

**Jennie Bricker
Land & Water Law**

818 SW Third Avenue, PMB 1517
Portland, Oregon 97204

Email: jennie@jbrickerlaw.com
Telephone: 503-928-0976

September 15, 2017

Public Utility Commission of Oregon
Filing Center
PO Box 1088
Salem, OR 97308-1088

Re: Application for Sale, Transfer, or Merger of Water Utility

Dear Commissioners:

On behalf of my client, Pete's Mountain Water Co., Inc., I have enclosed an APPLICATION FOR SALE, TRANSFER, OR MERGER OF WATER UTILITY, together with the attachments listed below.

Attachments to Application:

1. Stock Purchase Agreement, including schedules, but excluding documents referenced in schedules (45 pages).
2. Plan of Merger (1 page).
3. PMWAC, Inc. Articles of Incorporation (2 pages).
4. PMWAC, Inc. Bylaws (6 pages).
5. PMWAC, Inc. financial statement (2 pages).
6. Preliminary Rules and Regulations (3 pages).
7. Preliminary Schedule of Assessments, Fees and Charges (1 page).
8. Loan Commitment (1 page).
9. Report to Current Customers (5 pages).
10. Notice of Sale of Water Utility (1 page).

The enclosure comprises 72 pages, including this cover letter and a Certificate of Filing and Service. Please feel free to contact me with questions.

/s/ Jennie L. Bricker

Jennie L. Bricker, OSB No. 975240
Attorney for Pete's Mountain Water Co., Inc.

Direct Telephone: 503-928-0976
E-Mail: jennie@jbrickerlaw.com

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Portland, OR 97204

INSTRUCTIONS: All applications submitted to the Commission must be filed electronically with the Commission's Filing Center. Documents may be electronically filed by sending the filing as an attachment to an electronic mail message addressed to the Commission's Filing Center at puc.filingcenter@state.or.us. An original document must be personally delivered or mailed on the same date the electronic copy of the document is filed.

Street Address

Public Utility Commission of Oregon
Filing Center
201 High Street SE, Suite 100
Salem OR 97301-3398

Mailing Address

Public Utility Commission of Oregon
Filing Center
PO Box 1088
Salem OR 97308-1088

APPLICATION FOR SALE, TRANSFER, OR MERGER OF WATER UTILITY

Legal Name of Water Utility:	Pete's Mountain Water Co., Inc.
Name of Water System if Different:	Pete's Mountain Water
Name of Owner or Officer:	Suzanne Webber
Mailing Address:	P.O. Box 418
City, State, Zip:	Canby, OR 97013-0418
Location Address if Different:	1277 SW Schaeffer Road
City, State, Zip:	West Linn, OR 97068
Utility Telephone Number:	503-263-6574
Emergency Phone Number:	503-266-1590
Email Address:	petesh20@canby.com
Website if Available:	

In the Matter of the Application of Pete's Mountain Water Co., Inc., for an Order Authorizing the Sale, Transfer, or Merger of the Water Utility to PMWAC, Inc., an Oregon nonprofit corporation, 7501 SW Findlay Road, Durham, OR 97224, telephone 503-598-1011, pursuant to OAR 860-036-2120.

1) The Stock Purchase Agreement ("SPA") and the Plan of Merger ("POM") are attached. The SPA's effective date is August 9, 2017. The POM will be approved by PMWAC following the closing of the SPA and the acquisition of all of the outstanding stock of the Company.

2) Following are the names, addresses, telephone numbers, and email addresses of the purchaser and parties involved in the transaction.

PMWAC, Inc.
Attn: David Pollack
7501 SW Findlay Road
Durham, OR 97224
503-598-1011
daptsmt@gmail.com

Kenneth E. Roberts
2700 SW Schaeffer Road
West Linn, OR 97068
503-638-1201
kroberts1944@gmail.com

Application for Authority to Sell, Transfer, or Merge Water Utility
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- 3) This transaction is a sale of the Company's stock to, and the subsequent merger of the Company with, the purchaser. All property owned by the Company is included in this transaction, with the exception of a 2008 Ford F150 pickup truck, which is excluded.
- 4) The price of the property being acted upon is \$350,000.00, payable as set forth in the SPA. The net book value of the water system is \$106,307.91.
- 5) Suzanne Webber is president of the Company, its majority shareholder, and operator of the water system. Ms. Webber wishes to retire.
- 6) The purchaser, PMWAC, is a member-owned not-for-profit Oregon corporation formed by a group of customers of the Company for the benefit of all customers. Not all customers have been directly involved in the purchase negotiations, but PMWAC believes, based on its communications with customers, that they are in support of PMWAC's plan to (a) purchase the company, (b) take over administration of the system as a customer-owned association, (c) make upgrades to water delivery equipment, (d) improve operational efficiencies, and (e) adjust water rates to cover acquisition costs and system improvements.
- 7) See items 6)(c) and (d) above. After upgrades to the system, including replacement of a pump, customers will be less likely to face water curtailment episodes in the summer months. All customers will benefit from more reliable supply and from system efficiencies. In addition, customers will participate in decision-making for the company's operations and administration.
- 8) A copy of PMWAC's Articles, Bylaws, and recent balance sheet are attached, as well as its preliminary Rules and Regulations and Schedule of Assessments, Fees and Charges that would become effective upon the subsequent merger of the Company with and into the purchaser. PMWAC has obtained a loan commitment (attached) from the Oregon Health Authority's Safe Drinking Water Revolving Loan Fund. The proceeds will fund the purchase and the planned upgrades to the system as summarized in the purchaser's Report to Current Customers (attached), which was mailed to all customers with the Notice of Sale of Water Utility on September 13, 2017. Operating capital and a contingency reserve fund will be established through an initial assessment of all customers as set forth in the attached materials. PMWAC will contract with Merrill Water Systems LLC, a licensed water systems management company, to provide day to day management of the system operations.
- 9) Because this transaction is a sale of the Company's stock and the subsequent merger of the Company with and into the purchaser, no easements or other real property interests will be transferred except by operation of law. Likewise, the Company's water right permit will remain in the Company's name following the change in ownership. For reference, the Company's real property is listed in SPA Schedule 4.7, and the Company's water right permit is listed in Schedule 4.11.


Application for Authority to Sell, Transfer, or Merge Water Utility
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Wherefore applicant respectfully requests that the Commission enter an appropriate order authorizing the transactions proposed herein.

Name of Utility: PETE'S MOUNTAIN WATER CO., INC.

Dated: September 15, 2017

PETE'S MOUNTAIN WATER CO., INC.


By: Suzanne Webber, President

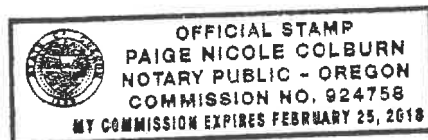
State of Oregon) ss.
County of Clackamas }

Suzanne Webber,
being first duly sworn, deposes and says she is President of Pete's Mountain Water Co., Inc., the applicant in the foregoing application, that she has read said application, including all exhibits thereto, knows the contents thereof, and the same are true to the best of her knowledge and belief.

(Signature)



(Notarial Seal).



STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the “Agreement”) is entered into as of August 9, 2017 (the “Effective Date”), by and among **PMWAC, Inc.**, an Oregon nonprofit corporation (“PMWAC”), **SUZANNE WEBBER** and **BECKY JONES** (the “Shareholders”), and **PETE’S MOUNTAIN WATER CO., Inc.**, an Oregon corporation (the “Company”). PMWAC, Shareholders, and Company are herein referred to collectively as the “Parties”, and individually as the “Party”.

RECITALS

A. The Shareholders are the owners of all of the issued and outstanding shares of capital stock of the Company.

B. The Company is a private water distribution company serving residential customers on a portion of Pete’s Mountain in rural Clackamas County, Oregon (the “Business”). The wells, pump house, and storage tank are located on a one acre parcel legally described in the attached Schedule 4.7 and referred to as the “Business Real Property”.

C. PMWAC desires to acquire 100% of the issued and outstanding capital stock of the Company (the “Shares”), and Shareholders desires to sell the Shares to PMWAC, for the consideration and upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, IN CONSIDERATION OF the mutual promises set forth herein, the Parties agree as follows:

1. SALE AND PURCHASE OF SHARES

1.1 Shares and Shareholders. Schedule 1.1 sets forth the name of each record owner of Shares, the number and series or class of Shares owned, and the percentage of ownership as reflected in the records of the Company.

1.2 Sale of Shares. Subject to the terms and conditions set forth in this Agreement, on the Closing Date the Shareholders will sell, transfer, convey, assign, and deliver to PMWAC all of the rights, title and interest in and to the Shares, free and clear of all encumbrances, claims, liens or restrictions on transfer, except such restrictions as may be imposed by state or federal law upon the sale or transfer of unregistered securities. The obligation of PMWAC to purchase the Shares is conditioned on and subject to PMWAC acquiring all of the outstanding Shares.

2. PURCHASE PRICE

The Purchase Price shall be \$350,000 (the “Final Purchase Price”).

3. CLOSING

3.1 Date, Time, and Place of Closing. “Closing” shall refer to the consummation of the transaction contemplated under this Agreement in accordance with its terms. “Closing Date” shall refer to the actual date of Closing. The Closing, subject to satisfaction or waiver of all

conditions precedent set forth in this Agreement, is anticipated to occur within twenty (20) days following the receipt of the approval of the Oregon Public Utility Commission. Subject to the terms and conditions set forth in this Agreement, the Closing of the purchase and sale of the Shares shall take place at the offices of Tabor Accounting Group, 7501 S.W. Findlay Rd. Durham Oregon, 97224, or at such other place as may be mutually agreed upon by PMWAC and the Shareholders prior to the Closing Date.

3.2 Documents to be Delivered at Closing by the Shareholders. At Closing, the Shareholders will execute and deliver to PMWAC the following instruments:

3.2.1 Consents from all parties from whom consent is required in order for the Shareholders to enter into the transactions contemplated by this Agreement;

3.2.2 Stock Certificates and respective Stock Powers representing all of the Shares;

3.2.3 Resignation of the officers and directors of the Company;

3.2.4 The corporate books and records of the Company; and

3.2.5 Certificates executed by the Company and the Shareholders certifying compliance with Sections 7.1 and 7.2.

3.3 Documents to be Delivered at Closing by PMWAC. At Closing, PMWAC will execute and deliver to the Shareholders the following instruments:

3.3.1 Consents from all parties from whom consent is required in order for PMWAC to acquire ownership of the Company as contemplated by this Agreement and to lawfully conduct the business of the Company following the Closing;

3.3.2 The Final Purchase Price by delivery to the Shareholders of their respective pro rata share of the Final Purchase Price by wire transfer, cashier's check, or other immediately available funds; and

3.3.3 Certificate executed by PMWAC certifying compliance with Sections 8.1 and 8.2.

3.4 Transfer Taxes. The Shareholders will pay any transfer taxes and excise taxes incurred by any Party in connection with the transactions contemplated by this Agreement.

4. REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND SHAREHOLDERS

The Company and Shareholders jointly and severally represent and warrant to PMWAC as follows:

4.1 Authorization. The Company has the authority to execute and deliver this Agreement and to perform the Company's obligations hereunder. This Agreement is a valid and legally binding obligation of the Company and the Shareholders, enforceable against the Company and the Shareholders in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to the enforcement of creditors, rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). At Closing, the Shareholders will have (i) good and transferable title to the Shares, free and clear of

any liens, claims, encumbrances, or restrictions of any kind, and (ii) the complete and unrestricted right, power, and authority to sell, transfer, and assign the Shares in accordance with this Agreement.

4.2 Incorporation and Good Standing. The Company is duly organized, validly existing and in good standing under the applicable laws of the state of Oregon and has all necessary power and authority to own, lease, and operate the Business as is now being conducted. Schedule 4.2 contains true and correct copies of the Company's articles of incorporation, as amended to date, and the Company's bylaws, as amended to date.

4.3 Subsidiaries. The Company does not have any subsidiaries nor any direct or indirect equity interest in any corporation, partnership, or other entity.

4.4 Capitalization. The authorized capital stock of the Company consists of 500 shares of Common Stock, no par value, of which 100 shares are issued and outstanding (the "Shares"). The Shares constitute all of the issued and outstanding shares of capital stock of the Company, have been validly authorized and issued, are fully paid and non-assessable, and have not been issued in violation of any preemptive rights or of any federal or state securities law. On the date hereof, the Shares are owned beneficially and of record by the Shareholders as set forth on Schedule 1.1. There are not now, and will not be on the Closing Date any outstanding subscriptions, options, rights, warrants, convertible securities, or other agreements or commitments obligating the Company or the Shareholders to issue any additional shares of its capital stock of any class or any other securities of any kind of Company. Other than this Agreement, there are no agreements that relate to the ownership, voting or control of the Shares, or the issuance of any equity in Company.

4.5 No Conflicts. Neither the execution and delivery of this Agreement nor the fulfillment of or compliance with the terms and provisions hereof will violate, conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default or an event which, with notice or lapse of time or both, would (i) constitute a default under, (a) the articles of incorporation or bylaws of the Company, (b) any contract, agreement, mortgage, deed of trust, or other instrument or obligation to which either the Shareholders or the Company are parties or by which any of them is bound, or (ii) violate any provision of any applicable law or regulation or of any order, decree, writ or injunction of any court or governmental body, or (iii) result in the creation or imposition of any lien, charge, restriction, security interest or encumbrance of any nature whatsoever on any property or asset of the Company or on the Shares.

4.6 Consents. Except as otherwise set forth in Schedule 4.6, no consent from, or other approval of, any governmental entity or agency or any other person or entity is necessary in connection with the execution, delivery or performance of this Agreement by the Company or the Shareholders.

