

## FINANCE APPLICATION TO ISSUE STOCK, BONDS, NOTES

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](mailto:puc.filingcenter@state.or.us).

**June 21 2016**

**Roats Water System Inc.  
61147 Hamilton Lane  
Bend Or 97702**

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

RE: **Roats Water System Inc.** Application to Issue Stock, Bonds, Notes, or Other Securities

This financing application is submitted in the manner and form indicated by OAR 860-036-0720.

### INFORMATION REQUIREMENTS

The application shall be in letterform and contain the following information:

**(a) The applicant's exact name and the address of its principal business office;**

Roats Water System Inc.  
61147 Hamilton Lane  
Bend Or. 97702

**(b). The state in which incorporated, the date of incorporation, and the other states in which authorized to transact water utility business, if any;**

Roats Water System Inc. was incorporated in Oregon, on May 15 1963

**(c). The name and address of the person authorized, on behalf of applicant, to receive notices and communications in respect to the application;**

William K Roats  
61147 Hamilton Lane  
Bend Or 97702

**(d). The names, titles, and addresses of the principal officers of the applicant;**

**William K Roats**

**61147 Hamilton Lane  
Bend Or 97702**

**(e). A description of the general character of the business done and to be done, and a designation of the territories served. A map showing the territories served is desirable;**

Roats Water System Inc.  
1485 residential customers  
180 commercial customers  
Roats Water System serves the area south of bend or with a mix of residential and commercial customers which includes wall mart, les schwab, and laquinta inn to name a few.

**(f). A statement, as of the date of the balance sheet submitted with the application, showing for each class and series of capital stock, (if applicable):**

N/A

**(g). A statement, as of the date of the balance sheet submitted with the application, showing for each class and series of long-term debt or notes (if applicable):**

See Annual Report

**(h).A full description of the securities proposed to be issued, showing: kind and nature of securities or liabilities; amount (face value and number of shares); interest or dividend rate, if any; date of issue and date of maturity; and voting privileges, if any;**

N/A.

**(i). A reasonably detailed and precise description of the proposed transaction, including a statement of the reasons why it is desired to consummate the transaction and the anticipated effect thereof. If the transaction is part of a general program, describe the program and its relation to the proposed transaction. Such description shall include, but is not limited to, the following:**

N/A

**(j). The name and address of any person receiving or entitled to a fee for service (other than attorneys, accountants, and similar technical services) in connection with the negotiation or consummation of the issuance or sale of securities, or for services in securing underwriters, sellers, or purchasers of securities, other than fees included in any competitive bid; the amount of each such fee, and facts showing the necessity for the services and that the fee does not exceed the**

**customary fee for such services in arm's-length transactions and is reasonable in the light of the cost of rendering the service and any other relevant factors;**

N/A.

**(k) A statement showing both in total amount and per unit the price to the public, underwriting commissions and net proceeds to the applicant. Supply also the information (estimated if necessary) required in section (4) of this rule.**

N/A

**(l) The purposes for which the securities are to be issued. Specific information will be submitted with each filing for the issuance of bonds, stocks, or securities:**

N/A

**(m) A statement as to whether or not any application, registration statement, etc., with respect to the transaction or any part thereof, is required to be filed with any federal or other state regulatory body;**

N/A

**(n) The facts relied upon by the applicant to show that the issue:**

N/A

**(o) A brief statement of**

N/A

**(p). Required Exhibits. There shall be filed with the application, as part thereof, the following exhibits:**

a) **EXHIBIT A.** A copy of the applicant's charter or articles of incorporation with amendments to date;

(b) **EXHIBIT B.** A copy of the bylaws with amendments to date;

(c) **EXHIBIT C.** A copy of each resolution of directors authorizing the issue in respect to which the application is made and, if approval of stockholders has been obtained, copies of the stockholder resolutions should also be furnished;

(d) **EXHIBIT D.** A copy of the mortgage, indenture, or other agreement under which it is proposed to issue the securities, and a copy of any mortgage, indenture, or other agreement securing other funded obligations of the applicant;

(e) **EXHIBIT E.** Copies of balance sheets showing booked amounts, adjustments to record the proposed transaction and pro forma, with supporting fixed capital or plant schedules in conformity with the form in the annual report that the applicant is required to file with the Commission;

(f) **EXHIBIT F.** A statement of all known contingent liabilities, except minor items such as damage claims and similar items involving relatively small amounts, as of the date of the application;

(g) **EXHIBIT G.** Copies of comparative income statements showing recorded results of operations, adjustments to record the proposed transaction and pro forma in conformity with the form in the annual report that the applicant is required to file with the Commission;

(h) **EXHIBIT H.** A copy of an analysis of surplus for the period covered by the income statements referred to in Exhibit G;

(i) **EXHIBIT I.** A copy of the registration statement proper, if any, and financial exhibits made a part thereof, filed with the Securities and Exchange Commission;

(j) **EXHIBIT J.** A copy of the proposed and of the published invitation of proposals for the purchase of underwriting of the securities to be issued; of each proposal received; and of each contract, underwriting, and other arrangement entered into for the sale or marketing of the securities. When a contract or underwriting is not in final form so as to permit filing, a preliminary draft or a summary identifying parties thereto and setting forth the principal terms thereof, may be filed pending filing of the conformed copy in the form executed by final amendment to the application;

(k) **EXHIBIT K.** Copies of the stock certificates, notes, or other evidences of indebtedness proposed to be issued;

(l) An application for a water utility to loan its funds to an affiliated interest, in addition to Exhibits A through K, shall also include the following:

(A) **EXHIBIT L** N/A

(B) **EXHIBIT M.** N/A

(C) **EXHIBIT N.** N/A

**EXHIBITS A** N/A **K** N/A

(i) **EXHIBIT L** N/A

**EXHIBITS A** N/A **K** N/A

(i) **EXHIBIT L** N/A **EXHIBIT M** N/A

**EXHIBITS A** N/A **K** N/A

COMPANY Name  
Application to Issue Stocks  
DATE  
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(i) **EXHIBIT L** See purchase agreement

ii) **EXHIBIT M.** N/A

For the reasons set forth above, Roats Water System Inc.  
respectfully requests that the Commission issue an order approving the financing  
application, pursuant to the provisions of ORS 757.415 and OAR 860-036-0720.

