in 2010. These rates correspond to an average daily pumping rate ranging from 57 gallons per minute (gpm) to 47 gpm compared to the capacity of each of the wells in the well field of approximately 375 gpm.

Table 6, Monthly and Annual ICR Well Field Water Demand, 2009 – 2016, in gallons

| Month | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Jan | 1,216,000 | 1,250,000 | 1,237,000 | 1,161,000 | 1,418,000 | 1,485,000 | 1,433,000 | 1,243,000 |
| Feb | 1,098,700 | 747,300 | 1,172,980 | 1,172,000 | 1,006,000 | 1,408,000 | 1,238,000 | 1,379,000 |
| March | 1,825,300 | 1,438,200 | 1,441,000 | 1,423,000 | 1,710,000 | 1,771,000 | 1,601,000 | 1,919,000 |
| April | 2,628,000 | 1,862,000 | 2,088,000 | 2,036,000 | 2,480,000 | 2,440,000 | 2,299,000 | 2,349,000 |
| May | 3,577,500 | 2,577,000 | 2,572,000 | 2,973,000 | 3,046,000 | 3,019,000 | 2,488,000 | 2,992,000 |
| June | 3,195,000 | 3,170,000 | 2,981,000 | 3,464,000 | 3,700,000 | 3,753,000 | 3,183,000 | 3,662,000 |
| July | 3,632,000 | 3,295,000 | 2,889,000 | 3,274,000 | 2,985,000 | 3,270,000 | 3,013,000 | 3,872,000 |
| August | 3,613,000 | 2,552,000 | 3,327,000 | 2,995,000 | 2,817,000 | 2,603,000 | 2,820,000 | 3,031,000 |
| Sept | 3,070,000 | 3,050,000 | 2,674,000 | 2,727,000 | 2,172,000 | 2,305,000 | 2,636,000 | 2,769,000 |
| Oct | 3,044,000 | 1,838,000 | 2,234,000 | 2,621,000 | 2,304,000 | 2,642,000 | 2,161,000 | 2,369,000 |
| Nov | 1,892,000 | 1,493,000 | 1,389,000 | 1,764,000 | 1,495,000 | 1,469,000 | 1,375,000 | 1,793,000 |
| Dec | 1,197,000 | 1,204,000 | 1,121,000 | 1,402,000 | 1,242,000 | 1,335,000 | 1,422,000 | 1,220,000 |
| Total | 29,988,500 | 24,476,500 | 25,125,980 | 27,012,000 | 26,375,000 | 27,500,000 | 25,669,000 | 28,598,000 |

Maximum Daily Demand

The July 2016 pumpage of 3,872,000 gallons exceeds that of all other months over the period of record recorded in table 6. This demand is equivalent to an average daily demand of approximately 124,900 gallons per day (gpd). There were 303 residential units served by the well field during this time and dividing the average daily use by residential units served results in an average daily use of 412 gpd/r. The maximum daily use during July was 185,000 gallons that in turn results in a maximum daily demand of 610 gpd/r.

Well Field Hours of Use and Yield

ICR 1 was used for 428 hours during the year for an average daily use of about 1.2 hours per day. Maximum use was in October when the well was pumped for 106 hours for an average use during the month of about 3.4 hours. ICR 2 was used for 857 hours for an average daily use during the year of 2.4 hours. Maximum use was in July when the well was pumped for 175 hours for an average use during the month of about 5.7 hours.

Average yield from ICR 1 ranged from about 371 gpm in the drier warmer months with associated higher pumpage and lower water levels to about 379 gpm in January with relatively low pumpage and higher water levels. Average yield for the year was 374 gpm.

Average yield from ICR 2 ranged from about 352 gpm in the drier warmer months with associated higher pumpage and lower water levels to about 396 gpm in January with relatively low pumpage and higher water levels. Average yield from ICR 2 was 369 gpm.

Well Field Water Levels

There is a long-term decline in the water level of a pumped well until water in an amount equal to the rate the well is being pumped is diverted to the well from the aquifer's discharge area. Once this occurs, the long-term decline ceases. For the two ICR wells, this diversion would be expected to take decades if not longer to occur. If water levels fall too far before stabilizing, the wells will cease to be viable. It is important therefore to measure water levels through time in order to monitor the well field's status. There is also a short term, but significant, decline in the water level at a well that is being pumped intermittently, such as those at the ICR well field. Water levels fall while the well is being pumped and subsequently rise when pumping ceases to an altitude equal to or near that existent before pumping.

For practical reasons it is best to maintain the pumping water level in the wells at about two-thirds of the original thickness of the aquifer at each well. This consideration maximizes production relative the decline in the pumping water level in the well and to pumping cost. For both wells, this suggests that the maximum pumping depth to water should be about 152 ft.

Another consideration however is the requirement to maintain the pumping water level in a well above the pump intakes which as stated above, is 172 ft. at ICR 1 and 160 ft at ICR 2.

ICR Well 1

Non-pumping depths to water below land surface at ICR 1 in 2016 ranged from about 52 ft. to 55 ft., figure 1, and averaged about 54 feet compared to an average depth of approximately 53 feet in 2015, figure 2. Pumping depths were not recorded since the well was not pumping during the daily visits to it. This depth was 101 feet when measured on July 29, 2015. As discussed above, the water level at ICR 1

was about 18 ft. below land surface when it was completed on August 5, 1994. The average non-pumping water level at the well of 53 ft. below land surface is 34 ft. lower than that originally measured at completion of the well.

Both, pumping and non-pumping depths are consistent with continued viability of the well.