4.7 Real Property. Set forth in Schedule 4.7 is a complete and accurate legal description of the Business Real Property. Except as may be described in Schedule 4.7.1, to the Shareholders' Actual Knowledge, there are no material structural defects in the improvements that are part of the Business Real Property, nor are there any major repairs required to operate the Business Real Property in a lawful and safe manner. Neither the Company nor the Shareholders have received any notices from any insurance company or governmental agencies of any defects or inadequacies in the Business Real Property. The zoning of the Business Real Property permits the presently existing improvements and business presently being conducted on such real

property. Except as may be described in Schedule 4.7.2, to the Shareholders' Actual Knowledge, there are no pending or proposed changes to such zoning nor are there any open or unresolved permits with any governmental agency.

4.8 Water Lines. Schedule 4.8 includes a copy of a map that indicates the overall location of water lines, water hydrants, valves, water mains and water meters owned and used by the Company located on the Business Real Property and on property owned by others. Except as set forth on Schedule 4.8, all water lines, water hydrants, valves, water mains and water meters owned and used by the Company are to the Shareholders' Actual Knowledge in good working order and condition with no flaws, defects or in need of repairs. Further, except as set forth on Schedule 4.8, the Company has all required easements from owners on which such lines and equipment is located. There are no pending disputes or complaints over easements or lack of easements necessary to operate the Business.

4.9 Tangible Personal Property. Schedule 4.9 sets forth a materially accurate description of all equipment, furniture, fixtures, and other tangible personal property not included in Schedule 4.8 (except parts and supplies) owned by, in possession of, or used by the Company in connection with the Business and a materially accurate description of all tangible personal property in which the Company has a leasehold interest, together with a complete and accurate description of each lease under which either company holds such leasehold interests. Each of the leases is in full force and effect and constitutes a legal, valid, and binding obligation of the parties thereto. The Company has performed the covenants required to be performed by each under each of the leases to which it is a party in all material respects and to Shareholders' Actual Knowledge neither entity is in default under any of the leases to which it is a party. Such tangible personal property is located on the Business Real Property or will be delivered at Closing.

4.10 Parts and Supplies. Except as noted thereon, all parts and supplies listed on Schedule 4.10 are believed to be in good working order and are either present on the Business Real Property or will be delivered at Closing.

4.11 Licenses and Permits. Schedule 4.11 sets forth a complete and accurate description of all permits, licenses, franchises, certificates, and similar items and rights, owned or held by the Company including, specifically, its permit to pump 300 gpm from its Business Real Property location (the "Licenses and Permits"). The Licenses and Permits are adequate for the operation of the Company including, specifically, its Business; are valid and in full force and effect, and to the Shareholders' Actual Knowledge, no basis exists for a grantor of any such Licenses or Permits to terminate the same. No additional permit, license, franchise, certificate, or similar item or right is required by the Company for the operation of the Business as it is being currently operated.

4.12 Intellectual Property. Schedule 4.12 sets forth a complete and accurate description of all intellectual property presently in use by the Company, which intellectual property includes (without limitation) patents, trademarks, tradenames, service marks, copyrights, trade secrets, customer lists, advertising materials, Internet sites, web domains and any other proprietary information or property. There are no outstanding licenses or consents to third parties granting the right to use any intellectual property owned by the Company. The Company owns and has the exclusive right to use its intellectual property free and clear of any claims and without any conflict with the rights of others. Except as set forth on Schedule 4.12,

no royalties or fees are payable by the Company to any third party by reason of the use of any intellectual property by the Company. No additional intellectual property is required by the Company for the operation of its business as it is currently being operated.

4.13 Title to Properties; Encumbrances. To the Shareholders' Actual Knowledge, the Company has good and transferable title to (or, in the case of leased property, valid and existing leasehold interests in) all of its properties and assets, including (without limitation) the properties and assets that will be listed on Schedules 4.7, 4.8, 4.9, 4.10 and 4.12 except for properties and assets sold, consumed, or otherwise disposed of by the Company in the ordinary course of its business, and will have good and transferable title to all assets at the time of Closing. To Shareholders' Actual Knowledge, the Company and the Business Real Property are not subject to any liens, mortgages, encumbrances, conditional sales agreements, security interests, claims, or restrictions of any kind or character, except for (i) the encumbrances listed on Schedule 4.13 and (ii) liens for current taxes or other governmental charges not yet due and payable.

4.14 Financial Statements. The Company has delivered to PMWAC copies of a balance sheet for the Company for the period ending December 31, 2016 and will deliver prior to Closing the balance sheet for the period ending no earlier than 3 days prior to Closing (the "Closing Balance Sheet"), and the related statement of income for the same periods (hereinafter collectively referred to as the "Financial Statements"). The Financial Statements are prepared, compiled and fairly present the financial condition of the Company at the dates noted. The results of the Company operations for the periods specified in the Financial Statements are consistent with the prior accounting treatments of the Company. The Financial Statements disclose all of the known debts, liabilities, and obligations of the Company as of the date indicated. The Closing Balance Sheet will reflect cash in the Company's checking account adequate to pay all unpaid salaries, taxes and withholdings thereon and any unpaid bonuses or dividends declared but unpaid prior to Closing. The Company will have accounts receivable that are sufficient in combination with excess cash in the Company's checking account beyond the amount required by the preceding sentence, if any, to cover all other indebtedness attributable to the operation of the Business prior to the Closing, whether or not such indebtedness is currently due, including pro-rated income taxes for 2017, pro-rated property taxes for the 2017-2018 tax year, and utility charges for the operation of the Business pro-rated as of the ending date of the Company's most recent billing cycle for which customers have been invoiced prior to Closing.

4.15 Indebtedness for Borrowed Money; Contingent Obligations; Guaranties. The Company will deliver to PMWAC copies of all instruments evidencing or relating to the Company's indebtedness for borrowed money identified on Schedule 4.15. The Company is not in default or violation of any provision which could reasonably be expected to cause a default of any agreement evidencing or relating to its indebtedness for borrowed money. Schedule 4.15 sets forth a complete and accurate description of all indebtedness for borrowed money and contingent liabilities of the Company and any guaranties by either of any obligation or liability of any person or entity, including without limitation, any guaranties of installment sales contracts, leases or customer purchase or lease paper sold to third parties, insurance or service contracts or reimbursement commitments.

4.16 Tax Matters. The Company has duly filed all federal, state, and local tax returns required to be filed by it. Complete and true copies of all federal and state income and employee payroll tax returns for the years 2013 through 2016 are included in Schedule 4.16. The Company

has provided Tabor Accounting Group with an executed power of attorney authorizing such firm to confirm the filing and status of such tax returns. All federal, state, local, and foreign income, ad valorem, excise, business and occupation, sales, use, payroll, unemployment, and other taxes and assessments that are due and payable by the Company has been properly computed, duly reported, fully paid, and discharged. The only unpaid taxes that require payment by the Company or on behalf of the Company are current taxes not yet due and payable. The Company has not been delinquent in the payment of any tax, assessment or governmental charge, nor has any tax deficiency been assessed against it, nor has it executed any waiver of the statute of limitations on the assessment or collection of any tax.

4.17 Transactions Since Closing Balance Sheet Date. Other than as is set forth in Schedule 4.17, since the date of the Closing Balance Sheet or as anticipated by this Agreement, (i) the Company has not incurred any material debts, liabilities, or obligations except current liabilities in the ordinary course of business; discharged or satisfied any liens or encumbrances, or paid any debts, liabilities, or obligations, except in the ordinary course of business; mortgaged, pledged, or otherwise subjected to any lien or other encumbrance any of its properties or assets; canceled any debt or claim; sold or transferred any properties or assets except transfers or sales from inventory in the ordinary course of business; nor entered into any transaction other than in the ordinary course of business; (ii) there has not been any change in the financial condition, net income, assets, liabilities, operations, or business of the Company other than changes in the ordinary course of business, none of which, individually or in the aggregate, has been material; (iii) there has not been any declaration, setting aside or payment of any dividend or other distribution in respect of, or any repurchase or acquisition of, the capital stock of the Company; (iv) the Company has not issued any securities or options to purchase any securities; (v) the Company has not increased the compensation, commissions, bonuses, or other remuneration payable to any officer, director, employee, or to any other person or entity, whether now or hereafter payable; (vi) there has not been any damage, destruction or loss (whether or not covered by insurance) materially and adversely affecting the assets, properties or business of the Company; (vii) the Company has not made any capital expenditure or commitment in excess of \$1,000.00 in the aggregate for additions to property, plant, or equipment; (viii) the Company has not made any loan or advance to any person or entity; guaranteed any obligation or liability of any person or entity, including (without limitation) any guaranties of any installment sales contracts or leases, or given any indemnification to any person or entity; (ix) the Company has not made any sale, assignment or transfer of, additions to or transactions involving any of its tangible assets other than in the ordinary course of business; (x) the Company has not made any change in its method of accounting or accounting practices, including (without limitation) any change in depreciation or amortization policies or rates; (xi) the Company has not granted any waiver or release of any claim or right, or canceled any debt or claim held by it except in the ordinary course of business; (xii) the Company has not amended or terminated any material contract, agreement, or license to which it is a party; nor (xiii) has the Company agreed, in writing or otherwise, to do or permit any of the foregoing.

4.18 Litigation. Schedule 4.18 sets forth a complete and accurate description of all orders, decrees, writs or injunctions of any court or governmental body applicable to the Company and all legal actions, suits, arbitrations, condemnation actions, or other proceedings pending or threatened against the Shareholders with respect to the Shares or against the Company or any of their respective properties, assets, or business. Neither the Company nor Shareholders are aware of any facts that might result in any other action, suit, arbitration, or

proceeding against the Company, that if determined adverse to either, would have a material adverse impact on the Company Business, the title to the assets of Company, or title to or use of the Business Real Property as it is currently being used.

4.19 Compliance with Laws. To the Shareholders' Actual Knowledge, there are no existing violations of federal, state, or local laws, ordinances, rules, codes, regulations, or orders by the Company that would reasonably be expected to affect the properties, assets, or operation of each Company's business in a material adverse way. The Company is not subject to any restriction, judgment, order, writ, injunction, decree, or award, which materially and adversely affects or is reasonably likely to materially and adversely affect the Company Business, operations, properties, assets, or condition (financial or otherwise) of the Company.

4.20 Contracts and Agreements. Schedule 4.20 sets forth a complete and accurate description of all material contracts and agreements to which the Company is a party or by which any of its property is bound. All such contracts and agreements are in full force and effect and neither the Company nor the other party are in breach of any of the provisions thereof in any material respect. Except as set forth on Schedule 4.20, neither the Company nor the Shareholders are a party to any contract or agreement that materially and adversely affects, or can reasonably be foreseen to materially or adversely affect, the business, operations, properties, assets, or condition (financial or otherwise) of the Company.

4.21 Benefit Plans. "Benefit Plans" means all material employee benefit plans, programs, agreements, contracts, policies, practices, or other arrangements providing benefits to any current or former employee, officer, director or consultant of the Company or any Company subsidiary or any beneficiary or dependent thereof that is sponsored or maintained by the Company or any Company subsidiary or to which the Company or any Company subsidiary contributes or is obligated to contribute or is a party, whether or not written, including any material "employee welfare benefit plan" within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), any "employee pension benefit plan" within the meaning of Section 3(2) of ERISA (whether or not such plan is subject to ERISA) and any material bonus, incentive, deferred compensation, vacation, stock purchase, stock option or equity award, equity-based severance, employment, change of control, consulting or fringe benefit plan, program, agreement or policy. The Company does not have and has never maintained a Benefit Plan.

4.22 Insurance. Schedule 4.22 sets forth a complete and accurate list of all insurance including (without limitation) worker's compensation, maintained by the Company, and summarizes the substantive terms of each of the insurance policies in all material respects, including (without limitation) whether the insurance policies are "claims made" or "occurrence" policies. The Company is carrying insurance that is reasonable in light of the risks attendant to the business and activities in which the Company is engaged. All of the insurance is in full force and effect, and the Company will keep such insurance in full force and effect until the Closing Date.

4.23 Personnel. The only employee of the Company within the last six years has been Suzanne Webber. The employment of Ms. Webber as an employee of the Company will have been terminated as of Closing with all wages, benefits and applicable taxes either fully paid or with cash left in the Company's checking account to pay any unpaid wages, benefits and applicable taxes. Any W-2 or other payroll or tax forms required by federal, state, county or

other governmental entity have been or will be filed with respect to her employment. Suzanne Webber will have executed a full release to the Company with respect to any claims she has or may have against the Company based on her employment by the Company prior to and as of the Closing and the termination of such employment.

4.24 Accounts Receivable. Schedule 4.24 sets forth a complete and accurate list of all accounts receivable, contract receivables and notes receivable of the Company, and an aging analysis of such receivables. All receivables of the Company are valid and enforceable claims, arose in the ordinary course of business, require no further performance by the Company, and are not subject to claims or offset, except as may be stated in Schedule 4.24.

4.25 No Brokers or Finders. The Company and Shareholders have not incurred any liability or obligation – whether contingent or otherwise – for a brokerage commission, a finder’s fee, or any other similar payment in connection with the transaction contemplated by this Agreement.

4.26 Delivery of Documents. Copies of all written instruments listed or described on the Schedules attached hereto have been furnished to PMWAC at its request. Such copies are complete and accurate in all material respects.

4.27 Powers of Attorney; Authorized Signatories. The Company has provided to PMWAC (i) the names and addresses of all persons holding a power of attorney on behalf of the Company, and (ii) the account numbers and names of all banks, brokerage firms or other financial institutions in which the Company currently has an account, deposit, or safe deposit box, with the names of all persons authorized to draw on the accounts or deposits or have access to the boxes.

4.28 Full Disclosure. No representation or warranty by the Company or the Shareholders in this Agreement or in any of the exhibits attached hereto, or other statement in writing or certificate furnished or to be furnished to PMWAC by or on behalf of the Company or the Shareholders in connection with the transactions contemplated by this Agreement, contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the statements contained herein not misleading.

