

# NOTICE OF REGULATED WATER UTILITY SALE, TRANSFER, OR MERGER

11/03/17

Squaw Creek Canyon Development  
PO Box 760  
Sisters, OR 97759  
Telephone: 541-549-6261  
Emergency: 541-771-6162

Squaw Creek Canyon Development  
17820 Mountain View Road  
Sisters, OR 97759  
sccwaterco@live.com

The purpose of this notice is to inform you of the proposed sale of our water utility. We expect the transaction to close on December 31, 2017, with an expected effective date of January 1, 2018.

The proposed purchaser of the water utility is:

Avion Water Company, Inc.  
60813 Parrell Rd  
Bend, OR 97702  
Telephone: 541-382-5342

The reasons for the proposed sale are as follows: The owner of Squaw Creek Canyon Development plans to retire.

We believe the sale will affect customers in the following ways: The water rates for the customers of Squaw Creek Canyon Development and Avion Water Company will decrease.

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](http://www.puc.state.or.us) or contact the Consumer Services Section at 503-378-6600; 1-800-522-2424; or TTY 711.

For further information regarding this transaction, please contact us at the water utility business address using the contact information provided at the top of this notice.

## ASSET PURCHASE AGREEMENT

Date: October \_\_\_\_, 2017

Parties Squaw Creek Canyon Recreational Estates, (“**Seller**”)  
Incorporated, an Oregon corporation,  
dba Squaw Creek Canyon Water System  
PO Box 760  
Sisters, Oregon 97759

Ronald D. Remund, Jr., Trustee of the (“**Selling Shareholder**”)  
Ronald D. Remund, Revocable Living Trust  
PO Box 760  
Sisters, Oregon 97759

Avion Water Company, Inc., (“**Buyer**”)  
an Oregon corporation  
60813 Parrell Road  
Bend, Oregon 97702

### RECITALS:

- A. Seller operates a water system, located at Squaw Creek Canyon Recreational Estates, Sisters, Oregon (the “**Water System**”), commonly referred to as the “Squaw Creek Canyon Water System” (hereinafter referred to as the “**Business**”). Seller owns equipment, inventories, and miscellaneous assets used in connection with the operation of its business.
- B. Buyer desires to acquire substantially all the assets used or useful, or intended to be used, in the operation of Seller’s business, and Seller desires to sell such assets to Buyer.
- C. Buyer and Seller enter into this Purchase and Sale Agreement of Business Assets as of the date above (the “**Agreement**”).

### AGREEMENT:

#### SECTION 1. ASSETS PURCHASED; LIABILITIES ASSUMED

1.1 **Assets Purchased.** As of the Effective Date of this Agreement described in Section 8 below, Seller transfers, assigns, and sells to Buyer and Buyer hereby purchases and accepts from Seller, on the terms and conditions set forth in this Agreement, the following assets (“**Assets**”):

(a) All equipment, furniture, and fixtures located in the business premises, a list of which is attached hereto as Exhibit A.

(b) All inventories located on the business premises, provided that Seller shall not remove such inventories after the signing of this Agreement and prior to the Effective Date except inventory disposed of in the ordinary course of Seller's business.

(c) Seller's name ("Squaw Creek Canyon Water System"), telephone number, and goodwill.

(d) A lease for the real property used by Seller for the Water System, attached hereto as Exhibit B.

(e) An assignment for all easements used by the Water System.

1.2 **Liabilities Assumed.** Buyer has not agreed and does not accept any liabilities of the Seller, except that Buyer will be required by the Oregon Water Resource Department ("OWRD") to provide water mitigation for the Water System.

**SECTION 2. PURCHASE PRICE FOR ASSETS**

The purchase price for the Assets shall be \$ \_\_\_\_\_, allocated as follows:

Equipment	\$ _____
Goodwill	\$ _____
Easements	\$ _____
Lease	\$ _____
TOTAL	\$ _____

**SECTION 3. PAYMENT OF PURCHASE PRICE**

The price for the Assets is hereby paid to the Seller as follows: \_\_\_\_\_.

**SECTION 4. ADJUSTMENTS**

Property taxes for the tax year in which the transaction is closed, assessments, rents and utilities shall be prorated as of the Closing Date.

