

1 again, I could probably shed some light here.

2 MR. DEPENBROCK: I appreciate it. Do it on the  
3 record so we can get the light shed without any  
4 attribution.

5 MR. GASSNER: I just want to be very cautious  
6 about being required to give testimony during deposition.

7 MRS. ROOKS: I can probably answer it. Craig  
8 Soule was an intervenor for I guess the people on the water  
9 system against PUC. He sued us because he felt we weren't  
10 giving him all the records he wanted. Am I correct?

11 MR. GASSNER: That's about it in a nutshell.

12 THE WITNESS: Yes.

13 MRS. ROOKS: And his name is Soule.

14 MR. DEPENBROCK: Thank you. And Mr. Gassner  
15 represented you on that or members of his firm?

16 MRS. ROOKS: I'm sorry?

17 MR. DEPENBROCK: Who represented the water  
18 company in that lawsuit?

19 MR. GASSNER: I did.

20 THE WITNESS: Tim Gassner.

21 BY MR. DEPENBROCK:

22 Q There was a suit filed in 2006, Crooked River  
23 Ranch Water Company versus Crooked River Ranch Club and  
24 Maintenance Association. It appears that Mr. Glenn  
25 represented the water company and Mr. Steve Bryant

1 represented the club and maintenance association at least  
2 from what I'm reading from court records. Can you tell me  
3 what that suit was about?

4 A Easement, right-of-ways.

5 Q What was the difference between that suit by  
6 the water company against the association and the one that  
7 I believe was commenced in 2000?

8 A I don't remember.

9 MRS. ROOKS: They never -- they never settled.  
10 I think it just got dropped.

11 THE WITNESS: It seemed like we had to restart  
12 it or something. I don't remember to tell you the truth.

13 BY MR. DEPENBROCK:

14 Q You have paid money to a law firm called Cooney  
15 & Crew.

16 MRS. ROOKS: PUC the last time. Not this time,  
17 but the time before. What was it?

18 MS. OAKLEY: I don't think so.

19 MRS. ROOKS: What we discuss can we not have  
20 her type it up?

21 BY MR. DEPENBROCK:

22 Q Looks like in 2005 and in 2006 the company paid  
23 money to Cooney & Crew something on the order of \$25,000,  
24 closer to \$26,000. What was that for?

25 A I don't know. You have to come up with a

1 lawsuit so I can remember it.

2 Q I don't know. I'm curious. You are the folks  
3 that run the company. What did you hire Mr. Cooney or  
4 Mr. Crew or that law firm to do?

5 A That's what I said. I don't remember.

6 MRS. ROOKS: Barbara and I were talking. It's  
7 easement again. It was easements still.

8 THE WITNESS: What?

9 MRS. ROOKS: It was easements still.

10 THE WITNESS: It was still the easements?

11 MRS. ROOKS: Uh-huh.

12 THE WITNESS: We went to Bend and hired that.

13 MRS. ROOKS: No. He is from the valley.

14 MS. OAKLEY: Bill Sheridan turned us over to  
15 him.

16 THE WITNESS: Okay.

17 MRS. ROOKS: When Bill retired.

18 THE WITNESS: Okay. We have antennas on top of  
19 the tower and the association illegally tried to take the  
20 antenna contracts away from us, and we hired this Cooney &  
21 Crew which when you said Bill Sheridan I know what you are  
22 talking about. We hired them to mitigate this thing and  
23 they did and the association lost.

24 ///

25 BY MR. DEPENBROCK:

1 Q When did that occur? When was there a  
2 judgment?

3 A There wasn't. They just dropped it because  
4 they couldn't win.

5 (The document referred to was  
6 marked as Exhibit 46 for identification.)

7 BY MR. DEPENBROCK:

8 Q I show you a copy of what's been marked  
9 deposition Exhibit 46 and ask you if you can identify for  
10 me in general terms what Exhibit 46 is. I'm not  
11 particularly concerned about the first two pages, but  
12 what's the rest of this exhibit?

13 A It looks like the information you requested  
14 from the company for the Nichols and Crooked River Ranch  
15 Water Co-op lawsuit.

16 Q I requested statements for your credit card,  
17 for the company credit card, Visa card I believe or any  
18 other credit cards, and this is what I received. So are  
19 these the statements that were produced -- are these copies  
20 of the company's Visa statements basically for 2006  
21 starting the end of 2005 through 2009?

22 A It appears to be.

23 Q Did you gather these together to respond to  
24 this request?

25 A My staff did, yes.

1 Q Who on your staff gathered these together to  
2 respond?

3 A Jacquie and Barbara.

4 Q So let me ask your wife Jacquie, is this a  
5 complete copy of the credit card statements?

6 MRS. ROOKS: I don't think -- I think it was  
7 Barbara.

8 MS. OAKLEY: Yes. What I did on at least some  
9 of them, some of them were two pages but they only carried  
10 on to the second page some charges. So instead of doing  
11 two pages, I put the second page on the bottom. But yes,  
12 it is.

13 MR. DEPENBROCK: I can see all the charges.

14 MS. OAKLEY: It's the complete bills, yes.

15 BY MR. DEPENBROCK:

16 Q So I'd like to review some of these with you,  
17 Mr. Rooks. On the first page of the statements it appears  
18 to be a statement dated December 22, 2005. Do you see that  
19 in the middle of the page under the account number?

20 A I'm looking for a date here. Yes, 12/22/05.

21 Q Actually I think what we will do just because  
22 memory may be a little fresher, let's go to the last of  
23 these. So we will start from the bottom up. I believe the  
24 last statement is a statement of October 2009. At least it  
25 has a due date of October 30, 2009 I see at the top. It

1 appears to have charges in September and October.

2 A Okay.

3 Q So I'm looking say the last charge on October  
4 2, 2009, Blackbear Diner, Redmond, Oregon charge of \$34.96.

5 Do you see that?

6 A Yes.

7 Q What was charged there for that?

8 A Lunch.

9 Q Who ate the lunch?

10 A My staff.

11 Q Who all was there?

12 A I don't remember. Probably Barbara and Jacquie  
13 and --

14 MRS. ROOKS: Randy may have been there too.

15 THE WITNESS: Who?

16 MRS. ROOKS: Randy.

17 THE WITNESS: Randy, one of the board members  
18 was there.

19 MRS. ROOKS: He wasn't a board member.

20 THE WITNESS: What?

21 MRS. ROOKS: I don't think he was a board  
22 member at the time that you were discussing -- you were  
23 discussing some electrical work.

24 ///

25 BY MR. DEPENBROCK:

1 Q What was the business purpose for the expense?  
2 MRS. ROOKS: Discussing electrical work.  
3 THE WITNESS: What?  
4 MRS. ROOKS: Discussing Randy to do electrical  
5 work.  
6 THE WITNESS: Yes.  
7 MRS. ROOKS: That's just a guess.  
8 THE WITNESS: I discuss things with my staff  
9 over lunch when I don't have time to come in to the office.  
10 This is part of my expense account.  
11 BY MR. DEPENBROCK:  
12 Q Where do you live? You live here on the ranch?  
13 A Yes.  
14 Q Wouldn't it be a lot closer to come to the  
15 office than to go to Redmond for lunch?  
16 A You got to have lunch. So we do a working  
17 lunch. How much did you get paid for eating lunch today?  
18 Q I have some reimbursement I'm sure.  
19 A \$170 a day for motels and food in this area.  
20 Q You know what my reimbursement is --  
21 A Yes, I do.  
22 Q -- but not the finances of the company?  
23 A I do know what the finances of the company are.  
24 Q I received a lot of answers today of I don't  
25 know. Nevertheless can you tell me what the expense was at

1 Smith Rock Restaurant in Terrebonne, Oregon on the 23rd of  
2 September for \$55.75?

3 A Probably lunch.

4 Q And who ate the lunch?

5 A I don't remember who was there.

6 Q What was the --

7 MRS. ROOKS: Probably a board meeting.

8 THE WITNESS: Yeah, probably board members.

9 BY MR. DEPENBROCK:

10 Q Do you keep minutes of those board meetings?

11 A Sometimes.

12 Q Do you have minutes of that one?

13 A I don't know.

14 Q What's the OnStar subscription of \$18.95?

15 A That's the telephone in my truck.

16 Q Which truck is that?

17 A My company truck.

18 Q That's the truck the company owns?

19 A Yes.

20 Q On August 4 -- if we turn forward one page, we  
21 have got an expense to Pilot Butte Drive-in in Bend for  
22 \$21. What was that?

23 A Probably lunch.

24 Q For who?

25 A I think Barbara and I were in Bend that day



1 discussing something with the attorneys and we took a lunch  
2 break and went to lunch.

3 Q Going back one page further.

4 A Say what?

5 Q Let's go back one page further, please. So we  
6 are looking at the bottom line is 15th of July, Sandbaggers  
7 Saloon, \$42.45. What was that expense for?

8 A I must be on the wrong page. August 29 is the  
9 date I got on this. There?

10 Q Yes.

11 A Probably a staff meeting.

12 Q Do you know who was there?

13 A I don't remember who was there, no.

14 Q Just going up the lines to July 30, Regio's if  
15 I'm pronouncing it correctly Cafe?

16 A Regio's.

17 Q I'm sorry.

18 A Lunch for the crew.

19 Q Who is the crew?

20 A Adan, I had a guy by the name of Al here and  
21 me.

22 MRS. ROOKS: Al wasn't here in July.

23 THE WITNESS: Al wasn't here in July. I don't  
24 remember who all was there.

25 BY MR. DEPENBROCK:

1 Q What's this charge above it? I don't  
2 understand what CLK Bank? Something CLK Bank Com for  
3 \$86.89?

4 A I don't know.

5 MR. DEPENBROCK: Do you know?

6 MRS. ROOKS: I'm going to guess it's Chase but  
7 I'm not sure what it is. I would have to find the receipt.

8 MR. DEPENBROCK: What's the business  
9 relationship with Chase Bank?

10 MRS. ROOKS: They are our bank.

11 BY MR. DEPENBROCK:

12 Q That's what Washington Mutual changed to?  
13 Okay. There's a couple charges above that to Verizon, one  
14 for \$74.99 and one for \$467.48.

15 MRS. ROOKS: New cell phones.

16 MR. DEPENBROCK: For?

17 MRS. ROOKS: Jim and Adan.

18 MR. DEPENBROCK: Who is the second person?

19 MRS. ROOKS: Adan.

20 MR. DEPENBROCK: Who is Adan?

21 MRS. ROOKS: A field tech.

22 BY MR. DEPENBROCK:

23 Q There's a charge on July 16 for the Sandbaggers  
24 Saloon again, \$50.45. What was that about?

25 A Probably a meeting of some kind.

1 MRS. ROOKS: I think when you go with July it  
2 was probably -- weren't you doing work last summer?

3 THE WITNESS: Yes.

4 MS. OAKLEY: You had a lot of line breaks  
5 during that time.

6 THE WITNESS: When I have a major line break  
7 and we have got two or three or four hundred homes shut  
8 down, what I have Jacquie or Barbara do is go buy lunch for  
9 the crew and bring it out to us so we take a 10-minute  
10 lunch break instead of half hour or 45 minute lunch break  
11 and we get the people's water back on that much faster.  
12 It's my expense account. I can spend it on what I want to.

13 BY MR. DEPENBROCK:

14 Q So you don't make an attempt to keep track of  
15 it? You just have the company --

16 A It's all kept track of right here. That's the  
17 only credit card I use and I limited it to \$2,500. The  
18 board wanted it at \$5,000 when they gave it to me, and I  
19 limited it to \$2,500 so we can keep track of it every month  
20 right here. Every penny.

21 MRS. ROOKS: All the receipts have notes on  
22 them.

23 THE WITNESS: And in 11 years I have never went  
24 over my expense account that I know of.

25 MR. DEPENBROCK: All the receipts have notes?

1 MRS. ROOKS: It would say what the meetings  
2 were for.

3 MR. DEPENBROCK: And you have copies of all  
4 those?

5 MRS. ROOKS: They should be attached somewhere.

6 MR. DEPENBROCK: There's a charge dated  
7 June 29 -- moving forward one page on the statement due  
8 July 29, a charge due July 29 to Adobe Systems for \$134.  
9 What's that?

10 MRS. ROOKS: Computer program.

11 MR. DEPENBROCK: What program?

12 MRS. ROOKS: Adobe. It's the one that you can  
13 get -- I fax this to you and or I mean e-mail this to you  
14 you can get it.

15 MR. GASSNER: Talking about Adobe Acrobat?

16 MRS. ROOKS: Yes. Thank you.

17 BY MR. DEPENBROCK:

18 Q There is a charge on the statement due January  
19 30, 2009 to WW Grainger for \$197.21. The charge was  
20 charged on December 9.

21 A What date was that?

22 Q The statement date it says it's due January 30,  
23 2009. The charge is dated December 9, 2008 for \$197.21.

24 MRS. ROOKS: Grainger is where you buy  
25 equipment from.

1 THE WITNESS: I can't hear you.

2 MRS. ROOKS: Grainger is where you frequently  
3 get your equipment for the field.

4 THE WITNESS: It's a catalogue. It's where I  
5 buy parts for wells, furnace pumps. It's a catalogue, a  
6 Grainger catalogue. Have you ever seen it?

7 MR. DEPENBROCK: No, but I'm from the other  
8 side.

9 MRS. ROOKS: The other side of what?

10 MR. DEPENBROCK: The mountain.

11 THE WITNESS: It's a wholesale house that I  
12 order parts from.

13 BY MR. DEPENBROCK:

14 Q There is a charge on December 10 on the  
15 statement, that same statement of --

16 A When now?

17 Q I'm looking at the statement due January 30,  
18 2009. I'm looking --

19 A Where it says Personnel Concepts?

20 Q Yes.

21 MRS. ROOKS: That's where we get all our OSHA  
22 posters.

23 MR. DEPENBROCK: So that would have been for  
24 OSHA posters?

25 MRS. ROOKS: Correct. It's a silly name for

1 what they are.

2 THE WITNESS: I apologize to you. Okay. You  
3 got to understand something. I don't not only run the  
4 company, I run the field also. Okay. I run -- I do  
5 everything in the field. Now, if you asked me what the  
6 clearance on the pumps are, I can tell you. It's 10,000s.  
7 If you ask me what's in this paper -- I'm not a paperwork  
8 person. I see you are. And I appreciate that. But I'm  
9 not a paperwork person. I'm a person that runs a company.  
10 I run a plumbing company. Okay. And I don't -- you know,  
11 it's -- and you can ask these two ladies sitting here I  
12 hate paperwork with a passion.

13 MRS. ROOKS: I can attest to 37 years of that.

14 MR. DEPENBROCK: I appreciate it. What I am  
15 trying to do is just get a few questions answered. I was  
16 curious about some things.

17 THE WITNESS: I understand where you are coming  
18 from, you know. The one thing you got to realize is Trucke  
19 did a -- okay.

20 BY MR. DEPENBROCK:

21 Q There is a charge on the statement due or  
22 dated -- looks like a statement date in fine print in the  
23 middle of May 22 --

24 MRS. ROOKS: What's the page number down at the  
25 bottom? They have page numbers.

1 MR. DEPENBROCK: Page 33.

2 THE WITNESS: Page 33.

3 MR. DEPENBROCK: On the lower right-hand each  
4 page is numbered. There is a charge on May 15 of 2008,  
5 OnStar calling minutes, \$183.66.

6 MRS. ROOKS: That updates the minutes so he has  
7 them. You have to buy minutes and then you pay a service  
8 charge every month.

9 MR. DEPENBROCK: Do they expire?

10 MRS. ROOKS: No, they get used up.

11 BY MR. DEPENBROCK:

12 Q What do you use your OnStar minutes for?

13 A To call on my phone.

14 Q What do you use your cell phone for?

15 A To call on the phone.

16 Q Do you have any other communication devices  
17 that you have with you or carry with you?

18 A No.

19 Q What's the device on the table that's next to  
20 you here?

21 A That's my cell phone.

22 Q So you got a cell phone and then you have the  
23 OnStar in your car?

24 A Yes, because I'm extremely hard of hearing and  
25 in the truck I can't talk on this thing.

1 MRS. ROOKS: When he is traveling. If he is on  
2 the ranch, he can.

3 THE WITNESS: And this, the coverage on these  
4 things are very limited. Especially down here on this  
5 ranch where it's really hilly, my OnStar I can get out any  
6 time I want to in an emergency.

7 BY MR. DEPENBROCK:

8 Q There is a charge on page 28, a charge on  
9 December 24 apparently of 2007 for Nuskin Pharmacy, \$24.95  
10 What's that?