4.29 Environmental. Except as set forth in Schedule 4.29, the Company and Shareholders represent and warrant that:

4.29.1 Company is in compliance with all applicable Environmental Laws and the requirements of all Environmental Permits pertaining to the Business Real Property;

4.29.2 Company has disposed of all wastes, including those containing any Hazardous Substances, in compliance with all applicable Environmental Laws;

For purposes of this Section, the following definitions shall apply:

“**Environmental Laws**” means any federal, state or local or foreign statute, law, rule or regulation relating to: (a) releases, discharges, spills, leaks or emissions (or threatened releases, discharges, spills, leaks or emissions) of Hazardous Substances; (b) the manufacture, handling, transport, use, treatment, storage or disposal of Hazardous Substances or materials containing hazardous Substances; or (c) otherwise relating to pollution of the environment by Hazardous Substances or the protection of human health from injury from Hazardous Substances.

“Environmental Permits” means all permits, licenses, approvals and other authorizations required under applicable Environmental Laws.

“Hazardous Substances” means (a) substances, chemicals or materials in concentrations regulated under any applicable federal, state or local or foreign statute, law, rule or regulation, including, without limitation, the following federal statutes and their state counterparts, as well as such statutes’ implementing regulations as amended from time to time and as interpreted by administering agencies: the Hazardous Materials Transportation Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Clean Water Act, the Safe Drinking Water Act, the Atomic Energy Act, the Toxic Substances Control Act, the Federal Insecticide, Fungicide, and Rodenticide Act, and the Clean Air Act; (b) regulated concentrations of petroleum and petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde, polychlorinated biphenyls and radon gas; and (c) any other substances, chemical or materials in concentrations with respect to which a federal, state or local or foreign agency requires environmental investigation, monitoring, reporting or remediation.

5. REPRESENTATIONS AND WARRANTIES OF PMWAC

PMWAC represents and warrants to the Shareholders as follows:

5.1 Incorporation. PMWAC has been duly incorporated and is validly existing under the laws of the State of Oregon.

5.2 Authorization. PMWAC has the authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement is a valid and legally binding obligation of PMWAC, enforceable against PMWAC in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to the enforcement of creditors’ rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

5.3 No Conflicts. The execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement will not result in any breach or violation of or default under any agreement or other instrument to which PMWAC is a party or by which it is bound and will not violate any provision of any applicable law or regulation or of any order, decree, writ or injunction of any court or governmental body.

5.4 Consent. No consent from, or approval of, any governmental entity or agency or any other person or entity is necessary in connection with execution, delivery or performance of this Agreement; provided, however, that PMWAC will join the Company in seeking approval from the Oregon Public Utility Commission of the transaction as well as the subsequent merger of the Company with and into PMWAC.

5.5 Legal Proceedings. No action, arbitration, audit, hearing, investigation, litigation, suit, or other proceeding is pending or, to PMWAC’s knowledge, threatened against PMWAC that involves any challenge to or seeks any damages or other relief in connection with the transaction contemplated by this Agreement, or that may have the effect of prohibiting, delaying, or imposing material limitations or conditions on the Closing.

5.6 No Brokers or Finders. PMWAC has not incurred any liability or obligation – whether contingent or otherwise – for a brokerage commission, a finder’s fee, or any other similar payment in connection with the transaction contemplated by this Agreement.

5.7 Investment.

(a) PMWAC understands that the Shares are a speculative investment and involve a high degree of risk of loss of PMWAC’s investment.

(b) PMWAC understands that PMWAC may be unable to liquidate PMWAC’s investment in the Shares because the Shares are subject to substantial transfer restrictions and because no public market exists for the Shares.

(c) PMWAC has the knowledge and experience in financial and business matters necessary to make PMWAC capable of evaluating the merits and risks of an investment in the Shares.

(d) PMWAC has had the opportunity to ask questions and receive answers concerning the Company and the terms and conditions of the purchase of the Shares, and to obtain any additional information deemed necessary by PMWAC to evaluate the merits and risks of an investment in the Shares.

(e) PMWAC is acquiring the Shares solely for PMWAC’s own account, for long term investment, and not with a view to or for resale in connection with any distribution of the Shares.

(f) PMWAC has no oral or written agreement or plan to sell, transfer, or pledge or otherwise dispose of the Shares.

(g) PMWAC understands that PMWAC must bear the economic risk of owning the Shares for an indefinite period of time.

(h) PMWAC understands that the Shares have not been registered under the Securities Act of 1933 or any state securities laws and that the Company is not obligated to register the Shares. PMWAC understands that no offer, sale, transfer, pledge, or other disposition of the Shares may be made unless pursuant to an effective registration statement filed under the Securities Act of 1933 and applicable state securities laws, unless the offer, sale, transfer, pledge, or other disposition of the Shares is exempt from the registration requirements of the Securities Act of 1933 and applicable state securities laws.

5.8 Full Disclosure. No representation or warranty by PMWAC in this Agreement or in any of the exhibits attached hereto, or other statement in writing or certificate furnished or to be furnished to the Company or Shareholders by or on behalf of PMWAC in connection with the transactions contemplated by this Agreement, contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the statements contained herein not misleading.

6. PRE-CLOSING COVENANTS

PMWAC, Shareholders, and the Company agree that prior to the Closing Date:

6.1 Notices and Consents. The Shareholders, the Company, and PMWAC mutually agree to cooperate and use reasonable, good faith efforts to prepare all documentation, to effect

all filings and to obtain all permits, consents, approvals, and authorizations of all third parties and governmental bodies as may be necessary to consummate the transactions contemplated by this Agreement.

6.2 Conduct of Business by the Company Prior to the Closing Date. The Company and the Shareholders shall cause the Company to conduct its operations according to the ordinary and usual course of business reasonably consistent with past and current practices, to maintain and preserve its assets, properties, insurance policies, business organization, and advantageous business relationships, and shall not allow the Company to engage in any practice, take any action, or enter into any transaction outside of the ordinary course of business or in violation of this Agreement. From the Effective Date to the date of Closing of the transaction contemplated hereby, except in connection with the transaction contemplated by this Agreement including without limitation the contracting for and payment of legal fees, neither the Shareholders nor the Company will connect or agree to connect any new customers to the water systems or commit to or make any obligation outside the ordinary course of business which binds the Company to an expense in excess of \$2,500.00 for any item and \$10,000 in the aggregate without PMWAC's prior written consent; waive, compromise or release any claims of the Company against third parties (other than obligations owed to the Shareholders); issue, or commit to issue, any equity interests in the Company; declare any dividends not reflected on the Closing Balance Sheet and paid prior to Closing; or grant any bonuses not reflected on the Closing Balance Sheet and paid prior to Closing, without the consent of PMWAC.

6.3 Access to PMWAC. The Company and the Shareholders shall cause the Company to permit representatives of PMWAC to have full access to and to examine, at all reasonable times, and in a manner so as not to interfere with the normal business operations of the Company, the books, records, properties, and assets of the Company and the Business Real Property.

6.4 Notice of Changes. The Company shall give prompt written notice to PMWAC of any material adverse change in the financial condition, net income, assets, liabilities, operations, or business of the Company after the Effective Date.

7. CONDITIONS TO PMWAC'S CLOSING OBLIGATION

The obligation of PMWAC to close the transaction contemplated by this Agreement is subject to the satisfaction of the following conditions, each of which may be waived by PMWAC:

7.1 Accuracy of Representations and Warranties. All representations and warranties of the Company and Shareholders contained in this Agreement shall be true and correct in all material respects as of the Closing Date with the same effect as though such representations and warranties were made on the Closing Date, except to the extent that such representations and warranties expressly relate to any earlier date.

7.2 Performance of Covenants. The Company and the Shareholders shall have performed and complied with each of Company's and Shareholders covenants set forth in this Agreement in all material respects.

7.3 No Adverse Change. PMWAC shall have determined to its satisfaction, that as of the Closing Date, there has been no material adverse change in the financial condition, net income, assets, liabilities, operations, or the Company's Business.

7.4 Transfer of Shares. The certificates representing the Shares shall have been transferred and conveyed by the Shareholders to PMWAC in a manner and by instruments reasonably acceptable to PMWAC and its counsel, free and clear of all liens, claims, encumbrances, or restrictions of any kind, except legal restrictions on transfer arising under federal or state securities laws.

7.5 Oregon Public Utility Commission Approval. The transaction contemplated by this Agreement shall have received all required approvals and consents from the Oregon Public Utility Commission.

7.6 Financing. PMWAC shall have obtained, on terms and conditions reasonably satisfactory to PMWAC, the financing that PMWAC requires to close the transaction contemplated by this Agreement from the Oregon Health Authority, Public Health Division (the Safe Drinking Water Revolving Loan Fund).

7.7 Resignation of Directors and Officers. The Company shall have delivered to PMWAC the signed resignation of all directors and officers of the Company and the release provided in Section 4.23.

7.7 Payment of Legal Fees in Connection with OPUC Approval. The Company shall have paid its share of legal fees in connection with Oregon Public Utility Commission approval in accordance with Section 11.1.

7.8 Approval of Documentation. The form and substance of all certificates and other documents required to be delivered to PMWAC in connection with this Agreement shall be reasonably satisfactory in all material respects to PMWAC and PMWAC's counsel.

8. CONDITIONS TO SHAREHOLDERS' CLOSING OBLIGATION

The obligation of the Shareholders to effect the transactions contemplated by this Agreement is subject to the satisfaction on or prior to the Closing Date of the following conditions, each of which may be waived by the Shareholders:

8.1 Representations, Warranties and Agreements of PMWAC. All representations and warranties of PMWAC contained in this Agreement shall be true and correct in all material respects as of the Closing Date with the same effect as though such representations and warranties were made on the Closing Date, except to the extent that such representations and warranties expressly relate to an earlier date.

8.2 Performance of Covenants. PMWAC shall have performed and complied with each of PMWAC's covenants set forth in this Agreement in all material respects.

8.3 Oregon Public Utility Commission Approval. The transaction contemplated by this Agreement shall have received all required approvals and consents from the Oregon Public Utility Commission.

8.4 Delivery of Purchase Price. PMWAC shall have delivered the Final Purchase Price.

8.5 Payment of Legal Fees in Connection with OPUC Approval. PMWAC shall have paid its share of legal fees in connection with Oregon Public Utility Commission approval in accordance with Section 11.1.

8.6 Approval of Documentation. The form and substance of all certificates and other documents required to be delivered to the Shareholders in connection with this Agreement shall be reasonably satisfactory in all material respects to the Shareholders and Shareholders' counsel.

9. INDEMNIFICATION

9.1 Survival. Except as otherwise expressly provided in this Section 9, all of the representations and warranties set forth in this Agreement shall survive the Closing for a period of one (1) year following the Closing Date. Notwithstanding the foregoing, the representations and warranties of the Shareholders set forth in Sections 4.1, 4.2, 4.4, 4.16, and 4.21 (“Shareholder Fundamental Representations”) and the representations and warranties of PMWAC set forth in Sections 5.1, 5.2 and 5.3 (“PMWAC Fundamental Representations”) shall survive the Closing for the duration of the statute of limitations.

9.2 Shareholders' Indemnity. If the Closing occurs and subject to the provisions of this Section 9, the Shareholders, jointly and severally, agree to indemnify, defend and hold harmless the Company and PMWAC and its respective successors and assigns (the “PMWAC Indemnified Parties”) from and against any Claims. Claims, as used in this subsection consist of claims, damages, liabilities, interest, penalties, actions, suits, proceedings, demands, assessments, costs and expenses, including reasonable attorney's fees and costs, incurred by PMWAC Indemnified Parties as a result of (i) the breach of any representation, warranty, covenant or agreement made by the Company or the Shareholders in this Agreement; (ii) any debts, liabilities, or obligations of any nature (whether absolute, accrued, contingent, or otherwise and whether due or to become due) of the Company occurring or existing before Closing that are not reflected in and adequately provided for in the Closing Balance Sheet; and (iii) the operation of the Company prior to the Closing. If any Claim is filed or brought against any PMWAC Indemnified Party which is or may be subject to Shareholders' obligation to indemnify a PMWAC Indemnified Party as set forth in this subparagraph, then the PMWAC Indemnified Party shall promptly give the Shareholders written notice of that Claim in accordance with this Section 9.

9.3 PMWAC Indemnity. If the Closing occurs and subject to the provisions of this Section 9, PMWAC agrees to indemnify, defend and hold harmless the Shareholders and their respective successors and assigns (the “Shareholders Indemnified Parties”) from and against any Claims. Claims, as used in this subsection, include any claims, damages, liabilities, penalties, actions, suits, proceedings, demands, assessments, costs and expenses, including reasonable attorney's fees incurred by Seller Indemnified Parties as a result of (i) the breach of any representation, warranty, covenant or agreement made by PMWAC in this Agreement; (ii) liabilities of Company occurring or existing before Closing that are reflected in and adequately provided for in the Closing Balance Sheet; and (iii) the operation of the Company after the Closing. If any Claim is filed or brought against a Shareholders Indemnified Party which is or may be subject to PMWAC's obligation to indemnify a Shareholders Indemnified Party as set forth in this subparagraph, then the Shareholders Indemnified Party shall promptly give PMWAC written notice of that Claim in accordance with this Section 9.