Figure 2, 2016 ICR 1 Depth to Water

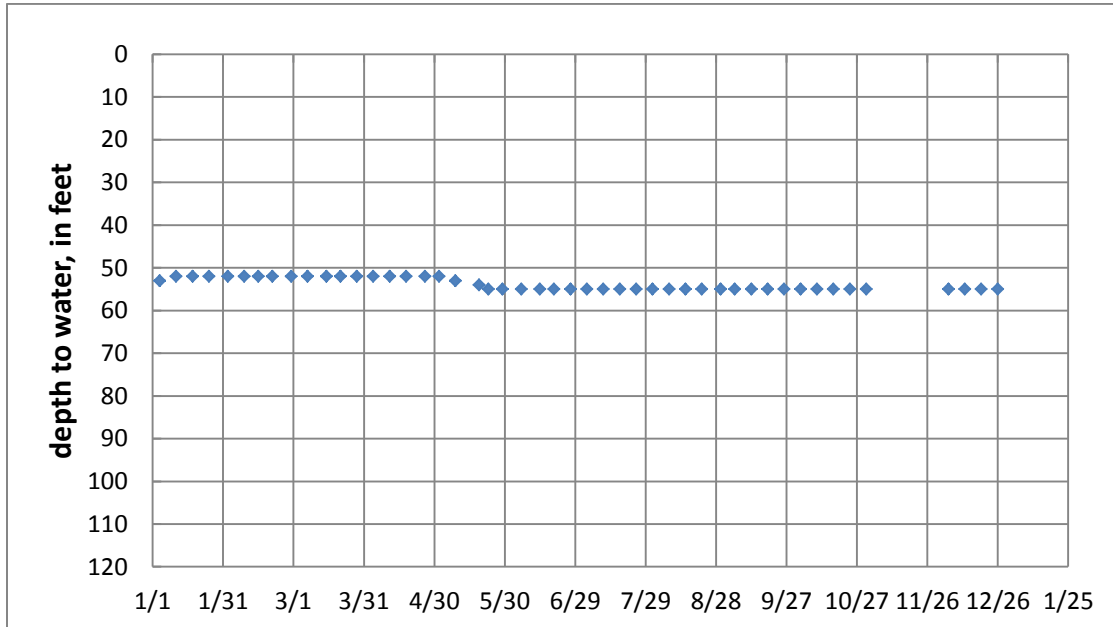
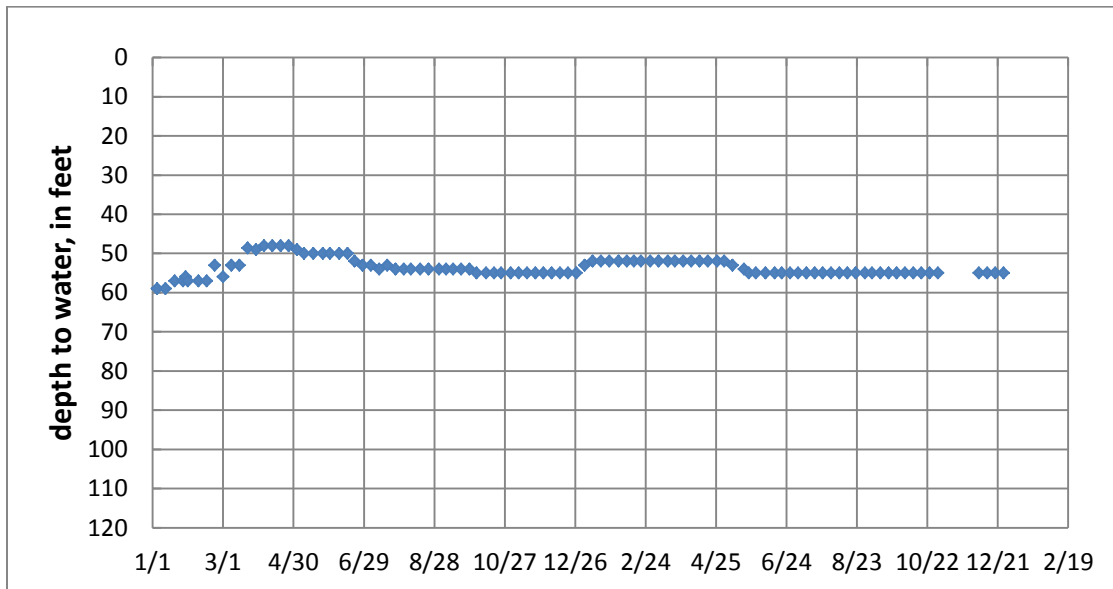


Figure 2, 2015-2016 ICR 1 Non-Pumping Depth to Water



ICR Well 2

Non-pumping depth to water below land surface at ICR 2 in 2016 ranged from about 54 ft. to 57 ft., figure 3, and averaged about 56 feet compared to an average depth of 54 feet in 2015, figure 4. As at ICR 1 pumping depths were not recorded since the well was not pumping during the daily visits. This depth was 100 feet when measured on August 31, 2015. As discussed above, the water level at ICR 2 was about 19 ft. below land surface when it was completed on April 10, 2002. The minimum water level at the well of 54 ft. below land surface is 36 ft. lower than that originally measured at completion of the well.

Both, pumping and non-pumping depths are consistent with continued viability of the well.