11 MR. GASSNER: What page did you say?

12 MR. DEPENBROCK: Page 28, towards the middle,  
13 \$24.95 charge to Nuskin.

14 MRS. ROOKS: I would have to look up the  
15 receipt. Some of these places you buy stuff from when you  
16 get it on the ticket it doesn't make any sense. I'd have  
17 to look at the receipt and tell you.

18 MR. DEPENBROCK: What does Nuskin produce?

19 MRS. ROOKS: I have not a clue.

20 THE WITNESS: I don't even know -- I don't even  
21 know the name of the company. We could have bought  
22 batteries.

23 MRS. ROOKS: It could also be a computer  
24 program. It might be something like that too.

25 THE WITNESS: Yes.



1 MR. DEPENBROCK: There is another charge on  
2 page 27, November 5, Nuskin, \$24.95.

3 MRS. ROOKS: You know, I'm thinking that might  
4 be the -- there was a computer training program we were  
5 getting on a monthly basis for a while. I bet that's what  
6 it is.

7 MR. DEPENBROCK: I see it again on page 26,  
8 October 4.

9 MRS. ROOKS: We had a training program that was  
10 being sent in on a monthly basis for a while. There's two  
11 of them on page 26. Three of them. One is a credit.

12 MR. DEPENBROCK: That's some sort of computer  
13 training program?

14 MRS. ROOKS: Yes.

15 MR. DEPENBROCK: What do they train? Training  
16 to do what?

17 MRS. ROOKS: They send you a CD with a book,  
18 you know, set of pages and then you work through that  
19 particular part of the program depending on what it was.

20 MR. DEPENBROCK: What do you learn by doing  
21 this?

22 MRS. ROOKS: Other capabilities on the  
23 different programs.

24 MR. DEPENBROCK: What different programs?

25 MRS. ROOKS: Word, Excel, probably -- I can't

1 remember the name it. The one that captures data and  
2 Powerpoint.

3 BY MR. DEPENBROCK:

4 Q On page 24 there is a charge on August 1 of  
5 2007 to Kuker Ranken, Beaverton, Oregon of \$100.72.  
6 What's that for?

7 A Something I ordered from Beaverton probably.  
8 Parts or something. I don't know. I would have to look it  
9 up. I haven't been in Beaverton in --

10 MRS. ROOKS: You would have done it by phone.

11 THE WITNESS: Uh?

12 MRS. ROOKS: Whatever it is, if you did it, it  
13 would be by phone.

14 THE WITNESS: It would be what?

15 MRS. ROOKS: More than likely by phone.

16 THE WITNESS: Yes. I haven't been in Beaverton  
17 in seven or eight years.

18 MRS. ROOKS: Longer than that.

19 MR. GASSNER: Lucky you.

20 THE WITNESS: I don't go to Portland unless I  
21 absolutely have to.

22 MR. DEPENBROCK: On page 22 there are several  
23 charges from something called Hello Direct.

24 MRS. ROOKS: That's headsets.

25 MR. DEPENBROCK: Headsets for what?

1 MRS. ROOKS: Telephone.

2 MR. DEPENBROCK: For cell phone or for --

3 MRS. ROOKS: No, office phones. When you  
4 answer the phone as much as we do during the day, you keep  
5 the headset on. They can get you when you are in the  
6 ladies room.

7 MR. DEPENBROCK: On page 19 there are charges  
8 from looks like American Water Work Web.

9 MRS. ROOKS: That's an organization he has to  
10 belong to.

11 THE WITNESS: Yes.

12 MR. DEPENBROCK: What that's organization?

13 THE WITNESS: It's an organization that  
14 provides training around the state and around the world  
15 actually.

16 MRS. ROOKS: Actually this is for training.

17 THE WITNESS: Yes. They provide training and I  
18 belong to the organization. You pay dues to it and you get  
19 literature from them.

20 MRS. ROOKS: And training at a reduced cost.

21 MR. DEPENBROCK: As compared to what?

22 MRS. ROOKS: Like he has got a training coming  
23 up in March, and if you are a nonmember, I think it's \$300.  
24 As a member it's one hundred and something dollars.

25 BY MR. DEPENBROCK:

1 Q And what do you learn at this training?

2 A Say again.

3 Q What kind of things do you learn at the  
4 training?

5 A How to mix drinks and, you know, play cards  
6 and, you know, watch movies. You learn how to rebuild  
7 motors. How to rebuild hydraulic water valves. You learn  
8 how to lay pipe. You learn the laws governing water  
9 systems. They can have -- they can have anything. They  
10 give seminars and you go to different seminars on them.

11 Q On page 13 there is a charge dated October 10  
12 of 2006 to Peterson Machinery Co. for \$2,846.37. What was  
13 purchased?

14 MRS. ROOKS: It was probably repairs. They  
15 were what used to be --

16 THE WITNESS: Peterson I purchased parts for  
17 the dump truck.

18 BY MR. DEPENBROCK:

19 Q This was parts for the company's dump truck?

20 A Yes. See, I told you when you ask me questions  
21 about the trucks, I can answer you.

22 Q I appreciate it.

23 A I'm sorry, but I don't have a total recall  
24 memory.

25 Q There's a charge on page eight, May 4, 2006 to

1 Bend Truck Toyz of Bend, Oregon, \$382. What was purchased  
2 from Bend Truck Toyz?

3 A That was the steps and the rack for my truck  
4 when I bought my truck.

5 Q Which truck was this?

6 A The company truck.

7 MRS. ROOKS: The front bumper, did that come  
8 from there too?

9 THE WITNESS: Not from there.

10 MRS. ROOKS: It was someplace else. Yes.

11 BY MR. DEPENBROCK:

12 Q On page three it indicates the balance as  
13 \$3,066.63. Do you see that towards the middle of the page?

14 A Yes.

15 Q Why is the company paying the Visa card so much  
16 in advance?

17 MRS. ROOKS: So that we didn't get a late  
18 charge. Because of the date of the statements frequently  
19 we would get it and we would not be able to pay until the  
20 due date due to the fact that we have to have a board  
21 member sign. So I would keep it a credit.

22 THE WITNESS: We pay our bills every two weeks  
23 like she said. Therefore if we don't pay it ahead, we are  
24 late and we get billed for being late, and we don't like  
25 late charges just like I hate attorney fees.

1 BY MR. DEPENBROCK:

2 Q The company seems to pay quite a few of them.

3 A You will find out why.

4 Q Let me take just a second. I think I am about  
5 done.

6 (Brief break.)

7 MR. DEPENBROCK: That's all I have. Thank you  
8 very much.

9 EXAMINATION

10 BY MR. BROOKS:

11 Q And like I said because Mr. Depenbrock asked  
12 the questions, I think I will be able to streamline mine a  
13 lot. The same rules will still apply that I need you to  
14 give --

15 A Talk. I can hear you.

16 Q I need you to give verbal responses to  
17 everything so that the court reporter can get everything  
18 down. I am going to try not to repeat many of the  
19 questions that Mr. Depenbrock asked. But I also don't want  
20 to attempt to characterize your previous testimony so I may  
21 ask some questions that may seem redundant, but that will  
22 just sort of set the tone for that line of questioning.  
23 And most of this will sound familiar because I think what I  
24 am doing is building on your testimony from earlier today.  
25 I think the first question I want to ask you is about the

1 appointment of Mr. Combs to the board. Can you tell me  
2 when that was?

3 A Can I what?

4 Q Tell me when Mr. Combs was first appointed to  
5 the board?

6 A Barbara, can I have that sheet, please. Just  
7 tell us the date the first time he was appointed.

8 MS. OAKLEY: November 15, 2000.

9 BY MR. BROOKS:

10 Q November 15, 2000?

11 A Yes.

12 Q And was the purpose of Mr. Combs' appointment  
13 to fulfill the rest of Mr. Pemberton's term?

14 A That's true.

15 Q And that being the case, was Mr. Combs  
16 appointed to fill the remainder of Pemberton's term or he  
17 was appointed to a new term in light of that absence?

18 A He was appointed to fill the remainder of  
19 Mr. Pemberton's term.

20 Q So his term would expire whenever  
21 Mr. Pemberton's term would have expired if Mr. Pemberton  
22 had stayed on the board?

23 A That's true.

24 Q And then I believe you indicated that Mr. Combs  
25 was appointed for a second time?

1 A After his five year term was up, yes.

2 Q So just to step back to the previous question,  
3 his first time would not have been for five years because  
4 he was filling only the remainder of Mr. Pemberton's term?

5 A But the terms were extended during his tenure.  
6 So he had a five year term to fulfill.

7 Q Can you tell me when that process occurred?

8 MS. OAKLEY: January 17, 2001.

9 BY MR. BROOKS:

10 Q That was a board resolution that reset  
11 everyone's term?

12 A For five years, yes.

13 Q And so was it at the end of that period that  
14 began on January 17, 2001 that you referred to as the end  
15 of Mr. Combs' first term?

16 A If that's when it ended, yes. I don't know the  
17 exact date when his first term -- when did his first term  
18 end?

19 MS. OAKLEY: His first term would have ended in  
20 August of '02 under the three year.

21 THE WITNESS: But then it was extend two years  
22 so that's all of '04?

23 MS. OAKLEY: Yes.

24 THE WITNESS: Okay.

25 BY MR. BROOKS:



1 Q Was Mr. Miller appointed or elected to the  
2 board?

3 A I think he was appointed the first time and  
4 then he was elected twice I think, yes.

5 Q Can you break that down in to the various dates  
6 of when he was appointed and when he was elected?

7 A Barbara?

8 MS. OAKLEY: He was appointed on March 31 of  
9 '06, and then he was first elected June 3 of '06.

10 BY MR. BROOKS:

11 Q And is there record of that election that took  
12 place on June 3, 2006?

13 A Yes, there is.

14 Q Have we been provided with that?

15 A I don't think you have asked for it.

16 Q We have asked for all documents. I believe it  
17 covered pretty much any of the corporate actions of the  
18 company for a stated period of time including election  
19 results, ballots, resolutions.

20 A We can give them to you. I don't care.

21 Q I would like to have those.

22 MR. GASSNER: We will provide those.

23 THE WITNESS: Yes.

24 MS. OAKLEY: Well, for what period of time?

25 BY MR. BROOKS:

1 Q I will have to look back in my original  
2 request, but I'm guessing back to '99 or 2000. But I will  
3 review the request. Did the company ever contract with  
4 Mr. Keen and Mr. Scott or Mr. Scott to do work with the  
5 companies that they operated independently of the water  
6 company?

7 A As the manager of this company, I had the  
8 option to contract whoever I wanted to do work for the  
9 company, yes.

10 Q So the company did contract with companies  
11 either owned or operated by Mr. Keen and Mr. Scott?

12 A Yes.

13 Q Are there any resolutions from the company that  
14 authorize you to enter into those contracts?

15 A Yes, there was. But I forget what year it was,  
16 but the board made resolution that I had the authority to  
17 do the expansion projects and I could contract with who I  
18 wanted to.

19 Q Was the wording of those -- of that resolution  
20 that you can contract with whomever you wanted or was it  
21 specific to your --

22 A I don't remember the exact wording. I'm sorry.  
23 I don't mean to interrupt you. I don't remember the exact  
24 wording right now but we can find it.

25 Q Is there -- if you don't remember, is there

1 someone -- we will be able to track down those resolutions?

2 A Yes.

3 Q I don't want to rely too much on your memory.  
4 I'm deposing you as a representative of the company and so  
5 your memory, if it falls short, I need to be able to  
6 identify the person in the company that does have that  
7 knowledge and I don't want to end the line of questioning  
8 until I identify those people.

9 A Barbara, do we still have that resolution in  
10 the book?

11 MS. OAKLEY: If there is a resolution, we have  
12 got it. We don't throw any of those away.

13 THE WITNESS: We don't what?

14 MS. OAKLEY: We don't throw any away.

15 THE WITNESS: We still got it somewhere I  
16 think.

17 MRS. ROOKS: We have a resolution folder that  
18 it should be in.

19 BY MR. BROOKS:

20 Q Would it be in the minute book that you were  
21 looking through earlier today?

22 A Book of resolutions of the board of directors.

23 Q There's a separate book?

24 A We will look for it. We can find it.

25 Q Based on your memory and that resolution did

1 Mr. Keen or Mr. Scott participate in that decision?

2 A No.

3 Q So the only board members names that will be on  
4 it as authorizing it will be individuals other than  
5 Mr. Keen and Mr. Scott?

6 A That's true.

7 Q During the discussion and deliberation of that  
8 resolution, did either Mr. Keen or Mr. Scott disclose that  
9 they had a potential conflict of interest based on that  
10 resolution?

11 A I don't remember. I'd have to look at the  
12 resolution. But I think they -- I think they signed one  
13 but I don't know what happened to it.

14 Q Would that kind of statement be reflected in  
15 the minutes of any meetings?

16 A I don't know. We will look.

17 Q Based on that answer is it safe to say that if  
18 that occurred, it will be in documents that you either have  
19 or you do not have?

20 A If we can find the documents, yes. That's been  
21 a long time ago.

22 Q So that's another one that I need to add to the  
23 list of things that we definitely find before I can say  
24 that this line of questioning is wrapped up. I'm kind of  
25 banking on the company being prepared to answer these kind

1 of questions at the deposition. I don't want to say that  
2 the deposition is over until I have some of these answers.

3 MR. GASSNER: Next break we will see what we  
4 can find.

5 BY MR. BROOKS:

6 Q All right. I'm going to move a little bit and  
7 ask you questions about the dissolution of the company in  
8 2006 or at least the final dissolution papers. I believe  
9 you said in your earlier testimony that there was no vote  
10 by the membership on that dissolution; is that correct?

11 A None required.

12 Q Was there a vote?

13 A No.

14 Q And why don't you think there was one that was  
15 required?

16 A I read the ORSs.

17 Q And what did you think that they said?

18 A I'm not going to make an interpretation of the  
19 law in this case. I'm not an attorney.

20 Q I don't need you to interpret the law. You  
21 said you based it on reading the ORSs?

22 A There is nothing I found in the ORSs or that  
23 our attorney found in the ORSs that said that the people  
24 had to vote on that.

25 Q Did you look at the bylaws at all when you came

1 to that determination?

2 A Yes, we did.

3 Q And what did your bylaws say?

4 A The bylaws said nothing about the people voting  
5 on dissolution.

6 Q Do you still have the exhibits in front of you  
7 that Mr. Depenbrock entered into the --

8 A Yes.

9 Q Could you look at Exhibit 23.

10 A I have it in front of me.

11 Q I believe you said earlier this morning and in  
12 response to Mr. Depenbrock's question that this was the  
13 plan of dissolution that the board prepared for the  
14 dissolution process.

15 A Yes.

16 Q Was there any other written document that you  
17 would call a plan of dissolution?

18 A No.

19 Q Was this document shared with any of the  
20 members prior to its enactment?

21 A I don't think so.

22 Q Was this document published as part of an  
23 agenda for the board meeting where they considered this  
24 resolution?

25 A You mean to the board of directors or to the

1 public?

2 Q Let's ask both but one at a time. First to the  
3 board?

4 A Yes. I believe they had a copy of it.

5 Q And how did you distribute a copy of this to  
6 them?

7 A I probably handed it to them.

8 Q And you would have personally handed it to all  
9 of the members on there?

10 A Probably.

11 Q I believe you also mentioned that this was --  
12 that this dissolution was in the works for approximately  
13 one year prior to when this actually was enacted by the  
14 board; is that correct?

15 A Yes.

16 Q Did you or the board -- did the board I should  
17 say ever share that possibility with the membership?

18 A No.

19 Q Why not?

20 A It wasn't required.

21 Q Was it discussed -- even beyond the  
22 requirements of the law, was it ever discussed whether you  
23 should or should not?

24 A Not to my knowledge.

25 Q What makes you think that it was not required?

1           A       Read the ORSs.

2           Q       So you read the ORSs before you -- as you were  
3 grappling with this decision?

4           A       Yes.

5           Q       And what did you think the ORSs said about this  
6 situation?

7           A       It's up to the board of directors.

8           Q       Other than that resolution that's Exhibit 23,  
9 did the company take any other official action in regards  
10 to the dissolution process?

11          A       Like I said, we filed with the state secretary  
12 office.

13          Q       Did you provide notice to the Attorney  
14 General's office that you were going to be dissolving the  
15 company?

16          A       I don't remember.

17          Q       Is there someone in the company that would  
18 remember?

19          A       Probably not.

20          Q       Is there something in the records maybe that  
21 could answer that question? Something in the company's  
22 records that could answer that question?