9.4 Limitations on Shareholders' Liability. If the Closing occurs, and except as otherwise provided in Section 9.10, Shareholders will have no liability to PMWAC, the Company, or any other person for indemnification or otherwise with respect to:

(i) any claim that results from a breach of any representation or warranty in this Agreement by the Shareholders, if the Shareholders demonstrate by clear and convincing evidence that, as of the Closing Date, PMWAC had knowledge of the facts giving rise to Shareholders' breach;

(ii) any claim that results from a breach of any representation, warranty or covenant in this Agreement by the Shareholders, unless PMWAC notifies Shareholders of the claim and specifies in reasonable detail the facts giving rise to the claim within one (1) year after the Closing Date;

(iii) any claim that results from a breach of any representation or warranty in this Agreement by the Shareholders if the total liability for the claim is less than \$1,000;

(iv) claims that result from a breach of any representation or warranty in this Agreement by the Shareholders that are not less than \$1,000 unless the aggregate liability for such claims exceeds \$35,000, and then only to the extent that the aggregate liability for such claims exceeds \$35,000; or

(v) claims that arise out of or result from a breach of any representation or warranty in this Agreement by Shareholders to the extent that Shareholders' aggregate liability for all claims that arise out of or result from a breach of any representation or warranty in this Agreement exceeds \$70,000.

9.5 Limitations on PMWAC's Liability. If the Closing occurs, and except as otherwise provided in Section 9.10, PMWAC will have no liability to the Shareholders or any other person for indemnification or otherwise with respect to:

(i) any claim that results from a breach of any representation or warranty in this Agreement by PMWAC, if the Shareholders demonstrate by clear and convincing evidence that, as of the Closing Date, the Shareholders had knowledge of the facts giving rise to PMWAC's breach;

(ii) any claim that results from a breach of any representation, warranty or covenant in this Agreement by PMWAC, unless the Shareholders notifies PMWAC of the claim and specifies in reasonable detail the facts giving rise to the claim within one (1) year after the Closing Date;

(iii) any claim or claims that results from a breach of any representation or warranty in this Agreement by PMWAC if the total liability for the claims are less than \$3,500.

9.6 Indemnification Notice; Litigation Notice. If a Party entitled to indemnity pursuant to this Agreement (the "Claimant") believes that it has suffered or incurred any loss resulting from a Claim, it shall so notify the Party which the Claimant believes has an obligation to indemnify (the "Indemnifying Party") promptly in writing describing such loss or expense, the amount thereof, if known, and the method of computation of such loss or expense, all with reasonable particularity (the "Indemnification Notice").

9.7 Defense of Claims. The Indemnifying Party shall have thirty (30) days after receipt of the Indemnification Notice to notify the Claimant that Indemnifying Party acknowledges its obligation to indemnify and hold harmless the Claimant with respect to the Claim set forth in the Indemnification Notice and, to the extent such involves a legal action against the Company and/or PMWAC, that Indemnifying Party elects to conduct and control any

legal or administrative action or suit with respect to an indemnifiable claim (the "Election Notice"). If the Indemnifying Party gives a Disagreement Notice (as defined below) or does not give the foregoing Election Notice, the Claimant shall have the right to defend, contest, settle or compromise such action or suit in the exercise of its sole discretion. If the Indemnifying Party gives the foregoing Election Notice and provides information confirming, in all commercially reasonable respects, the Indemnifying Party's financial capacity to defend any legal action and provide indemnification with respect to such Claim, the Indemnifying Party shall have the right to undertake, conduct and control, through counsel satisfactory to the Claimant and at the Indemnifying Party's sole expense, the conduct and settlement of such action or suit, and the Claimant shall cooperate with the Indemnifying Party in connection therewith; provided, however, that (a) the Indemnifying Party shall not thereby consent to the imposition of any injunction against the Claimant without the prior written consent of the Claimant, (b) the Indemnifying Party shall permit the Claimant to participate in such conduct or settlement through legal counsel chosen by the Claimant, but the fees and expenses of such legal counsel shall be borne by the Claimant, (c) upon a final determination of such action or suit, the Indemnifying Party shall promptly reimburse the Claimant, to the extent required under this Agreement, for the full amount of loss or damages incurred by the Claimant as result of the Claim, and (d) the Claimant shall have the right to pay or settle any such action or suit and seek indemnity therefor pursuant to the terms of this Section 9.

9.8 Disagreement Notice. If the Indemnifying Party does not agree that the Claimant is entitled to full reimbursement for the amount specified in the Indemnification Notice, the Indemnifying Party shall notify the Claimant in writing (the "Disagreement Notice") within thirty (30) days after receipt of the Indemnification Notice. Failure to deliver a Disagreement Notice in a timely manner shall be considered an express acknowledgment by the Indemnifying Party of its obligation to indemnify and hold harmless the Claimant with respect to the Claim set forth in the Indemnification Notice. Any dispute regarding Indemnity shall be resolved as provided for in this Agreement.

9.9 Payment of Losses. The Indemnifying Party shall pay to the Claimant in cash the amount to which the Claimant may become entitled by reason of the provisions of this Section 9 within thirty (30) days after such amount is finally determined either (i) by mutual agreement of the Parties; (ii) pursuant to the dispute resolution process in the case of a disputed Claim; or (iii) the date on which both such amount and Claimant's obligation to pay such amount have been determined by a final judgment of the trial court or administrative body having jurisdiction over such proceeding.

9.10 Additional Indemnification and Liability Provisions.

(a) The indemnification limits set forth in this Section 9 shall in no way limit or restrict the right of a Party to seek any nonmonetary remedies to which such Party may be entitled and shall not apply to any post-Closing covenants contained in the Agreement.

(b) The indemnification limits set forth in this Section 9 shall not apply to the Shareholders Fundamental Representations or the PMWAC Fundamental Representations.

(c) Payments by an Indemnifying Party pursuant to this Section 9 in respect of any Claim will be limited to the amount of any loss that remains after deducting from the amount of the loss any insurance proceeds and any indemnity, contribution or other similar payment

actually received by the indemnified party in respect of any such claim, less any related costs and expenses, including the aggregate out-of-pocket costs of pursuing any related insurance claims and any related increases in insurance premiums or other chargebacks (it being agreed that each Claimant will use commercially reasonable efforts to recover any insurance proceeds in connection with making a Claim under this Section 9 and that, promptly after the realization of any such insurance proceeds, indemnity, contribution or other similar payment, the Claimant will reimburse the Indemnifying Party for such reduction in losses for which the Indemnified Party was indemnified prior to the realization of reduction of such losses.)

(d) No Party will be liable to any other Party under any cause of action, whether in contract, tort, or otherwise, for any indirect, special, incidental, consequential, or punitive damages, even if the Party has been advised of the possibility of such damages.

(e) If the Closing occurs, the indemnification provisions in this Section 9 will be the sole and exclusive remedy available to the PMWAC Indemnified Parties with respect to any claim that arises out of or result from a breach of any representation, warranty, or covenant in this Agreement.

10. TERMINATION.

10.1 Mutual Consent. This Agreement may be terminated by the written mutual consent of the Parties.

10.2 By PMWAC. PMWAC may terminate this Agreement prior to Closing by giving written notice of termination to Shareholders if: (i) any condition set forth in Section 7 has not been satisfied or waived on or before December 31, 2017 unless the satisfaction of the condition became impossible because PMWAC materially breached this Agreement; (ii) the satisfaction of any condition set forth in Section 7 becomes impossible, unless satisfaction of the condition became impossible because PMWAC materially breached this Agreement; (iii) any Shareholder materially breaches this Agreement and fails to cure the breach within 20 days after PMWAC notifies Shareholder of the breach; or (iv) the Closing has not occurred on or before January 30, 2018, unless the Closing has not occurred because PMWAC materially breached this Agreement.

10.3 By the Shareholders. Shareholders may terminate this Agreement prior to Closing by giving written notice of termination to PMWAC if: (i) any condition set forth in Section 8 has not been satisfied or waived on or before December 31, 2017 unless the satisfaction of the condition became impossible because any of the Shareholders materially breached this Agreement; (ii) the satisfaction of any condition set forth in Section 8 becomes impossible, unless satisfaction of the condition became impossible because any of the Shareholders materially breached this Agreement, (iii) PMWAC materially breaches this Agreement and fails to cure such breach within 20 days after the Shareholders notifies PMWAC of the breach; or (iv) the Closing has not occurred on or before January 30, 2018, unless the Closing has not occurred because the Shareholders materially breached this Agreement.

11. ADDITIONAL COVENANTS OF THE PARTIES

11.1 Legal Expenses related to Oregon Public Utility Commission. The Parties acknowledge that Oregon law provides for approval by the Oregon Public Utility Commission before closing of the transaction contemplated by this Agreement, and that obtaining such

approval will require legal representation. The Parties agree to contribute equally to the cost of such representation. Further, if attorney Jennie Bricker performs the work of obtaining Oregon Public Utility Commission approval, PMWAC acknowledges that Ms. Bricker represents the Company. Having had the opportunity to consult with its own counsel about the risks associated with a potential conflict of interest, PMWAC hereby consents to such representation.

11.2 Continuing Duties; Further Assurances. Each of the Parties hereto shall use commercially reasonable efforts to in good faith effectuate all the agreements contemplated by this Agreement and to fulfill all of the conditions of their obligations under the Agreement and shall do all acts and things as may be reasonably necessary to carry out their obligations hereunder and to consummate and complete this Agreement. Each Party agrees: (a) to execute and deliver such other documents; and (b) to do and perform such other acts and things, as any other Party may reasonably request, in order to carry out the intent and accomplish the purposes of this Agreement. Further, for a period of time not to exceed three months, Suzanne Webber agrees to response to reasonable requests from the Company or its water system operator for information regarding the system, its operations, customers and commitments. The Company will pay Suzanne Webber at the rate of \$75.00 an hour for such consultation for total time spent in excess of one hour.

11.3 Business Relations. After the Closing, from time to time upon request, Shareholders will cooperate with PMWAC in PMWAC's reasonable efforts to preserve the Company's relations and goodwill with the customers, suppliers, lessors, creditors, employees, agents, and other business relations of the Company that existed before the Closing.

11.4 Business Referrals. After the Closing, Shareholders will refer to the Company all customer and supplier inquiries, if any, which Shareholders receive in connection with the Business.

11.5 No Disparagement. On and after the Closing, Shareholders will make no disparaging statements about PMWAC, or the Company, or any present or future shareholder, director, member, manager, partner, officer, or authorized representative of PMWAC. On and after the Closing, neither PMWAC nor the Company will make any disparaging statements about either of the Shareholders or the business as conducted by the Company prior to Closing or any authorized representative of the Shareholders.

12. DISPUTE RESOLUTION.

12.1 Binding Arbitration. Any and all disputes, claims, or controversies between the Parties ("Parties" specifically including, but not being limited to, any assignee of a Party) arising out of or relating to this Agreement that are not resolved by their mutual agreement shall be submitted to final and binding arbitration before JAMS, or its successor, at the JAMS office in Portland, pursuant to the United States Arbitration Act, 9 U.S.C. Sec. 1, et seq. The dispute shall be submitted to a panel of three Arbitrators, which shall have sole authority to determine procedural questions, such as arbitrability, standing, and real party in interest, as well as the merits of the claim.

12.2 Procedures. The Parties agree to attempt to resolve all disputed matters in good faith; however, any Party may commence the arbitration process at any time by filing a written demand for arbitration with JAMS at the designated office and concurrently sending a copy to

the other Party or Parties. The arbitration will be conducted in accordance with the provisions of JAMS' Comprehensive Arbitration Rules and Procedures as in effect when the demand is filed. The parties to the dispute, claim, or controversy will cooperate with JAMS and each other in selecting a panel of three arbitrators from JAMS' panel of neutrals and in scheduling the arbitration proceedings. The costs and fees of JAMS and of the arbitrator shall be borne equally by the parties to the dispute, claim, or controversy. The provisions of this paragraph are specifically enforceable by any court with subject matter jurisdiction sitting in Clackamas County, Oregon. The prevailing Party or Parties shall be entitled to an award of its reasonable attorney fees and costs through every stage of the proceeding and in obtaining and enforcing any judgment. The panel of three arbitrators shall have sole discretion to determine which is the prevailing party or parties and the amount of reasonable attorney fees and costs.

13. GENERAL PROVISIONS

13.1 Entire Agreement. This Agreement contains and constitutes the entire agreement between the Parties regarding the subject matter hereof and supersedes all prior agreements and understandings between the Parties relating to the subject matter of this Agreement. There are no agreements, understandings, restrictions, warranties representations between the Parties relating to the subject matter hereof other than those set forth in this Agreement. This Agreement is not intended to have any legal effect whatsoever, or to be a legally binding agreement, or any evidence thereof, until it has been signed by the Shareholders, the Company and PMWAC.

13.2 Schedules and Exhibits. The Schedules and Exhibits attached are made a part of this Agreement by this reference.

13.3 Third Party Consents. The Shareholders, the Company and PMWAC mutually agree to cooperate and use reasonable, good faith efforts to prepare all documentation, to effect all filings and to obtain all permits, consents, approvals, and authorizations of all third parties and governmental bodies as may be necessary to consummate the transactions contemplated by this Agreement.

13.4 Further Actions. From time to time, as and when requested by any Party hereto, the other Party shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions as such other Party may reasonably deem necessary or desirable to consummate the transactions contemplated by this Agreement.

13.5 Amendment. This Agreement may not be amended, modified, or terminated except by an instrument in writing signed by all Parties to this Agreement.

13.6 Construction. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter gender thereof or to the plurals of each, as the identity of the person or persons or the context may require. The descriptive headings contained in this Agreement are for reference purposes only and are not intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision contained in this Agreement.

13.7 Invalidity. If any provision contained in this Agreement shall for any reason be held to be invalid, illegal, void or unenforceable in any respect, such provision shall be deemed modified so as to constitute a provision conforming as nearly as possible to such invalid, illegal,

void or unenforceable provision while still remaining valid and enforceable; and the remaining terms or provisions contained herein shall not be affected thereby.

13.8 Payment of Expenses. Except as otherwise provided in this Agreement, whether or not the transactions contemplated by this Agreement are consummated, each of the Parties to this Agreement shall be responsible for its own costs and expenses incurred in connection with the preparation and negotiation of this Agreement and the transactions contemplated hereby.