**SECTION 5. SELLER'S AND SELLING SHAREHOLDER'S REPRESENTATIONS AND WARRANTIES**

As used in this Agreement, *Material Adverse Effect* means a material adverse effect on the business, results of operations, financial position, assets, or prospects of Seller, which shall in any event include any adverse effect on the shareholders' equity, assets, revenue, or net income of Seller in excess of \$500; and *Material Adverse Change* means any change that has resulted, will result or is likely to result in a Material Adverse Effect."

Seller and Selling Shareholder represent and warrant to Buyer as follows:

5.1 **Organization and Authorization.** Seller is a corporation duly organized and validly existing under the laws of the state of Oregon. Seller has all power and authority necessary to execute and deliver this Agreement and the consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary company action. This Agreement has been duly and validly executed and delivered by Seller and, assuming that this Agreement constitutes a valid and binding agreement of Buyer, constitutes a valid and binding agreement of Seller, enforceable against Seller in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally or general principals of equity.

5.2 **Title to Assets.** Seller owns all right, title and interest in and to the Assets free and clear of any pledges, liens, claims, charges, security interests, conditional and installment sale agreements, easements, restrictions or assignment, encumbrances or charges of any kind (each, an "**Encumbrance**," and collectively, "**Encumbrances**") or other title defects or restrictions of any nature. Seller has the right, power and authority to convey, transfer, assign and deliver the Assets free and clear of any Encumbrance or restriction. Upon consummation of the transactions contemplated hereby, Buyer will have acquired good and marketable title in and to each of the Assets to be acquired by it, free and clear of all Encumbrances.

5.3 **Transfer Not Subject to Encumbrances or Third-Party Approval.** The execution and delivery of this Agreement by Seller and Selling Shareholder, and the consummation of the contemplated transactions, will not result in the creation or imposition of any valid lien, charge, or encumbrance on any of the Assets, and will not require the authorization, consent, or approval of any third party, including any governmental subdivision or regulatory agency.

5.4 **Noncancellable Contracts.** There are no leases, employment contracts, contracts for services or maintenance, or other similar contracts existing or relating to or connected with the operation of Seller's business.

5.5 **Employment Claims.** There are no pending claims and, to the Seller's knowledge, no threatened claims by or on behalf of any of its employees under any federal, state, or local labor or employment laws or regulations.

5.6 **Employment Agreements.** Each of Seller's employees is an "at-will" employee and there are no written employment, commission, or compensation agreements of any kind between the Seller and any of its employees.

5.7 **Compliance with Laws.** Seller has at all relevant times conducted the Business in compliance with the its articles of incorporation, its bylaws, and all applicable laws and regulations. Except for the mitigation of water requested by the OWRD, Seller is not in violation of any applicable laws or regulations, including but not limited to building codes, fire regulations, building restrictions, and health codes, other than violations that singly or in the aggregate do not, and, with the passage of time will not, have a Material Adverse Effect. Seller is not subject to any outstanding order, writ, injunction, or decree, and Seller has not been charged

with, or threatened with a charge of, a violation of any provision of federal, state, or local law or regulation.

5.8 **Litigation.** There are no claims, litigation, proceedings, or investigations pending or threatened against Seller that might result in any Material Adverse Change in the Business or condition of the Assets being conveyed under this Agreement. Seller and Selling Shareholder, are named as defendants in Deschutes County Circuit Court Case No. 10PB0115BH. The plaintiff is deceased, and the daughter of Ronald Remund, Sr. and sister of Ronald Remund, Jr. There has been no activity on this litigation for over a year. Seller and Selling Shareholder believe the lawsuit will be dismissed upon final accounting of the trust and disbursement of the assets. The stock of Seller will be dispersed to Ronald Remund as the sole shareholder. Andrea Robinson has no claim to the stock of Seller.

5.9 **Financial Statements.** Seller has delivered to Buyer year-end tax returns for Seller's fiscal years of 2014, 2015, and 2016. The tax returns that have been delivered are in accordance with the books and records of Seller and are true, correct, and complete; fairly present the financial conditions of Seller at the dates of such tax returns and the results of its operations for the periods then ended; and were prepared on a basis consistent with prior accounting periods. Except as described in this Agreement, since the close of Seller's last fiscal year (September 30, 2017), there has been no Material Adverse Change in the financial condition of Seller, except the water mitigation required by OWRD.