23          A       Not that I know of, but I didn't know it was  
24 required.

25          Q       Following the dissolution of the company and



1 the formation of the cooperative, who were the board  
2 members of the cooperative?

3 A The same people that were the board members of  
4 the company. Nothing changed.

5 Q Who were the incorporators of the cooperative?

6 A I would imagine the board.

7 Q Can you -- let's see. I believe this is  
8 exhibit -- it's either 29 or 26. Never mind. Try  
9 Exhibit 26. These are the -- I will represent to you these  
10 are the articles of incorporation. I think you  
11 acknowledged that earlier. On the second page there's a  
12 list of incorporators or at least that is what it purports  
13 to be. Is this an accurate reflection of who the  
14 incorporators are of the new co-op?

15 A Yes.

16 Q Are you a board member of the co-op?

17 A Yes.

18 Q And when did that occur?

19 A What year was I elected, Barbara?

20 MS. OAKLEY: June 2, '07.

21 BY MR. BROOKS:

22 Q Who are the members of the cooperative  
23 officially?

24 A The same members as the company.

25 Q Would those be characterized as the customers

1 of the company or is there something else that determines  
2 who is physically a member?

3 A I forget the exact wording in the co-op bylaws,  
4 but the co-op bylaws specify who is a member.

5 Q Do you have membership agreements with any or  
6 all of your members?

7 A All the members fill out an application and an  
8 agreement to pay the bill in an owners package when they  
9 come in and they sign it.

10 Q And so all of the company's current members  
11 have filled out one of these packets or have filled out a  
12 membership agreement?

13 A No. Some of them have been here 20 years. I  
14 don't know what they filled out. But the fact that they  
15 pay a bill, they pay a water bill and we supply a commodity  
16 is an agreement that they are our members.

17 MRS. ROOKS: They have to have the deed to the  
18 property in order to be a member of the company. A renter  
19 is not a member of the company. They are only a customer.

20 THE WITNESS: That's right.

21 BY MR. BROOKS:

22 Q So other than the bill that goes out on a  
23 periodic basis to a customer, does the company have any  
24 other written agreement with anyone that it considers a  
25 member?

1           A       No. Eventually we are going to get out of this  
2 PUC thing and get out of this lawsuit we are going to issue  
3 co-op certificates, but we haven't done it yet because we  
4 are right in the middle of this litigation and we don't  
5 know how it's going to end. We have designed it. We just  
6 haven't issued them yet because of the litigation.

7           Q       When did you design the co-op certificates?

8           A       After we became a co-op.

9           Q       Immediately after or more recently?

10           MRS. ROOKS: Immediately after.

11           THE WITNESS: Yes, immediately after.

12 BY MR. BROOKS:

13           Q       And you have not issued any of these  
14 certificates to any of the members?

15           A       We don't know what the status is going to be  
16 yet. AG's office is giving us a lot of trouble.

17           Q       When did the litigation with the PUC begin?

18           A       Say that again, please. I'm having a hard  
19 time.

20           Q       When did the litigation with the PUC over this  
21 jurisdiction dispute begin?

22           A       I think it began in 2001 or 2002.

23           MRS. ROOKS: Originally was 2000 or '99 because  
24 it stemmed off of Constance.

25 BY MR. BROOKS:

1 Q So I can deduce from that that the litigation  
2 was -- had been initiated over this jurisdictional fight  
3 when you incorporated as a cooperative?

4 A No, prior to that.

5 Q Let me rephrase it. When you incorporated as a  
6 cooperative, was the company already disputing jurisdiction  
7 with the PUC?

8 A Yes.

9 Q Can you describe to me just sort of what the  
10 process is for determining rates for the water?

11 A We have to pay the bills every month.

12 Q Sure. But how do you come up with the number  
13 that you are going to charge on a bill?

14 A In the past we have had our accountant come  
15 over and he has a computer program that shows what our  
16 expenses are -- what are income is, what our expenses are  
17 and what our expenses -- we project what the expenses are  
18 going to be over the next five years and we use that as a  
19 reference.

20 Q As part of that process does the accountant  
21 make a determination about the or I should say does he  
22 value the capital infrastructure?

23 A Part of it is, yes.

24 Q Does the accountant provide an opinion about  
25 the legitimacy of either the expenses or the revenues that

1 feed into that analysis?

2 A I don't understand your question.

3 Q You said the accountant looks at all of your  
4 expenses and all of your revenues and then you use that as  
5 a starting point for coming up with the rates; is that  
6 correct?

7 A Right.

8 Q In conducting that analysis, does the  
9 accountant express an opinion about whether or not those  
10 expenses or that revenue should be included or does he  
11 take -- he or she take all of the information you have  
12 provided and just run the numbers?

13 A Both.

14 Q Could you provide me an example of where the  
15 accountant has provided an opinion about whether or not a  
16 number should be included?

17 A About the future, yes. About a future budget.  
18 In other words, his program will show if you spent \$100,000  
19 on fuel this year, next year with the price increase of  
20 fuel it would be 125,000. And he says, you know, this is  
21 what you have to budget for. He does not give a legal  
22 determination of what it is. He just recommends what it  
23 should be or used to.

24 Q So is it fair to say that the accountant looks  
25 at the numbers to help project the future but doesn't

1 provide you the opinion about what the numbers were  
2 actually in the past?

3 A That's fair.

4 Q Does this happen on a yearly basis?

5 A No. We used to set a budget about every three  
6 to five years.

7 Q And what's the process of communicating any  
8 rate changes to the customers?

9 A Notify them on the bill.

10 Q Just on the bill. So is the first indication  
11 that they get that rates have gone up are in the bill?

12 A No. We notify them ahead of time that the bill  
13 is going to increase.

14 Q How much ahead of time?

15 A Two months.

16 MRS. ROOKS: Usually two to three months.

17 BY MR. BROOKS:

18 Q Has your new accountant run one of these  
19 analyses yet?

20 A No. Haven't asked him to yet. We are still  
21 involved with PUC. We don't know what's going to happen.

22 Q Does that mean the rates are -- you are just  
23 keeping everything the same until you get through the PUC  
24 process?

25 A Basically, yes.

1 Q I believe I heard you say that the new  
2 accountant had finalized your 2008 tax return or your form  
3 990; is that correct?

4 A Yes.

5 Q Do you have a copy of that?

6 A Yes.

7 Q Can we get that before --

8 A Absolutely not. You can have it. I don't  
9 care.

10 Q Is it here today?

11 A Yes. You can have it.

12 Q You also said that the only e-mails you send  
13 from this account are to the accountant or to your  
14 attorneys?

15 A No, I didn't say that.

16 Q Do you send e-mails from this account other  
17 than to your accountant or to your attorneys?

18 A I probably do but I don't remember who. I  
19 don't send e-mails very often. I either have -- Barbara  
20 usually sends or Jacquie sends the e-mails. I dictate what  
21 I want to say because I don't type. So I have them do it.

22 Q Were you asked to review your e-mails in  
23 response to your discovery requests?

24 A Was I what?

25 Q Were you asked to review your e-mails in

1 response to the discovery requests that we submitted?

2 A I'm sure I did review them, yes.

3 Q Do you know if you did or not?

4 MRS. ROOKS: I don't remember us being asked to  
5 do it. Do you, Barbara?

6 THE WITNESS: I don't think anybody asked us to  
7 review them.

8 MRS. ROOKS: We don't save many of them any  
9 way.

10 MR. BROOKS: Mr. Gassner, if you could track  
11 that down --

12 MR. GASSNER: Track what down?

13 MR. BROOKS: Whether or not any e-mails that  
14 you have have been produced. I noticed -- it seems like  
15 very few. And I don't think there was much e-mail but then  
16 it sounds like the company use e-mails but I haven't seen  
17 any in production.

18 MR. GASSNER: I have not -- in the course of  
19 representing the water company since 2006 I have not seen  
20 in their files that they produced for me on one subject or  
21 another e-mail correspondence. The only e-mail  
22 correspondence has been through -- between myself and the  
23 client.

24 MR. BROOKS: Sure. I guess what I heard them  
25 say is that they also weren't asked to review them. So if



1 we could just talk later maybe about confirming that.

2 MR. GASSNER: Okay.

3 MR. BROOKS: Even if you haven't seen any  
4 e-mails, I would like them to review their files and  
5 produce everything that's responsive.

6 MR. GASSNER: Okay.

7 THE WITNESS: I don't understand what you are  
8 trying to get at here. Did we review your requests for  
9 information?

10 BY MR. BROOKS:

11 Q My question was whether or not you reviewed  
12 your e-mails to determine if there were any e-mails  
13 responsive to our requests for information.

14 A I'm not following. I must be getting tired  
15 because I'm not following what you are saying. I'm not  
16 understanding the question. I apologize. I don't  
17 understand the question. Rerword it for a mechanic.

18 Q I'm trying. Are you familiar with the request  
19 for production that we submitted to all the defendants  
20 asking for documents?

21 A Yes, I am.

22 Q So my question is that when you responded to  
23 those requests --

24 A When Tim responded to your requests?

25 Q Let's say when the company responded. Maybe it

1 was through your attorney. That's not my call. But when  
2 the company responded, did the company review e-mails to  
3 determine if there were any e-mails that were responsive to  
4 those requests? I thought I heard you say, no, you didn't.

5 A I don't know whether we did or not to tell you  
6 the truth of the matter. I don't know. We may have or we  
7 may not have. I don't know.

8 Q Then I also thought I heard you say that you  
9 didn't.

10 MRS. ROOKS: I don't remember any. I don't  
11 remember their request. But that doesn't mean anything  
12 because I'm not always involved in it. Barbara is more  
13 involved.

14 THE WITNESS: I can't honestly say one way or  
15 the other.

16 MRS. ROOKS: Do you remember?

17 MS. OAKLEY: I didn't review it.

18 BY MR. BROOKS:

19 Q I think that's sufficient. I think I can talk  
20 to your attorney afterwards and we can just confirm and the  
21 question will be answered.

22 A Okay.

23 Q I want to make sure I characterize your  
24 testimony from earlier correctly so feel free to cut me off  
25 or respond. At some point you began taking automatic

1 paycheck deductions that would go into an accounting of  
2 some sort that as you made purchases for yourself, you  
3 could pull it out of that account so that it was  
4 essentially -- well, is that how -- the mechanics of it?

5 A I believe that's the way it works, yes.

6 Q And I heard you say that currently you are  
7 approximately \$3,000 in the black?

8 A I think so, yes. I haven't checked.

9 Q So have there been times when you had a  
10 negative balance in there?

11 A Yes.

12 Q How often did that occur?

13 A Once when I had to buy a welder. I don't think  
14 I had \$5,000 and I had to buy a plasma cutter to work on  
15 the backhoes and on the dump trucks. I burned my personal  
16 welder up so I had to buy another one to work on company  
17 equipment. So I bought that.

18 Q Why were you paying personally for company  
19 equipment?

20 A Because I work on all the company equipment.  
21 I'm the only person -- normally the only person that works  
22 on it.

23 Q How come the company doesn't buy that?

24 A Because the company couldn't afford it at the  
25 time. Can I elaborate here in a bit?

1 Q Let me ask a follow-up question because I think  
2 I may be confused. You said the company couldn't afford  
3 it, but you were using company money to buy it and then you  
4 were paying it back to the company through these automatic  
5 paycheck deductions?

6 A That's right.

7 Q So the company could afford it?

8 A No, it couldn't afford to buy a welder, having  
9 it sitting down there in the shop for a year at a time, you  
10 know. There was no reason to do that. You don't build a  
11 company that way.

12 Q So maybe I'm missing a piece of the equation  
13 here. You say you don't build a company that way or you  
14 don't bill a company that way?

15 A Build.

16 Q So before the -- let's take this a little  
17 piece at a time. For the welder, for the plasma cutter,  
18 was there a board resolution that authorized you to or  
19 authorized the company to make that purchase up front and  
20 then to have you reimburse the company?

21 A No.

22 Q Was there a board resolution that authorized  
23 you to make or for you to make any purchases with company  
24 funds that then would later be reimbursed through your  
25 paycheck deduction?

1 A Yes.

2 Q What was that resolution?

3 A Track hoe.

4 Q Other than the trackhoe, was there a  
5 resolution?

6 A Not that I know of.

7 Q And then for the trackhoe specifically there  
8 was a resolution that authorized that?

9 A Yes.

10 Q What was the nature of that resolution? What  
11 was the specific authority that granted that authorization?

12 A Say that again.

13 Q What was the nature of the resolution? What  
14 did it say?

15 A It said the company was going to buy the  
16 trackhoe and use it for a while and then I was going to buy  
17 the trackhoe from the company because basically the company  
18 couldn't afford to have that piece of equipment sitting  
19 here doing nothing six months out of the year.

20 Q So just to walk through this scenario a little  
21 bit, the trackhoe was purchased by the company and used by  
22 the company?

23 A Yes.

24 Q And then you purchased the trackhoe from the  
25 company?

1 A Yes.

2 Q And then did the company ever use the trackhoe  
3 after that?

4 A Many times.

5 Q And under what sort of arrangement?

6 A Free.

7 Q And this was free as a gift from you to the  
8 company?

9 A I never charged the company for the use of the  
10 trackhoe, my backhoe, my shop trucks, nothing.

11 Q Do you have an accounting of what the value of  
12 that use would be for the trackhoe or for the other things  
13 that you provided free?

14 A No.

15 Q Was the value of that ever incorporated into  
16 your accountant's assessment of what your costs and your  
17 expenses and revenues were for determining rates?

18 A Not that I know of.

19 Q When you purchased the trackhoe from the  
20 company, my understanding is that you did not pay for it  
21 all at once; is that correct?

22 A That's correct.

23 Q And what was the balance on what you didn't pay  
24 for?

25 MRS. ROOKS: I'd have to look at the loan

1 papers.

2 THE WITNESS: I don't remember the exact  
3 balance.

4 BY MR. BROOKS:

5 Q Can you give me an approximation?

6 A You mean -- I paid the company back every dime  
7 that the company put in the trackhoe including the interest  
8 that the company incurred while they owned it.

9 Q So what was that amount?

10 A I don't know offhand. I would have to look at  
11 some paperwork.

12 Q Do you know approximately?

13 A 40,000, something like that.

14 MRS. ROOKS: No.

15 THE WITNESS: I don't know.

16 MRS. ROOKS: We had been paying on it five  
17 years or better. Four or five years. I have no idea.

18 THE WITNESS: And I paid them back the interest  
19 that the company paid on the loan while they were -- while  
20 the company owned it.

21 BY MR. BROOKS:

22 Q What was that interest rate?

23 A I don't know. I'd have to look at the  
24 contract.

25 Q How did you arrive at that agreement with the

1 company to do that?

2 A I told the board that we needed a trackhoe and  
3 the company couldn't afford to keep it.

4 Q Did you negotiate with anyone on the board  
5 during that time period over that transaction?

6 A No. What do you mean negotiate? Explain that?

7 Q Well, you entered into a transaction with the  
8 company for the transfer of the trackhoe in exchange for  
9 money at an interest rate; right?

10 A The company bought the trackhoe and the company  
11 used it for several months. Then I bought the company from  
12 the trackhoe -- I bought the trackhoe from the company.  
13 Okay. And I paid all of the expenses the company incurred  
14 while they owned that trackhoe with the exception of the  
15 insurance because the law says the company has to have  
16 insurance on anything we put in the field. So they had to  
17 have insurance on it. If I rent a trackhoe, I have to pay  
18 insurance on it. If I borrow a trackhoe, I have to have  
19 insurance on it.

20 Q At some point it was decided that you would pay  
21 the amount plus the interest; is that correct?

22 A The interest that the company paid on the loan  
23 while they had it, yes.

24 Q So that transaction is what I am referring to  
25 as the agreement that you paid it back?



1 A It was agreed with the board.

2 Q Who represented the board in arriving with you  
3 as an individual at that agreement?

4 A All the board members as far as I know.

5 Q Collectively?

6 A Yes.

7 Q You said there wasn't a resolution for the same  
8 scenario with the welder and a plasma cutter, but was there  
9 also an agreement with someone at the company that you were  
10 going to pay it back?

11 A No.

12 (Telephone interruption.)

13 THE WITNESS: Please repeat the question.

14 BY MR. BROOKS:

15 Q I'm trying to draw a comparison with the welder  
16 and the plasma cutter.

17 A Okay. Let me answer your question. On major  
18 purchases, the board was always involved in any major  
19 purchases, land, the dump truck, equipment, stuff like  
20 that. On --

21 MRS. ROOKS: Capital purchases.

22 THE WITNESS: On capital improvements and stuff  
23 like that. On small purchases, a welder or a plasma cutter  
24 or something like that, I was at liberty to include that in  
25 my budget as long as I stayed within the budget that the

1 company was living on. That was not a problem. As a  
2 general manager, I could buy that.