13.9 Binding Effect and Assignment. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective legal representatives, successors and permitted assigns. No Party may assign its rights or delegate any of their obligations under this Agreement without prior consent of all other Parties to this Agreement. Any assignment in violation hereof shall be void.

13.10 Notices. All notices and other communications hereunder shall be (i) in writing, dated with the current date of such notice, and signed by the Party giving such notice, and (ii) delivered (a) by registered or certified mail, return receipt requested, addressed to the Party to be notified; (b) by personal delivery or overnight courier; or (c) by electronic mail. Notice shall be deemed given when received by the Party to be notified or when the Party to be notified refuses to accept delivery of the notice. The initial addresses of the Parties shall be as follows:

If to PMWAC:

PMWAC, Inc.
7501 SW Findlay Rd.
Portland, OR 97224
daptsmt@gmail.com
(503) 638-6089

With a copy to:

Kenneth E. Roberts
2700 SW Schaeffer Rd.
West Linn, OR 97068
kroberts1944@gmail.com
(503) 638-1201

If to Shareholders:

Suzanne Webber
P.O. Box 418
Canby, OR 97013
Petesh20@canby.com
(503) 263-6574

Becky Jones
1919 SE Paulina Hwy.
Prineville, OR 97754
(541) 447-5174

jbeckjj@crestviewcable.com

With a copy to:

Jennie Bricker
Land & Water Law
818 SW Third Avenue
PMB 1517
Portland, OR 97204
jennie@jbrickerlaw.com
(503) 928-0976

The Parties hereto shall have the right from time to time to change their respective addresses by written notice to the other Parties.

13.11 Definition of Knowledge. As used in this Agreement, Shareholders' Actual Knowledge means the actual knowledge of either of the Shareholders as well as knowledge that either of the Shareholders should have known based on documents or information in the possession of the Shareholder or the Company.

13.12 Remedies. Except as specifically set forth in this Agreement, none of the remedies provided for in this Agreement shall be the exclusive remedy of either Party for a breach of this Agreement. The Parties hereto shall have the right to seek any other remedy at law or in equity in lieu of or in addition to any remedies provided for in this Agreement.

13.13 Survival of Obligations. To the extent necessary to carry out the terms and provisions of this Agreement, the obligations and rights arising from or related to this Agreement shall survive the Closing and shall not be merged into the various documents executed and delivered at the time of the Closing.

13.14 Waiver. No waiver of any breach or default hereunder shall be considered valid unless in writing and signed by the Party giving such waiver and no such waiver shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

13.15 No Strict Construction. The Parties and their counsel have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement.

13.16 Governing Law. This Agreement shall be construed, enforced, and governed in accordance with the laws of the State of Oregon.

13.17 Venue. The obligations of the Parties to this Agreement are performable, and venue for any legal action arising out of this Agreement shall lie in Clackamas County, Oregon.

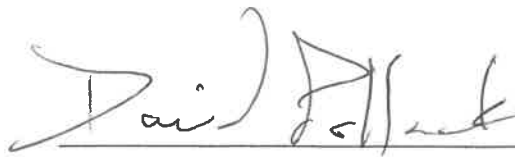
13.18 Facsimile/Electronic Delivery. The electronic delivery of this pdf version of this Agreement and any other document executed by a Party will be the same as delivery of an original. At the request of any Party, the Party delivering this Agreement or other document by facsimile or electronically will deliver an original of this Agreement or other document.

13.19 Counterparts. This Agreement may be executed in one or more counterparts with the same effect as if all of the Parties had signed the same document. All counterparts will be construed together and constitute one document. Signature and acknowledgment pages may be detached from the counterparts and attached to a single copy of this document to physically form one document.


[Signatures on the Following Page]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

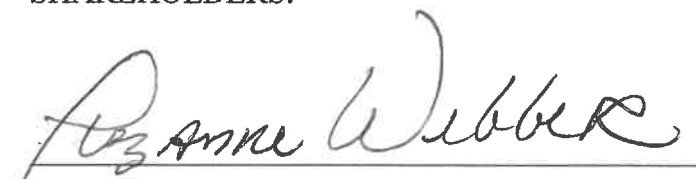
PMWAC, INC.

By: 
David Pollack, President

PETE'S MOUNTAIN WATER CO. Inc.

By: 
Suzanne Webber, President

SHAREHOLDERS:


Suzanne Webber

Becky Jones

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

PMWAC, INC.

By: _____
David Pollack, President

PETE'S MOUNTAIN WATER CO. Inc.

By: _____
Suzanne Webber, President

SHAREHOLDERS:

Suzanne Webber



Becky Jones

Disclosure Schedules

These Schedules (the “Schedules”), which consist of this cover page and all of the accompanying pages and attachments, are being supplied by Suzanne Webber and Becky Jones, as Shareholders, in connection with the execution and delivery of that certain Stock Purchase Agreement dated August 9, 2017 (the “Stock Purchase Agreement”) by and among PMWAC, Inc., an Oregon nonprofit corporation, as Buyer, and Pete’s Mountain Water Co., Inc., an Oregon corporation, and constitute the Disclosure Schedule and other schedules contemplated by the provisions of the Stock Purchase Agreement. Unless the context otherwise requires, all capitalized terms used in these Schedules will have the respective meanings ascribed to such terms in the Stock Purchase Agreement.

These Schedules are qualified in their entirety by reference to specific provisions of the Stock Purchase Agreement, and are not intended to constitute, and will not be construed as constituting, representations or warranties of the Company or the Shareholders except as and to the extent provided in the Stock Purchase Agreement. Certain matters set forth in these Schedules are included for informational purposes only, notwithstanding the fact that, because they do not rise above applicable materiality thresholds or otherwise, they would not be required to be set forth in these Schedules by the terms of the Stock Purchase Agreement. Disclosure of such matters will not be taken as an admission by the Company or the Shareholders that such disclosure is required to be made under the terms of any provision of the Stock Purchase Agreement, is material to the Company, or is outside the ordinary course of business, and in no event will the disclosure of such matters be deemed or interpreted to broaden or otherwise amend the representations, warranties, and covenants contained in the Stock Purchase Agreement or the scope of the Company or the Shareholders’ disclosure obligations under the Stock Purchase Agreement. The inclusion of any information in these Schedules with respect to any claim, action, lawsuit, or proceeding, or any contract or agreement (or any update thereto), will not constitute an admission of fault, culpability, or liability with respect to such claim, action, lawsuit, or proceeding, or an admission that any breach, violation, default, or event of default exists with respect to such contract or agreement.

Headings have been inserted for each section of these Schedules for convenience of reference only and will to no extent have the effect of amending or changing the express description of such sections as set forth in the Agreement. Any disclosure set forth with respect to any particular section of these Schedules will be deemed to be disclosed in reference to all other applicable sections of the Stock Purchase Agreement to the extent that the relevance to such other representation and warranty is manifest on the face of the Schedules.

Schedule 1.1

Shares and Shareholders

Record Owner	Number of Shares	Percentage Ownership
Suzanne C. Webber	66	66 percent
Becky Jones	34	34 percent

Copies of the stock certificates are attached (3 pages).

Schedule 4.2

Articles of Incorporation, Bylaws

1. Certificate of Incorporation: copy attached (1 page).
2. Articles of Incorporation and Articles of Amendment: copy attached (3 pages).
3. Bylaws, Amendment of By-Laws: copy attached (12 pages).

Schedule 4.6

Consents

1. Oregon Public Utility Commission.

Schedule 4.7

Real Property Legal Description

1. The real property is described in the attached Bargain and Sale Deed, recorded June 10, 1988 in the Clackamas County Records, as Instrument No. 88-23249.

Schedule 4.7.1

Material Defects, Major Repairs

1. Well No. 1 needs to be repaired before it will operate in good working condition.
2. Fire hydrants on the system need to be flushed, cleaned, and maintained in the near term.
3. Pump station motors may require rebuilding, in accordance with the normal rotation and repair routine.
4. Some water meters may require replacement.
5. The pressure reducing valve at the Stafford Hill Ranch will need to be rebuilt in the near term.

Schedule 4.7.2

Land Use Zoning Changes

None

Schedule 4.8

Water Lines

1. Well No. 1 needs to be repaired before it will operate in good working condition.
2. Fire hydrants on the system need to be flushed, cleaned, and maintained in the near term.
3. Pump station motors may require rebuilding, in accordance with the normal rotation and repair routine.
4. Some water meters may require replacement.
5. The pressure reducing valve at the Stafford Hill Ranch will need to be rebuilt in the near term.

The Company may not hold easement rights of record across the following customers' properties:

1. Russ Bancroft
1001 SW Schaeffer Road
West Linn, OR 97068
2. Lester Deasis
24501 SW Valley View Road
West Linn, OR 97068
3. Donald Vanwart
24655 SW Brentwood Drive
West Linn, OR 97068
4. Robert Rice
24767 SW Brentwood Drive
West Linn, OR 97068
5. Todd Ellerman
24801 SW Brentwood Drive
West Linn, OR 97068

Schedule 4.9

Tangible Personal Property

Tangible personal property is set forth on pages 13-19 of the appraisal report by Spearhead Valuation Group, dated August 19, 2014, including item numbers 001 through 037 listed on page 13, but excluding item number 017, the 2008 Ford F150 Truck.

A copy of the 2016-2017 Property Tax Return to Clackamas County is attached (2 pages).

Schedule 4.10

Parts and Supplies

Parts and supplies are included with the tangible personal property listing set forth in Schedule 4.9.

Schedule 4.11

Licenses and Permits

1. The Company is registered with the Oregon Secretary of State, Registry No. 048401-87. The Company's Certificate of Incorporation is included in Schedule 4.2.
2. The Company is regulated for rates and service by the Oregon Public Utility Commission, I.D. No. 5488.
3. The Company is regulated as a Public Water System, I.D. No. 00161, by Clackamas County, under programs administered by the Oregon Health Authority and the Oregon Department of Environmental Quality.
4. The Company holds Water Right Permit No. G-5383 from the Oregon Water Resources Department.
5. The Company's wells are registered with the Oregon Water Resources Department: Well No. 1, I.D. No. L-11061; Well No. 2, I.D. No. L-02825.
6. The Company licenses UBpro (version 3.01.007), an industry-specific software program for utility billing, from Harris Computer Systems, Inc., and purchases support for the system on a year-to-year basis.
7. The Company licenses Intuit QuickBooks Payroll, Customer Account No. 261-113-694, and pays annually for the license and software updates.
8. Oregon Health Division approval dated March 8, 1972 (reservoir, pump station).
9. Oregon Health Division approval dated March 16, 1973 (8-inch line extension).
10. Oregon Health Division approval dated April 11, 1973 (booster pump, 8-inch line extension).
11. Oregon Health Division approval dated July 22, 1975 (system).

Schedule 4.12

Intellectual Property

1. The Company's trade name.
2. The Company's customer list.
3. To the extent relevant, the Company's license of UBpro, v. 3.01.007 (see Schedule 4.11).

Schedule 4.13

Real Property Encumbrances

1. The property is within Clackamas County Service District No. 1 and is subject to its levies and assessments.
2. Rights of the public to any portion of the property lying within the area commonly known as roads and highways.
3. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to	:	Adjacent property owners to the West
Purpose	:	Ingress and egress
Recording Date	:	June 3, 1981
Recording No.	:	81-019163
Affects	:	Westerly portion
4. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to	:	Portland General Electric Company, an Oregon corporation
Purpose	:	Underground distribution lines, appurtenances, and necessary landscaping
Recording Date	:	April 22, 2004
Recording No.	:	2004-035016

The sketch attached does not correspond with the description contained therein.

Schedule 4.15

Indebtedness for Borrowed Money

None

Schedule 4.16

Tax Returns

1. Tax Year 2013 — IRS Form 1120, Form 4562; Oregon Form 20 (15 pages).
2. Tax Year 2013 — IRS Form 1096 (3 pages).
3. Tax Year 2013 — Oregon Form OQ, Form 132 (Q1); Form OQ, Form 132 (Q2); Form OQ, Form 132 (Q3); Form OQ, Form 132 (Q4); Oregon Form WR (9 pages).
4. Tax Year 2013 — IRS Form 940; Form 941 (Q1); Form 941 (Q2); Form 941 (Q3); Form 941 (Q4); Form W-3 (11 pages).
5. Reporting Period 2013 — Clackamas County Real Property Return, Personal Property Return (11 pages).
6. Tax Year 2014 — IRS Form 1120, Form 4562; Oregon Form 20 (15 pages).
7. Tax Year 2014 — IRS Form 1096 (3 pages).
8. Tax Year 2014 — Oregon Form OQ, Form 132 (Q1); Form OQ, Form 132 (Q2); Form OQ, Form 132 (Q3); Form OQ, Form 132 (Q4); Oregon Form WR (12 pages).
9. Tax Year 2014 — IRS Form 940; Form 941 (Q1); Form 941 (Q2); Form 941 (Q3); Form 941 (Q4) (10 pages).
10. Reporting Period 2014 — Clackamas County Real Property Return, Personal Property Return (11 pages).
11. Tax Year 2015 — IRS Form 1096 (4 pages).
12. Tax Year 2015 — IRS Form 1120, Form 4562; Oregon Form 20 (14 pages).
13. Tax Year 2015 — Oregon Form OQ, Form 132 (Q1); Form OQ, Form 132 (Q2); Form OQ, Form 132 (Q3); Form OQ, Form 132 (Q4); Oregon Form WR (10 pages).
14. Tax Year 2015 — IRS Form 940; Form 941 (Q1); Form 941 (Q2); Form 941 (Q3); Form 941 (Q4) (11 pages).
15. Reporting Period 2015 — Clackamas County Real Property Return, Personal Property Return (11 pages).
16. Tax Year 2016 — IRS Form 1096 (3 pages).
17. Tax Year 2016 — IRS Form 1120, Form 4562; Oregon Form 20 (19 pages).
18. Tax Year 2016 — Oregon Form OQ, Form 132 (Q1); Form OQ, Form 132 (Q2); Form OQ, Form 132 (Q3); Form OQ, Form 132 (Q4); Oregon Form WR (9 pages).
19. Tax Year 2016 — IRS Form 940; Form 941 (Q1); Form 941 (Q2); Form 941 (Q3); Form 941 (Q4) (11 pages).
20. Reporting Period 2016 — Clackamas County Real Property Return, Personal Property Return (10 pages).

