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August 26, 2011

Mr. Thomas W. McCann  
Assistant General Manager  
Central Arizona Project  
23636 N. 7<sup>th</sup> Street  
Phoenix, Arizona 85024

Re: Comments to ADD Water Program Proposal dated July 14, 2011

Dear Mr. McCann:

Thank you for the opportunity to provide comments to the July 14<sup>th</sup> ADD Water Program Proposal distributed by CAP Staff (the "July 14<sup>th</sup> Proposal"). As you are aware, Fennemore Craig has been representing DMB Associates, Inc., Robson Communities, El Dorado Douglas Ranch, LLC and Sunbelt Holdings (together, the "Companies") in the ADD Water process. The Companies are all Arizona-based entities, involved in developing well-known and highly-regarded communities located in Maricopa, Pinal and Pima Counties. On their behalf, we have been actively engaged in the ADD Water Stakeholders process since its beginning.

The Companies have dedicated a great deal of time to the ADD Water process primarily because of its potential impact on the CAGR. Several questions about the fundamental structure of CAGR and how it will operate in the future were raised in HIOG-2 meetings, but were left unresolved. The Companies believe that it is very important to resolve these questions as part of an overall ADD Water program. The Companies are willing to continue working on reaching answers to these questions so that they are included in the ADD Water program adopted by the Board. The Companies' support for adoption of an ADD Water program will depend on whether the fundamental questions about the CAGR raised during the HIOG 2 process have been addressed in a manner satisfactory to the Companies. Towards that end, we hope that there will be opportunities for continued discussions among interested parties regarding CAGR.

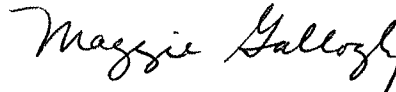
On behalf of the Companies, we commend the CAP Staff for its work on the July 14<sup>th</sup> Proposal. We understand that the July 14<sup>th</sup> Proposal is a work in progress, but believe that it captures the progress made by the stakeholders during the HIOG-2 process. The Companies

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remain committed to participating in ADD Water, and encourage the CAP to continue with this important process.

Sincerely,



Margaret R. Gallogly

cc: Pamela Pickard, President, CAP Board of Directors  
Michael J. Cronin (via e-mail)  
Peter M. Gerstman (via e-mail)  
Jill Kusy-Hegardt (via e-mail)  
Heidi L. Kimball (via e-mail)  
Dave Nilsen (via e-mail)  
Sean T. Walters (via e-mail)