3 BY MR. BROOKS:

4 Q What differentiates the welder as a small  
5 purchase from a trackhoe as a large purchase?

6 A \$135,000.

7 Q So there was a price break somewhere that would  
8 determine that?

9 A What?

10 Q There's a price break somewhere in that range  
11 that determines that?

12 MRS. ROOKS: Usually it's considered over  
13 \$25,000.

14 THE WITNESS: Yes.

15 MR. BROOKS: I think I am ready to close. I  
16 just want to --

17 THE WITNESS: I'm sorry. I couldn't hear you.

18 MR. BROOKS: I think we are getting close to  
19 the end of my questioning. I just want to check my notes.

20 MR. GASSNER: Do we want to take this  
21 opportunity to look for the documents that you were  
22 interested in earlier?

23 MR. BROOKS: That would be great.

24 MR. GASSNER: Can you tell me again what you  
25 were looking for specifically

1 MR. BROOKS: One is the 2008 Form 990. Another  
2 is the election documents for Combs and Miller.

3 MR. GASSNER: You mean the ballots?

4 MR. BROOKS: Either the ballots or the  
5 accounting or something, the minutes, something that  
6 reflected that.

7 MS. OAKLEY: There's no ballots for Combs  
8 because he wasn't elected. He was appointed.

9 MR. BROOKS: Probably just for Mr. Miller.  
10 There was a subsequent appointment of Mr. Combs.

11 MR. GASSNER: Do you have minutes from that?

12 MS. OAKLEY: I haven't located --

13 THE WITNESS: That meeting took place in my  
14 office and I took notes and don't ask me what I did with  
15 them. When she takes notes, we save them. When I take  
16 notes, you are lucky to ever see them again. But it took  
17 place in my office and I remember when it took place.

18 BY MR. BROOKS:

19 Q How often does that occur that you take notes?

20 A Once every five or six years if you are lucky.

21 Q Let me see if there is any other documents.

22 You said that there could be a resolution when the  
23 contracts were entered into with the company and Mr. Scott  
24 and Mr. Keen, that either resolution or minutes that  
25 reflected their conflict of interest disclosure.

1           A       I don't know. We will look for it. And it  
2 might or might not have been signed, but I don't remember  
3 right now. I will look for it.

4           Q       I think that's it for right now.

5           A       If we can't find it today, we will ship it to  
6 you when we find it.

7                   (Brief break.)

8 BY MR. BROOKS:

9           Q       Back on the record. Looking at the tax  
10 returns, Form 990s from 2007 and then the previous three to  
11 four years, there are lines on each one for the salary or  
12 the compensation for key employees. So as an example, on  
13 Exhibit 45 which is the 2007 tax return I believe on page  
14 2032 at the bottom right-hand corner.

15          A       I'm looking at it.

16          Q       Okay. This number is based -- this \$88,838,  
17 that's based on your new I guess your status as a salaried  
18 employee as opposed to under the previous employment  
19 agreement where you received \$25 per hour?

20          A       This was for what year?

21          Q       This is for 2007.

22          A       Let me think here for a minute. 2007, wasn't  
23 that when -- I think part of that year I was still being  
24 paid for the repairs on company equipment, wasn't it? Why  
25 the 88,000?

1 MRS. ROOKS: I'd have to look back at your time  
2 because you may have still been \$25 an hour and got  
3 overtime before you went on salary.

4 THE WITNESS: That could have been. I would  
5 have to have the time cards in front of me to answer your  
6 question.

7 BY MR. BROOKS:

8 Q So in 2007 for part of that year you worked on  
9 an hourly basis and part of that year you worked on a  
10 salary basis?

11 A There is a possibility of that. I don't know  
12 that's the correct answer. That's the only explanation I  
13 can come up with this because my salary now I think is  
14 83,000 a year.

15 MR. BROOKS: Mrs. Rooks, do you know if that's  
16 the year that it switched over?

17 MRS. ROOKS: I think it is.

18 THE WITNESS: That's the only explanation I can  
19 come up for the extra \$4,000. And I spent that on beer.

20 BY MR. BROOKS:

21 Q The previous year 2006 was completely based on  
22 an hourly basis? That's page -- it's probably about the  
23 fifth page in that packet on Exhibit 44.

24 A Yes.

25 Q And then if you could also look at the 2005

1 just to confirm that's also based purely on an hourly rate?

2 A Yes.

3 Q And so any differences in those two numbers  
4 would be based is it fair to say on the number of hours you  
5 worked and not on a different agreement with the company?

6 A That's right.

7 Q On both of those, the 2005 and the 2006, the  
8 form 990 lists your average hours per week as 40.

9 A On 2005 and 2006?

10 Q Correct.

11 A What page are you on?

12 Q It's about page five of each one.

13 A You mean in the B column there?

14 Q Correct.

15 A Yes, that would just be my hours in the office.  
16 That wouldn't be my hours in the field and everything else.  
17 And I don't know why the accountant put that in there.

18 Q So the title of column B says title and average  
19 hours per week devoted to the position. Are your hours in  
20 the office and your hours in the field all devoted to your  
21 position as the general manager?

22 A It's separated out. I'm the general manager of  
23 the company here. I am operations manager when I am in the  
24 field. You will have to ask the accountant why he put 40  
25 on there because if you look at my time cards I think you

1 will get a little surprise.

2 Q Are you compensated for two different jobs then  
3 or are you compensated for one job?

4 A I do both. So I'm compensated for both.

5 Q Within one rate structure?

6 A Yes.

7 Q And can you give the names of the board members  
8 who are currently board members of the water company?

9 A No, we don't give out that information.

10 Q Except for in depositions.

11 A Except in depositions, yes. The ugly one in  
12 the corner, Bert Platz, Brian Elliott, Bill Pemberton.

13 MRS. ROOKS: You?

14 THE WITNESS: Who?

15 MRS. ROOKS: You.

16 THE WITNESS: There was five. There's only  
17 four of -- Jim Rooks, me. But Miller is dead. You can't  
18 depose him. You can but he won't say much.

19 BY MR. BROOKS:

20 Q Would he have said much more previously?

21 A Not much. He is a pretty quiet guy but pretty  
22 smart.

23 MR. BROOKS: I think that's all the questions I  
24 have for you with the exception of any questions that may  
25 arise from documents that are later produced, and we have

1 discussed among Counsel that that can occur during or after  
2 the deposition of Mr. Price. So with that reservation I  
3 think I can conclude for today.

4 MR. GASSNER: Okay. Mr. Depenbrock asked for a  
5 copy of the employment agreement that was created through  
6 PUC dealings, and so I'm providing a copy of that. And  
7 here is another one if you want to make an exhibit out of  
8 it.

9 MR. DEPENBROCK: Yes, please. One is for  
10 Jacquie Rooks and one is for James Rooks.

11 (The documents referred to were  
12 marked as Exhibits 48 & 49 for identification.)

13 MR. GASSNER: Which one are you doing as 48?

14 MR. DEPENBROCK: Let's make 48 Jacquie Rooks  
15 and 49 James Rooks.

16 MR. REPORTER: Exhibit 47 was not marked on the  
17 record.

18 MR. BROOKS: For purposes of the record we  
19 marked as Exhibit 47 the 2008 Form 990 form.

20 (The document referred to was  
21 marked as Exhibit 47 for identification.)

22 (Time noted 4:00 P.M.)

23

24

25



1 STATE OF OREGON )

2 ) ss

3 COUNTY OF DESCHUTES )

4 I, DEBORAH FLEISCHER, Court Reporter and  
5 Notary Public, do hereby certify;

6 That prior to being examined,

7 JAMES ROOKS,

8 the witness named in the foregoing deposition, was by  
9 me duly sworn to testify the truth, the whole truth and  
10 nothing but the truth;

11 That the testimony of the witness and all  
12 objections made at the time of the examination were  
13 recorded stenographically by me;

14 That the foregoing transcript is a true  
15 record of the testimony and all objections made at the  
16 time of the examination.

17 I hereby certify that I am not interested  
18 in the event of the action.

19 IN WITNESS WHEREOF, I have subscribed my  
20 name this 10th day of February, 2010.

21

22

23

24

25

---

DEBORAH FLEISCHER  
Court Reporter & Notary Public

## Business Registry Business Name Search

New Search

### Business Entity Data

05-23-2007  
10:17

Registry Nbr	Entity Type	Entity Status	Jurisdiction	Registry Date	Duration Date	Renewal Date
120921-10	DNP	INA	OREGON	04-27-1977		
<b>Entity Name</b> CROOKED RIVER RANCH WATER COMPANY						
<b>Foreign Name</b>						
<b>Non Profit Type</b> MUTUAL BENEFIT WITH MEMBERS						

New Search

### Associated Names

Type	PPB	PRINCIPAL PLACE OF BUSINESS			
<b>Addr 1</b>	CROOKED RIVER RANCH				
<b>Addr 2</b>	PO BOX 1388				
<b>CSZ</b>	CROOKED RIVER RANCH	OR	97760	<b>Country</b>	UNITED STATES OF AMERICA

*Please click here for general information about registered agents and service of process.*

Type	AGT	REGISTERED AGENT	Start Date	06-28-2000	Resign Date
<b>Name</b>	JAMES H ROOKS				
<b>Addr 1</b>	13845 SW COMMERCIAL LOOP				
<b>Addr 2</b>					
<b>CSZ</b>	CROOKED RIVER RANCH	OR	97760	<b>Country</b>	UNITED STATES OF AMERICA

Type	MAL	MAILING ADDRESS			
<b>Addr 1</b>	PO BOX 1388				
<b>Addr 2</b>					
<b>CSZ</b>	CROOKED RIVER RANCH	OR	97760	<b>Country</b>	UNITED STATES OF AMERICA

Type	PRE	PRESIDENT	Resign Date
<b>Name</b>	CHARLES PETERSON		
<b>Addr 1</b>	13845 SW COMMERCIAL LOOP		
<b>Addr 2</b>			
<b>CSZ</b>	CROOKED RIVER RANCH	OR	97760
<b>Country</b>	UNITED STATES OF AMERICA		

Business Registry Business Name Search

<b>Type</b>	SEC	SECRETARY			<b>Resign Date</b>	
<b>Name</b>	WAYNE		SUTTON			
<b>Addr 1</b>	13845 SW COMMERCIAL LOOP					
<b>Addr 2</b>						
<b>CSZ</b>	CROOKED RIVER RANCH	OR	97760		<b>Country</b>	UNITED STATES OF AMERICA

New Search

**Name History**

Business Entity Name	Name Type	Name Status	Start Date	End Date
	CROOKED RIVER RANCH WATER COMPANY	EN	CUR	04-27-1977

Please read before ordering Copies.

New Search

**Summary History**

Image Date	Action	Transaction Date	Effective Date	Status	Name/Agent Change	Dissolved By
07-05-2006	ARTICLES OF DISSOLUTION	07-05-2006		FI		DIR
04-28-2006	ARTICLES OF AMENDMENT	04-28-2006		FI		
04-04-2006	ANNUAL REPORT PAYMENT	04-04-2006		SYS		
04-04-2005	ANNUAL REPORT PAYMENT	04-04-2005		SYS		
04-01-2004	ANNUAL REPORT PAYMENT	04-01-2004		SYS		
04-11-2003	ANNUAL REPORT PAYMENT	04-11-2003		SYS		
04-09-2002	ANNUAL REPORT PAYMENT	04-09-2002		SYS		
04-24-2001	ANNUAL REPORT PAYMENT	04-24-2001		SYS		
06-28-2000	AMENDED RENEWAL	06-28-2000		FI		
06-28-2000	AGENT/AUTH REP CHNG	06-28-2000		FI		
04-12-1999	CHANGED RENEWAL	04-12-1999		FI		
04-12-1999	AGENT/AUTH REP CHNG	04-12-1999		FI		
04-05-1999	STRAIGHT RENEWAL	03-22-1999		FI		
04-07-1998	STRAIGHT RENEWAL	04-07-1998		FI		

Business Registry Business Name Search

04-01-1997	STRAIGHT RENEWAL	03-24-1997		FI		
04-01-1997	CHANGED RENEWAL	03-24-1997		FI		
03-28-1996	STRAIGHT RENEWAL	03-21-1996		FI		
04-21-1995	AMENDED RENEWAL	04-21-1995		FI		
04-21-1995	AGENT/AUTH REP CHNG	04-21-1995		FI		
04-05-1994	STRAIGHT RENEWAL	03-22-1994		FI		
03-29-1993	STRAIGHT RENEWAL	03-23-1993		FI		
05-20-1992	AMENDED RENEWAL	05-18-1992		FI		
06-28-1991	NB AMENDMENT	06-28-1991		FI		
03-26-1991	AMENDED RENEWAL	03-20-1991		FI		
05-17-1990	AMENDED RENEWAL	05-10-1990		FI		
05-17-1990	AGENT/AUTH REP CHNG	05-10-1990		FI		
04-12-1989	AMENDED RENEWAL	04-06-1989		FI		
04-12-1989	ASSOCIATED NAME CHNG	04-06-1989		FI		
04-14-1988	STRAIGHT RENEWAL	04-13-1988		FI		
04-13-1987	STRAIGHT RENEWAL	04-09-1987		FI		
03-27-1986	STRAIGHT RENEWAL	03-25-1986		FI		
03-27-1985	STRAIGHT RENEWAL	03-13-1985		FI		

© 2007 Oregon Secretary of State. All Rights Reserved.

One or more natural persons of the age of 18 years or more may incorporate a nonprofit corporation by signing, verifying and delivering Articles of Incorporation in duplicate to the Corporation Commissioner. The procedure for the formation of nonprofit corporations is set forth in ORS 61.305 through 61.325. See ORS 61.311 for the content of Articles of Incorporation.

Nonprofit

FILE NO. 120921

# Articles of Incorporation

OF

CROOKED RIVER RANCH WATER COMPANY

**FILED**  
 IN THE OFFICE OF THE CORPORATION  
 COMMISSIONER OF THE STATE OF OREGON  
 APR 27 1977  
 FRANK J. HEALY  
 CORPORATION COMMISSIONER

The undersigned natural person(s) of the age of eighteen years or more, acting as incorporators under the Oregon Nonprofit Corporation Law, adopt the following Articles of Incorporation:

**ARTICLE I** The name of this corporation is Crooked River Ranch Water Company

(The corporate name cannot contain any word or phrase which indicates or implies that it is organized for any purpose other than one or more of the purposes contained in its articles of incorporation; and cannot contain the word "cooperative". See ORS 61.071.)

and its duration shall be perpetual

**ARTICLE II** The purpose or purposes for which the corporation is organized are:

The corporation is organized for the purpose of providing domestic and irrigation water to portions of Crooked River Ranch, a duly recorded subdivision in Deschutes County, Oregon, and other adjacent properties that may be developed by Crooked River Ranch, a limited partnership. This corporation is also organized for the purpose of obtaining a tax exemption.

(It is not necessary to set forth in the articles any of the corporate powers enumerated in ORS 61.051. It is sufficient to state, either alone or with other purposes, "That the corporation may engage in any lawful activity, none of which is for profit, for which corporations may be organized under ORS Chapter 61"; however, it is desirable to state the primary purpose of the corporation in conjunction with such statement.)

**ARTICLE III** The address of the initial registered office of the corporation is \_\_\_\_\_

1044 NW Bond Street Bend, Oregon 97701  
(Street and Number) (City and State) (Zip)

and the name of its initial registered agent at such address is Neil R. Bryant

**ARTICLE IV** The number of directors constituting the initial board of directors of the corporation is

three, and the names and addresses of the persons who are to serve as directors until the first

(At least three) annual meeting or until their successors are elected and shall qualify are:

Name	Address
(Street and Number)	(City and State) (Zip)
<u>W.R. McPherson</u>	<u>5201 University Way, NE, Seattle, WA 98105</u>
<u>Robert Lord</u>	<u>5201 University Way, NE, Seattle, WA 98105</u>
<u>Murdock D. McPherson</u>	<u>5201 University Way, NE, Seattle, WA 98105</u>
_____	_____
_____	_____

VOID IF ALTERED OR ERASED

VOID IF ALTERED OR ERASED

ARTICLE V The name and address of each incorporator is

1963  
APR 27-77  
\*\*\*\*\*10:00

Name	(Street and Number)	Address (City and State)	(Zip)
Gerald A. Martin	1044 NW Bond Street, Bend, Oregon		97701
Neil R. Bryant	1044 NW Bond Street, Bend, Oregon		97701
Robert S. Lovlien	1044 NW Bond Street, Bend, Oregon		97701

ARTICLE VI The provisions for the distribution of assets on dissolution or final liquidation are:

No part of the net earnings of the corporation shall inure to the benefit of any member, trustee, officer or private individual, except that reasonable compensation may be paid for services rendered to or for the corporation affecting one or more of its purposes, and no member, trustee, officer or any private individual shall be entitled to share in the distribution of any of the corporate assets on dissolution of the corporation. If the corporation should be dissolved, said system shall revert to Crooked River Ranch, a limited partnership.