Schedule 4.17

Transactions Since Balance Sheet Date

1. This Stock Purchase Agreement is the only such transaction anticipated.

Schedule 4.18

Litigation

None

Schedule 4.20

Contracts

1. Agreement dated August 2, 1988, for water hook-ups for Stafford Hill Ranch subdivision (1 page).
2. Agreement dated March 9, 1988, for water hook-ups for Stafford Summit Estates subdivision (1 page).
3. Agreement for Water Main Extension dated April 14, 2001, to construct an extension of the water main for service to 23700 Matthews Lane, West Linn (6 pages).
4. Agreement for Water Service dated June 15, 2001, to construct an extension of the water main for service to three residential sites (Stafford Summit Estates No. 3) at the end of Valley View Road (6 pages).
5. Easement dated September 20, 2004, for waterline serving Stafford Summit Estates No. 3 (2 pages).
6. Agreement dated September 25, 1973 (Niedermeyer) (2 pages).
7. Agreement dated March 28, 1973 (Niedermeyer) (3 pages).
8. Letter Agreement Re: Brentwood Heights dated September 1973 (Niedermeyer) (1 page).
9. Letter Acknowledgement dated April 7, 1977 (Ten Properties, Inc.) (1 page).
10. Agreement Between Pete's Mt. Water Co. and Ten Properties, Inc. dated July 16, 1977 (2 pages).
11. Agreement Between Pete's Mt. Water Co. and Annamae Niedermeyer dated July 16, 1977 (2 pages).
12. Agreement Between Pete's Mt. Water Co. and Ten Properties, Inc. dated July 16, 1977 (3 pages).
13. Letter Acknowledgement dated April 7, 1977 (Block 1, Lot C – Brentwood Heights) (3 pages).
14. Agreement Between Pete's Mt. Water Co. and Ten Properties, Inc. dated July 16, 1977 (3 pages).
15. Letter Acknowledgement dated June 19, 1974 (Ten Properties, Inc.) (3 pages).
16. Letter Acknowledgement dated May 19, 1977 (Ten Properties, Inc.) (2 pages).
17. Agreement Between Pete's Mt. Water Co. and Annamae Niedermeyer dated July 16, 1977 (2 pages).
18. Letter Acknowledgement dated April 19, 1977 (Annamae Niedermeyer) (2 pages).
19. Letter Acknowledgement dated May 9, 1977 (Ten Properties, Inc.) (2 pages).
20. Agreement dated June 28, 1973 (Craven/Uhle) (3 pages).
21. Hook Up Agreement dated December 2, 1975 (Fluter) (1 page).
22. Hook Up Agreement dated May 1, 1975 (Folliard) (1 page).
23. Hook Up Agreement dated May 20, 1977 (Gorton) (1 page).
24. Agreement dated _____, 1974 (Lindemann) (3 pages).
25. Agreement dated March 28, 1973 (McIntyre) (3 pages).
26. Hook Up Agreement dated May 1, 1974 (McIntyre) (1 page).
27. Agreement dated March 28, 1973 (Monte) (3 pages).
28. Hook Up Agreement dated December 18, 1975 (Monte) (1 page).
29. Hook Up Agreement dated October 14, 1975 (Nordstrom) (1 page).
30. Hook Up Agreement dated April 25, 1977 (Rayson, Inc.) (1 page).
31. Hook Up Agreement dated October 15, 1975 (Phillips) (1 page).

32. Hook Up Agreement dated January 1, 1973 (Read) (1 page).
33. Hook Up Agreement dated January 1, 1973 (Snader) (1 page).
34. Agreement dated March 28, 1973 (Snader) (3 pages).
35. Agreement dated March 28, 1973 (Wills) (3 pages).
36. Agreement dated August 2, 1988 (Ziegler), recorded August 2, 1988 as Document No. 88-37154 (2 pages).
37. Agreement dated May 14, 1990 (Ziegler), recorded May 14, 1990 as Document No. 90-22535 (2 pages).

Schedule 4.22

Insurance

1. Liberty Mutual Insurance policy: copy attached (26 pages).
2. SAIF Corporation policy for worker's compensation (14 pages).
3. Country Financial policy for pick-up truck: copy attached (6 pages).

Schedule 4.24

Accounts Receivable

1. All receivables are from the Company's customers, based on monthly billings in the ordinary course of the Company's business.

Schedule 4.29

Environmental Matters

1. Any matters disclosed in the attached Source Water Assessment Report: Summary of Analysis (July 2004) (28 pages).

PLAN OF MERGER

- 1. The parties to this Plan of Merger are Pete's Mountain Water Co., Inc., an Oregon business corporation and PMWAC, Inc., an Oregon nonprofit mutual benefit corporation, its parent company.**
- 2. Pete's Mountain Water Co., Inc. will merge with and into PMWAC, Inc. which will be the surviving company operating as an Oregon nonprofit company organized under ORS Chapter 65.**
- 3. Pete's Mountain Water Co., Inc is a wholly owned subsidiary of PMWAC, Inc. which holds all of the outstanding shares of stock. Upon the effective date of the merger, all of the outstanding shares of stock will be cancelled without consideration.**
- 4. PMWAC, Inc. will continue as a mutual benefit corporation under ORS Chapter 65. No interests of it members will be affected or changed as a result of the merger.**
- 5. As of the effective date and upon filing of the Articles of Merger, the name of the surviving corporation will be amended to read Pete's Mountain Water Co., Inc.**

1308577-90

FILED

APR 07 2017

OREGON
SECRETARY OF STATE

ARTICLES OF INCORPORATION

Of

PMWAC, Inc.

Article 1.

The name of the Company is PMWAC, Inc.

Article 2.

The Company is formed under ORS Chapter 65 as a mutual benefit corporation.

Article 3.

The initial registered office of the Company is located at 7501 SW Findlay Road, Durham, OR 97224 and its agent is Bruce R. Tabor.

Article 4.

The name and address of the Incorporator is Bruce R. Tabor, 7501 SW Findlay Road, Durham, OR 97224.

Article 5.

The Company will have members whose rights and privileges will be set forth on the Company's Bylaws not inconsistent with Oregon law. Upon any liquidation and dissolution of the Company, any assets remaining after the payment of all liabilities and other obligations of the Company will be distributed to the members on a pro rata basis.

Article 6.

The purpose of the Company is to own and operate a private water company to serve its members.

PMWAC, INC.



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NEWINC

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Article 7.

The Company shall have all the powers permitted an Oregon Corporation organized under ORS Chapter 65 but only if those powers do not exceed those permitted a company intending to comply with Section 501(c)(12) of the Internal Revenue Code of the United States.

Article 8.

No director or uncompensated officer of the Company or any member shall be liable for monetary damages for their conduct as a director or officer; provided, however, that this provision shall not eliminate or limit the liability of a director or officer for:

- A. Any breach of the director's or officer's duty of loyalty to the corporation or its members;**
- B. Acts or omissions not in good faith or which involve intentional misconduct or knowing violations of law;**
- C. Any unlawful distribution;**
- D. Any transaction from which the director or officer derived an improper personal benefit; and**
- E. Any act or omission in violation of ORS 65.361 to 65.367.**

The undersigned hereby executes these articles of Incorporation this 6th day of April, 2017.



Bruce R. Tabor, Incorporator

BYLAWS OF PMWAC, Inc.

ARTICLE I

Definitions

As used in these bylaws the following terms shall have the following meanings:

"Company" means PMWAC, Inc., a nonprofit corporation that intends to purchase Pete's Mountain Water Company and provide domestic water to its current customers in Clackamas County, Oregon.

"Member" means a person or entity that has applied for and been accepted as a member of the Company.

"Member in Good Standing" means such a Member who is current as to all fees and assessments required by the Company and who is not in violation of any provision of these bylaws or any other obligations required by this Company as to all Members.

"Delinquent Member" means a Member who is more than sixty (60) days in arrears in their assessments, fees or other obligations under these bylaws or the rules and regulations adopted hereunder.

ARTICLE II

Members and Membership

Section 1. Eligibility. Membership in the Company shall be limited to persons or entities that own or occupy property within the Company's service area as determined by the Board of Directors from time to time. Membership will be offered to all current customers of Pete's Mountain Water Company at the time these bylaws are first adopted. Membership in the Company is a requirement for taking service from the Company. Multiple owners or occupiers of property served by the Company will be considered a single Member for purposes of these bylaws.

Section 2. Application for Membership and Water Service. Application for membership shall be made to the Secretary and be subject to the approval of the Board of Directors. Unless subsequently disapproved by the Board of Directors, the application shall be deemed to have been accepted upon payment by the applicant of the membership/access fee to the Treasurer of the Company.

Section 3. Obligation of Members. Each Member shall abide by the articles of incorporation and bylaws of this Company, and such rules and regulations as may be promulgated by the Board of Directors.

Section 4. Transfer of Membership. A Member in Good Standing may transfer or assign their Membership interest to a new owner or occupier of the subject property served by the Company upon application to the Secretary. The Board of Directors may from time to time impose reasonable charges upon transferees for the addition of the name(s) of the new owner(s) or occupier(s) upon the Company's records and for the costs involved in terminating services for the outgoing Member(s) and initiating services for the incoming Member(s). All amounts charged for such services shall be applied uniformly.

ARTICLE III

Meetings of Members

Section 1. Annual Meeting. The annual meeting of Members of the Company shall be held in May of each year at such time and place as may be designated by the Board of Directors.

Section 2. Special Meetings. Special meetings of the Members may be held at any time on call of the President, the Vice President, a majority of the Board of Directors, or one-third (1/3) of the Members of the Company.

Section 3. Notices. Notice for each annual and special meeting of the Members shall be given to each Member at least fourteen (14) days prior to the date of the meeting, by mailing the same to each said person at the address as last shown on the records of the Secretary or such other electronic notification authorized by the member. Notices of special meetings shall state the purpose of such meeting. Each notice shall be deemed to have been given when deposited in a U.S. Post Office, with first-class postage thereon fully prepaid or upon delivery by email.

Section 4. Quorum. The Members in Good Standing present in person at the meeting of the Members or represented by written proxy shall constitute a quorum at that meeting.

Section 5. Vote. Each Member may cast one vote. Members may vote by proxy. If more than one person or entity represents a single membership, only one ballot will be accepted. If there is a dispute among the co-owners, the conflicting ballots will be rejected.

ARTICLE IV

Board of Directors

Section 1. Number and Positions. The corporate powers of the Company shall be vested in a board of seven (7) Directors, who shall be elected by a plurality of votes cast by the Members.

Section 2. Qualification of Directors. To be eligible for office, a Director must be a Member in Good Standing with the Company at the time of election and throughout their term.

Section 3. Election of Directors. The initial members of the Board were designated by the organizers of the Company and the informal organizing committee. These persons have been given staggered terms of office of one to three years. All of them will stand for election for such terms at the initial annual meeting of the Members. Thereafter, directors for vacant or expiring terms shall be elected by the Members at the annual meeting of the Members. The term of office for regularly elected Directors shall be three (3) years. The term of each Director shall begin at the conclusion of the meeting at which the Director shall have been elected and shall end at the conclusion of the meeting at which the successor shall have been elected. The election of Directors shall be by written ballot. As soon as the votes shall have been counted, the President shall declare the persons receiving the highest number of votes to be elected Directors of the Company. Such declarations shall be entered upon the minutes of the meeting.

Section 4: Removal of Directors. The Board may initiate removal action against a sitting Director who has not attended at least two (2) out of the preceding four meetings of the Board of Directors by sending to such Director a notice by certified mail, return receipt requested, informing such Director of the proposed action and informing such Director that the question of removal will be on the agenda of the next regular Board meeting. The Director receiving such notice may attend the next regular Board meeting and shall be given an opportunity to explain his or her absence.

Following such discussion, the Board of Directors (including the subject member of the Board of

Directors) shall vote on the question of removal. Such Director shall be removed from office if at least 2/3 of the members of the Board of Directors present and voting vote in favor of such removal. A Director may also be removed by a majority vote of the Members at any special meeting of the Members called for that purpose.

ARTICLE V

Meetings of Directors

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held quarterly subject to call of the President.

Section 2. Special Meetings. Special meetings of the Board of Directors may be held at any time on call of the President or any two (2) Directors.

Section 3. Notice. Notice of all meetings of the Board shall be given to the members of the Board of Directors at least seven (7) days prior to the time of the meeting. Any board member may waive such notice by filing a waiver in writing with the Secretary or by attending the meeting unless such member announces at commencement of the meeting his or her attendance is solely to contest the adequacy of the notice.

Section 4. Quorum. Four (4) Directors shall constitute a quorum.

ARTICLE VI

Vacancies in the Board of Directors

Section 1. Vacancies in the Board of Directors. Vacancies in the Board of Directors shall be filled by an affirmative vote of a majority of the remaining Directors.

Section 2. Duration of Service. The duration of service by a Director so appointed to fill a vacancy shall serve until the next annual meeting of members. At such meeting the members will select a member to serve the remaining term of the vacating Director.