Figure 3, 2016 ICR 2 Non-Pumping Depth to Water

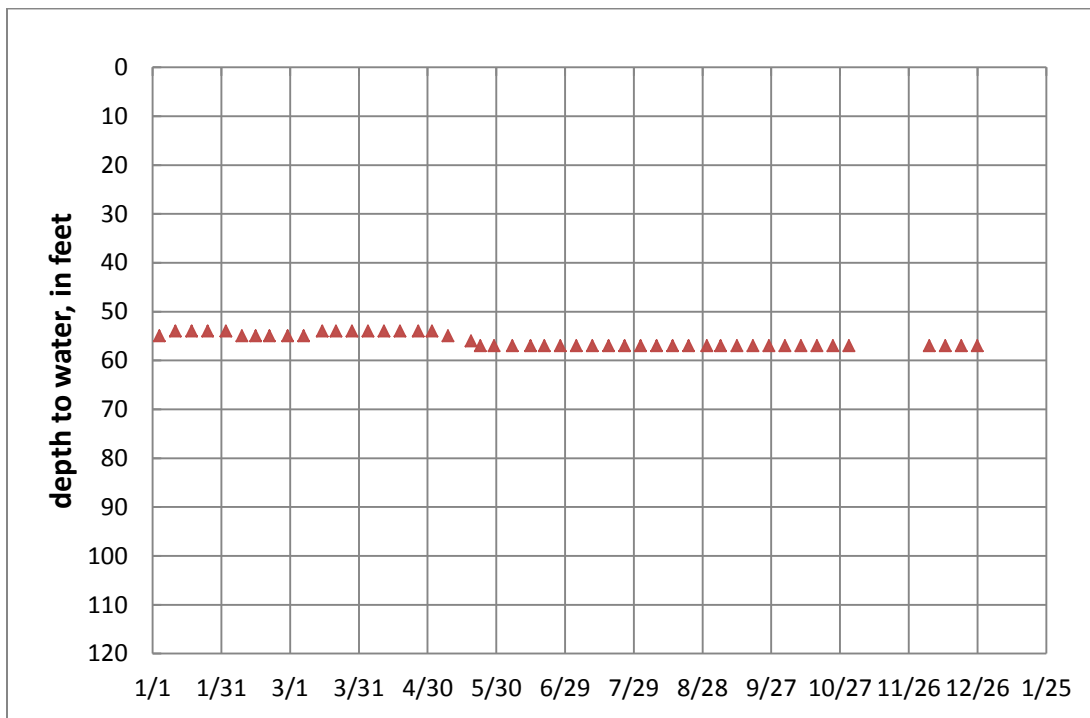
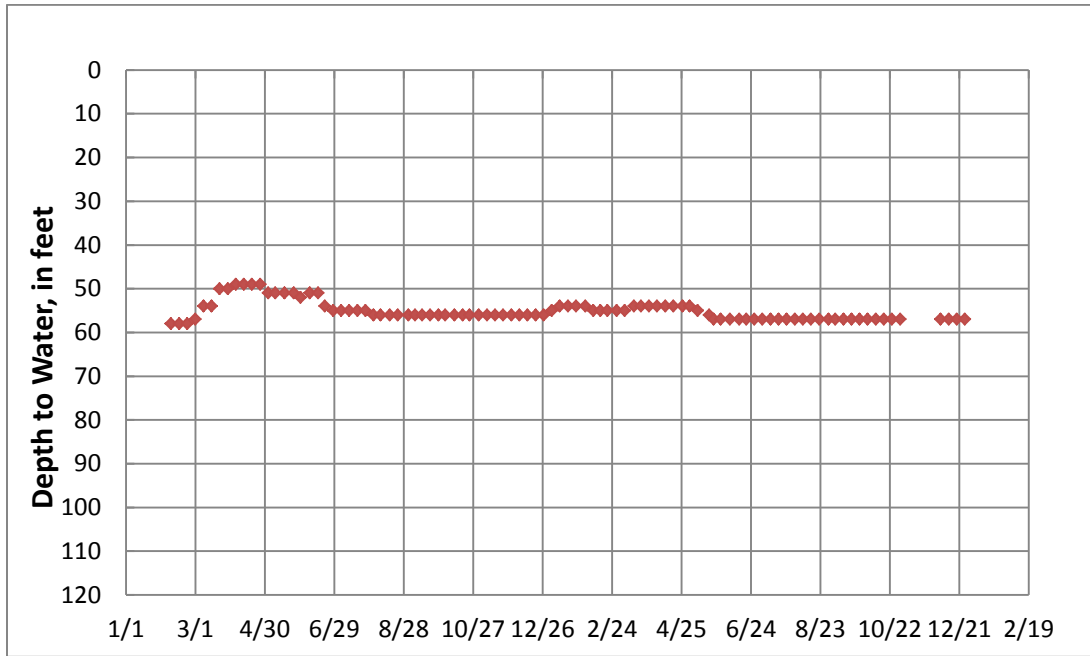


Figure 4, 2015-2016 ICR 2 Non-Pumping Depth to Water



THE TALKING ROCK WELL FIELD

The Talking Rock Ranch (TRR) well field consists of three wells referred to as TRR wells TRR 1, 2, and 3. Construction of TRR 1 began on January 3, 2001 and was completed on February 5, 2001; construction of TRR 2 began on March 27, 2002 and was completed April 20, 2002; construction of TRR 3 began May 13, 2002 and was completed May 15, 2002. The wells are situated along the eastern edge of the Mint Wash floodplain immediately east of Williamson Valley road where the road crosses the wash. The well field services the Talking Rock subdivision and the Talking Rock Golf Course. The well field and the land it is on are owned by the ICR Water Users Association.

The aquifer tapped by the TRR well field consist of medium to coarse sand with small amounts of intermixed gravel and layers of gravel and sand mixed with minor amounts of silt and clay. Interbedded within this material is a layer of basalt that is encountered at depths ranging from 70 ft., 108 ft., and 118 ft. below land surface at wells 1, 2, and 3 respectively. Thickness of the basalt ranges from 41 ft. to 50 ft. Geologic logs of nearby wells indicate that the areal extent of the basalt is limited and does not extend to the ICR Well Field. The base of the aquifer is formed by granitic and metamorphic rocks occurring at depths ranging from about 300 ft. below land surface at well 1, 262 ft. at well 2, and 240 ft. below land surface at well 3.

The regional water table lies in the unconsolidated sands and gravel above the basalt. In the absence of pumping, the altitude of the water table varies naturally in accordance with the seasonal pattern of precipitation. Measured depth to water at completion of drilling for each well was 20 ft., 57 ft., and 23 ft. below land surface at wells 1, 2, and 3 respectively. Wells 1 and 3 are at about the same elevation above sea level whereas well 2 is about 10 ft. higher. Subsequent non-pumping measurements at the well field have shown that depth to water at well 2 is about 8-10 ft. greater than that at wells 1 and 3. This difference is consistent with the difference in elevation of well 2 compared to wells 1 and 3. This suggests that the initial water level measurement at well 2 was not representative of non-pumping conditions at the well field.

The pumping capacity at all three wells has been downsized from that originally installed due to initial overly optimistic estimates of the long-term yield of each well that resulted in unacceptable decline in water levels and air entrainment at all three wells. The pump at well 3 was downsized from 430 gpm to about 260 gpm in 2003 after which the well has been highly reliable. The pump at well 2 was downsized from about 530 gpm to a pump capacity of about 285 gpm in 2009. Due to an electrical problem the pump at well 2 failed in June 2013 and was replaced in July of that year. The capacity of the new pump ranges from about 275 to 290 gpm. The pump at well 1 was downsized in February 2012 and reliably yields about 330 gpm.

The well field is managed so that the wells are called up sequentially as demand increases. As a result on a given day, only one well is initially in service until demand requires an additional well. In general any two wells can meet daily demand except during the hottest and driest part of the year when the water demand for the Talking Rock Golf Course is at its greatest. The general practice is to use either well 1 or 2 as the initial well on call followed by well 3.

2016 Monthly Well Demand

Total pumpage at wells 1, 2, and 3 for 2016 were 26,347,000 gallons, 44,696,000 gallons, and 32,850,000 gallons respectively, table 7. Monthly demand on the well field in 2016 increased from about 951,000 gallons in January to about 7,804,000 gallons in March, 10,098,000 gallons in April, and 17,930,000 gallons in July when pumpage peaked. Demand slowly decreased from this level falling to about 2,459,000 gallons in December, table 6.

