

*Carefree*

December 9, 1955

Mr. Hugh Martin  
c/o Marwell Construction Company, Ltd.  
1500 West Georgia Street  
Vancouver, British Columbia

Dear Hugh:

The time seems to be rapidly approaching when we should begin the development of our property above Cave Creek. Through three groups, or syndicates, we now own or are buying slightly more than a section of patented land surrounding the intersection of the new paved highway leading out of Cave Creek to the Verde River with the proposed extension of Scottsdale Road on which we have engineers working at the present time. We have concluded that it is advisable to plan and develop an entirely new town with a new name rather than to use the name Cave Creek and let others capitalize on our efforts.

Pending the completion of engineering work, we have set up a corporation which, for the lack of a better name at the moment, we call "Carefree Development Corporation," with James Beattie, Tom Darlington, and K. T. Palmer as incorporators. It is our plan that there will be issued to us, equally, \$7,500 worth of stock which in turn the three of us propose to offer to you and other members of the syndicates in proportion to your respective holdings in those syndicates. The reason for this I will explain below. In any event, it is our hope that stock will be purchased and held by the following persons in the following amounts: Hugh Martin and Bobby Foehl, \$800 each; James Beattie, \$1,100; James McDougall, George Trehearne, Robert Fabricant, and Lou Davis, \$550 each; Tom Darlington and K. T. Palmer, \$840 each; Brooks Darlington, \$420; and the firm of Palmer and Botsford, \$500.

The first act of the new corporation will be to attempt to secure a Certificate of Convenience and Necessity from the Corporation Commission and a franchise from the County for a water system covering our own properties and a few neighboring pieces of land. A well will be satisfactory for our immediate needs, and additional water can be easily secured by drilling other wells as we have been informed by supposedly competent engineers. Furthermore, in order for those of you who are not in the real estate business to take advantage of capital gains treatment

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in connection with sales of the property as it is subdivided and offered for sale, we believe it will be necessary for us to convey parcels, perhaps 40 acres in size, to the corporation at the proposed gross selling price of lots less selling and incidental expenses. The corporation then will become the active selling agent and, being set up to make very modest profits, will not suffer too much from its inability to receive capital gain treatment. However, since certain incidental profits due to increases in value of property while held by the corporation and possible profits from the operation or sale of the water system might exceed original expectations, it seems advisable to permit each member of these syndicates to own the corporation equally. If you will indicate your desires in this matter, we will proceed accordingly.

Incidentally, I see no reason why at the present moment it will be necessary for the total subscription to be paid in cash, and without having discussed the matter in detail with Tom and Jim, I believe that a third in cash and two-thirds represented by promissory notes would be a satisfactory method of handling. On that we will advise you after we find out what the response to this and other similar letters amounts to.

I hope you can get down here before too long and give us the benefit of your advice in person, but in the meantime would appreciate any comments that you would care to make by letter.

Best regards,

KTP/ac