5.10 **Accuracy of Representations and Warranties.** None of the representations or warranties of Seller contain any untrue statement of a material fact or omit or will omit or misstate a material fact necessary in order to make statements in this Agreement not misleading. Seller knows of no fact that has resulted, or that in the reasonable judgment of the Selling Shareholder will result, in a material change in the business, operations, or assets of Seller that has not been set forth in this Agreement or otherwise disclosed to Buyer.

5.11 **OPUC Approval.** Avion will process the necessary documents with the OPUC for approval of the sale of the business. Seller and Selling Shareholder will assist Avion.

## **SECTION 6. BUYER'S ACCEPTANCE**

Buyer represents and acknowledges that it has entered into this Agreement on the basis of its own examination, personal knowledge, and opinion of the value of the business. Buyer has not relied on any representations made by Seller other than those specified in this Agreement. Buyer further acknowledges that Seller has made no agreement or promise to repair or improve any of the leasehold improvements, equipment, or other personal property being sold to Buyer under this Agreement, and that Buyer takes all such property in the condition existing on the date of this Agreement, except as otherwise provided in this Agreement.

## **SECTION 7. CONTINGENCIES**

This Agreement is contingent on OPUC approval of the sale.

## SECTION 8. CLOSING

8.1 **Effective Date.** This Agreement shall be effective as of the date of the approval of OPUC (the “**Effective Date**”).

8.2 **Deliveries of Seller at the Closing.** Coincidentally with the signing of this Agreement, Seller has delivered to Buyer

(a) A Bill of Sale transferring the Assets to the Buyer, and will further deliver any further documents reasonably requested by the Buyer necessary to confirm that Buyer is the owner of the Assets.

(b) Possession of the business facilities to be conveyed pursuant to this Agreement.

(c) A lease for the real property used by the Business.

(d) An assignment of all easements for the Water System.

8.3 **Deliveries of Buyer at the Closing.** Coincidentally with the performance by Seller and Selling Shareholder of their obligations described in Section 8.2, Buyer has delivered to Seller the following:

(a) A promissory note in the amount specified in Section 2.

(b) Such other certificates and documents as may be called for by the provisions of this Agreement.

## SECTION 9. INDEMNIFICATION AND SURVIVAL

9.1 **Survival of Representations and Warranties.** All representations and warranties made in this Agreement shall survive the closing of this Agreement, except that any party to whom a representation or warranty has been made in this Agreement shall be deemed to have waived any misrepresentation or breach of representation or warranty of which such party had knowledge before closing. Any party learning of a misrepresentation or breach of representation or warranty under this Agreement shall immediately give written notice thereof to all other parties to this Agreement. The representations and warranties in this Agreement shall terminate three (3) years from the closing date, and such representations or warranties shall thereafter be without force or effect, except any claim with respect to which notice has been given to the party to be charged prior to such expiration date.

### 9.2 **Seller’s and Selling Shareholders’ Indemnification**

(a) Seller and Selling Shareholders each hereby agree to indemnify and hold Buyer, its successors, and assigns harmless from and against:

(1) Any and all claims, liabilities, and obligations of every kind and description, contingent or otherwise, arising out of or related to the operation of Seller’s Business

prior to the Effective Date, except for claims, liabilities, and obligations of Seller expressly assumed by Buyer under this Agreement.

(2) Any and all damage or deficiency resulting from any material misrepresentation, breach of warranty or covenant, or nonfulfillment of any agreement on the part of Seller and Selling Shareholders under this Agreement.

(b) If any claim is asserted against Buyer that would give rise to a claim by Buyer against Seller and Selling Shareholders for indemnification under the provisions of this paragraph, then Buyer shall promptly give written notice to Selling Shareholders concerning such claim and Selling Shareholders shall, at no expense to Buyer, defend the claim.

**9.3 Buyer's Indemnification.** Buyer agrees to defend, indemnify, and hold harmless Seller and Selling Shareholders from and against:

(a) Any and all claims, liabilities, and obligations of every kind and description arising out of or related to the operation of the business following closing or arising out of Buyer's failure to perform obligations of Seller assumed by Buyer pursuant to this Agreement.

(b) Any and all damage or deficiency resulting from any material misrepresentation, breach of warranty or covenant, or nonfulfillment of any agreement on the part of Buyer under this Agreement.