ARTICLE VII

Power and Duties of the Board of Directors

The Board of Directors shall have the following power and duties:

- a) To call special meetings of the Members of the Company whenever the Board deems it necessary or advisable to do so.
- b) To appoint and remove, at the pleasure of the Board, all officers, agents, and employees of the Company; to prescribe their duties; to fix their compensation; and to require and obtain such security as the board deems proper for the faithful performance of the duties and obligations of any officer, agent, or employee of or person under contract with the Company.
- c) To conduct, manage, and control the business and affairs of the Company, and to make rules and regulations not inconsistent with the laws of the United States or the State of Oregon or the bylaws of the Company, for the guidance of the officers in the management of the business and affairs of the Company.
- d) To cause correct and complete minutes to be kept of all meetings of the Members

and of the Board; to supervise the acts of the officers, agents, and employees of the Company; to require the Treasurer to cause to be kept full and accurate books of account; and to prescribe the mode and form for keeping the books.

- e) To establish the assessment for membership and rates for service for the Members.
- f) To enter into agreements with providers and other distributors of water for the sale and purchase of water.
- g) To cause the monies of the Company to be safely kept, directing from time to time where the same shall be kept and deposited and prescribing the method for the withdrawal thereof.
- h) To terminate the water supply or any other facility or service provided by the Company to any Member if such Member is not current in the payment of assessments, fees or other charges lawfully imposed or otherwise is in violation of these bylaws or of any rule or regulation adopted by the Board of Directors of the Company. Such service shall not be recommenced until the delinquency or violation shall have been cured and all applicable provisions of Article X of these bylaws have been fully performed by such Delinquent Member
- i) To adopt rules, regulations and rates to effect any of the above.
- j) To do any and all other acts and make any and all determinations that the board of a nonprofit corporation may lawfully do or make under the laws of the State of Oregon and consistent with its tax-exempt status under federal and state law.

ARTICLE VIII

Officers

Section 1. Designation and Qualifications. The officers shall consist of a President, Vice President, Secretary, and Treasurer. All officers shall be elected by the Directors from their membership as soon after the annual meeting of Members as may be practical. The Board of Directors may elect others officers at its discretion.

Section 2. President. The President shall preside at all meetings of the Members and of the Directors. Subject to the direction of the Board of Directors, the President shall be the executive head of the Company and its business, and the President shall call meetings of the Board of Directors whenever the President deems it necessary to do so.

Section 3. Vice-President. In the absence of the President, the Vice President shall perform the duties of the President.

Section 4. Secretary. The Secretary shall cause to be kept minutes of the meetings of the Members and of the Board of Directors, a record of the Board of Directors, and a record of the names and addresses of all the Members.

Section 5. Treasurer. The Treasurer shall cause to be kept safely all monies belonging to the Company by depositing the same in one or more Insured Accounts. The Treasurer shall make disbursements on order of the Board of Directors, and shall make such reports as the Board of Directors may require. The Treasurer shall perform such other duties pertaining to the office of Treasurer as may be prescribed by the Board of Directors.

Section 6. Agents. The Board of Directors may employ or engage third parties to perform all or some of the duties of the Secretary or Treasurer under the supervision of such officers or the Board of

Directors.

ARTICLE IX

Nominations

Section 1. Nominations by Board of Directors. Not less than sixty (60) days prior to each annual meeting of the Members, the Board of Directors shall nominate candidates for the expiring Director terms and shall report its nominations to the Members in Good Standing.

Section 2. Written Nominations by Members in Good Standing. Within thirty (30) days following receipt of the nominations made by the Board of Directors, any Member in Good Standing may nominate any other Member meeting the qualifications as set forth in Article IV, Section 2, including themselves, to serve as Director by written nomination, delivered to the Secretary.

ARTICLE X

Assessments, Fees, and Other Charges

Section 1. Membership Fee. The membership fee shall be fixed by the Board of Directors. Each applicant for membership shall pay the membership fee to the Treasurer as a prerequisite to becoming a Member. One membership fee shall be charged as to each of the separately metered parcel or premises served by the Company.

Section 2. Access and usage fees. The access and water usage fees shall be fixed by the Board of Directors. They shall be due no sooner than 15 days after billing and delinquent 60 days thereafter.

Section 3. Assessments. Subject to approval by members, special assessments may be levied by the Board of Directors for the purpose of paying the cost of construction, improvement, maintenance, repair or operation of any facilities for the benefit of the Members and shall be payable in such amounts and at such times and places as the Board of Directors may provide. All special assessments shall be prorated among the Members of the Company unless the assessment is uniquely beneficial to a Member or group of Members who request the improvement and collectively agree to the expenditure. Special assessments to be valid must be approved in advance by at least a majority of the Members at an annual or special meeting called for such purpose.

ARTICLE XI

Distribution of Surplus Funds

As a non-profit membership benefit corporation, it is not anticipated that there will be any surplus funds. Each year, the Board of Directors will review the income and expenses of operations, its debt service requirements and the setting aside of reserves for equipment replacement, anticipated capital expenditures and system improvements, as well as a reserve to cushion any unanticipated costs or expenses. If there are funds in excess of the reasonable needs of the Company, the Board may decide to reduce rates and fees for its services or return excess funds to the Members of the Company.

ARTICLE XII

Books and Papers

The books and records of the Company, and such papers as may be placed on file by vote of the Members or Directors, shall at all times, at reasonable hours, be subject to inspection and copying by any Member.

ARTICLE XIII

Indemnification of Officers and Directors

The Company shall indemnify and hold harmless each officer and Director who is made a party or is threatened to be made a party to any action, suit or proceeding by reason of the fact that they are or were an officer or Director, against all expense, liability and loss, to the fullest extent permitted by Oregon law as then in effect. The right of indemnification shall include the right to be paid the expenses incurred in defending any such proceeding in advance of the final disposition; provided, however, that the payment of such expenses in advance of the final disposition of a proceeding shall be made to or on behalf of such person only upon the delivery of a written undertaking to repay all amounts so advanced if it shall ultimately be determined that such person is not entitled to be indemnified under this article.

ARTICLE XIV

Contracts

No contracts made or entered into by any of the officers of the Company shall be valid without the previous authorization or subsequent ratification of the Board of Directors.

ARTICLE XV

Rules and Regulations

Rules and Regulations governing the operations of the water system and the assessments, fees and obligations of the Members shall be adopted by the Board of Directors. The current Rules and Regulations shall be published and kept with the records of the Company and open to inspection by any Member. The Secretary shall transmit to each Member according to the contact information provided by that Member, a complete and accurate copy of the current Rules and Regulations of the Company upon request. Should the Board of Directors make any material amendment or modification to Rules and Regulations, a fair written summary of such changes will be sent to all Members within 30 days of their adoption, and the revised Rules and Regulations will be posted on the Company's website. Amendments or modifications to the Rules and Regulations can be proposed by Members for a vote by calling for a special meeting of Members as provided in Article III.

ARTICLE XVI

Amendments

The bylaws may be altered, amended, revoked, or suspended at any annual meeting of the Members, or at any special meeting of the Members called for that purpose, upon a two-thirds majority vote of the Members present or represented by written proxy at said meeting.

PMWAC Inc, (Petes Mtn Water)
Statement of Assets, Liabilities and Equity-Income Tax Basis
As of August 31, 2017

ASSETS			
CURRENT ASSETS			
Checking Acct	367.39		
USNB Chkng 3474	294.45		
TOTAL CASH		661.84	
Prepaid Expense		18,166.56	
TOTAL CURRENT ASSETS			18,828.40
 PROPERTY & EQUIPMENT			
NET PROPERTY & EQUIPMENT			
 TOTAL ASSETS			 <u>18,828.40</u>
 LIABILITIES & EQUITY			
 Member Notes Payable	 6,500.00		
TOTAL LIABILITIES			 6,500.00
 OWNER EQUITY			
Member Capital		13,349.01	
YTD Profit		(1,020.61)	
TOTAL RETAINED EQUITY			
TOTAL EQUITY			12,328.40
 TOTAL LIAB. & EQUITY			 <u>18,828.40</u>

PMWAC Inc, (Petes Mtn Water)
Statement of Revenues and Expenses-Income Tax Basis
For The Eight Month Period Ended August 31, 2017

	Current Amount	Current Percent	Y-T-D Amount	Y-T-D Percent	Prior Yr %
INCOME					
TOTAL SALES					
COST OF SALES					
TOTAL COST OF SALES					
GROSS PROFIT					
OPERATING EXPENSES					
Taxes & Licenses	850.00		850.00		
Bank Charges	170.61		170.61		
TOTAL OPERATING EXPENSE	1,020.61		1,020.61		
NET OPERATING INCOME	(1,020.61)		(1,020.61)		
OTHER EXPENSES					
TOTAL OTHER EXPENSES					
NET PROFIT OR (LOSS)	(1,020.61)		(1,020.61)		

PETE'S MOUNTAIN WATER CO., INC.
RULES AND REGULATIONS

The Rules and Regulations set forth the policies and procedures of the Company and have been established and shall be enforced in accordance with the Articles of Incorporation and Bylaws of the Company. Words defined in the Bylaws of the Company or herein shall have the meaning ascribed therein unless otherwise required in accordance with the context of this document.

1. Definitions:

Company: Pete's Mountain Water Co., Inc., an Oregon nonprofit company.

Late Payment Fee: A Late Payment Fee will be added to any amount owed by a Member that is not paid within ten (10) days of its due date.

Member: A person or an entity who has applied for and has been accepted as a Member of the Company. All those who are customers of the water system at the time of its acquisition by the Company shall be entitled to become Members upon application and payment of prescribed assessments and fees.

Member Assessments: With the payment of the Membership Assessments, a Member shall become a pro rata owner of the Company and indirectly, its water system and shall be entitled to service from the system.

Initial Membership Fee: The payment required to become a Member may include an initial cash payment (or if approved, a deferred cash payment) to fund a working capital and operating fund.

Monthly Fee: In addition to the monthly water bill, a monthly loan repayment fee may be assessed primarily to pay off the loan secured to purchase the system and fund its upgrade and improvements.

Special Assessment: A charge to cover an unplanned, major expense.

System Development Charge: A charge will be made to a new Member seeking service at a location not being serviced by the Company at the time of acquisition of the system in 2017. The amount of the System Development Charge shall be set by the Board of Directors at the time a user applies for membership and may take into account previous system equipment and facility acquisitions and improvements and/or reduction in acquisition debt. The System Development Charge shall be paid prior to connection to the water system. The System Development Charge does not include the actual cost of connecting the new service to the existing water system. Such costs will be assessed in addition to the Systems Development Charge.

Transfer Fee: A fee charged to a new owner of a property already being served by the Company who desires to acquire membership by transfer from the previous owner.

Water Service Rates: The monthly fees for Member access to and actual water usage.

PETE'S MOUNTAIN WATER CO., INC.
RULES AND REGULATIONS

2. Establishing the schedule of Assessments, Fees and Charges: The schedule of assessments, fees and charges will be reviewed by the Company at least annually. It shall be posted on the Company's website and available upon request. As a member-owned not-for-profit company, fees will be set to support and maintain the system and provide for reasonable reserves but not to make a profit. Should the Board of Directors conclude the Company is accumulating funds in excess of our financial needs, fees will be reduced or rebates will be made to Members.
3. Late Payment Charges: Amounts not paid when due are subject to a Late Payment Fee. If not paid in full (or alternative payment arrangements made with the Company), any assessments, fees or charges not paid within 90 days following written notice delivered to the Member by registered mail to the address provided to the Company, the Company may shut off water service and the Member's membership will be terminated.
4. Tampering with Service Connection: No Member is authorized to access or tamper with any of the Company's facilities, including the water meter and shut-off valve serving their property, except to turn off service at their meter for their convenience or in the event of an emergency. Doing so subjects the Member to the loss of membership and the permanent secession of water service. The Member shall also be responsible for all damages.
5. Limitation on Use of Water:

In accordance with Oregon Water Resources Department permit for the Pete's Mountain Water Company wells, water is provided to Members for domestic water use only, which includes irrigation of no more than 1/2 acre of land. This limited use restriction includes any area irrigated by any exempt private well that may be on the property. After written notice by the Company, any use in excess of these limitations and in violation of Oregon Administrative Rules subjects the Member to termination of water service and forfeiture of their membership.

Members also shall comply with any water usage restrictions that may be imposed by law or by the Company to address a water shortage, water safety or potential damage to the water system or its aquifer.

As soon as practical, all water meters will be limited to a one-inch diameter meter service.

No Member shall provide water to any location other than the property owned by the Member and included in the Company's service area, or to any person or entity who is not a Member.

6. Change of Ownership and Transfer of Membership:

Should a new owner desire to continue water service from the Company when a property is sold or changes hands, it is the intent of the Company to facilitate the transfer of water service and membership in the Company to the new owner. A Member may not transfer

PETE'S MOUNTAIN WATER CO., INC.
RULES AND REGULATIONS

their membership without the consent of the Company. The current Member's membership will not be transferred to the new owners unless all outstanding Assessments, Fees and Charges are current, the Transfer Fee is paid and the new owner has applied for and been accepted as a Member.

7. Fire Hydrants: Fire hydrants installed on the Company's water mains are for use only by fire department officials and only as an ancillary water source in the event of an emergency. The Company makes no commitment or promise that the system is capable of supplying sufficient water for fire suppression or that the hydrants will continue to be maintained in working order.
8. Oregon Health Authority and Oregon Public Utility Commission Jurisdictions: The Company is a member-owned not-for-profit company; therefore, its rates will not be regulated by the Oregon Public Utility Commission (except under certain circumstances). However, the Company must continue to comply with the service rules and regulations adopted by the Oregon Public Utility Commission and with the water quality and the cross connection and backflow prevention programs administered by the Oregon Health Authority. The Company has adopted its program which can be found on the Company's web site or available from the Company.

(As Adopted _____, 2017)

PETE'S MOUNTAIN WATER CO., INC.
Assessments, Fees and Charges as set by the Company

Member (Owner) Assessment:

An initial fee of \$1,500 used for working capital and for contingencies. (Special payment arrangements may be available if requested.)