ARTICLE VII (Optional provisions for the regulation of the internal affairs of the corporation as may be appropriate. If none, leave blank.)

We, the undersigned incorporators, declare under penalties of perjury that we have examined the foregoing and to the best of our knowledge and belief, it is true, correct and complete.

*Gerald A. Martin*  
 \_\_\_\_\_  
 Gerald A. Martin

*Robert S. Lovlien*  
 \_\_\_\_\_  
 Robert S. Lovlien

*Neil R. Bryant*  
 \_\_\_\_\_  
 Neil R. Bryant

Dated April 19 77

File with Corporation Commissioner, Commerce Bldg., 158 12th St., N.E., Salem, Oregon 97310.

VOID IF ALTERED OR ERASED

VOID IF ALTERED OR ERASED

 COPY

TO: Corporation Division  
Department of Commerce

CONSENT TO USE OF NAME

We, the undersigned, hereby certify:

That, in our opinion, the name CROOKED RIVER RANCH  
WATER COMPANY

is not so similar to the name of this business as to tend to  
confuse or deceive the public; and

That CROOKED RIVER RANCH  
(Name of Your Firm)

hereby consents to the filing of CROOKED RIVER RANCH WATER  
COMPANY

(Proposed Name of the New Firm)

in the State of Oregon.

IN WITNESS WHEREOF, we have set our hands this 25th day  
of April, 19 77.

CROOKED RIVER RANCH,  
a limited Partnership  
Name of Firm  
By W.R. McPherson  
W.R. McPHERSON, General Partner

1. Where the consenting party is a corporation, this form must be signed by the President and Secretary thereof.
2. Where the consenting party is an assumed business name, this form must be signed by all current parties of interest.

VOID IF ALTERED OR ERASED

VOID IF ALTERED OR ERASED



# Oregon

Theodore R. Kulongoski, Governor

## Public Utility Commission

550 Capitol Street NE, Suite 215

Mailing Address: PO Box 2148

Salem, OR 97308-2148

Consumer Services

1-800-522-2404

Local: 503-378-6600

Administrative Services

503-373-7394

April 28, 2005

RICK KEEN, PRESIDENT  
PO BOX 1963  
REDMOND OR 97756

RICHARD MILLER  
SEC/TREASURER  
PO BOX 1508  
TERREBONNE OR 97760

JOHN COMBS, DIRECTOR  
8430 CRESCENT PL  
TERREBONNE OR 97760

RANDALL SCOTT, DIRECTOR  
PO BOX 62  
TERREBONNE OR 97760

BRIAN ELLIOTT, DIRECTOR  
PMB 313, 1604 S HWY 97 #2  
REDMOND OR 97756

### CERTIFIED MAIL

TO THE BOARD OF DIRECTORS OF CROOKED RIVER RANCH WATER  
COMPANY

### NOTICE OF INTENT TO ASSERT FINANCIAL AND SERVICE REGULATORY AUTHORITY

Member customers of the Crooked River Ranch Water Company (CRRWC) have filed petitions with the Public Utility Commission of Oregon (Commission) requesting regulation of CRRWC. According to Oregon Revised Statute ORS 757.063 and Oregon Administrative Rule OAR 860-036-0412, if 20 percent or more of an association's members petition PUC for regulation; the Commission must issue an order declaring the association a financially regulated public utility.

The Commission has received petitions from more than 20 percent of the association members that request regulation of CRRWC. This letter is notification of the Commission's intent to assert its authority and regulate CRRWC for rates and service.

CRRWC has the right to dispute whether the 20 percent threshold has been met, including challenging the validity of the filed petitions, and formally request a hearing within 30 days from the date of this letter. The request for hearing must



CRRWC  
April 28, 2006  
Page Two

be in writing and provide an explanation of CRRWC's reasons for requesting a hearing and list the grounds for challenging the validity of the petitions.

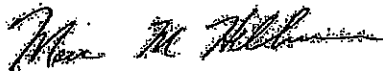
To request a hearing on this matter, the written request must be mailed (within 30 days of the date of this letter) to:

PUBLIC UTILITY COMMISSION  
ADMINISTRATIVE HEARINGS DIVISION  
PO BOX 2148  
SALEM, OR 97308-2148

Commission Staff has arranged a Town Hall-style Public Information Meeting in your area to provide factual information and answer questions regarding Commission regulation. All members, homeowners, and the public are invited to attend. A Notice of Public Information Meeting is attached.

If CRRWC does not respond in writing to the Commission within the 30-day period, the Commission will issue an order asserting jurisdiction.

If you have any questions, please contact Michael Dougherty at 503-378-3623 or [michael.dougherty@state.or.us](mailto:michael.dougherty@state.or.us).



Marc Hellman  
Administrator  
Economic Research and Financial Analysis Division  
Telephone: 503-378-6355  
Email address: [marc.hellman@state.or.us](mailto:marc.hellman@state.or.us)

cc: Michael Dougherty  
Kathy Miller  
Renee Sloan  
Jason Jones  
Rick Willis  
Crooked River Ranch Water Company  
Property Owners and CRRWC Members  
Richard L. Larson  
David C. Glenn

IN THE CIRCUIT COURT OF THE STATE OF OREGON  
FOR THE COUNTY OF JEFFERSON

<p>CHARLES NICHOLS,  Plaintiff  vs  CROOKED RIVER RANCH WATER COMPANY, an Oregon non-profit corporation; CROOKED RIVER RANCH WATER COOPERATIVE, an Oregon cooperative, RICHARD A. KEEN JR., RANDOLPH M. SCOTT, BRIAN A. ELLIOTT, and RICHARD J. MILLER, in their capacity as board members of the Crooked River Ranch Water Company and the Crooked River Ranch Water Cooperative; JOHN COMBS, in his capacity as a board member of the Crooked River Ranch Water Company; and JAMES H. ROOKS, in his capacity as general manager of the Crooked River Ranch Water Company and as a board member of the CROOKED RIVER RANCH WATER COOPERATIVE,  Defendants</p>	<p>CASE NO. 09 CV 0049  <b>RECEIVED</b>  JUL 28 2009  Department of Justice Trial Division</p>
<p>STATE OF OREGON, by and through John R. Kroger, Attorney General,  Intervenor-Plaintiff  vs  CROOKED RIVER RANCH WATER COMPANY, an Oregon non-profit corporation; CROOKED RIVER RANCH WATER COOPERATIVE, an Oregon cooperative; RICHARD A. KEEN JR., RANDOLPH M. SCOTT, BRIAN A. ELLIOTT, RICHARD J. MILLER, JOHN COMBS, and JAMES H. ROOKS</p>	<p>Case No.: 09 CV 0049  DEFENDANT'S RESPONSE &amp; OBJECTION TO STATE'S FIRST REQUEST FOR ADMISSIONS</p>

1-DEFENDANT'S RESPONSE AND OBJECTION TO STATE'S FIRST REQUEST FOR ADMISSIONS

H:\Tim\CRR Water\NICHOLS\Def Response State's First Req Admissions.wpd

GLENN, SITES, REEDER & GASSNER, LLP  
ATTORNEYS AT LAW  
205 S.E. Fifth Street, Madras, OR 97741 Ph. (541) 475-2272  
Fax: (541) 475-3944

Defendant's object to the State's First Request for Admissions on the grounds that the request violates ORCP 45 F. ORCP 45 F provides that a request may not contain more than 30 requests for admissions unless a request is made to do so and good cause is shown. The State's first request for admissions contains 28 numbered requests however Request No. 11 contains three statements which Defendant's must either admit or deny. Request No. 14 contains two statements which Defendant's must either admit or deny.

ORCP 45 F provides that if several subparts are contained within one request, each separate subpart will be counted as a request, regardless of how the request may be grouped, combined or arranged. The total number of requests made by the State including subparts under the same numerical assignment comes to thirty-two.

The ORCP is not instructive on how the Adverse party should respond in this case. For that reason Defendant's have provided responses to each request however, Defendant's request that as a sanction for the State's disregard of the rules of civil procedure that the State be precluded from submitting further requests for admissions in this action.

Defendant's hereby respond as follows:

**Response 1: Denied**

**Response 2: Admit**

**Response 3: Admit**

**Response 4: Admit**

**Response 5: Admit**

**Response 6: Admit**

**2-DEFENDANT'S RESPONSE AND OBJECTION TO STATE'S FIRST  
REQUEST FOR ADMISSIONS**

H:\Tim\CRR Water\NICHOLS\Def Response State's First Req Admissions.wpd

**GLENN, SITES, REEDER & GASSNER, LLP**  
ATTORNEYS AT LAW  
205 S.E. Fifth Street, Madras, OR 97741 Ph. (541) 475-2272  
Fax: (541) 475-3944

**Response 7:** Denied

**Response 8:** Admit

**Response 9:** Denied

**Response 10:** Denied

**Response 11:** Defendant's admit that Prior to August 7, 2002 Defendant John Combs ("Combs") had been appointed to serve the remainder of the term of a director who left the board. Defendant's deny that term expired on or about August 7, 2002. Defendant's admit that Combs was not elected or re-elected as a director of the Company by the membership after August 7, 2002.

**Response 12:** Denied

**Response 13:** Denied

**Response 14:** All parts of this request are Denied.

**Response 15:** Denied

**Response 16:** Denied

**Response 17:** Denied

**Response 18:** Admit

**Response 19:** Admit

**Response 20:** Defendant's admit that the Articles currently in effect require that upon dissolution "... the assets and system shall revert to Deschutes Valley Water District, a domestic water district of the State of Oregon, or to any other domestic water district formed pursuant to Oregon Revised Statutes Chapter 264." Defendant's admit that the system did not revert to Deschutes Valley Water District as the system was immediately vested with the Crooked River Ranch Water Cooperative.

**Response 21:** Admit

**Response 22:** Denied

**Response 23:** Denied

**3-DEFENDANT'S RESPONSE AND OBJECTION TO STATE'S FIRST  
REQUEST FOR ADMISSIONS**

H:\Tim\CRR Water\NICHOLS\Def Response State's First Req Admissions.wpd

**GLENN, SITES, REEDER & GASSNER, LLP**  
ATTORNEYS AT LAW

205 S.E. Fifth Street, Madras, OR 97741 Ph. (541) 475-2272  
Fax: (541) 475-3944

**Response 24:** Denied. Items on Exhibit 2 could have been purchased by Rooks for himself, his family or his companies however after reasonable inquiry it is not possible to discern with regard to those items the purpose for which they were purchased.

**Response 25:** Admit

**Response 26:** Admit

**Response 27:** Deny

**Response 28:** Admit

DATED This 22 day of July 2009.

GLENN, SITES, REEDER & GASSNER, LLP

  
TIMOTHY R. GASSNER, OSB 02309  
Attorney for Defendants

4-DEFENDANT'S RESPONSE AND OBJECTION TO STATE'S FIRST  
REQUEST FOR ADMISSIONS

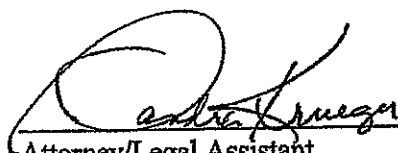
H:\Tim\CRR Water\NICHOLS\Def Response State's First Req Admissions.wpd

GLENN, SITES, REEDER & GASSNER, LLP.  
ATTORNEYS AT LAW  
205 S.E. Fifth Street, Madras, OR 97741 Ph. (541) 475-2272  
Fax: (541) 475-3944

### TRUE COPY CERTIFICATE

The undersigned certifies that the documents to which this certificate is attached are true and complete copies of the originals, excepting only that signatures reflected hereon may have been "conformed" to match the signatures made on the original.

Dated this 22 day of July 2009.

  
\_\_\_\_\_  
Attorney/Legal Assistant

### CERTIFICATE OF SERVICE

The undersigned hereby certifies that a full and complete copy of the documents to which this Certificate is attached were served on William Lehman and Albert C. Deppenbrock by mailing, at the following address:

Cable Houston Benedict, et al  
1001 SW 5<sup>th</sup> Ave.  
Ste. 2000  
Portland, OR 97204

Albert C. Deppenbrock  
Department of Justice  
1162 Court St. NE  
Salem, OR 97301

and that said documents were either mailed to said address, first class, postage prepaid, or personally left at that address, which is the named recipient's office, with a person apparently authorized to accept such documents.

  
\_\_\_\_\_  
Attorney/Legal Assistant

Date: 7/22/09

TIMOTHY R. GASSNER OSB 02309  
GLENN, SITES, REEDER & GASSNER, LLP  
205 SE 5<sup>th</sup> St.  
Madras, OR 97741  
(541) 475-2272  
Fax: 541-475-3394

5- CERTIFICATE

H:\Tim\CRR Water\NICHOLS\Def Response State's First Req Admissions.wpd

**GLENN, SITES, REEDER & GASSNER, LLP**  
ATTORNEYS AT LAW  
205 S.E. Fifth Street, Madras, OR 97741 Ph. (541) 475-2272  
Fax: (541) 475-3944

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

IN THE CIRCUIT COURT OF THE STATE OF OREGON  
FOR THE COUNTY OF JEFFERSON

CHARLES NICHOLS,  
Plaintiff,

v.

CROOKED RIVER RANCH WATER COMPANY, an Oregon non-profit corporation; CROOKED RIVER RANCH WATER COOPERATIVE, an Oregon cooperative; RICHARD A. KEEN JR., RANDOLPH M. SCOTT, BRIAN A. ELLIOTT, and RICHARD J. MILLER., in their capacity as board members of the Crooked River Ranch Water Company and the Crooked River Ranch Water Cooperative; JOHN COMBS, in his capacity as a board member of the Crooked River Ranch Water Company; and JAMES H. ROOKS, in his capacity as general manager of the Crooked River Ranch Water Company and as a board member of the CROOKED RIVER RANCH WATER COOPERATIVE

Defendants.

Case No. 09CV0049

STATE OF OREGON, by and through John R. Kroger, Attorney General,

Intervenor-Plaintiff

v.

CROOKED RIVER RANCH WATER COMPANY, an Oregon non-profit corporation; CROOKED RIVER RANCH WATER COOPERATIVE, an Oregon cooperative; RICHARD A. KEEN JR., RANDOLPH M. SCOTT, BRIAN A. ELLIOTT, RICHARD J. MILLER, JOHN COMBS, and JAMES H. ROOKS,

Defendants.

Case No. 09CV0049

STATE'S FIRST REQUEST FOR ADMISSIONS

1  
2 TO: Crooked River Ranch Water Company; Crooked River Ranch Water Cooperative;  
3 Richard A. Keen Jr.; Randolph M. Scott; Brian A. Elliott; Richard J. Miller; John Combs  
4 and James H. Rooks, by and through their attorney of record, Timothy Richard Gassner,  
5 Glenn Sites & Reeder LLP, 205 SE 5th Street, Madras, OR 97741

6  
7 FAILURE TO SERVE A WRITTEN ANSWER OR OBJECTION WITHIN THE  
8 TIME ALLOWED BY ORCP 45B WILL RESULT IN ADMISSION  
9 OF THE FOLLOWING REQUESTS.

10 INSTRUCTIONS

11 Pursuant to ORCP Rule 45, you are requested to respond within thirty (30) days  
12 admitting, denying, or explaining your answers to each of the following statements. If additional  
13 space is required, please follow the format set out in ORCP Rule 45E.

14 REQUESTS FOR ADMISSION

15 State of Oregon, by and through John R. Kroger, Attorney General requests the  
16 defendants to admit or deny that the following statements are true:

17 REQUEST NO. 1: The Crooked River Ranch Water Company, an Oregon non-profit  
18 corporation ("Company") is a mutual benefit non-profit corporation organized under ORS  
19 Chapter 65 for the purpose of delivering irrigation and domestic water to properties located on  
20 the Crooked River Ranch.

21 RESPONSE:

22  
23 REQUEST NO. 2: Prior to June 29, 2006, the Bylaws of the Crooked River Ranch Water  
24 Company, an Oregon non-profit corporation ("Bylaws") provided that the Company Board "shall  
25 consist of five members of the Corporation," and that "[t]hree of the five members of the Board  
26



1 of Directors shall constitute a quorum necessary for the transaction of any and all business of the  
2 Corporation.”

