

ASSET PURCHASE AGREEMENT

Date: December 6th, 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 other miscellaneous assets used in connection with the operation of the Business.
- B. Buyer desires to acquire substantially all the assets used or useful, or intended to be used, in the operation of the Business, and Seller desires to sell such assets to Buyer.
- C. Buyer and Seller enter into this Asset Purchase Agreement (the “**Agreement**”) as of the date above.

AGREEMENT:

SECTION 1. ASSETS PURCHASED; LIABILITIES ASSUMED

1.1 **Assets Purchased.** On the Closing Date (as defined in Section 7 below) of this Agreement, 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 (the “**Assets**”):

(a) All equipment, furniture, and fixtures used or held for use in connection with the Business and operation of the Water System, including without limitation those items shown on the attached Exhibit A.

(b) All inventories held for use in connection with the Business and operation of the Water System, 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 assumed business name ("**Squaw Creek Canyon Water System**"), telephone numbers, web and email addresses, and goodwill.

(d) An assignment of all easements (or, if none, new easements) covering the real property used by the Water System. Seller acknowledges and agrees that, in recognition of the consideration provided in Section 2.3, Buyer shall have no obligation to reimburse Seller for any real property taxes attributable to the easement area.

1.2 **Liabilities Assumed.** Buyer has not agreed and does not accept any liabilities of the Seller, except that Buyer will assume the obligation to operate the Water System and provide water to its customers in compliance with Oregon water law (the "**Assumed Liabilities**").

SECTION 2. PURCHASE PRICE FOR ASSETS

The total consideration to be paid by Buyer to Seller for the Assets (the "**Purchase Price**") is as follows:

2.1 The sum of \$1.00 in cash; plus

2.2 The assumption of the Assumed Liabilities; plus

2.3 As consideration for the assignment and/or grant of easements required for the Water System, Buyer will provide Seller with one free hookup to the Water System, waiver of system development charges associated with the free hookup, and a \$1,000 credit toward water system purchases.

SECTION 3. ADJUSTMENTS

Personal 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 4. SELLER'S AND SELLING SHAREHOLDER'S REPRESENTATIONS AND WARRANTIES

As used in this Agreement, "**Material Adverse Effect**" means any event, occurrence, fact, condition, or change that is, or could reasonably be expected to become materially adverse to the Business, results of operations, financial position, assets, or prospects of Seller, the amount of which shall be in excess of \$500 in loss or value; 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:

4.1 **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 to 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 corporate 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.

4.2 **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 on 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.

4.3 **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 Encumbrance on any of the Assets, and, except for the OPUC approval described in Section 4.11, will not require the authorization, consent, or approval of any third party, including any governmental subdivision or regulatory agency.

4.4 **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 that cannot be cancelled on 30 days' notice or fewer.

4.5 **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.

4.6 **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.

4.7 **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 water mitigation 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.

4.8 **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. Notwithstanding the foregoing, 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 believes 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, Jr. as the sole shareholder. Plaintiff has no claim to the stock of Seller.

4.9 **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.

4.10 **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.

4.11 **OPUC Approval.** Buyer will process the necessary documents with the OPUC for approval of the sale of the Business. Seller and Selling Shareholder provide such assistance as is reasonably requested by Buyer.

SECTION 5. 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 6. CONTINGENCIES

This Agreement is contingent on OPUC approval of the sale.

SECTION 7. CLOSING

7.1 **Closing Date.** The transaction contemplated by this Agreement shall be closed no later than 10 days after Buyer obtains OPUC approval (the “**Closing Date**”).

7.2 **Deliveries of Seller at the Closing.** On the Closing Date, Seller shall deliver 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) An assignment of all easements and/or new easements for all real property used for operation of the Water System.

7.3 **Deliveries of Buyer at the Closing.** On the Closing Date, Buyer will deliver to Seller the following:

(a) The Purchase Price.

(b) Such other certificates and documents as may be necessary to consummate the transactions contemplated by this Agreement.

SECTION 8. INDEMNIFICATION AND SURVIVAL

8.1 **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.

8.2 **Seller’s and Selling Shareholders’ Indemnification**

(a) Seller and Selling Shareholders each hereby agree to defend, 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 damages or deficiencies 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.

8.3 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 damages or deficiencies resulting from any material misrepresentation, breach of warranty or covenant, or nonfulfillment of any agreement on the part of Buyer under this Agreement.

SECTION 9. MISCELLANEOUS

9.1 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.

9.2 Waivers. No waiver of any breach of any covenant or provision of this Agreement shall be deemed a waiver of any preceding or succeeding breach thereof, or of any other covenant or provision of this Agreement. 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.

9.3 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.

9.4 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 attorneys' fees, at trial and on appeal.

9.5 **Entire Agreement.** This Agreement (including any attached exhibits) 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.

9.6 **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.

9.7 **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., Pacific Time.

9.8 **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.

9.9 **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.

9.10 **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.