June 21 2016

Roats Water System Inc

W.K. Roats  
(SIGNATURE OF AUTHORIZED PERSON)

W.K. ROATS (PLEASE PRINT NAME), PRESIDENT (TITLE)

**CONSENT OF DIRECTORS AND SHAREHOLDERS SHAREHOLDER  
OF  
ROATS WATER SYSTEM, INC.**

This Consent of Directors and Shareholders (“**Consent**”) sets forth actions taken as of June \_\_\_\_, 2016 by the written consent of all of the directors and all of the shareholders of Roats Water System, Inc., an Oregon corporation (the “**Company**”), in lieu of a special meeting.

**PURCHASE OF JUNIPER UTILITY ASSETS**

WHEREAS, the Company is a private water utility regulated by the Oregon Public Utility Commission.

WHEREAS, the City of Bend is the owner, via condemnation of the Juniper Utility system, of certain domestic and irrigation water supply systems (the “**Assets**”) serving certain neighborhoods and other properties adjacent to, or in close proximity with, areas currently served by the Company.

WHEREAS, the Company’s shareholders and directors have determined that it is in the Company’s best interests to acquire the Assets and utilize the Assets to provide domestic and irrigation water service to certain of the former Juniper Utility customers.

RESOLVED, that the Company enter into and perform the following agreements, each with any changes that the president, William K. Roats, the vice-president, William C. (Casey) Roats, or any officer authorized by the president deems necessary or appropriate:

- (a) the Asset Purchase Agreement between the Company and the City of Bend, in the form presented to the board of directors (the “**Agreement**”), pursuant to which the Company will acquire the Assets and provide domestic and irrigation water service to the neighborhoods and other properties described in the Agreement; and
- (b) any other agreements contemplated by the Agreement.

RESOLVED, that the Company is authorized to borrow an amount not to exceed \$1,400,000.00 from the City of Bend, which amount represents the deferred portion of the purchase price for the Assets under the Agreement.

RESOLVED, that each of the president, vice-president, and any officer authorized by the president is authorized to sign and deliver on behalf of the Company the Agreement and any other documents contemplated by the Agreement.

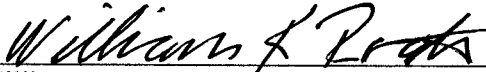
**General Authority**

RESOLVED, that each of the president, vice-president, and any officer authorized by the president is authorized to sign and deliver all documents and to take or cause to be taken all other acts on behalf of the Company that the president or officer deems necessary or appropriate to effect and carry out the intent of the above resolutions.

RESOLVED, that all acts previously taken by any officer on behalf of the Company to effect and carry out the intent of the above resolutions are approved, ratified, and confirmed, provided the acts were not inconsistent with the Company's Articles of Incorporation or Bylaws, the Oregon Business Corporation Act, or any other applicable law.

The signing of this Consent constitutes a written waiver of any notice required by the Oregon Business Corporation Act, the Company's Articles of Incorporation or Bylaws, or otherwise. This Consent may be signed in counterparts.

Dated effective as of the date set forth in the preamble.

  
\_\_\_\_\_  
William K. Roats, Shareholder & Director

Acquisition of the Juniper system will allow Roats to deliver water to the Juniper system utilizing the large diameter main lines acquired from the city in the asset purchase to gravity flow water in to our existing system which will save the electrical cost now incurred by the city resulting in lower rates from the power savings. And at the same time our current customers benefit from the large mains with additional storage, enhanced fire flow and more redundancy with the ability to gravity flow water to one more point of delivery without large capital improvements.

Water will be able to flow from both directions, providing continued service in case of a water break.

In a looped system, improvements in one area will benefit all the remaining areas.

Roats is at a higher elevation and will use gravity flow to deliver water.

The looped system and the gravity flow will allow for better water pressure to not only Roats existing customers, but Juniper customers as well.

The looped system and gravity flow will provide better fire flow for Roats existing customers and Juniper customers.

Roats will operate the irrigation system for Juniper customers as a separated system; therefore, Roats does not have the financial burden the city faced of having to combine both the irrigation and the domestic into one larger system.

Roats existing customers benefit from the acquisition:

1. Looped system – water flows from both directions
2. Increased fire flow
3. Continuous water pressure in case of power outage
4. Less down time due to emergencies
5. Economies of scale See Attachment: Comparison w/juniper and wo/juniper
6. Lower rates due to larger customer base
7. Additional storage

Juniper customers benefit from the acquisition:

1. Gravity fed system
2. Lower power expense
3. Increased fire flow
4. Looped system
5. No combining of domestic and irrigation into one system, thus saving costs
6. Roats does its own capital improvements, thus cutting down on costs
7. Roats has the equipment, and trained staff to preform major repairs and build new infrastructure as needed