As discussed above, the TRR well field is generally operated with only two wells pumping during a given day. As also discussed above, either well 1 or well 2 serves as the primary well on call while well 3 is the second well to be called on to provide additional water if required. The remaining well (well 1 or 2) comes on line during periods when the primary well and well 3 cannot meet the immediate demand while maintaining the desired water level in the storage tanks.

The above pattern of use was not followed from October through December in 2016 in order to examine the impact on water levels (discussed below) with well 1 serving as the primary well and well 2 as the second well on call rather than well 3. Well 1 served as the primary well on call from January through February and again from September through December. Well 2 served as the primary well on call from March through August and as the second well on call from October through December. With the exception of February, Well 3 served as the second well on call from January through September.

Table 7, 2016 TRR Wells 1, 2, and 3 Monthly and Annual Pumpage, in gallons

| Month | well 1 | well 2 | well 3 | Total |
|-----------------|-------------------|-------------------|-------------------|--------------------|
| January | 828,000 | 0 | 123,000 | 951,000 |
| February | 2,038,000 | 630,000 | 0 | 2,668,000 |
| March | 1,850,000 | 3,661,000 | 2,293,000 | 7,804,000 |
| April | 41,000 | 5,607,000 | 4,450,000 | 10,098,000 |
| May | 143,000 | 6,583,000 | 5,168,000 | 11,894,000 |
| June | 813,000 | 9,221,000 | 7,664,000 | 17,698,000 |
| July | 1,224,000 | 9,116,000 | 7,590,000 | 17,930,000 |
| August | 520,000 | 4,496,000 | 2,904,000 | 7,920,000 |
| Sept | 4,713,000 | 1,255,000 | 2,486,000 | 8,454,000 |
| Oct | 7,606,000 | 2,548,000 | 127,000 | 10,281,000 |
| Nov | 4,532,000 | 1,175,000 | 29,000 | 5,736,000 |
| Dec | 2,039,000 | 404,000 | 16,000 | 2,459,000 |
| Total | 26,347,000 | 44,696,000 | 32,850,000 | 103,893,000 |

2009-2016 Monthly Well Field Demand 2009-2016

The variation in monthly demand at the TRR well field for 2009 through 2016 is shown in table 8. Minimum demand occurs in one of the winter months, December, January, or February. The months of June and July are predominantly the months of highest demand although this has also occurred in May, and August. The difference between maximum and minimum demand for a given year averages about 14 million gallons and has been as much as 17.36 million gallons. The high difference between the maximum and minimum demand compared to the ICR well field reflects the summer demand of the Talking Rock Golf Course.

As can be seen in table 8, the total demands for the years 2011 through 2016 fall below that of 2010 and reflect, at least in part, the lower demand of the golf course over this same time period, table 2.

Annual demand at the well field over the 2009-2016 time period has ranged from a high of 116,091,180 gallons in 2010 to a low of 94,270,000 gallons in 2015. These rates correspond to an average daily pumping rate ranging from about 220 gpm to 180 gpm compared to the capacity of TRR 1, 2, and 3 equal to 325 gpm, 257 gpm, and 225 gpm respectively.

Table 8, 2009-2016 Monthly and Annual TRR Well Field Demand, in gallons

| Month | 2009 | 2010 | 2011 | 2,012 | 2013 | 2014 | 2015 | 2016 |
|---------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|--------------------|
| Jan | 757,000 | 2,691,500 | 4,263,000 | 3,499,000 | 6,554,000 | 6,041,000 | 2,176,000 | 951,000 |
| Feb | 646,100 | 5,747,700 | 805,000 | 3,750,000 | 1,130,000 | 4,805,000 | 3,078,000 | 2,668,000 |
| March | 8,612,900 | 7,192,600 | 4,708,000 | 5,363,000 | 6,648,000 | 8,162,000 | 4,349,000 | 7,804,000 |
| April | 9,276,000 | 13,290,000 | 10,180,000 | 9,641,000 | 12,076,000 | 12,214,000 | 12,537,000 | 10,098,000 |
| May | 13,927,000 | 14,925,000 | 11,283,000 | 12,560,000 | 14,674,000 | 14,255,000 | 11,789,000 | 11,894,000 |
| June | 16,132,000 | 11,287,000 | 16,018,000 | 14,342,000 | 15,433,000 | 15,584,000 | 13,142,000 | 17,698,000 |
| July | 13,348,500 | 14,144,000 | 14,087,000 | 17,613,000 | 10,726,000 | 13,072,000 | 11,093,000 | 17,930,000 |
| August | 17,862,200 | 9,511,000 | 15,325,000 | 11,203,000 | 12,199,000 | 6,243,000 | 10,572,000 | 7,920,000 |
| Sept | 12,409,300 | 13,306,000 | 12,985,000 | 7,540,000 | 7,447,000 | 7,133,000 | 8,922,000 | 8,454,000 |
| Oct | 9,106,000 | 10,756,000 | 7,266,000 | 6,860,000 | 10,927,000 | 7,138,000 | 10,264,000 | 10,281,000 |
| Nov | 5,646,500 | 7,612,000 | 6,734,000 | 7,525,000 | 6,679,000 | 6,809,000 | 4,513,000 | 5,736,000 |
| Dec | 499,000 | 5,629,000 | 3,004,000 | 4,717,000 | 3,027,000 | 5,577,000 | 1,835,000 | 2,459,000 |
| Total | 108,222,500 | 116,091,800 | 106,658,000 | 104,613,000 | 107,520,000 | 107,033,000 | 94,270,000 | 103,893,000 |

Maximum Daily Demand

As at the ICR well field, the maximum monthly demand at the TRR well field of 17,930,000 gallons for July 2016 represents the highest monthly demand for the period of record in table 8. This demand represents an average daily demand on the well field of 402 gpm. Because of the overriding demand of the TRR Golf Course compared to all other demands at the TRR well field it is not possible to calculate a value for residential water use based on this value alone. The maximum daily use during July was 681,000 gallons that in turn results in a maximum daily demand at the well field of 473 gpm.

2009-2016 Golf Course Demand

The major demand on the TRR well field historically and for the foreseeable future is the Talking Rock Golf Course. Monthly and annual golf course demand for the years 2009 through 2016 based on monthly billing records that, as discussed above are not calendar based, are shown in table 9. As shown, demand has ranged from a high of 107,248,000 gallons in 2010 to a low of 81,941,000 gallons in 2015. The average golf course demand has decreased since 2011 and is currently at approximately 93.87 million gallons for the period of record in table 9. Importantly, demand for 2015 and 2016 are significantly below the average.