9.11 **Legal Representation.** The law firm of Bryant, Lovlien & Jarvis, P.C. has been employed by Buyer only to prepare this Agreement and such attorneys represent only Buyer in this matter. Seller and Selling Shareholder have thoroughly reviewed this Agreement (and any document referenced herein) with counsel of Seller's and/or Selling Shareholder's choosing or have 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

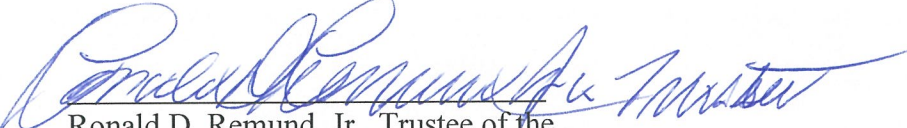
By: 

Ronald D. Remund, Jr., President

By: 

Jason Wick, President

Selling Shareholder:


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

Attached Exhibits:

A – Asset List

TEMPORARY OPERATING AGREEMENT

This Temporary Operating Agreement (“**Agreement**”) is made and entered into effective October 11, 2017 (the “**Effective Date**”) by and between Squaw Creek Canyon Recreational Estates, Incorporated, an Oregon corporation, dba Squaw Creek Canyon Water System, whose address is PO Box 760 Sisters, Oregon 97759 (“**SCC**”), and Avion Water Company, Inc., an Oregon corporation, whose address is 60813 Parrell Road, Bend, Oregon 97702 (“**Avion**”).

RECITALS:

- A. Avion intends to buy and SCC intends to sell the assets of SCC to Avion upon execution of an Asset Purchase Agreement agreeable to both parties and the approval of the Oregon PUC (“**OPUC**”).
- B. SCC wants Avion to operate, maintain, and repair the SCC water system (the “**Water System**”) from the Effective Date until the closing of the sale on the terms and conditions of this Agreement.

AGREEMENT:

1. Commencing on the Effective Date, Avion will operate, maintain, and repair the Water System, including all wells, pumping equipment, storage tanks, water lines and water meters. Avion will be available, on-call, 24-hours-a-day to perform maintenance and repairs necessary to the continued operation of the Water System. SCC will provide written and email notices to Water System customers of Avion’s operating responsibilities, including instructions to report maintenance and repair issues. If requested by Avion, SCC will arrange and host a public meeting of Water System customers to introduce Avion and respond to customer questions regarding the Water System and the potential sale.
2. All expenses associated with the field operations (e.g., new hookups), maintenance, and repair of the Water System will be paid by Avion; provided, however, SCC will reimburse Avion for all such expenses at the rates specified in Avion’s tariff. Avion will maintain adequate records supporting all expenses for field operations, maintenance, and repairs incurred during the term of this Agreement.
3. SCC will continue to perform all operational administrative duties associated with the Water System including, without limitation, billing and collecting customer account payments, answering customer billing questions, meter reading, and paying all Water System-related expenses. Each month, SCC will pay all Water System-related expenses, for services not performed by Avion, from operating revenues received from Water System customers. Such expenses include, without limitation, all property and liability insurance currently maintained by SCC, all water and utility expenses, all real and personal property taxes levied against Water System assets. During the term of this Agreement, SCC will not incur any Water System-related debt without the prior written approval of Avion.

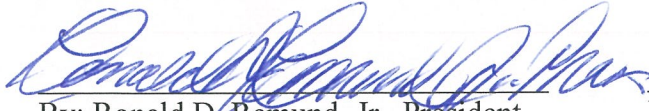
4. Commencing October 1, 2017, SCC will pay to Avion one-half of all monthly Water System revenues over and above: (a) Water System administrative and operating expenses; (b) amounts paid to Avion for reimbursement of field operations, maintenance, and repair expenses; and (c) amounts needed to maintain a reasonable operating reserve for the Water System.
5. During the term of this Agreement, all new construction related to the Water System will meet Avion standards, and will be inspected by Avion prior to approval and acceptance by SCC. All work necessary to complete physical connections to the Water System main lines will be performed by Avion.
6. During the term of this Agreement, Avion will have access to all operating records for the Water System during normal business hours.
7. This Agreement can be terminated by either party upon written notice to the other in the event of the following:
 - i) The OPUC does not approve the Asset Purchase Agreement on terms agreeable to both parties; and/or
 - ii) The parties are unable to agree to the terms of an Asset Purchase Agreement on or before November 30, 2017.

[Signature page follows]

Dated Effective _____, 2017

Seller:

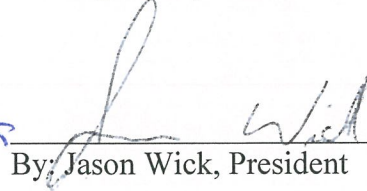
Squaw Creek Canyon Recreational Estates,
Incorporated, an Oregon corporation, dba
Squaw Creek Canyon Water System



By: Ronald D. Remund, Jr., President

Buyer:

Avion Water Company, Inc.,
an Oregon corporation



By: Jason Wick, President