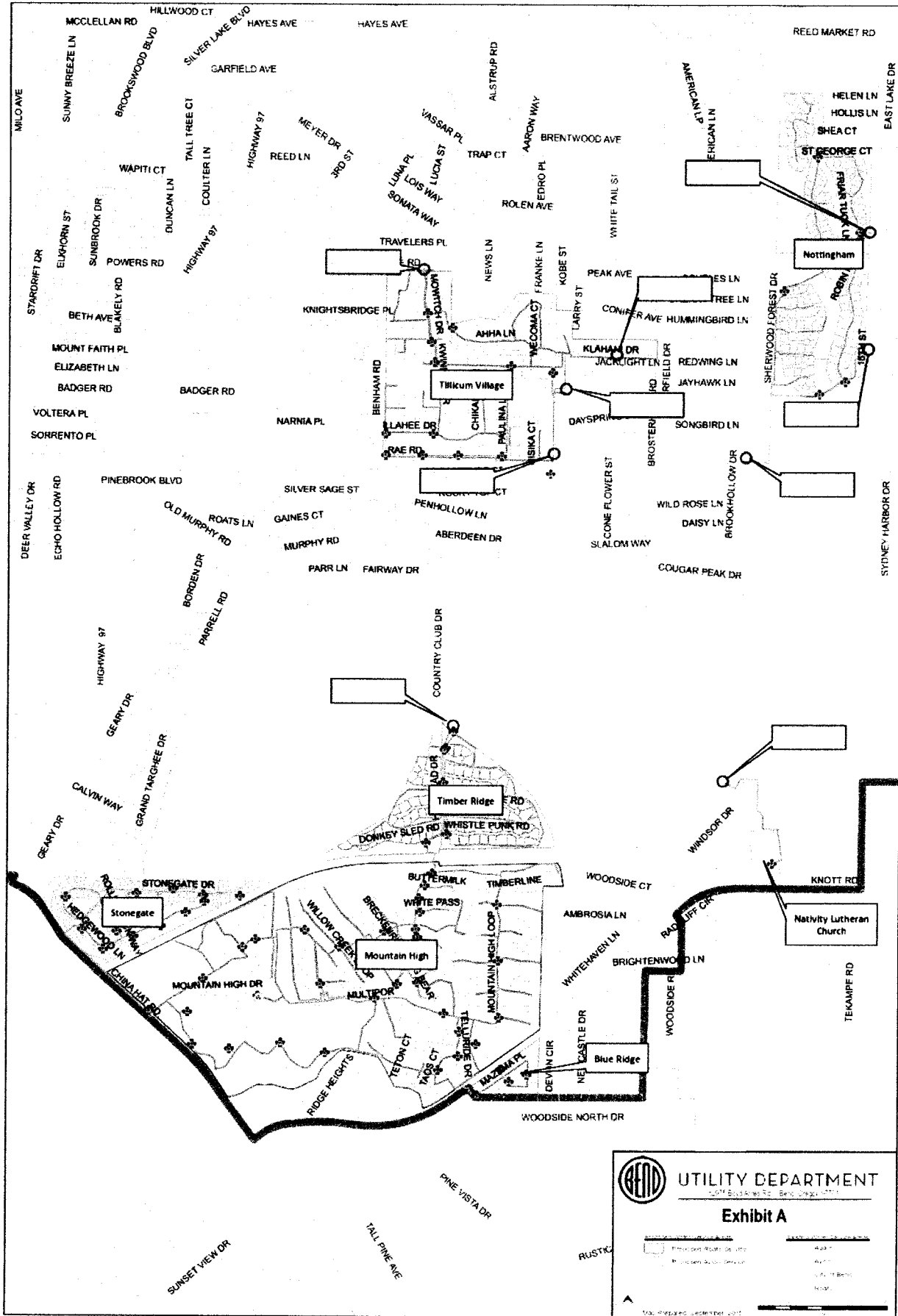
## The City of Bend benefits from the acquisition

1. Does not have to replace domestic and irrigation with a larger system.
2. Currently has to pump water up hill
3. Power savings
- 4.

According to the City's Final Technical Memorandum, January 13, 2011, it calculates the replacement of approximately 36,000 feet of pipe. Using the City's numbers costs would be substantially higher. Roats estimates over 20 years, it would cost the company \$2.7 million. Roats pipe replacement schedule over the next 20 years would include 1,800 feet of pipe per year at a cost of \$135,000. Roats would finance the improvements by putting the \$136,081 in annual depreciation expense back into the company.

Given the above and all things remaining equal, Roats existing customers would see a savings of \$245,300 per year with the acquisition of the Juniper customers from the economies of scale and the larger customer base. See the comparison of the effects of the rate case with and without Juniper acquisition previously provided in Data Response 1-6.

# EXHIBIT A



**BIRD UTILITY DEPARTMENT**  
 1074 Buckeye Rd., Berkeley, CA 94707

**Exhibit A**

Proposed Road Layout  
 Proposed Utility Service

400'  
 200'  
 100'

Map Prepared: October 2017

# ROATS WATER SYSTEM

## PROMISSORY NOTE UNDER JUNIPER UTILITY ASSET PURCHASE AGREEMENT

This Promissory Note (the "Note") dated \_\_\_\_\_, 2016, evidences the payment obligation of Roats Water System, Inc. ("Roats") to the City of Bend (the "City") for funds advanced by the City to Roats as described below and in connection with Juniper Utility Asset Purchase Agreement, dated [\_\_\_\_\_] (the "Asset Purchase Agreement") between the City and Roats.

1. Advance of Funds. The City hereby agrees to advance \$1,400,000 to Roats under this Note, subject to the terms and conditions contained herein and as authorized by Resolution No. \_\_\_\_ adopted by the City Council of the City on [DATE], 2016. The funds are advanced by the City to Roats in connection with the Asset Purchase Agreement. Under the Asset Purchase Agreement, the City shall advance \$1,400,000 to Roats on [DATE], 2016.
2. Promise to Pay. Roats promises to pay the City \$1,400,000 plus interest according to the terms and conditions set forth in this Note.
3. Payment Terms.
  - a. The interest rate will be 6.5% per year.
  - b. Payments for the first three years will be interest only, with the first payment due one year from the date of this Note. Beginning at year four, the balance will be amortized over 20 years.
  - c. The entire unpaid balance, both principal and interest, shall be due 20 years from the date of this Note. Payments will be made annually based upon the date of this Note.
  - d. Equal debt service payments will be made annually during years 4 through 19, with the unpaid balance due at the end of the 20 year term. A sample payment schedule is attached as Exhibit A to this Note.
  - e. There is no down payment.
  - f. Roats may prepay at any time without penalty.
  - g. Payments shall be made to City of Bend Finance Department, PO Box 1024, Bend, OR 97709 or as the City otherwise orders.
4. Default. Failure to pay any amount when it is due and owing is a default.
5. Remedies. Roats agrees that if Roats does not perform the terms and conditions of the Asset Purchase Agreement and this Note according to their terms and conditions, City may terminate the Asset Purchase Agreement with Roats and exercise any other remedy provided by law, including but not limited to declaring all or any portion of the amount then outstanding under this Note to be

immediately due and payable. Remedies include the ability to lien the property, and the City shall be in first position as against all other current and future creditors. All remedies under this Note are cumulative and not exclusive. Any election to pursue one remedy shall not preclude the exercise of any other remedy. No delay or omission in exercising any right or remedy shall impair the full exercise of that or any other right or remedy, or constitute a waiver of the default.

**ROATS WATER SYSTEM**

\_\_\_\_\_  
By: William Roats, President  
Date: \_\_\_\_\_

STATE OF OREGON        )  
  )ss.  
County of Deschutes     )

This instrument was acknowledged before me on \_\_\_\_\_, by William Roats, as President of Roats Water System.