Table 9, Golf Course Demand 2009 - 2016

| Month | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------|-------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Jan | 0 | 0 | 4,312,700 | 0 | 4,929,000 | 2,688,000 | 3,723,000 | 16,000 |
| Feb | 0 | 5,616,200 | 482,200 | 0 | 3,556,000 | 4,699,000 | 1,898,000 | 642,000 |
| March | 3,528,000 | 4,837,400 | 1,486,700 | 8,189,200 | 2,003,000 | 5,357,000 | 1,105,000 | 4,088,000 |
| April | 9,577,000 | 10,869,400 | 7,055,200 | 8,257,100 | 9,493,000 | 9,807,000 | 9,365,000 | 7,945,000 |
| May | 15,675,000 | 15,396,500 | 10,554,300 | 9,960,800 | 12,514,000 | 11,308,000 | 10,529,000 | 9,773,000 |
| June | 9,792,000 | 10,334,000 | 12,351,600 | 12,326,900 | 11,811,000 | 14,345,000 | 10,455,000 | 12,109,000 |
| July | 12,864,000 | 10,606,200 | 13,912,700 | 15,509,500 | 15,103,000 | 12,191,000 | 10,151,000 | 14,701,000 |
| Aug | 13,084,000 | 12,770,700 | 13,736,300 | 14,468,400 | 8,278,000 | 8,589,000 | 8,758,000 | 11,648,000 |
| Sept | 10,981,000 | 9,405,600 | 14,799,800 | 7,081,600 | 7,893,000 | 4,436,000 | 8,191,000 | 5,124,000 |
| Oct | 12,040,000 | 12,503,400 | 8,676,700 | 5,770,200 | 7,585,000 | 5,084,000 | 8,338,000 | 7,407,000 |
| Nov | 4,836,000 | 9,478,800 | 6,623,100 | 7,105,500 | 8,211,000 | 6,816,000 | 7,090,000 | 8,243,000 |
| Dec | 1,515,000 | 5,428,600 | 8,189,200 | 6,005,800 | 4,762,000 | 4,969,000 | 2,338,000 | 2,885,000 |
| Total | 93,892,000 | 107,248,810 | 102,180,500 | 94,675,000 | 96,138,000 | 90,289,000 | 81,941,000 | 84,581,000 |

Well Field Hours of Use and Yield

TRR 2 was the major well used during the year being on line for a total of 2,923 hours equivalent to an average daily use of approximately 8.0 hours. Average production from the well was 257 gpm and ranged from low of 249 gpm during July when pumping was heaviest and water levels at their lowest to 265 gpm in February when conditions were reversed. Total production from the well as shown in table 7 was 44,696,000 gallons.

TRR 3 was used a total of 2,465 hours during the year for an average daily use of 6.2 hours per day. Yield varied from 216 gpm in July to 229 gpm in March and averaged 225 gpm. Total production from the well was 32,850,000, table 7.

TRR 1 was used for only 1,331 hours for an average use of 3.7 hours per day. Yield varied from 315 gpm in February to 356 gpm in March and averaged 325 gpm. Total production from the well was 26,347,000 gallons, table 7.

Well Field Water Levels

As discussed, the pumping water level in the wells should be limited to about two-thirds of the original thickness of the aquifer to maximize production relative to pumping cost. Under this consideration, the maximum depth to water at well 1 should be about 185 ft. For well 2 the maximum depth should be about 155 ft. and about 145 ft. at well 3. An additional consideration however, is that in order to limit problems with air entrainment at wells 1 and 2, the pumping level in well 1 should not be more than about 165 ft. below land surface and the pumping water level in well 2 should be no more than about 155 ft. below land surface.

The pump intakes at TRR wells 1 and 2 are set at approximately 262 ft. below land surface. Maintaining a pumping level of 165 ft. or less at well 1, although not maximizing production relative to pumping cost, assures at least 97 ft. of water above the pump intakes. Maintaining a pumping level of 155 ft. or less at well 2 assures at least 107 ft. of water above the intakes and also meets the two-thirds rule. The pump intake at well 3 is set at approximately 230 ft. below land surface. Maintaining a pumping level of 145 ft. assures at least 85 ft. of water above the intakes.

TRR Well 1

Non-pumping depths to water below land surface at TRR 1 during 2016 ranged from about 43 ft. to 54 ft., figure 5, and averaged about 48 feet. Pumping depths ranged from about 90 feet to 120 feet depending on the time of year and the presence or lack thereof of pumpage from other wells. 2016 pumping depths in September through early November are as much as 10-15 feet greater than 2015 depths, figure 6, and reflect the use of well 1 as the primary well on call with well 2 serving as the second well to be called up rather than well 3 which is the normal operational procedure.

Even so, 2016 water levels at the well are considerably above 165 feet below land surface required to preclude air entrainment. As stated above, the base of the aquifer is at 300 feet below land surface while the intakes for the pump are at a depth of 262 feet, so that at its deepest point during the year, pumping water levels were about 142 feet above the intakes and 180 feet above the base of the aquifer.

As discussed above, the water level at TRR 1 was about 20 ft. below land surface when it was completed on February 5, 2001. The minimum non-pumping water level of 43 ft. below land surface in 2016 represents a decline of about 23 ft. since 2001.

Both pumping and non-pumping water levels at the well are consistent with continued viability of the well.