3 **RESPONSE:**

4  
5

6 **REQUEST NO. 3:** Prior to June 29, 2006, the Bylaws provided, a “member” of the Company is  
7 any person that “owns property within portions of Crooked River Ranch or other adjacent  
8 properties then served by the Corporation or must haul water to their property in the Crooked  
9 River Ranch.”

10 **RESPONSE:**

11  
12

13 **REQUEST NO. 4:** Prior to June 29, 2006, the Bylaws provided that membership in the  
14 Company terminates automatically upon a member’s sale of the property that serves as the basis  
15 for that individual’s membership in the Company.

16 **RESPONSE:**

17  
18

19 **REQUEST NO. 5:** Prior to November 29, 2005, the Bylaws provided that a director on the  
20 Company Board must maintain his membership in the Company: “Termination of a Director’s  
21 membership in the Corporation shall terminate automatically that Director’s membership on the  
22 Board of Directors.”

23 **RESPONSE:**

24  
25  
26

1 **REQUEST NO. 6:** Prior to June 29, 2006, the Bylaws provided when a director's term expired,  
2 the successor to that position was to be elected at the annual meeting by the members of the  
3 Company.

4 **RESPONSE:**

5  
6

7 **REQUEST NO. 7:** On or about June 29, 2005, the membership in the Company of defendant  
8 Richard A. Keen Jr. ("Keen") terminated automatically because he sold the Crooked River  
9 Ranch property served by the Company that was the basis for his membership.

10 **RESPONSE:**

11  
12

13 **REQUEST NO. 8:** Pursuant to the Bylaws, Keen's status as a member of the Company Board,  
14 and his authority to act as a director, terminated automatically on or about June 29, 2005.

15 **RESPONSE:**

16  
17

18 **REQUEST NO. 9:** On or about April 24, 2002, the membership in the Company of defendant  
19 Randolph M. Scott ("Scott") terminated automatically because he sold the Crooked River Ranch  
20 property served by the Company that was the basis for his membership.

21 **RESPONSE:**

22  
23  
24

25 **REQUEST NO. 10:** Pursuant to the Bylaws, Scott's status as a member of the Company Board,  
26 and his authority to act as a director, terminated automatically on or about April 24, 2002.

1 **RESPONSE:**

2

3

4 **REQUEST NO. 11:** Prior to August 7, 2002, defendant John Combs ("Combs") had been  
5 appointed to serve the remainder of the term of a director who had left the board. That term  
6 expired on or about August 7, 2002. Combs was not elected or re-elected as a director of the  
7 Company by the membership after August 7, 2002.

8 **RESPONSE:**

9

10

11 **REQUEST NO. 12:** Combs was not appointed by the Company Board to fill another vacancy  
12 on the Company's Board of Directors between August 7, 2002, and June 29, 2006.

13 **RESPONSE:**

14

15

16

17 **REQUEST NO. 13:** Pursuant to the Bylaws, Combs' authority to act as a director ended on or  
18 about August 7, 2002.

19 **RESPONSE:**

20

21

22

23 **REQUEST NO. 14:** Defendant Richard J. Miller ("Miller") was never elected by the  
24 membership to the Company Board. Miller was appointed to the Board by Keen, Scott and  
25 Combs, purporting to act as directors when they had no authority to act as directors, and the  
26 Board lacked a quorum of valid directors.

1 **RESPONSE:**

2

3 **REQUEST NO. 15:** Pursuant to the Bylaws, Miller never had authority to act as a director of  
4 the Company.

5 **RESPONSE:**

6

7

8 **REQUEST NO. 16:** The action by the Company Board on or about June 29, 2006, purporting  
9 to dissolve the Company and transfer the Company's assets, was without a quorum of valid  
10 directors.

11 **RESPONSE:**

12

13

14 **REQUEST NO. 17:** The action by the Company Board on or about June 29, 2006, purporting  
15 to dissolve the Company and transfer the Company's assets, was without a plan of dissolution.

16 **RESPONSE:**

17

18

19 **REQUEST NO. 18:** The action by the Company Board on or about June 29, 2006, purporting  
20 to dissolve the Company and transfer the Company's assets, was without notice to the  
21 membership that the Board would be considering dissolution of the Company.

22 **RESPONSE:**

23

24

25

26

1 **REQUEST NO. 19:** The action by the Company Board on or about June 29, 2006, purporting  
2 to dissolve the Company and transfer the Company's assets, was without a vote of the  
3 Company's membership.

4 **RESPONSE:**  
5  
6

7 **REQUEST NO. 20:** The action by the Company Board on or about June 29, 2006, purporting  
8 to dissolve the Company and transfer the Company's assets, did not distribute the Company's  
9 assets as required by the Company's Articles of Incorporation and Bylaws.

10 **RESPONSE:**  
11  
12

13 **REQUEST NO. 21:** From January 1, 2001, through December 31, 2005, defendant James H.  
14 Rooks (Rooks') caused Company funds totaling at least \$837,594.47 to be paid to or for the  
15 benefit of his companies, his wife, his daughter and his son in law as shown on Exhibit 1.

16 **RESPONSE:**  
17  
18

19 **REQUEST NO. 22:** On or about late 2005 Rooks obligated the Company to pay some  
20 \$153,727.68 to purchase a track hoe for Rooks or Rooks' company.

21 **RESPONSE:**  
22  
23

24 **REQUEST NO. 23:** On or about late 2005 through early 2006, Rooks used Company funds to  
25 pay a down payment of \$25,000, eight monthly payments of \$2,145.47, and insurance for the  
26 track hoe of \$1,590.00, all totaling \$43,753.76.

1 **RESPONSE:**

2

3

4 **REQUEST NO. 24:** Between July 7, 2002, and November 29, 2006, defendant Rooks spent  
5 Company funds some 36 times, totaling \$34,894.86, to purchase the items shown on Exhibit 2  
6 for himself, his family and his companies.

7 **RESPONSE:**

8

9

10 **REQUEST NO. 25:** Between August 15, 2000, and August 12, 2004 defendant Rooks paid  
11 Company funds totaling \$74,577.64 to defendant Keen's business, Star Excavation and  
12 Trucking, as shown on Exhibit 3.

13 **RESPONSE:**

14

15

16 **REQUEST NO. 26:** Between February 28, 2001, and February 11, 2005, defendant Rooks paid  
17 Company funds totaling \$13,314.81 to defendant Scott's business, Scott Enterprises, as shown  
18 on Exhibit 4.

19 **RESPONSE:**

20

21

22 **REQUEST NO. 27:** On or about April 2005 defendant Rooks paid Company funds totaling  
23 \$3,805.00 to purchase pipe for defendant Combs' personal use.

24 **RESPONSE:**

25

26

1 **REQUEST NO. 28:** On or about November 5, 2005, defendant Rooks and his wife transferred  
2 joint ownership of one of their properties on Crooked River Ranch to defendants Keen and Scott  
3 at no cost.

4 **RESPONSE:**

5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

DATED this 24 day of June, 2009.

Respectfully submitted,

JOHN R. KROGER  
Attorney General



ALBERT C. DEPENBROCK #780350  
Senior Assistant Attorney General  
Trial Attorney  
Tel (503) 947-4700  
Fax (503) 947-4792  
al.depenbrock@doj.state.or.us

Total to ROOKS and family members for wages and benefits during this time are:

<u>Wages</u>		
James ROOKS	\$439,746.89	(Average \$87,949.38 per year for five years)
Jacquie ROOKS	\$180,866.63	(Average \$35,773.33 per year for five years)
Ray COMSTOCK	\$47,817.47	(Average \$23,908.73 per year for two years)
M. R. COMSTOCK	\$29,220.00	(Average \$14,610.00 per year for two years)
<u>Benefits for James and Jacquie ROOKS and Ray and Michelle COMSTOCK</u>		
Employer SST	\$41,630.95	
Employer Medicare	\$10,115.93	
Fed Unemployment	\$881.39	
OR Unemployment	\$4,141.45	
<u>CRRWC payments to Rooks Enterprise and We Can Do Services</u>		
Rooks Enterprise	\$57,850.00	
We Can Do Services	\$25,323.76	
<b>TOTAL</b>	<b>\$837,594.47</b>	



ITEMS PURCHASED BY ROOKS WITH CRRWC FUNDS			
DATE	ITEM	AMOUNT	
		Co. Paid	Notes:
01/12/00	Home Depot	28.75	4X8, brass pull, straps
01/14/00	APS (Automotive Paint Specialties)	148.18	
01/17/00	Willamette Graystone	5.50	
01/17/00	Willamette Graystone	22.00	
01/19/00	United Pipe & Supply	333.68	
01/31/00	Willamette Graystone	27.50	
02/18/00	Denfeld Paints	157.80	
02/19/00	Denfeld Paints	150.36	
02/28/00	Denfeld Paints	57.51	
02/28/00	NAPA Auto Parts	85.40	
03/08/00	NAPA Auto Parts	89.99	
03/19/00	Home Depot	194.97	Shop Supplies
04/28/00	Norco	33.34	
04/29/00	Denfeld Paints	63.62	
05/04/00	NAPA Auto Parts	40.92	
06/06/00	J-Michael OMTA-SNAP TL	260.00	Tools (CRRWC Credit Card)
06/14/00	Parr Lumber	100.00	Total Bill is \$383.60 ??
06/27/00	NAPA Auto Parts	6.77	
07/06/00	True Value Hardware	78.53	Electrical Supplies
08/25/00	United Rentals	20.00	
08/26/00	Tumalo Feed Co.	147.70	
09/13/00	United Pipe & Supply	186.08	
09/14/00	United Pipe & Supply	9.00	
09/18/00	United Pipe & Supply	108.85	
09/27/00	Mattel Distribution	-40.90	
10/23/00	NAPA Auto Parts	87.29	
10/23/00	NAPA Auto Parts	138.02	Total bill \$149.84
11/13/00	COSTCO	1,428.26	HP XL781 plus misc supplies
11/22/00	Norco	3.16	
12/05/00	Swift Steel	135.97	
12/05/00	Norco	263.85	
12/07/00	Newhouse Manufacturing Co.	47.05	
12/12/00	True Value Hardware	112.96	
12/12/00	NAPA Auto Parts	83.97	
12/18/00	NAPA Auto Parts	72.92	
12/19/00	NAPA Auto Parts	150.99	
12/19/00	NAPA Auto Parts	109.99	
12/22/00	Cent-Wise Hardware	99.95	
12/26/00	NAPA Auto Parts	78.44	
12/28/00	Northern Tool & Equipment	96.00	
12/29/00	NAPA Auto Parts	68.36	
	2000 Total	5,373.54	
01/08/01	NAPA Auto Parts	145.57	
01/09/01	Northern Tool & Equipment	36.22	
01/11/01	Northern Tool & Equipment	412.09	
01/24/01	NAPA Auto Parts	57.43	
02/23/01	Northern Tool & Equipment	558.99	
02/24/01	COSTCO		

ITEMS PURCHASED BY ROOKS WITH CRRWC FUNDS			
DATE	ITEM	AMOUNT	
		Co. Paid	Notes:
03/03/01	Smith Rock Rest	-	Board Meeting
03/30/01	Mac Tools	94.00	
04/26/01	Mister Jones Warehouse	187.20	Plywood
04/28/01	NAPA Auto Parts	268.11	
08/20/01	Home Depot	150.29	
09/02/01	Home Depot	79.51	Total bill \$154.46
09/13/01	NAPA Auto Parts	99.95	Total bill \$176.71
09/20/01	Home Depot	39.96	Total bill \$234.86
09/21/01	Western Tool Supply	45.36	
09/21/01	Western Tool Supply	342.69	
09/22/01	Mister Jones Warehouse	70.45	
10/03/01	Swift Steel	72.58	
10/04/01	Newhouse Manufacturing Co.	47.55	
10/08/01	United Rentals	55.20	
10/13/01	NAPA Auto Parts	32.19	
10/13/01	RSE (Rental Service Corp.)	404.51	
10/17/01	United Rentals	78.50	
10/29/01	RSE (Rental Service Corp.)	152.54	
11/01/01	Les Schwab	11.50	
11/26/01	United Rentals	120.00	
11/29/01	Lawson Products, Inc.	427.88	
12/26/01	NAPA Auto Parts	8.99	
12/26/01	Big R Stores	13.20	
	2001 Total	4,012.46	
01/21/02	Big R Stores	51.91	
02/04/02	NAPA Auto Parts	188.14	
02/11/02	NAPA Auto Parts	313.29	
02/13/02	NAPA Auto Parts	76.99	
02/14/02	United Pipe & Supply	1,189.31	
02/14/02	United Pipe & Supply	14.85	
02/16/02	NAPA Auto Parts	-	
02/16/02	NAPA Auto Parts	158.87	
02/16/02	NAPA Auto Parts	268.66	
02/16/02	NAPA Auto Parts	28.00	
02/17/02	NAPA Auto Parts	272.97	
02/18/02	NAPA Auto Parts	12.42	
02/18/02	NAPA Auto Parts	114.44	
02/18/02	NAPA Auto Parts	15.30	
02/19/02	NAPA Auto Parts	164.91	
02/20/02	NAPA Auto Parts	58.09	
02/25/02	NAPA Auto Parts	-	
03/25/02	United Pipe & Supply	637.90	
03/27/02	United Pipe & Supply	128.10	
04/10/02	NAPA Auto Parts	13.99	
04/11/02	NAPA Auto Parts	64.89	
04/23/02	NAPA Auto Parts	150.36	
04/29/02	High Desert Auto Supply	245.51	
05/31/02	NAPA Auto Parts	114.49	

ITEMS PURCHASED BY ROOKS WITH CRRWC FUNDS			
DATE	ITEM	AMOUNT Co. Paid	Notes:
07/02/02	NAPA Auto-Parts	99.57	
07/09/02	NAPA Auto Parts	350.51	
07/11/02	NAPA Auto Parts	14.29	
07/15/02	NAPA Auto Parts	93.66	
07/24/02	NAPA Auto Parts	119.03	
11/25/02	Harbor Freight Tools	220.28	
	2002 Total	5,166.83	
04/02/03	NAPA Auto Parts	71.65	
04/16/03	NAPA Auto Parts	95.92	
06/25/03	Norco	55.10	
06/28/03	NAPA Auto Parts	181.31	
09/08/03	NAPA Auto Parts	13.80	
10/20/03	NAPA Auto Parts	75.93	
10/20/03	COSTCO	79.13	
11/14/03	Snap On	562.90	Tools
12/24/03	COSTCO	16.30	
12/24/03	COSTCO	78.96	
12/24/03	COSTCO	689.99	
	2003 Total	1,930.98	
02/05/04	Swift Steel	78.80	
02/28/04	HFT	155.68	
05/10/04	Home Depot	371.81	
	2004 Total	604.09	
05/20/05	Les Schwab	951.47	
06/10/05	Les Schwab	383.56	
08/15/05	Grainger	111.40	
09/06/05	COSTCO	769.44	
09/23/05	Track Hoe	25,000.00	
12/07/05	Norco	2,775.00	Bobcat 250 Onan 22 HP Fully Enclosed
12/08/05	Norco	224.32	
12/12/05	Mister Jones Warehouse	160.00	
	2005 Total	30,375.19	
01/10/06	COSTCO	198.04	
01/11/06	Bend Recreation	6,000.00	Four Wheeler
03/21/06	Platt Electric	304.39	
05/05/06	Newhouse Manufacturing Co.	22.27	
05/23/06	Norco	2,332.63	Powermax 1000 + misc.
06/06/06	Payments by CRRWC on Track Hoe	17,183.76	
06/12/06	Norco	2,400.22	Mitre Band-saw and blades
07/29/06	COSTCO	-	Total \$2130.45 AE xx4014
09/16/06	Cent-Wise Hardware	83.48	
11/29/06	Norco	1,182.74	
	2006 Total	29,595.53	
	Total Funds used by Rooks	77,058.62	
	01/12/00 to 11/29/06		