\_\_\_\_\_  
Notary Public for Oregon  
My Commission Expires:

Accepted by CITY OF BEND

\_\_\_\_\_  
SHARON WOJDA, Finance Director  
Date: \_\_\_\_\_

**Promissory Note with Roats - Exhibit A  
Sample Payment Schedule**

Purchase Price     \$ 1,400,000  
 Term (years)         20  
 Rate                     6.50%

Year	Principal	Rate	Interest	Total Annual Payment	Balance
					\$ 1,400,000
1	\$ -	6.50%	\$ 91,000	\$ 91,000	1,400,000
2	-	6.50%	91,000	91,000	1,400,000
3	-	6.50%	91,000	91,000	1,400,000
4	36,059	6.50%	91,000	127,059	1,363,941
5	38,403	6.50%	88,656	127,059	1,325,538
6	40,899	6.50%	86,160	127,059	1,284,639
7	43,557	6.50%	83,502	127,059	1,241,082
8	46,389	6.50%	80,670	127,059	1,194,693
9	49,404	6.50%	77,655	127,059	1,145,289
10	52,615	6.50%	74,444	127,059	1,092,674
11	56,035	6.50%	71,024	127,059	1,036,639
12	59,677	6.50%	67,382	127,059	976,962
13	63,556	6.50%	63,503	127,059	913,405
14	67,688	6.50%	59,371	127,059	845,718
15	72,087	6.50%	54,972	127,059	773,630
16	76,773	6.50%	50,286	127,059	696,857
17	81,763	6.50%	45,296	127,059	615,094
18	87,078	6.50%	39,981	127,059	528,016
19	92,738	6.50%	34,321	127,059	435,278
20	435,278	6.50%	28,293	463,571	-
<b>Total</b>	<b>\$ 1,400,000</b>		<b>\$ 1,369,515</b>	<b>\$ 2,769,515</b>	

**COMPARISON**

	Without Juniper*	With Juniper	Difference With Juniper
Number of Customer	1,665	2,486	
Residential Water Sales	1,113,276	1,087,652	303,722
Commercial Water Sales	317,530	310,221	68,299
Fire Protection	19,309	18,997	13,638
JUNIPER RESI Timber Rdge, Tillicum, Blue & Mtn Hi	0	303,722	385,660
Juniper The Pines	0	68,299	
Juniper Crown Villa	0	13,638	

**Total Juniper Revenues**

303,722
68,299
13,638
385,660
<b>Total Juniper Cost Plus Return</b>
235,422
Difference in Total Deductions
144,329
Difference in Return
<u>379,751</u>

0	0
0	0
<b>1,450,115</b>	<b>1,802,530</b>

Miscellaneous Fees Income (pass thru)  
 Cell Tower/Rent from Util. Property  
 Cross Connection Control Revenue

352,415.42

**TOTAL REVENUE**

**OPERATING EXPENSES**

	Cost per Customer w/o Juniper	Cost per Customer w/Juniper	Savings in Black
Salaries and Wages - Employees	69.35	76.62	(7.27)
Salaries and Wages - Officers	159.21	76.30	82.90
Employee Pension & Benefits	53.20	36.70	16.50
Purchased Water	0.00	11.81	only Juniper customers pay this cost
Telephone/Communications	7.05	3.76	3.29
Purchased Power	73.99	63.29	10.70
Fuel for Power Production	0.00	0.00	0.00
Other Utilities	1.28	0.68	0.60
Chemical / Treatment Expense	0.00	0.00	0.00
Office Supplies	7.64	5.36	2.28
Postage	0.62	0.59	0.03
O&M Materials/Supplies	16.51	45.71	(29.21)
Repairs to Water Plant	9.36	6.27	3.09
Contract Svcs - Engineering	0.20	0.11	0.09
Contract Svcs - Accounting	9.64	5.14	4.50
Contract Svcs - Legal	5.91	3.15	2.76
Contract Svcs - Management Fees	0.00	0.00	0.00
Contract Svcs - Testing	1.76	1.18	0.58
Contract Svcs - Labor	0.64	0.45	0.19
Contract Svcs - Billing/Collection	12.14	11.41	0.73
Contract Svcs - Meter Reading	0.00	0.00	0.00
Contract Svcs - Other	5.58	3.91	1.66
Rental of Building/Real Property	72.24	38.61	33.63
Rental of Equipment	0.00	0.00	0.00
Small Tools	0.60	0.42	0.18
Computer/Electronic Expenses	2.31	1.62	0.69
Transportation	22.79	17.45	5.35

the acquisition of Juniper, Commercial, and Fire Protection for Roats' existing customers increase with needs Juniper costs including return. norms of scale.

per customer base to spread costs over. s per customers, Roats existing customers save approximately \$245,300 Without Juniper shows that existing Roats customers proposed rates are

	Without Juniper	With Juniper
	40.97	36.68
	53.27	47.69
	63.92	57.23
	81.95	73.37
	163.90	146.73
	245.84	220.10
	327.79	293.47

venues, deductions, and plant.

Vehicle Insurance	8,929	9,117	5.36	3.67	1.70
General Liability Insurance	11,980	13,630	7.20	5.48	1.71
Workers' Comp Insurance	7,211	10,339	4.33	4.16	0.17
Insurance - Other	85	85	0.05	0.03	0.02
Amortz. of Rate Case	2,800	2,127	1.68	0.86	0.83
Gross Revenue Fee (PUC)	4,350	5,408	2.61	2.18	0.44
Bad Debt Expense	0	0	0.00	0.00	0.00
Gross Connection Control Program	22,495	24,745	13.51	9.95	3.56
Training and Certification	2,228	2,228	1.34	0.90	0.44
Consumer Confidence Report	0	0	0.00	0.00	0.00
Miscellaneous Expense	13,995	11,140	8.41	4.48	3.92
Public Relations/Advertising	189	208	0.11	0.08	0.03
Wheeling Fee	13,218	13,848	7.94	5.57	2.37
Meter Chg Out Exp Amort 3 yrs	0	2,825	0.00	1.14	(1.14)
Other Expense 4	0	0	0.00	0.00	0.00
Other Expense 5	0	0	0.00	0.00	0.00
<b>TOTAL OPERATING EXPENSE</b>	<b>973,272</b>	<b>1,116,284</b>			<b>147.33</b>
					<b>1665</b>
					<b>245,300 Savings</b>

OTHER REVENUE DEDUCTIONS	
Depreciation Expense	101,549
Amort of Plant Acquisition Adjustment	0
Amortization Expense	0
Property Tax	16,127
Payroll Tax	42,172
Other	0
Federal Income Tax	33,931
Oregon Income Tax	17,026
Extraordinary Items Income Tax	0
<b>TOTAL REVENUE DEDUCTIONS</b>	<b>1,184,099</b>
<b>NET OPERATING INCOME</b>	<b>273,269</b>
	<b>1,419,521</b>
	<b>383,009</b>