Figure 5

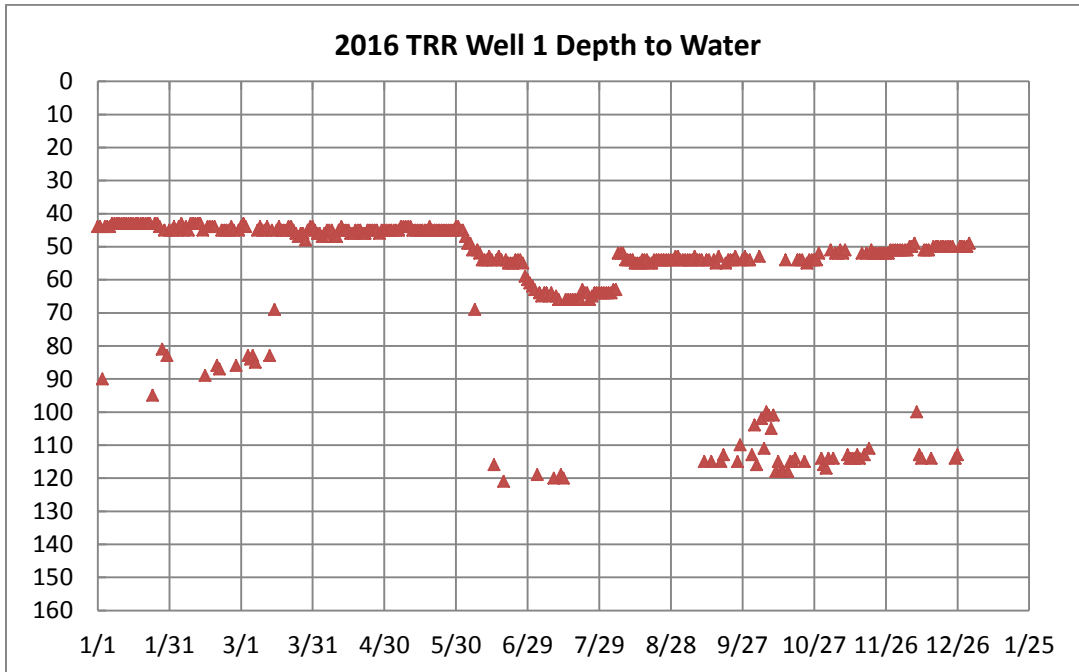
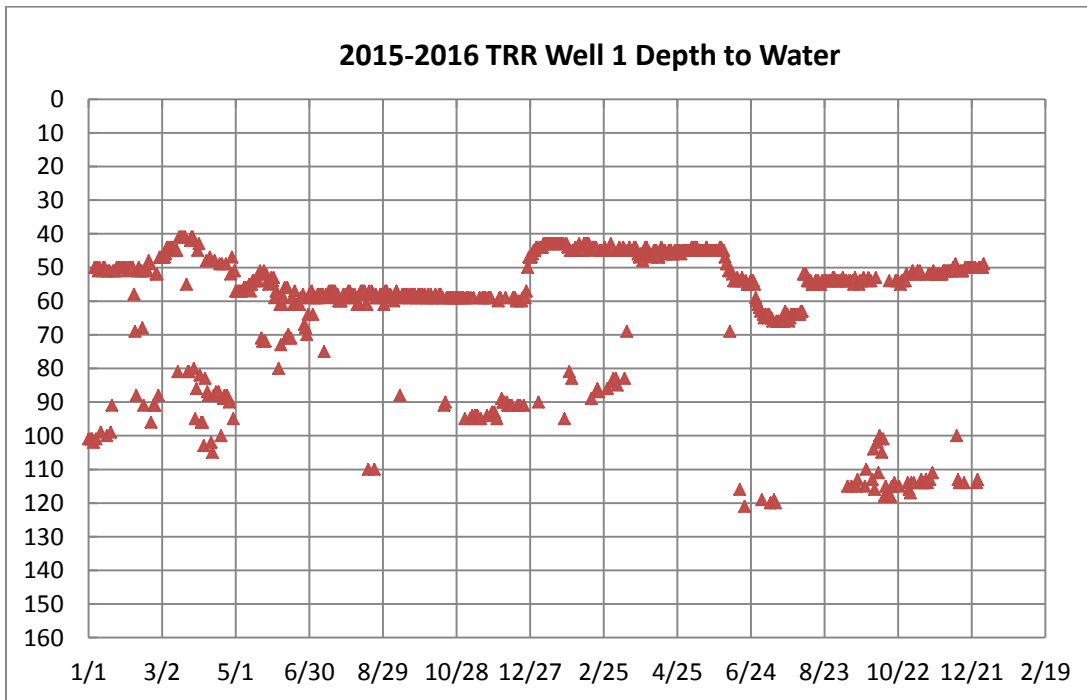


Figure 6



TRR Well 2

Non-pumping depths to water below land surface at TRR 2 during 2016 ranged from about 52 ft. to 62 ft., figure 7. Pumping depths ranged from about 110 feet to 150 feet depending on the time of year and the presence or lack thereof of pumpage from other wells.

As at well 1, 2016 pumping depths in September through early November are as much as 10-15 feet greater than 2015 depths, figure 8, reflecting the use of well 1 as the primary well on call with well 2 serving as the second well to be called up rather than well 3. Even so, 2016 water levels at the well are above 155 feet below land surface that is required to preclude air entrapment. As stated above, the base of the aquifer at the well is 262 feet below land surface while the intakes for the pump are also at this depth so that at its deepest point during the year, the pumping water level was about 112 feet above pump intakes and the base of the aquifer.

As discussed above, the water level at TRR 2 was about 57 ft. below land surface when it was completed on April 20, 2002. The minimum water level of 52 ft. below land surface in 2016 is about 5 ft. higher than that originally measured at completion of the well.

Both pumping and non-pumping water levels at the well are consistent with continued viability of the well.