**PAYMENTS TO STAR EXCAVATION and TRUCKING**  
Richard Keen

	Type	Date	Num	Amount
<b>STAR EXCAVATION &amp; TRUCKING, INC.</b>				
	Bill Pmt -Check	08/15/2000	6786	-103.00
	Bill Pmt -Check	10/12/2000	6919	-4,000.00
	Bill Pmt -Check	11/03/2000	6966	-4,000.00
			<b>2000 Total</b>	<b>-8,103.00</b>
	Bill Pmt -Check	02/28/2001	7189	-1,600.00
	Bill Pmt -Check	04/11/2001	7309	-792.50
	Bill Pmt -Check	07/31/2001	7570	-7,100.00
			<b>2001 Total</b>	<b>-8,392.50</b>
	Bill Pmt -Check	08/16/2002	8419	-10,867.50
	Bill Pmt -Check	10/22/2002	1128	-4,675.00
	Bill Pmt -Check	10/31/2002	1149	-5,230.00
			<b>2002 Total</b>	<b>-20,672.50</b>
	Bill Pmt -Check	01/03/2003	1269	-5,000.00
	Bill Pmt -Check	01/31/2003	1338	-2,722.14
	Bill Pmt -Check	07/03/2003	1644	-2,987.50
	Bill Pmt -Check	08/04/2003	1725	-4,975.00
	Bill Pmt -Check	08/28/2003	1769	-1,000.00
	Bill Pmt -Check	11/06/2003	1903	-9,000.00
	Bill Pmt -Check	12/04/2003	1985	-9,000.00
			<b>2003 Total</b>	<b>-34,684.64</b>
	Bill Pmt -Check	08/12/2004	2521	-1,725.00
			<b>2004 Total</b>	<b>-1,725.00</b>
			<b>TOTAL</b>	<b>-74,677.64</b>

**PAYMENTS TO SCOTT ENTERPRISES**  
Randy Scott

	Type	Date	Num	Amount
<b>SCOTT ENTERPRISES</b>				
	Bill Pmt -Check	02/28/2001	7180	-2,110.00
	Bill Pmt -Check	04/09/2001	7275	-1,037.50
			2001 Total	-3,147.50
	Bill Pmt -Check	06/05/2003	1555	-240.00
	Bill Pmt -Check	07/03/2003	1645	-3,951.90
	Bill Pmt -Check	10/23/2003	1895	-1,695.00
	Bill Pmt -Check	11/05/2003	1923	-520.80
			2003 Total	-6,308.70
	Bill Pmt -Check	03/25/2004	2212	-2,215.65
	Bill Pmt -Check	09/09/2004	2504	-1,092.75
	Bill Pmt -Check	12/30/2004	2834	-83.00
			2004 Total	-3,312.51
	Bill Pmt -Check	02/11/2005	2951	-545.00
			2005 Total	-545.00
			<b>TOTAL</b>	<b>-13,314.81</b>

**CERTIFICATE OF SERVICE**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

I certify that on June 24, 2009, I served the foregoing State's First Request for Admissions upon the parties hereto by the method indicated below, and addressed to the following:

Raymond S. Kindley  
William J. Lehman  
Tommy A. Brooks  
Cable Huston et al  
1001 SW 5th Ave Ste 2000  
Portland, OR 97204  
Of Attorneys for Plaintiff

HAND DELIVERY  
 MAIL DELIVERY  
 OVERNIGHT MAIL  
 TELECOPY (FAX)  
 E-MAIL

Timothy Richard Gassner  
Glenn Sites & Reeder LLP  
205 SE 5th St  
Madras, OR 97741  
Of Attorneys for Defendants

HAND DELIVERY  
 MAIL DELIVERY  
 OVERNIGHT MAIL  
 TELECOPY (FAX)  
 E-MAIL



ALBERT C. DEPENBROCK #780350  
Senior Assistant Attorney General  
Trial Attorney  
Tel (503) 947-4700  
Fax (503) 947-4792  
al.depenbrock@doj.state.or.us



After recording return to:  
DARLENE E. DENTON, TRUSTEE  
13715 SW GOLDEN MANTLE ROAD  
CROOKED RIVER RANCH, OR 97760

Until a change is requested all  
tax statements shall be sent to  
the following address:  
DARLENE E. DENTON, TRUSTEE  
13715 SW GOLDEN MANTLE ROAD  
CROOKED RIVER RANCH, OR 97760

Escrow No. RDD42148RR  
Title No. 5171

JEFFERSON COUNTY OFFICIAL RECORDS  
KATHLEEN B. MARSTON, COUNTY CLERK. 2002-1908



\$36.00

D-WD Catal Str=2 KATE  
\$10.00 \$11.00 \$10.00 \$5.00

04/30/2002 10:49:36 AM

WARRANTY DEED

RANDOLPH M. SCOTT AKA RANDOLPH MICHAEL SCOTT,  
Grantor(s) hereby grant, bargain, sell, warrant and convey to:  
DARLENE E. DENTON AS TRUSTEE OF THE KHASSEY F. DENTON TRUST dated 2/27/86  
Grantee(s) and grantee's heirs, successors and assigns the following described  
real property, free of encumbrances except as specifically set forth herein in  
the County of JEFFERSON and State of Oregon, to wit:  
SEE EXHIBIT A WHICH IS MADE A PART HEREOF BY THIS REFERENCE  
ACCT. NO. 6355 13-12-15D-400

SUBJECT TO: all those items of record and those apparent upon the land, if  
any, as of the date of this deed and those shown below, if any;  
and the grantor will warrant and forever defend the said premises and every  
part and parcel thereof against the lawful claims and demands of all persons  
whomsoever, except those claiming under the above described encumbrances.

The true and actual consideration for this conveyance is \$ 212,000.00.

THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT  
IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR  
ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY  
SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY  
APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST  
PRACTICES AS DEFINED IN ORS 30.930.

Dated this 24<sup>th</sup> day of April, 2002.

R M Scott  
RANDOLPH M. SCOTT

State of Oregon  
County of DESCHUTES

This instrument was acknowledged before me on April 24<sup>th</sup>, 2002 by  
RANDOLPH M. SCOTT AKA RANDOLPH MICHAEL SCOTT.

Donna H Robinson  
(Notary Public for Oregon)  
My commission expires 7/7/04



First Oregon Title Company

Jefferson County Official Records  
Kathleen B. Marston, County Clerk

2005-00361



\$314

08/30/2005 09:18:31 F

D-W-D      Chrg# 80#2 KATE  
\$3.00 \$11.00 \$10.00 \$5.00

13-18-140-1100

After recording return to:  
PETER C. FISHER AND LINDA J. FISHER  
20832 SUNDALO ROAD  
BERO, OR 97701

Until a change is requested all tax statements  
shall be sent to the following address:  
PETER C. FISHER AND LINDA J. FISHER  
20832 SUNDALO ROAD  
BERO, OR 97701

WARRANTY DEED -- STATUTORY FORM

RICHARD A. KEEN, JR., WHO ACQUIRED TITLE AS RICHARD K. KEEN, Grantor,

conveys and warrants to

PETER C. FISHER AND LINDA J. FISHER, husband and wife, Grantee,

the following described real property, free of encumbrances except as  
specifically set forth herein, to wit:

LOT 28, CROOKED RIVER RANCH NO. 15, JEFFERSON COUNTY, OREGON.

Tax Account No(s): 6194  
Map/Tax Lot No(s): 13-12-14D-1100

This property is free from encumbrances, EXCEPT: All those items of record, if  
any, as of the date of this deed, including any real property taxes due, but  
not yet payable.

The true consideration for this conveyance is \$ 113,900.00.

THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN  
THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND  
REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE  
PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE  
APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED  
USES AND TO DETERMINE ANY LIMITS OR LAWSUITS AGAINST FARMING OR  
FOREST PRACTICES AS DEFINED IN ORS 30.930.

Dated this 29 day of June, 2005.

*Richard A. Keen, Jr.*  
RICHARD A. KEEN, JR.

STATE OF OREGON, COUNTY OF DESCHUTES ) SS.

This instrument was acknowledged before me on June 29, 2005 by RICHARD A.  
KEEN, JR., ALSO KNOWN AS RICHARD K. KEEN.

*[Signature]*  
(Notary Public for Oregon)  
My commission expires 12/19/2005



TITLE NO.            37500  
ESCROW NO.        12-0085805

37500



**DATE:** September 21, 2005

**TO:** Board of Directors  
Crooked River Ranch Water Company

**FROM:** James H. Rooks  
General Manager/Operations Manager

**SUBJECT: Appointment of Brian Elliott to Board of Directors**

**Issue:** Due to the untimely death of Paul Dinsmoor, we have a vacancy on our Board of Directors. Brian Elliott has agreed to fill the position in the interim. This position does come up for election at our next annual meeting.

**Recommendation:** Appoint Brian Elliott to fill the vacancy on the Board of Directors.

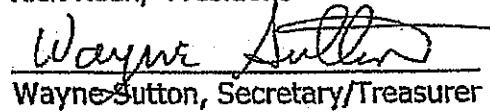
**Resolution:** The Board of Directors approves the interim appointment of Brian Elliott to fill the vacancy on our Board.

**APPROVED:**



Rick Keen, President

Date: SEP 21 2005



Wayne Sutton, Secretary/Treasurer

Date: SEP 21 2005



John Combs, Director

Date: SEP 21 2005

\_\_\_\_\_  
, Director

Date: \_\_\_\_\_

\_\_\_\_\_  
Randy Scott, Director

Date: \_\_\_\_\_

FORM No. 561 - BARGAIN AND SALE DEED - STATUTORY FORM (Individual Grantor)

STEVENS-NESS LAW PUBLISHING CO., PORTLAND, OR www.stevens-ness.com

NO PART OF ANY STEVENS-NESS FORM MAY BE REPRODUCED IN ANY FORM OR BY ANY ELECTRONIC OR MECHANICAL MEANS.

JAMES & JACQUELYN R. ROOKS  
 PO BOX 1477  
 REDMOND, OR 97756  
Grantor's Name and Address  
 JAMES & JACQUELYN R. ROOKS & RANDALL  
 SCOTT & RICHARD KEEN, PO BOX 1477  
 REDMOND, OR 97756  
Grantee's Name and Address  
After recording, return to (Name, Address, Zip):  
 SAME AS ABOVE

Until requested otherwise, send all tax statements to (Name, Address, Zip):  
 SAME AS ABOVE

STATE OF OREGON,  
County of \_\_\_\_\_ ) ss.

Jefferson County Official Records  
Kathleen B. Marston, County Clerk 2005-006345



\$31.00

00036576200500063450010014

11/02/2005 03:55:17 PM

D-830 Cnt=1 Sin=2 KATE  
\$5.00 \$11.00 \$10.00 \$5.00

NAME TITLE

By \_\_\_\_\_, Deputy.

BARGAIN AND SALE DEED - STATUTORY FORM

(INDIVIDUAL GRANTOR)

JAMES ROOKS AND JACQUELYN R. ROOKS

Grantor,  
conveys to JAMES ROOKS, JACQUELYN R. ROOKS, RANDALL SCOTT & RICHARD KEEN

Grantee,  
the following real property situated in JEFFERSON County, Oregon, to-wit:

Lot 52, Crooked River Ranch No. 16, Jefferson County, Oregon.

(IF SPACE INSUFFICIENT, CONTINUE DESCRIPTION ON REVERSE)

The true consideration for this conveyance is \$10 change vesting (Here, comply with the requirements of ORS 93.030.)

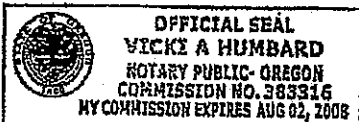
DATED November 1, 2005

THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.590.

*James Rooks*  
*Jacquelyn R Rooks*

STATE OF OREGON, County of Jefferson ) ss.

This instrument was acknowledged before me on November 2, 2005  
by James Rooks & Jacquelyn R. Rooks



*Vicki A. Humbard*  
Notary Public for Oregon  
My commission expires Aug 2, 2008

# JEFFERSON County Assessor's Summary Report

## Real Property Assessment Report

FOR ASSESSMENT YEAR 2005

January 29, 2010 3:54:51 pm

Account # 7360  
 Map # 131224-B0-02400  
 Code - Tax # 0270-7360  
 Legal Descr CRR PHASE 16  
 Lot - 52

Tax Status ASSESSABLE  
 Acct Status ACTIVE  
 Subtype NORMAL

Mailing Name ROOKS, JAMES & JACQUELYN R &  
 Agent SCOTT RANDALL & KEEN RICHARD

Deed Reference # See Record  
 Sales Date/Price See Record  
 Appraiser

In Care Of  
 Mailing Address  
 PO BOX 1477  
 REDMOND, OR 97756

Prop Class 200 MA SA NH Unit  
 RMV Class 200 02 14 000 10614-1

Situs Address(s)	Situs City
ID# 1 14026 SW COMMERCIAL LOOP RD	TERREBONNE

Value Summary					
Code Area	AV	RMV	RMV Exception	CPR %	
0270 Land	10,050	29,564	Land	0	
Impr.	0	0	Impr.	0	
<b>Code Area Total</b>	<b>10,050</b>	<b>29,564</b>		<b>0</b>	
<b>Grand Total</b>	<b>10,050</b>	<b>29,564</b>		<b>0</b>	

Land Breakdown											
Code Area	ID#	RFD	Ex	Plan Zone	Value Source	TD%	LS	Size	Land Class	Irr Class	Irr Size
0270	1	R		CRRC	Market	100	A	0.00			
<b>Grand Total</b>								<b>0.00</b>			<b>0.00</b>

Improvement Breakdown										
Code Area	ID#	Yr Built	Stat Class	Description	TD%	Total Sq. Ft.	Ex%	MS Acct #	Trended RMV	
<b>Grand Total</b>										<b>0</b>

Code Area		Type	Exemptions/Special Assessments/Potential Liability								
0270			NOTATION(S): MAP REVISION								

75	BRUCE A.	JONES	5796 SW SHAD	TERREBONNE	OR	97760
1489	DAVID & RITA	JONES	PO BOX 337	TERREBONNE	OR	97760
323	JERRY	JONES	13629 SW CINDER DRIVE	TERREBONNE	OR	97760
1001	JORDAN	JONES	14698 SW MAVERICK RD	TERREBONNE	OR	97760
22	JULIUS D & DEANNA	JONES	12851 SW SPUR PLACE	TERREBONNE	OR	97760
1535	HARALD & LINDA	JOPPIEN	13300 SW CHIPMUNK	TERREBONNE	OR	97760
	LINDA	JUST	14130 SW PENINSULA DR	TERREBONNE	OR	97760
17	MARSHA	JUSTICE	6462 BUCKSKIN LN	TERREBONNE	OR	97760
1516	M. BERNARD & EBBA	KAHN	6599 SW SHAD RD	TERREBONNE	OR	97760
870	VICKI	KAHN	14033 SW RIDGE PLACE	TERREBONNE	OR	97760
1057		KALK / GROSZ	12916 SW WHEATGRASS	TERREBONNE	OR	97760
14	BETTY	KANE	7105 SW SHAD ROAD	TERREBONNE	OR	97760
157	WILLIAM & LAURIE	KANEHL	9260 SW GENEVA VIEW	TERREBONNE	OR	97760
400	RONALD	KAYLOR	15325 SW CHINOOK DR	TERREBONNE	OR	97760
1179	JACK & NANCY	KEELING	10768 SW SHAD	TERREBONNE	OR	97760
937	GARY	KEITH	5858 SW SHAD	TERREBONNE	OR	97760
852	PETRA	KELLERS	12034 SW HORNY HOLLOW TR	TERREBONNE	OR	97760
555	ELSIE	KELLIS	8205 SW SAND RIDGE RD	TERREBONNE	OR	97760
823	ALLAN	KELLOGG	15048 SW MAVERICK	TERREBONNE	OR	97760
961	MARGARET	KELLY	13486 SW CINDER	TERREBONNE	OR	97760
141	ORTH	KELLY	15100 SW PENINSULA	TERREBONNE	OR	97760
139	TIMOTHY & CARMELA	KELLY	13255 SW GOLDEN MANTEL	TERREBONNE	OR	97760
620	EDDIE & GERALD	KELLY	PO BOX 1528	TERREBONNE	OR	97760
1039	RAYMOND H.	KELSAY	6364 SW SHAD RD	TERREBONNE	OR	97760
818	CLIFF	KEMP	PO BOX 1584	TERREBONNE	OR	97760
1374	KURT & DONNA	KENDRICK	9716 SW GENEVA VIEW LP	TERREBONNE	OR	97760
1399	JACK & LISA	KENNEDY	8701 SW CRATER LOOP RD	TERREBONNE	OR	97760-9318
1316		KENNEDY / RACHMAN	13970 SW CANYON DR	TERREBONNE	OR	97760
448	RUSSELL & GAIL	KERSAVAGE	14275 SW STALLION DR	TERREBONNE	OR	97760
1221	GUY	KIMBLEY	14375 SW STALLION DR	TERREBONNE	OR	97760
1343	BARBARA	KINDIG	12471 SW CINDER	TERREBONNE	OR	97760
52	DAVID & KENA	KINDLE	12632 SW CINDER	TERREBONNE	OR	97760
470	MICHAEL	KING	12455 SW SNUG PLACE	TERREBONNE	OR	97760