235,422 Difference in Total Deductions  
109,739.61

UTILITY PLANT & RATE BASE	
Invested Utility Plant	4,361,019
+ CIAC	0
- Excess Capacity	0
Equals: Total Util. Plant	4,361,019
- Accum. Depr. Of INVESTED Plant	2,110,590
- Accum. Depr. Of CIAC	0
- CIAC	0
- Accum. Deferred Income Tax	0
+ Accum. Amort. Of CIAC	0
<b>Equals: Net Invested Utility Plant</b>	<b>2,250,429</b>
	<b>3,677,568</b>

1,486,580

1,427,138.92

Plus: (working capital)	50,000
+ Material & Supplies Inventory	80,744
+ Working Cash (Total Op Exp /12)	2,381,172
<b>EQUALS TOTAL RATE BASE</b>	<b>3,820,141</b>
<b>Rate of Return</b>	<b>10.03%</b>

Difference In Return  
10.03%  
1,438,968.96  
144,329

File No. 71653



### Certificate of Incorporation

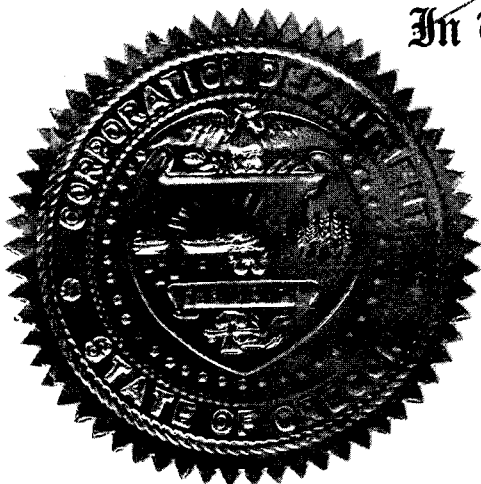
OF

\_\_\_\_\_ ROATS WATER SYSTEM, INC. \_\_\_\_\_  
 \_\_\_\_\_

*The undersigned, as Corporation Commissioner of the State of Oregon, hereby certifies that duplicate originals of Articles of Incorporation, duly signed and verified pursuant to the provisions of the Oregon Business Corporation Act, have been received in this office and are found to conform to law.*

*ACCORDINGLY, the undersigned, as such Corporation Commissioner, and by virtue of the authority vested in him by law, hereby issues this Certificate of Incorporation and attaches hereto a duplicate original of the Articles of Incorporation.*

**In Testimony Whereof** *I have hereunto set my hand and affixed hereto the seal of the Corporation Department of the State of Oregon, at Salem, this—15th day of—August—, 19 63 .*

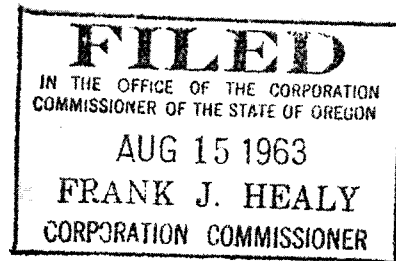


.....  
*Frank J. Kealy*  
 Corporation Commissioner

By .....  
*William Ferguson*  
 Chief Clerk



Three or more persons of the age of 21 years or more may incorporate. Articles shall be executed in duplicate, and both of the copies forwarded to the Corporation Commissioner, Salem, Oregon. See Notes 1, 2 and 3 on back of this form. Submit in Duplicate.



## Articles of Incorporation

OF

.....**ROATS WATER SYSTEM, INC.**.....

We, the undersigned natural persons of the age of twenty-one years or more, acting as incorporators under the Oregon Business Corporation Act, adopt the following Articles of Incorporation:

### ARTICLE I

① The name of this corporation is .....**Roats Water System, Inc.**.....

and its duration shall be .....**perpetual**.....

### ARTICLE II

② The purpose or purposes for which the corporation is organized are:

**Pumping, storing and distribution of domestic water**

**ARTICLE III**

③ The aggregate number of shares which the corporation shall have authority to issue is **Five Hundred (500) shares, no par.**

**ARTICLE IV**

The address of the initial registered office of the corporation is 1044 Bond Street, Bend, Oregon  
(Do not use City P. O. Box No.)

and the name of its initial registered agent at such address is B. D. Fancher

**ARTICLE V**

The number of directors constituting the initial board of directors of the corporation is three,  
(At least three)  
and the names and addresses of the persons who are to serve as directors until the first annual meeting of shareholders or until their successors are elected and shall qualify are:

<u>Name</u>	<u>Address</u> <small>(Street and Number, if any)</small>
W. E. Roats	1214 E. Third Street, Bend, Oregon
Barbara G. Roats	1214 E. Third Street, Bend, Oregon
Theodore N. Inglis	1953 West 1st Street, Bend, Oregon

ARTICLE VI

The name and address of each incorporator is:

<u>Name</u>	<u>Address</u> (Street and Number, if any)
Bernice P. Jensen	1044 Bond Street, Bend, Oregon
William M. Holmes	1044 Bond Street, Bend, Oregon
B. L. Fancher	1044 Bond Street, Bend, Oregon

ARTICLE VII

(Add provisions for the regulation of the internal affairs of the corporation as may be appropriate.)

Dated August 14, 1963

*Bernice P. Jensen*  
*William M. Holmes*  
*B. L. Fancher*

STATE OF OREGON,  
County of Deschutes

} ss.

I, Mildred Hammer, a notary public for Oregon, hereby certify that on the 14th day of August, 1963, personally appeared before me Bernice P. Jensen, William M. Holmes and B. D. Fancher

who being by me first duly sworn, severally declared that they are the persons who signed the foregoing document as incorporators, and that the statements therein contained are true.

*Mildred Hammer*  
Notary Public for Oregon

My commission expires: January 2, 1966

File No. ....

**Articles of Incorporation**

OF

**Business—For Gain**

**Notes:** ① The corporate name shall contain the word "corporation", "company", "incorporated" or "limited", or an abbreviation of one of such words.  
② Owing to the fact that broad general powers heretofore inserted in the articles are granted by the law, it is not necessary to set forth in the articles any of the corporate powers so enumerated. See ORS 57.030 and 57.035.  
③ Insert statement as to par value of such shares, or a statement that all of such shares are to be without par value. If there are additional classes of shares, insert a statement as to the preferences, limitations and relative rights in respect of the shares of each class.