Figure 7

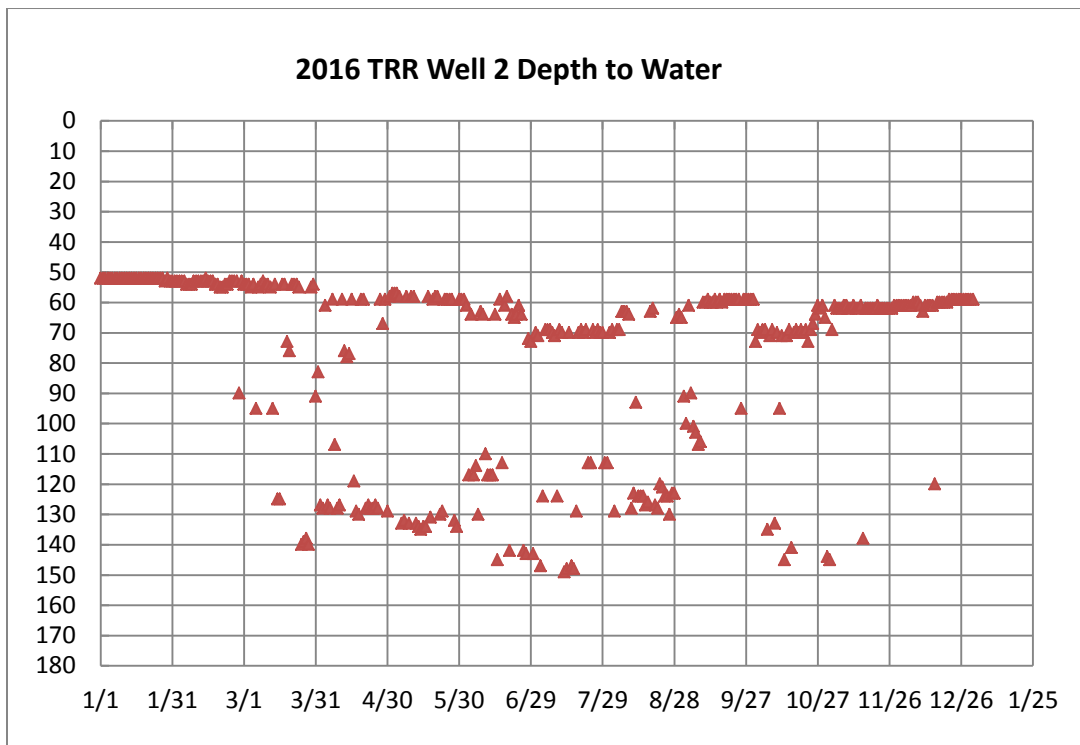
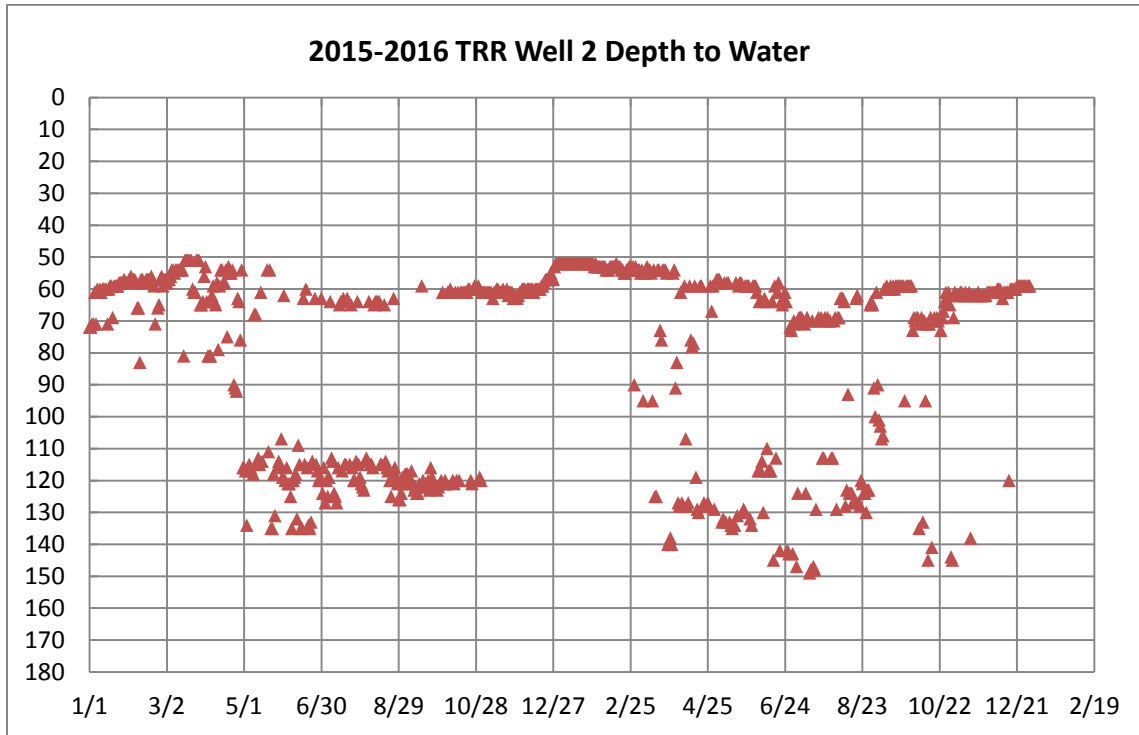


Figure 8



TRR Well 3

Non-pumping depths to water below land surface at TRR 3 during 2016 ranged from about 43 ft. to 53 ft., and were nearly identical to those of 2015, figures 9 and 10. Pumping depths ranged from about 121 feet to 167 feet depending on the time of year and the presence or lack thereof of pumpage from other wells.

As at well 1 and 2, 2016 pumping depths at well 3 in September through early November are deeper in 2016 than they were in 2015, in this case by about 10 feet, figure 10, reflecting the use of well 1 as the primary well on call with well 2 serving as the second well to be called up.

At their deepest point water levels in 2016 water levels were 63 feet above the pump intake and 73 feet above the base of the aquifer (240 feet below land surface).

The minimum non-pumping water level of 43 ft. below land surface in 2016 represents a decline of about 20 ft. since the well's completion. As in the case of well 1, this decline is not considered to be excessive.

Both pumping and non-pumping water levels at the well are consistent with continued viability of the well.