A monthly charge of \$29.00 for 240 months to pay off the loan used to purchase the system and pay for the planned improvements.

Water Service Rates: The water service rates will continue to be the same as are currently in effect by Pete's Mountain Water Co. The Board intends to review the rates after six months.

Late Payment Fee: 1.5% per month on all amounts not paid within 10 days of the due date.

Special Assessments: None established at this time.

System Development Charge: The System Development Charge will be determined upon application and may vary depending upon the circumstances and timing of the request.

Transfer Fee: \$250 for each transfer. The fee may be waived in the event of retitling as a result of a name change, divorce or other similar circumstances.

Effective _____, 2017

From: GUINEY Bryan * BIZ <Bryan.Guiney@oregon.gov>
Date: July 19, 2017 at 2:50:58 PM PDT
To: "dapptsmt@gmail.com" <dapptsmt@gmail.com>
Cc: BRYANT Becky A * BIZ <Becky.A.Bryant@oregon.gov>
Subject: R18001 Pete's Mountain Award

Dear Mr. Pollack:

Congratulations on your successful application for the above-referenced project to purchase a water system and make improvements..

The award consists of a loan of \$446,000 and principal forgiveness of \$234,000. The interest rate on the loan will be 2.15% for a maximum term of 20 years. The full terms and conditions of your award are contained in a contract, which will be sent to you shortly for your signature.

Please note that the legal obligations for funding and for reimbursement of project expenses are subject to execution of the contract.

Your project is being administered through Business Oregon. We encourage you to offer appropriate media opportunities to help build public awareness of your project's purposes and benefits. Please notify us of any event celebrating your project.

As always, we are available to answer questions that may arise during the implementation of your project. If you need assistance, please contact Becky Bryant at [503-986-0096](tel:503-986-0096) or by email at becky.a.bryant@oregon.gov.

Bryan Guiney

Regional Development Officer
Covering the Portland Metro Area

Business Oregon | www.oregon4biz.com
[503-3073662](tel:503-3073662) mobile

**Pete's Mountain Water Co., Inc.
Report to Current Customers**

September 2017

This report summarizes steps taken to purchase Pete's Mountain Water Co., Inc., (PMWC) after the announcement that its owner-operator is retiring.

In May 2016, close to three dozen customers attended an initial organizing meeting. David Pollack (Chair), Ken Roberts (Vice-chair), Jim Battan (Secretary), Bruce Tabor (Treasurer), and Matt Troy (Outreach) were elected officers of a volunteer steering committee that also included active members Chris Compton, Frank Hammond, Max LaBar, Kay Pollack, Jeff Schmitt, Cecie Carey, and Dana Yip. The committee formed PMWAC, Inc. to represent the community in discussions with the water company and other entities and to manage any financial transactions required for due diligence. The committee had no operating budget. Individual committee members loaned funds to the company to pay professionals for contract work required to complete the due diligence.

COMMUNICATION

The committee established a line of communication with all known customers who would be affected by any sale. Efforts were made to compile a comprehensive list of email addresses. Three updates on our process were sent on July 4, 2016, September 12, 2016, and January 31, 2017. *If recipients of this report know of any customer who has not received these emails, please send contact information to Jim Battan (jim@battan.com).* A website was created in order to post minutes of meetings and status reports (<https://pmwallc.wordpress.com>).

DUE DILIGENCE

The committee compiled essential information on the water system's condition and limitations, the upgrades and improvements critical for its future operations, and costs associated therewith:

- Two wells, pumps, and water supply
- Reservoir capacity and condition
- Water distribution system, pressure pumps and meters
- System reliability and redundancy
- Status and extent of the water right
- Legal structure for customers to own and operate the water system
- Cost of necessary repairs and improvements
- Financing the purchase, repairs and improvements
- Operating the system
- Rates and fees

The committee has met regularly. It conducted extended conversations with Suzanne Webber, regulators of State water rights and water systems, hydrogeologic and engineering consultants, well-drilling and pump installation companies, financing sources, already existing not-for-profit water companies, and water system operators.

The most critical professional advice came from the following:

- RH2 Engineering, a consulting firm specializing in water systems
- Schneider Water Services, a well-drilling and water system repair company.
- LiquiVision, an underwater reservoir inspection company.
- Merrill Water System Management

FINDINGS

RH2 Engineering determined that the water system has excellent potential to meet our needs, but currently has glaring deficiencies. Many crucial system maintenance tasks and essential improvements had been deferred for a number of years. Chief among them is the inoperability of well #1. In short, the system requires significant upgrades to ensure efficient operation and ongoing, reliable sustainability in providing users with enough water for domestic and permitted irrigation needs.

Two wells, pumps, and water supply

Two deep wells were drilled (#1 in 1967 and #2 in 1997) to supply the system, but the pump in well #1 failed over 10 years ago and was never repaired or replaced. The pumping capacity of well #2 alone is inadequate to meet current demand during dry summer months. In November 2016, Suzanne Webber and the committee agreed to have Schneider Water Services remove the inoperable pump and water pipe from well #1. The engineering analysis determined that well #1 is surprisingly robust and that restoring well #1 with a new pump, placed deeper in the well shaft, will reinstate and improve pumping capacity. New controls for both pumps will permit far more effective coordination of the wells and should supply enough water to meet demands.

Reservoir capacity and condition

The capacity of the existing reservoir is sufficient and, based on the professional inspection, should remain structurally sound with periodic cleaning. If both wells are operating, then the reservoir will be replenished more quickly, so there is no need for additional reservoir capacity.

Water distribution system, pressure pumps and meters

The current pumping system maintains water pressure inside distribution pipelines by running a pump continuously unless there is a power outage, in which case pressure in the distribution lines falls. Engineers recommended adding a pressure tank and pump control to improve operational and energy efficiency and a backup generator to maintain pressure during power outages.

Overall, the distribution lines are in good condition. Installation of electronic water meters that can be read remotely will reduce operating costs. They also will provide the company and individual users with real-time online usage data, which will be invaluable in quickly identifying leaks or other unintended or excessive water usage.

System reliability and redundancy

Back-up systems are inadequate or non-existent, creating risks of service interruptions if and when failures of critical components, such as pumps from the wells or to the distribution lines, or

power outages occur. The following planned upgrades will significantly reduce the risks and stress loads on the system:

- Installing a new pump in well # 1 and improved controls for both wells.
- Upgrading some and relocating all controls into the existing main building for better weather protection.
- Modifying the pump configuration used to maintain pressure in the distribution system by linking it to a pressure tank and a variable frequency drive control so the pump does not run continuously.
- Installing a backup generator.
- Adding automated water level monitoring and controls for well pumps, reservoir, and water pressure systems.
- Replacing existing meters for all customers with remote readable meters.

Status and extent of the water right

The well is permitted to pump up to 176 gallons per minute (gpm) with the original priority date of 1971 and is senior to most other wells in the service area. A more recent order permits 300 gpm with a priority date of 2007. Based on usage history, the volume permitted by the 1971 permit should be enough to serve all permitted needs of the existing customers without any summer curtailments, assuming there is water to pump. This will be confirmed once the new pump is installed and operating in well #1.

Legal structure for customers to own and operate the water system

Based on research of the options available for community ownership, the steering committee established a not-for-profit corporation for the benefit of its members, registered as PMWAC, Inc., which is purchasing the system and will continue doing business as Pete's Mountain Water Co. ***In order to receive water service from PMWAC, Inc., customers must become members of the company by paying a membership fee and agreeing to the rules and regulations of the system.*** This corporate structure qualifies the new company to be exempt from rate regulation by the Public Utility Commission (PUC).

To assure uninterrupted service during the transition to the new company, the current members of the company elected the first Board of Directors: David Pollack (President), Ken Roberts (Vice-President), Jim Battan (Secretary), Bruce Tabor (Treasurer), Max LaBar, Kay Pollack, and Dana Yip. The term of office for regularly elected Board members will be three (3) years. However, these Board members will have staggered terms of office for one to three years. Directors for vacant or expiring terms will be elected by the members at the annual meeting of members. Board members will serve without compensation.

COSTS AND FINANCING

Cost of the existing system

The Board has negotiated with the owner and her attorney and is purchasing PMWC for a cash price of \$350,000. The condition of the system and the need for extensive repairs and improvements persuaded the owner to accept a price substantially lower than she initially requested.

Necessary repairs and improvements

The Board will soon be soliciting bids to complete system repairs and improvements. After the system is purchased, final bids will be received and contracts signed. All of the proposed repairs and improvements are expected to be completed before June 2018. The engineering consultant and water system manager believe the following to be realistic estimates for the repairs and improvements

New service from PGE to the existing pump house	\$45,000
New pump and monitoring equipment for well #1	\$80,000
Variable frequency controls for wells #1 and #2 and jockey pump	\$50,000
Electrical conduits and wires, electric meter relocation	\$15,000
Jockey pump generator and controls	\$10,000
Pressure tank and piping revisions in pump house	\$10,000
Control system modifications and programming	\$20,000
Digital remote-read meters	\$25,000
Total Construction Cost	\$255,000
Engineering & Permits	\$35,000 - \$70,000
Total	\$290,000 – 325,000

Financing the purchase, repairs, and improvements

The best news is the funding the Board has secured. We have been awarded a low-interest loan from the Oregon Health Authority’s Safe Drinking Water Revolving Loan Fund. The funds will finance the system purchase and most, if not all, essential improvements. The loan has been approved for \$680,000 at 2.15% annual interest for a term of 20 years. Because our loan is associated with providing more sustainable and safe drinking water, approximately 30% of the principal has been "forgiven", i.e. does not need to be repaid. Thus, we are receiving up to \$680,000 in loan funds but only are required to repay \$446,000. This significantly reduces the ultimate cost to members and permits us to pay for the system and improvements with a small monthly fee to cover the loan payments. We are confident that we have obtained the best possible financing for acquiring and improving this system.

Operating the system

The Board intends to hire Merrill Water System Management to operate the system and to be responsible for routine and ad hoc maintenance. The management company will also oversee and prioritize recommended upgrades relative to their importance to the system, availability of suitable contractors to accomplish the tasks, and available funds.

The Board also intends to implement an automated billing system run by the water system manager or a local accounting firm. The Board expects operating costs to be lower than those

now incurred by the private water company. The exact cost of running the system can only be determined after actual experience.

Our ownership will commence during the low-usage, low-revenue time of the year. Therefore, during the winter and spring the new company's routine monthly costs will likely exceed water usage fees (income), and it will have no reserve or contingency account to pay for unanticipated costs or repairs. In order to provide sufficient reserve funds for responsible operation of the business, there will be an initial fee assessment per each customer. As a mutual benefit non-profit membership corporation, if revenues accumulate beyond projected needs, excess funds may be rebated to members or applied to reduce monthly charges.

Rates and fees

A business model has been developed to assure a continuous and sufficient supply of clean and safe water, adequate revenues to cover operational costs, and a rate structure that is affordable to the customers. The Board will periodically review the rates and fees taking into consideration revenues needed, capacity and sustainability of the water system, and costs to the customers. Copies of the proposed Rules and Regulations, Assessments, Fees and Charges are attached. The Board has agreed to monitor water usage and revenues for at least six months before making any significant changes to the rate system.

COMMUNITY MEETING

A meeting will be held on October 10, 7:00 PM, at the home of Ken and Carol Roberts, 2700 SW Schaeffer Rd., at which time we will provide more information and answer customer questions and concerns.

NOTICE OF SALE OF WATER UTILITY

OAR 860-036-2120(4)

September 13, 2017

**Pete's Mountain Water Company, Inc.
P.O. Box 418
Canby, OR 97013**

**503-263-6574 (business office)
503-266-1590 (emergency)**

Email: petesh20@canby.com

Dear Customer:

The purpose of this notice is to inform our customers that we have entered into an agreement to sell the ownership of Pete's Mountain Water Company, Inc. to a group of customers that have formed an acquisition entity, PMWAC, Inc.

We propose to close the sale on or about November 15, 2017.

The proposed effective date of the sale will be on the closing date, no earlier than November 15, 2017.

PMWAC, Inc. is located at Tabor Accounting Group, 7501 SW Findlay Road, 503-598-1011.

Pete's Mountain Water Company, Inc. has entered into this sale transaction to allow its owner and operator, Suzanne Webber, to retire.

The sale is expected to affect customers as follows: (1) The operator and operations of the company will change, including the points of contact; (2) There should be no interruption in water service; (3) The new owners plan to make significant improvements in the water delivery system; and (4) The rates for service may change. More details of the impacts on customers and information about an upcoming community meeting to discuss the future of the water system are provided in the enclosed documents from the Board of Directors of PMWAC, Inc.

The property transaction being proposed by the water utility is under review by the Public Utility Commission of Oregon. For more information about the filing or to follow the regulatory process of the Commission's review, check the Commission's website at www.puc.state.or.us or contact the Consumer Services Section at 503-378-6600; 1-800-522-2404; TTY 711.

cc: Consumer Services Section

CERTIFICATE OF FILING AND SERVICE

I certify that on September 15, 2017, I filed the foregoing **APPLICATION FOR SALE, TRANSFER, OR MERGER OF WATER UTILITY** by electronic mail with the Public Utility Commission at puc.filingcenter@state.or.us, with electronic mail copies to Sommer Moser at sommer.moser@doj.state.or.us and Joan Grindeland at joan.grindeland@state.or.us.

I further certify that on September 15, 2017, I served the foregoing **APPLICATION FOR SALE, TRANSFER, OR MERGER OF WATER UTILITY** by first class mail, postage prepaid, to the following:

Public Utility Commission of Oregon
Filing Center
201 High Street SE, Suite 100
Salem, OR 97301-3398

DATED: September 15, 2017.



JENNIE L. BRICKER
OSB No. 975240
E-Mail: jennie@jbrickerlaw.com

Attorney for Pete's Mountain Water Co., Inc.