ROATS WATER SYSTEM, INC.

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ARTICLE I  
SHAREHOLDERS: MEETINGS AND VOTING

Section 1. PLACE OF MEETINGS:

Meetings of the shareholders shall be held at Bend, Oregon.

Section 2. ANNUAL MEETINGS:

The annual meeting of the shareholders shall be held on the first of \_\_\_\_\_ in each year, if not a legal holiday, and if a legal holiday, then on the next succeeding business day, at the hour of \_\_\_\_\_ o'clock m., at which time the shareholders shall elect by a vote a Board of Directors, consider reports of the affairs of the Corporation, and transact such other business as may properly be brought before the meeting.

Section 3. SPECIAL MEETINGS:

Special meetings of the shareholders, for any purpose or purposes whatsoever, may be called at any time by the President, or by the Board of Directors, or by any two or more members thereof, or by one or more shareholders holding not less than one-tenth (1/10th) of the voting power of the Corporation.

Section 4. NOTICE OF MEETINGS:

Notices of meetings, annual or special, shall be given in writing to shareholders entitled to vote by the Secretary or the assistant secretary, or if there be no such officer, or in case of his neglect or refusal, by any Director of shareholder.

Such notices shall be sent to the shareholder's address appearing on the books of the Corporation, or supplied by him to the Corporation for the purpose of notice, not less than ten days, nor more than fifty days before such meeting.

Notice of any meeting of shareholders shall specify the place; the day and hour of meeting, and in case of special meeting, the general nature of the business to be transacted.

When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in case of an original meeting; save, as aforesaid, it shall not be necessary to give any notice of the adjournment or of the business to be transacted at an adjourned meeting other than by announcement of the meeting at which such adjournment is taken.

Section 5. CONSENT TO SHAREHOLDERS' MEETING:

The transactions of any meeting of shareholders, however called and noticed, shall be valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the shareholders entitled to vote sign a written waiver of the notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Any action which may be taken at a meeting of the shareholders may be taken without a meeting if authorized by a writing signed by all of the holders of shares who would be entitled to vote at a meeting for such purpose, and filed with the Secretary of the Corporation.

Section 6. QUORUM:

The holders of a majority of the shares entitled to vote thereat, present in person, or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the shareholders for the transaction of business except as otherwise provided by law, by the Articles of Incorporation, or by these By-Laws. If, however, such majority shall not be present or represented at any meeting of the shareholders, the shareholders entitled to vote thereat, present in person or by proxy, shall have power to adjourn the meeting from time to time, until the requisite amount of voting shares shall be present. At such adjourned meeting at which the requisite amount of voting shares shall be represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 7. VOTING RIGHTS:

Only persons in whose names shares entitled to vote stand on the stock records of the Corporation on the day of the mailing of notice of any meeting of shareholders, unless some other day be fixed by the Board of Directors, for the deter-

mination of shareholders of record, then on such other day, shall be entitled to vote at such meeting. Each shareholder entitled to vote shall be entitled to one vote for each of said shares.

Section 8. PROXIES:

Every shareholder entitled to vote, or to execute consents, may do so either in person or by written proxy duly executed and filed with the Secretary of the Corporation.

ARTICLE II  
DIRECTORS: MANAGEMENT

Section 1. POWERS:

Subject to the limitation of the Articles of Incorporation, of the By-Laws and the laws of the State of incorporation as to action to be authorized or approved by the shareholders, all Corporate powers shall be exercised by or under authority of, and the business and affairs of this Corporation shall be controlled by, a Board of Directors.

Section 2. NUMBER AND QUALIFICATION:

The authorized number of Directors of the Corporation shall be three (3), until changed by an amendment to this Section 2, Article II of these by-laws, adopted by the Board of Directors.

Section 3. ELECTION AND TENURE OF OFFICE:

The Directors shall be elected by ballot at the annual meeting of the shareholders, to serve for one year and until their successors are elected and have qualified. Their term of office shall begin immediately after election.

Section 4. VACANCIES:

- (a) A vacancy in the Board of Directors shall exist in case of the death, resignation or removal of any Director.
- (b) No reduction of the number of Directors shall have the effect of removing any Director prior to the expiration of his term of office.
- (c) Vacancies in the Board of Directors may be filled by a majority of the remaining Directors, though less than a quorum, or by a sole remaining Director and each Director so elected shall hold office until his successor is elected at an annual meeting of shareholders or at a special meeting called for that purpose.
- (d) The shareholders may at any time elect a Director to fill any vacancy not filled by the Directors, and shall elect the additional Directors in the event an amendment of the By-Laws is adopted authorizing an increase in the number of Directors.
- (e) If the Board of Directors accepts the resignation of a Director tendered to take effect at a future time, the Board, or the shareholders, shall have power to elect a successor to take office when the resignation shall become effective.

Section 5. REMOVAL OF DIRECTORS:

The entire Board of Directors or any individual Director may be removed from office by a majority vote of the shareholders, at a special meeting called for that purpose.

Section 6. PLACE OF MEETINGS - ACTION WITHOUT A MEETING:

Meetings of the Board of Directors shall be held at such place as may be designated for that purpose, from time to time, by resolution of the Board of Directors or written consent of all the members of the Board. Any action of the Board shall be valid if evidenced by the written consent of all members of the Board of Directors, given either before or after the action and filed with the Secretary of the Corporation.

Section 7. ORGANIZATION MEETINGS:

The organization meetings of the Board of Directors shall be held without notice, immediately following the adjournment of the annual meetings of the shareholders.

Section 8. SPECIAL MEETINGS - NOTICES:

Special meeting of the Board of Directors for any purpose or purposes shall be called at any time by the President, or if he is absent or unable or refuses to act, by any Vice President or by any two Directors.

Written notice of the time and place of special meetings shall be delivered personally to the Directors or sent to each Director by letter or by telegram, charges prepaid, addressed to him at his address as it is shown upon the records of the Corporation, or if it is not so shown on such records or is not readily ascertainable, at the place in which the meetings of the Directors are regularly held. In case such notice is mailed or telegraphed, it shall be deposited in the United States mail or delivered to the telegraph company in the place in which the principal office of the Corporation is located, at least forty-eight (48) hours prior to the time of the holding of the meeting. In case such notice is delivered as above provided, it shall be so delivered at least twenty-four (24) hours prior to the time of the holding of the meeting. Such mailing, telegraphing or delivery as above provided shall be due, legal and personal notice to such Director.