Figure 9

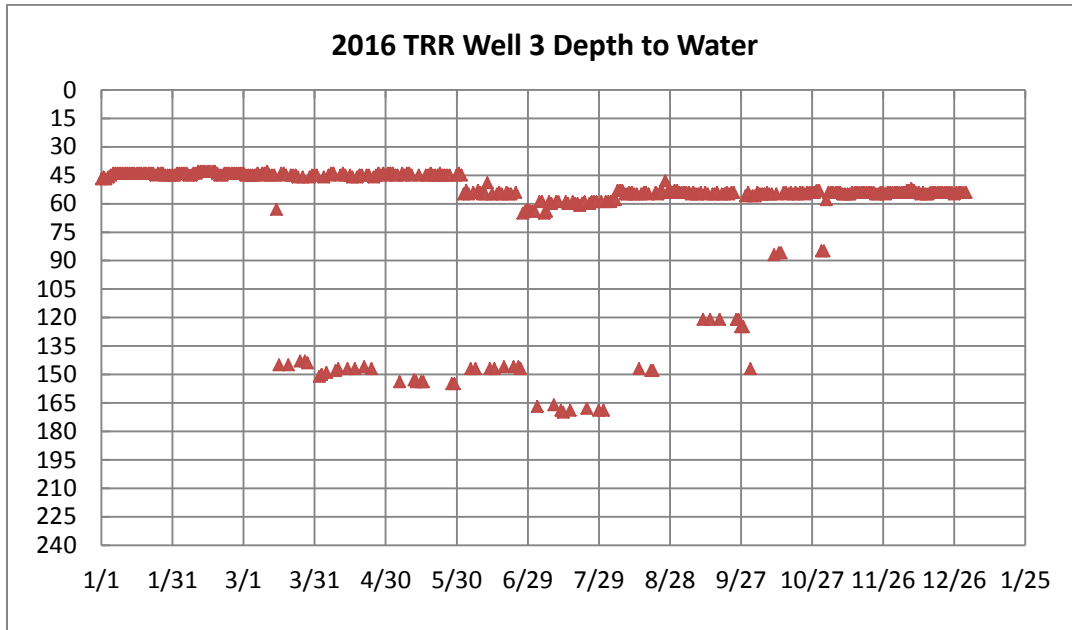
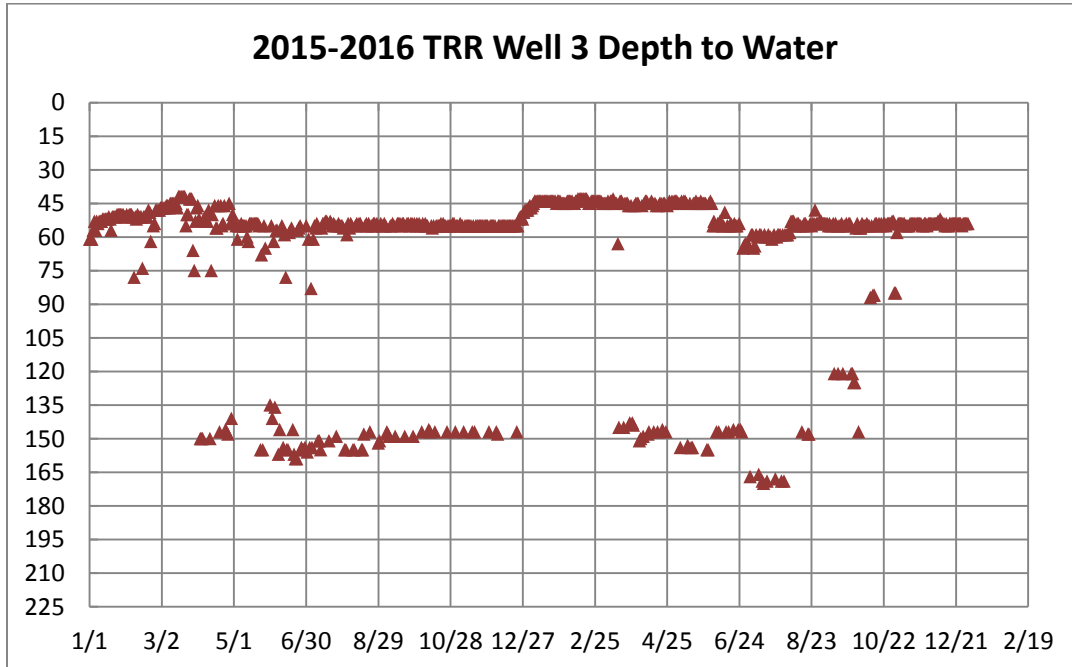


Figure 10



SUMMARY

The ICR Water Users Association (ICRWUA) is a private non-profit water company that provides water to the Inscription Canyon Ranch, Whispering Canyons, Preserve at the Ranch and Talking Rock subdivisions. The company also provides water to the Talking Rock Golf Course. Water for the first three subdivisions comes from the ICR well field while water for the Talking Rock subdivision and golf course comes from the TRR well field.

The 2016 annual demand at the ICR and TRR well fields respectively was 28,598,000 gallons and 103,893,000 gallons. Combined demand for all uses for 2016 was 132,491,000 gallons, approximately 12.55 million gallons greater than 2015. The 2016 golf course use of 84,581,000 gallons represents slightly more than 81 percent of the total annual pumpage from the TRR well field and 64 percent of the combined pumpage from both well fields. Average residential demand per residence including landscape and commercial use was 239 gallons per day for the subdivisions served by the ICR well field and 236 gpd/r for the TRR subdivision served by the TRR well field.

The maximum monthly demand at both well fields for July 2016 represents the highest monthly demand from 2009 through 2016. The maximum daily residential demand during this month for the ICR system including other uses was 610 gpd/r. Because of the overriding demand of the golf course on the TRR well field it is not possible to calculate a maximum daily residential demand for the TRR system, but in terms of pumpage alone, the maximum daily demand here was 473 gpm.

There are two wells in the Inscription Canyon Ranch (ICR) well field about 47 feet apart; ICR 1 and ICR 2. The ICR well field is operated with only one well pumping during a given day with ICR 2 serving as a back-up well to ICR 1. In 2016, ICR 2 was actually used more than ICR 1 due to servicing of the latter well. ICR 1 was used for 428 hours during the year for an average daily use of about 1.2 hours per day. Maximum use was in October when the well was pumped for 106 hours for an average use during the month of about 3.4 hours. Average yield from ICR 1 ranged from about 371 gpm in the drier warmer months to about 379 gpm in January. Average yield for the year was 374 gpm. Total production from the well for 2016 was 9,611,000 gallons.

ICR 2 was used for 857 hours for an average daily use during the year of 2.4 hours. Maximum use was in July when the well was pumped for 175 hours for an average use during the month of about 5.7 hours. Average yield from ICR 2 ranged from about 352 gpm in the drier warmer months to about 396 gpm in January. Average yield from ICR 2 was 369 gpm. Total production from the well for 2016 was 18,987,000 gallons.

Both pumping and non-pumping water levels at the wells are consistent with continued viability of the wells.

The Talking Rock Ranch (TRR) well field consists of three wells referred to as TRR 1, 2, and 3. The well field is managed so that the wells are called up sequentially as demand increases. As a result on a given day, only one well is initially in service until demand requires an additional well. In general any two wells can meet daily demand except during the hottest and driest part of the year when the water demand

for the Talking Rock Golf Course is at its greatest. The general practice is to use either well 1 or 2 as the initial well on call followed by well 3.

TRR 2 was the major well used during the year being on line for a total of 2,923 hours equivalent to an average daily use of approximately 8.0 hours. Average production from the well was 257 gpm and ranged from low of 249 gpm during July to 265 gpm in February. Total production from the well for 2016 as was 44,696,000 gallons.

TRR 3 was used a total of 2,465 hours during the year for an average daily use of 6.2 hours per day. Yield varied from 216 gpm in July to 229 gpm in March and averaged 225 gpm. Total production from the well for 2016 was 32,850,000.

TRR 1 was used for only 1,331 hours for an average use of 3.7 hours per day. Yield varied from 315 gpm in February to 356 gpm in March and averaged 325 gpm. Total production from the well for 2016 was 26,347,000 gallons.

As at the ICR well field, both pumping and non-pumping water levels at the wells are consistent with continuity viability of the wells.