## **SECTION 10. MISCELLANEOUS**

**10.1 Partial Invalidity.** If any term or provision of this Agreement or the application to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

**10.2 Waivers.** No waiver of any breach of any covenant or provision contained here shall be deemed a waiver of any preceding or succeeding breach thereof, or of any other covenant or provision here contained. No extension of time for performance of any obligation or act shall be deemed an extension of the time for performance of any other obligation or act.

**10.3 Assignment.** This Agreement and all of the provisions hereof will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Either party may assign its rights under this Agreement to an affiliate, subsidiary or successor in interest of the party, provide that the assigning party retains all liability and obligation for its performance under this Agreement.

**10.4 Attorney Fees.** In the event a party to this Agreement brings any action or suit against another party to this Agreement by reason of any breach of any of the covenants, agreements, or provisions on the part of the other party arising out of this Agreement, then in that

event the prevailing party shall be entitled to have and recover from the other party all costs and expenses of the action or suit, including actual attorney fees, at trial and on appeal.

**10.5 Entire Agreement.** This Agreement (including any exhibits attached to it) and all agreements referred to herein is the final expression of, and contains the entire agreement between, the parties with respect to the subject matter of the Agreement and supersedes all prior understandings with respect to it. This Agreement may not be modified, changed, supplemented, or terminated, nor may any obligations under it be waived, except by written instrument signed by the party to be charged or by its agent duly authorized in writing or as otherwise expressly permitted here. The parties do not intend to confer any benefit on any person, firm, or corporation other than the parties hereto.

**10.6 Time of Essence.** The Seller and the Buyer hereby acknowledge and agree that time is strictly of the essence with respect to each and every term, condition, obligation, and provision.

**10.7 Construction.** Headings at the beginning of each paragraph and subparagraph are solely for the convenience of the parties and are not a part of this Agreement. Whenever required by the context of this Agreement, the singular shall include the plural, and the masculine shall include the feminine, and vice versa. This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared it. Unless otherwise indicated, all references to paragraphs and subparagraphs are to this Agreement. All exhibits referred to in this Agreement are attached and incorporated by this reference. Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless the last day is a Saturday, Sunday, or legal holiday, in which event the period shall run until the end of the next day which is neither a Saturday, Sunday, nor legal holiday. The last day of any period of time described herein shall be deemed to end at 5 p.m. Oregon time.

**10.8 Governing Law.** The parties acknowledge that this Agreement has been negotiated and entered into in the state of Oregon. The parties expressly agree that this Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the laws of the state of Oregon, excluding its choice of forum rules.

**10.9 Venue.** Any action or proceeding arising out of this Agreement will be litigated in courts located in Deschutes County, Oregon. Each party consents and submits to the jurisdiction of any local, state, or federal court located in Deschutes County, Oregon.

**10.10 Counterparts; Facsimile Signatures.** This Agreement may be executed in any number of counterparts, each of which shall be an original, but such counterparts together shall constitute one and the same instrument. Facsimile or electronic transmission of any signed original document, and retransmission of any signed facsimile or electronic transmission, will be the same as delivery of any original.

**10.11 Legal Representation.** The law firm of Bryant, Lovlien & Jarvis, P.C. has been employed by Avion only to prepare this Agreement and such attorneys represent only Avion in



this matter. SCC has thoroughly reviewed this Agreement (and any document referenced herein) with counsel of SCC's choosing or has knowingly waived the right to do so. The rule of construction that a written instrument is construed against the party preparing or drafting such instrument will specifically not be applicable in the interpretation of this Agreement and any documents executed and delivered pursuant to, or in connection with, this Agreement.

[Signature page follows]

Dated Effective October \_\_\_\_, 2017

**Seller:**

Squaw Creek Canyon Recreational Estates,  
Incorporated, an Oregon corporation, dba  
Squaw Creek Canyon Water System

**Buyer:**

Avion Water Company, Inc.,  
an Oregon corporation

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By: Ronald D. Remund, Jr., President

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By: Jason Wick, President

**Selling Shareholder:**

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Ronald D. Remund, Jr., Trustee of the  
Ronald D. Remund, Revocable Living Trust

Attached Exhibits:

A -- Asset List

B – Lease