Section 9. NOTICE OF ADJOURNMENT:

Notice of the time and place of holding an adjourned meeting need not be given to absent Directors if the time and place be fixed at the meeting adjourned.

Section 10. WAIVER OF NOTICE:

When all the Directors are present at any Directors' meeting, however called or noticed, and sign a written consent thereto on the records of such meeting, or, if a majority of the Directors are present, and if those not present sign in writing a waiver of notice of such meeting, whether prior to or after the holding of such meeting, which said waiver shall be filed with the Secretary of the Corporation, the transactions thereof are as valid as if had at a meeting regularly called and noticed.

Section 11. QUORUM AND VOTE:

(a) A majority of the number of Directors as fixed by the Articles or By-Laws shall be necessary to constitute a quorum for the transaction of business. A minority of the Directors, in the absence of a quorum, may adjourn from time to time, but may not transact any business.

(b) The action of a majority of the Directors present at any meeting at which there is a quorum, when duly assembled, is valid as a corporate act.

ARTICLE III  
OFFICERS

Section 1. OFFICERS:

The officers shall be a President, one or more Vice Presidents, and a Secretary-Treasurer, which officers shall be elected by, and hold office at the pleasure of, the Board of Directors.

Section 2. ELECTION:

After their election the Directors shall meet and organize by electing a President from their own number, and one or more Vice Presidents, and a Secretary-Treasurer, who may be, but need not be, members of the Board of Directors.

Section 3. COMPENSATION AND TENURE OF OFFICE:

The compensation and tenure of office of all the officers of the Corporation shall be fixed by the Board of Directors.

Section 4. REMOVAL AND RESIGNATION:

Any officer may be removed, either with or without cause, by a majority of the Directors at the time in office, at any regular or special meeting of the Board, or, except in case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the Board of Directors or to the President, or to the Secretary of the Corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. VACANCIES:

A vacancy in any office because of death, resignation, removal, disqualification or any other cause, shall be filled in the manner prescribed in the By-Laws for regular appointments to such office.

Section 6. PRESIDENT:

The President shall be the Chief Executive Officer of the Corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and affairs of the Corporation. He shall preside at all meetings of the shareholders and of the Board of Directors. He shall be ex-officio a member of all the standing committees, including the executive committee, if any, and shall have the general powers and duties of management usually vested in the office of President of a Corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or the By-Laws.

Section 7. VICE PRESIDENTS:

The Vice Presidents shall, in the order designated by the Board of Directors, in the absence or disability of the President, perform the duties and exercise the powers of the President, and shall perform such other duties as the Board of Directors shall prescribe.

Section 8. SECRETARY-TREASURER:

The Secretary shall keep, or cause to be kept, a book of minutes at the principal office or such other place as the Board of Directors may order, of all meetings of the Directors and shareholders, with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at Directors' meetings, the number of shares present or represented at shareholders' meetings and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal office or at the office of the Corporation's transfer agent, a share register, or a duplicate share register, showing the names of the shareholders and their addresses; the number and classes of shares held by each; the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all the meetings of the shareholders and of the Board of Directors required by the By-Laws or by law to be given; he shall keep the seal of the Corporation and affix said seal to all documents requiring a seal, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the By-Laws.

As Treasurer he shall receive and keep all the funds of the Corporation, and pay them out only on the check of the Corporation, signed in the manner authorized by the Board of Directors.

Section 9. ASSISTANTS:

Any Assistant Secretary-Treasurer may exercise any of the powers of the Secretary-Treasurer, as provided in this By-Laws, or as directed by the Board of Directors, and shall perform such other duties as are imposed upon them by the By-Laws or the Board of Directors.

Section 10. SUBORDINATE OFFICERS:

The Board of Directors may from time to time appoint such subordinate officers or agents as the business of the Corporation may require, fix their tenure of office and allow them suitable compensation.

#### ARTICLE IV EXECUTIVE AND OTHER COMMITTEES

The Board of Directors may appoint an executive committee, and such other committees as may be necessary from time to time, consisting of such number of its members and with such powers as it may designate, consistent with the Articles of Incorporation, THE By-Laws and the Laws of the State of incorporation. Such committees shall hold office at the pleasure of the Board.

#### ARTICLE V CORPORATE RECORDS AND REPORTS - INSPECTION

Section 1. RECORDS:

The Corporation shall maintain adequate and correct accounts, books and records of its business and properties. All of such books, records and accounts shall be kept at its place of business as fixed by the Board of Directors from time to time, consistent with the Laws of the State of incorporation.



Section 2. INSPECTION OF BOOKS AND RECORDS:

All books and records provided for in the Laws of the State of incorporation shall be open to inspection of the shareholders from time to time and in the manner provided by the Laws of the State of incorporation.

Section 3. CERTIFICATION AND INSPECTION OF BY-LAWS:

The original or a copy of these By-Laws, as amended or otherwise altered to date, certified by the Secretary, shall be open to inspection by the shareholders and Directors of the company, as provided by the Laws of the State of incorporation.

Section 4. CHECKS, DRAFTS, ETC.

All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Corporation shall be signed or endorsed by such person or persons and in such manner as shall be determined from time to time by Resolution of the Board of Directors.

Section 5. CONTRACT, ETC., - HOW EXECUTED:

The Board of Directors, except as in the By-Laws otherwise provided, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of the and on behalf of the Corporation. Such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement, or to pledge its credit, or to render it liable for any purpose or to any amount.

ARTICLE VI  
CERTIFICATES AND TRANSFER OF SHARES

Section 1. CERTIFICATES FOR SHARES:

Certificates for shares shall be of such form and device as the Board of Directors may designate and shall state the name of the record holder of the shares represented thereby; its number; date of issuance; the number of shares for which it is issued; the par value, if any, or a statement that such shares are without par value; a statement of the rights, privileges, preferences and restrictions, if any; a statement as to redemption or conversion, if any; a statement of liens or restrictions upon transfer or voting, if any; if the shares be assessable, or if assessments are collectible by personal action, a plain statement of such facts.

Every certificate for shares must be signed by the President or Vice-President and the Secretary or an Assistant Secretary, or, if a transfer agent or a registrar has been appointed, may be authenticated by facsimiles of the signatures of the President and Secretary.

Section 2. TRANSFER ON THE BOOKS:

Upon surrender to the Secretary of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 3. LOST OR DESTROYED CERTIFICATES:

Any person claiming a certificate of stock to be lost or destroyed shall make an affidavit or affirmation of that fact and advertise the same in such manner as the Board of Directors may require, and shall if the Directors so require, give the Corporation a bond of indemnity, in form and with one or more sureties satisfactory to the Board, in at least double the value of the stock represented by said certificate, whereupon a new certificate may be issued of the same tenor and for the same number of shares as the one alleged to be lost or destroyed.

Section 4. TRANSFER AGENTS AND REGISTRARS:

The Board of Directors may appoint one or more transfer agents or transfer clerks, and one or more registrars, which shall be an incorporated bank or trust company - either domestic or foreign, who shall be appointed at such times and places as the requirements of the Corporation may necessitate and the Board of Directors may designate.

Section 5. CLOSING STOCK TRANSFER BOOKS:

The Board of Directors may close the transfer books in their discretion for a period not exceeding thirty days nor less than ten days preceding any annual or special meeting of the shareholders, or the day appointed for the payment of a dividend.

Section 6. RESTRICTION ON TRANSFER OF STOCK:

It is further understood and agreed by and between the shareholders of this Corporation that in the event any shareholder desires to sell, assign or transfer any or all of the shares standing in his name, the Corporation shall first have the right to buy such share or shares intended to be sold, transferred or assigned, upon the same terms and conditions as proposed for any transfer to a third party, and in the event the Corporation refuses or declines to so purchase such share or shares then the remaining shareholders of this Corporation shall have the right to purchase such share or shares first in an amount equal to the number or percentage of shares held by such remaining shareholders of the Corporate stock, or in the event any remaining shareholder fails or refuses to purchase such portion of the stock or stocks to be sold, assigned or transferred as he may be hereunder entitled to, the other remaining shareholders shall have the right to purchase proportionately such stock or stocks upon the same terms and conditions as may be offered to any third party prior to the intended sale by such shareholder desiring to sell, transfer or assign his stock. This agreement and restriction shall be binding upon the stockholders, their heirs, executors, administrators and assigns, except it shall not apply to the transfer of stock to a spouse or child of a stockholder.

ARTICLE VII  
CORPORATE SEAL

The Corporate Seal shall be circular in form, and shall have inscribed thereon the name of the Corporation and the State of its incorporation.

ARTICLE VIII  
AMENDMENTS TO BY-LAWS

Section 1. BY BOARD OF DIRECTORS:

The Board of Directors may adopt, amend or repeal any of these By-Laws, except as otherwise provided by the Laws of the State of incorporation.

Section 2. RECORD OF AMENDMENTS:

Whenever an amendment or new By-Law is adopted, it shall be copied in the minute book with the original By-Laws, in the appropriate place. If any By-Law is repealed, the fact of repeal with the date of the meeting at which the repeal was enacted or written assent was filed, shall be stated in said book.

RESOLVED that in accordance with the By-Laws of the Corporation the following officers be unanimously elected to serve at the pleasure of the Board of Directors and until the election and qualification of their successors:

W. E. Roats	President
Theodore N. Inglis	Vice President
Barbara G. Roats	Secretary-Treasurer

Resolved that the officers of the corporation receive no compensation, other than reimbursement of expenses, until further action of the Board of Directors.


WHEREAS the Articles of Incorporation were filed in the office of the Corporation Commissioner of the State of Oregon on the 15th day of August, 1963, and that his Certificate of Incorporation was issued on the same date and, together with the duplicate original of the Articles of Incorporation, has been returned to the Incorporators, IT IS RESOLVED that the Secretary be instructed to cause the duplicate original copy of the Articles of Incorporation and the Certificate of Incorporation, as well as the receipt for payment of filing fees be inserted in the minute book.

RESOLVED that the subscription list indicating that there have been subscribed 150 shares of the no par value common stock of this Corporation be filed with the minutes of this meeting:

#### SUBSCRIPTION TO STOCK

I, the undersigned, do hereby subscribe for 150 shares of the no par common stock of Roats Water System, Inc., and in consideration thereof propose to transfer to the Corporation all of my right, title and interest in and to that certain domestic water pumping, storing and distribution system I have heretofore operated under the name of Roats Water System, a sole proprietorship. If this subscription is accepted, I request that 140 shares be issued to me and 10 shares be issued in the name of Barbara G. Roats.

Dated this            day of September, 1963.

  
\_\_\_\_\_  
W. E. Roats

RESOLVED that the subscription for the no par value stock of the Corporation as shown by the subscription list above set forth and by this reference made a part hereof be, and it is hereby, accepted by the Corporation; that such subscriptions be, and they are hereby, called for immediate payment and that the officers of the Corporation be, and they hereby are, authorized and directed to issue appropriate certificates to the subscribers upon payment of the amount subscribed.

RESOLVED that W. E. Roats, Barbara G. Roats and Theodore N. Inglis be, and they hereby are, elected Directors, to continue as such until the election and qualification of their successors.

BE IT RESOLVED that W. E. Roats shall be employed as General Manager of this Corporation, and is empowered and authorized to act on behalf of the Corporation and shall be paid such compensation as the Board of Directors may hereafter direct.

RESOLVED that the Corporation shall immediately enter into negotiations seeking a long-term lease of the two wells owned by W. E. Roats, from which the System is presently receiving water.

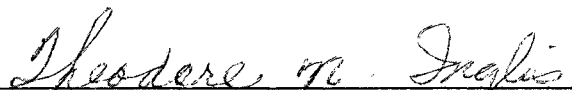
BE IT FURTHER RESOLVED that the said W. E. Roats, acting for and on behalf of the Corporation and as its act and deed, be, and he is hereby, authorized and empowered to execute and deliver such deeds or documents of title as may be necessary to convey unto others any or all of the corporate real property.

RESOLVED that the Officers of the Corporation be, and they hereby are, authorized and directed to execute all documents and do all things necessary or desirable in order to carry out all of the foregoing transactions.

IN WITNESS WHEREOF All of the Directors of Roats Water System, Inc. have hereunto set their hands to record their consent to the action taken by them as above stated without formal meeting.

  
\_\_\_\_\_  
W. E. Roats

  
\_\_\_\_\_  
Barbara G. Roats

  
\_\_\_\_\_  
Theodore N. Inglis  
DIRECTORS