1440	SHIRLEY	SCHMIDT	5897 SW RIM RD.	TERREBONNE	OR	97760
1326	KENNETH S	SCHMIDT	14185 SW RIDGE PLACE	TERREBONNE	OR	97760
1131	MARK	SCHNEIDER	9487 SW SUNDOWN CANYON	TERREBONNE	OR	97760
1395	MARK	SCHNEIDER	9487 SW SUNDOWN CANYON	TERREBONNE	OR	97760
580	JANET	SCHUBERT	8726 SW SHAD RD.	TERREBONNE	OR	97760
590	FLOYD	SCHULKE	13823 SW SHELTERED PL	TERREBONNE	OR	97760
1056	JERRY	SCOTT	14411 SW NOAH BUTTE DR	TERREBONNE	OR	97760
158	DAVID & JANE	SEADERS	11553 SW HORNY HOLLOW	TERREBONNE	OR	97760
245	DON & SHIRLEY	SELL	14402 SW STALLION	TERREBONNE	OR	97760
1032	MARK C.	SHANK	8004 SW GONO PLACE	TERREBONNE	OR	97760
262	CHRISTINE	SHANLEY	14973 SW PENINSULA	TERREBONNE	OR	97760
876	JIM & MARY	SHARP	8367 SW BASALT DR.	TERREBONNE	OR	97760
968	DAN	SHAW	8465 SW HIGH CONE DR	TERREBONNE	OR	97760
607	GLENN D.	SHEDECK	PO BOX 1132	TERREBONNE	OR	97760
203	JAY	SHELDON	9354 SW SHAD RD	TERREBONNE	OR	97760
532	JAY	SHELDON JAY	9354 SW SHAD RD	TERREBONNE	OR	97760
150	LARRY	SHEPHERD	PO BOX 1333	TERREBONNE	OR	97760
694	ANDREA	SHEPPARD	14651 SW PONY TRAIL	TERREBONNE	OR	97760
994	ART. E.	SHERBOURNE	8829 SW EQUESTRIAN PL	TERREBONNE	OR	97760
1441	ARTHUR	SHOEMAKER	PO BOX 2092	TERREBONNE	OR	97760
1268	DARWIN	SIEBERT	9949 SW GENEVA VIEW RD	TERREBONNE	OR	97760
1396	REX	SIEGEL	8615 SW SAND RIDGE	TERREBONNE	OR	97760
1442	HAROLD & LUCY	SIMONIS	12478 SW PENINSULA DR	TERREBONNE	OR	97760
591	ARCHIE	SIMPSON	PO BOX 1312	TERREBONNE	OR	97760
48	DEBBIE	SIMPSON	15013 SW PENINSULA DR	TERREBONNE	OR	97760
1444	JOHN	SIMS SR.	PO BOX 848	TERREBONNE	OR	97760
828	KATHY	SINCLAIR	14509 SW PENINSULA	TERREBONNE	OR	97760
1380	C. & K.	SINGLETARY	PO BOX 1532	TERREBONNE	OR	97760
102	JACOB	SINGLETON	14313 SW PENINSULA	TERREBONNE	OR	97760
189	ALICE	SISCO	14698 SW PENINSULA	TERREBONNE	OR	97760
	RALPH	SISSON	7625 SW SAND RIDGE RD	TERREBONNE	OR	97760
1528	BRYAN	SKIDGEL	PO BOX 1554	TERREBONNE	OR	97760
1168	DONALD	SLATTA	12700 SW EAGLE VISTA	TERREBONNE	OR	97760

# 18

**BYLAWS  
FOR  
CROOKED RIVER RANCH WATER COMPANY**

As amended  
September 24, 2004

An Oregon Mutual Benefit Corporation

13845 SW Commercial Loop  
PO Box 1388  
Crooked River Ranch, Oregon 97760

## TABLE OF CONTENTS

<b>PART I</b>	
Bylaw 1.1 PURPOSES.....	1
<b>PART II</b>	
Bylaw 2.1 QUALIFICATIONS.....	1
Bylaw 2.2 APPLICATION AND ACCEPTANCE.....	1
Bylaw 2.3 TERMINATION OF MEMBERSHIP.....	2
Bylaw 2.4 TRANSFER OF MEMBERSHIP.....	2
Bylaw 2.5 MEMBER VOTING.....	2
<b>PART III</b>	
Bylaw 3.1 ANNUAL MEETING.....	3
Bylaw 3.2 SPECIAL MEETINGS.....	3
Bylaw 3.3 NOTICE OF MEETING.....	4
Bylaw 3.4 QUORUM.....	4
Bylaw 3.5 VOTING BY MAIL FOR DIRECTORS.....	4
Bylaw 3.6 ORDER OF BUSINESS.....	4
<b>PART IV</b>	
Bylaw 4.1 NUMBER.....	5
Bylaw 4.2 TERM OF OFFICE.....	5
Bylaw 4.3 NOMINATION OF DIRECTORS.....	5
Bylaw 4.4 VACANCIES.....	6
Bylaw 4.5 DISQUALIFICATION.....	6
Bylaw 4.6 COMPENSATION.....	6
Bylaw 4.7 POWERS AND DUTIES OF DIRECTORS.....	6
Bylaw 4.8 RESIGNATION.....	7
<b>PART V</b>	
Bylaw 5.1 ANNUAL MEETING.....	7
Bylaw 5.2 REGULAR QUARTERLY MEETINGS.....	8
Bylaw 5.3 SPECIAL MEETINGS.....	8
Bylaw 5.4 NOTICE.....	8
Bylaw 5.5 QUORUM.....	8
Bylaw 5.6 UNEXCUSED ABSENCES.....	8
Bylaw 5.7 INDEMNIFICATION OF DIRECTORS, OFFICERS AND AGENTS.....	8
<b>PART VI</b>	
Bylaw 6.1 ENUMERATED.....	9
Bylaw 6.2 REMOVAL OF DIRECTOR FROM BOARD OF DIRECTORS.....	9
Bylaw 6.3 ELECTION AND TERM OF OFFICE.....	9
Bylaw 6.4 PRESIDENT.....	9
Bylaw 6.5 VICE-PRESIDENT.....	10

Bylaw 6.6	SECRETARY/TREASURER.....	10
Bylaw 6.7	SUBORDINATE OFFICERS.....	10
Bylaw 6.8	GENERAL MANAGER-OPERATIONS MANAGER.....	10
Bylaw 6.9	COMPENSATION.....	11
Bylaw 6.10	EMPLOYMENT.....	11
<b>PART VII</b>		
Bylaw 7.1	FISCAL YEAR.....	11
Bylaw 7.2	NONPROFIT.....	11
Bylaw 7.3	CONFLICTS OF INTEREST.....	11
Bylaw 7.4	CONTRACTS.....	11
Bylaw 7.5	LOANS.....	12
Bylaw 7.6	CHECKS AND DRAFTS.....	12
Bylaw 7.7	DEPOSITS.....	12
Bylaw 7.8	WATER RATES AND OTHER CHARGES.....	12
Bylaw 7.9	BOARD POLICIES.....	12
<b>PART VIII</b>		
Bylaw 8.1	DISSOLUTION.....	12
<b>PART IX</b>		
Bylaw 9.1	AMENDMENTS.....	12



BYLAWS OF  
CROOKED RIVER RANCH WATER COMPANY

An Oregon Mutual Benefit Corporation

PART I

Purposes

Bylaw 1.1 PURPOSES

This organization ("the Corporation") is a nonprofit mutual benefit corporation incorporated under the laws of the State of Oregon. The purposes of the Corporation are as set forth in its Articles of Incorporation.

PART II

Membership

Bylaw 2.1 QUALIFICATIONS

Any person, firm, association, corporation or body politic which owns property within portions of Crooked River Ranch or other adjacent properties then served by the Corporation or must haul water to their property on the Crooked River Ranch, shall be eligible for membership in this Corporation, subject to acceptance for membership as hereinafter provided.

Bylaw 2.2 APPLICATION AND ACCEPTANCE

(a) Application for membership shall be in writing. The application shall include the physical address, phase, lot and tax numbers of the premises for which water or water services obtained from the Corporation is requested and shall include documentary proof of applicant's ownership of the premises and be in such form as the Board of Directors of the Corporation from time to time shall prescribe. The water meter to be used, if the application is granted, shall be used only for the premises described in the application. Such application shall constitute an agreement by the applicant, if accepted for membership, to remain in good standing and to comply with and be bound by the Articles of Incorporation, Bylaws and rules and regulations of the Corporation then in effect or as thereafter from time to time duly amended or promulgated, and also an agreement to obtain from the Corporation the water service used by or only for that member's consumption on the premises specified in the application.

(b) Each application for membership shall be reviewed by the General Manager and thereafter either be rejected or accepted by the Board of Directors of the Corporation.

(c) Membership in the Corporation shall vest only voting rights and shall not vest in the member any financial interest in the Corporation or its assets.

#### Bylaw 2.3 TERMINATION OF MEMBERSHIP

(a) Membership in the Corporation shall terminate automatically upon death, removal of the premises served within the service area of the Corporation, or sale of the premises served to another person or entity.

(b) Membership shall be terminated by the Board of Directors at any time that the Board finds that a member has discontinued use of the Corporation's service, or for any reason is not qualified for membership.

(c) Membership may be terminated, by affirmative vote of a majority of the members of the Board of the Directors present at a duly convened meeting of the Board, if the Board finds that the member has violated or refuses to comply with any applicable provision of the Articles of Incorporation, Bylaws or rules or regulations of the Corporation, or any agreement that the member has with the Corporation. The General Manager shall report to the Board on any matters involving a member within the scope of this Bylaw.

(d) Termination by action of the Board of Directors shall take effect at such time as the Board shall set and such action shall be given by mailing of notice thereof to the member at that member's address of record with the Corporation. Any member whose membership is thus terminated may, within thirty days after the mailing of the notice to the former member, file with the Secretary of the Corporation a written request for hearing, in which event that former member shall be given the opportunity to be heard before the Board of Directors, and the Board shall reconsider and affirm or rescind the termination, all within sixty days after the filing of such request for hearing.

(e) Any member may voluntarily withdraw from membership at any time upon notice to the Corporation and cessation of service or hauling to the member's premises.

#### Bylaw 2.4 TRANSFER OF MEMBERSHIP

Membership in the Corporation shall not be transferable, by operation of law or otherwise. In the event of the death of a husband or wife who holds a membership jointly with his or her spouse, such membership shall automatically transfer to the survivor with the same effect as though that membership had been originally issued thereto; provided, however, that the estate of the deceased joint member shall not be released from any debt or liability of that deceased member to the corporation.

#### Bylaw 2.5 MEMBER VOTING

(a) Each member shall be entitled to one vote per connected lot owned by that member or lot hauled to by the member on matters submitted to the membership to

include director elections. A joint member shall be treated as one member and shall be entitled to one vote.

(b) Proxy voting shall not be allowed.

(c) Any member of the Corporation not a natural person may act, vote, and be represented at meetings of members of the Corporation by an officer, manager, stockholder, partner, or agent of such member who is duly authorized in writing filed with the Secretary of the Corporation.

(d) A member of the Corporation who has had water service disconnected for any reason shall not be entitled to vote until that member has paid all fees and charges owing, reconnected to the water system, and is in conformance with all rules and regulations and policies necessary for water service. A member in compliance with the above requirements shall be considered in good standing and shall then be entitled to vote on matters submitted to the membership.

### PART III

#### Meetings

##### Bylaw 3.1 ANNUAL MEETING

The annual meeting of the members of the Corporation shall be held on the first Saturday of March of each year, at such hour as may be specified by the Board of Directors, and at such place as specified by the Board within the territory which the Corporation provides water service; provided, however, that the date of such annual meeting may be postponed or advanced not to exceed fifteen days by the Board of Directors.

The purpose of such annual meeting shall be to elect directors, receive reports of officers, and to transact such other business as may be listed on the call for the Annual Meeting. If the date fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. If for any reason the election of directors shall not be held at the annual meeting or any adjournment thereof, the Board of Directors shall cause such election to be held at a special meeting of the members which shall be called by the Board of Directors as soon after the annual meeting as the Board may find to be feasible.

##### Bylaw 3.2 SPECIAL MEETINGS

A special meeting of the members of the Corporation may be called by the Board of Directors. Such call shall be in writing and shall state the time, place and purpose of the meeting. Promptly upon receipt of such call, the Secretary of the Corporation shall cause notice of such meeting to be given as herein provided. No business shall be

transacted at a special meeting which is not included as a statement of purpose as set forth in the call and notice of meeting.

### Bylaw 3.3 NOTICE OF MEETING

Written or printed notice of each annual or special meeting of the members of the Corporation shall be given by or under the supervision of the Secretary of the Corporation to each member not less than ten nor more than thirty days prior to the date of meeting. Such notice shall be delivered to the member in person or mailed thereto at the member's post office address as the same appears on the books of the Corporation, and such mailed notice shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid. Failure of any member to receive notice of meeting so mailed shall not invalidate any action taken at the meeting, and any member may waive, in writing, and shall waive by attendance in person at the meeting, any notice of meeting required to be given by these Bylaws.

### Bylaw 3.4 QUORUM

A quorum shall be fifty-one percent of the entire membership of the Corporation and shall be required at a duly called annual or special meeting before transaction of business on which the membership may vote, except for the election of directors, who shall be elected by a majority of mailed-in ballots.

### Bylaw 3.5 VOTING BY MAIL FOR DIRECTORS

A member of the Corporation shall be entitled to vote in any election of directors by casting the member's ballot by mail as provided in these Bylaws. All mail-in ballots must be received by the Corporation no less than forty-eight hours prior to the annual meeting. No nominations, proxies, or votes will be accepted on the day of the annual meeting or at the annual meeting. Ballots mailed to the Corporation shall be accepted through the regular mail or by hand-delivery to the offices of the Corporation between 8:00 a.m. and 4:30 p.m., Mondays through Fridays, prior to the annual meeting. Failure of any member to receive a ballot or voting envelope for voting by mail shall not invalidate any election of a director.

### Bylaw 3.6 ORDER OF BUSINESS

The order of business at each annual meeting of the members of the Corporation, and so far as feasible at each other meeting of the members, shall be substantially as follows:

1. Roll Call.

2. Reading of the notice of the meeting and proof of service thereof, or the waiver or waivers of the notice of the meeting, as the case may be.

3. Reading of unapproved minutes of previous meetings of the members, and the taking of necessary action thereon.
4. Reports of officers.
5. Unfinished business.
6. New business.
7. Results of mail-in ballot on election of directors, where applicable.
8. Adjournment.

#### PART IV

##### Board of Directors

###### Bylaw 4.1 NUMBER

The Board of Directors shall consist of five members of the Corporation.

###### Bylaw 4.2 TERM OF OFFICE

The Directors shall be elected initially to staggered terms. One Director shall be elected to a one-year term, one Director to a two-year term and the remaining three Directors to a three-year term. To elect for the first initial staggered term, the three Directors who received the most votes shall serve the three-year term, the Director receiving the next number of majority votes shall serve the two-year term, and the Director receiving the next number of majority votes shall serve the one-year term. Thereafter, the Directors shall serve their terms for a five-year term, and one Director shall be elected at the annual meetings by a majority of the mail-in ballots cast by the membership of the Corporation.

###### Bylaw 4.3 NOMINATION OF DIRECTORS

- (a) Any member in good standing is eligible to apply to serve on the Board of Directors.
- (b) The Board of Directors shall adopt a form of application along with a separate Applicant Disclosure Statement, which each applicant shall complete and submit to the Secretary of the Corporation no later than ninety days prior to the annual meeting
- (c) The Applicant Disclosure Statement and application shall include, but not be limited to, disclosures of the applicant's residence address, time as a member of the

Corporation and, whether or not the applicant's personal residence is served by the Corporation.

(d) Applicant interviews will be conducted by the Board of Directors, provided the Board shall accept the written application. Upon the Board of Directors' approval of an application, based on the applicant's experience and expertise in relationship to the corporation's needs and requirements at the time, the Board of Directors will invite the applicant for a Board interview. The name of the applicant(s) with successful interviews will be placed on the ballot for the next annual election. Only people named on the ballot will be considered as candidates for election to the Board of Directors.

(e) A member of the Corporation shall be ineligible to serve on the Corporation Board of Directors if that member shall at the same time be serving as an officer or director of either the Crooked River Ranch Club and Maintenance Association, the Crooked River Ranch Rural Fire Protection District or the Crooked River Ranch Special Road District.

#### Bylaw 4.4 VACANCIES

Any vacancies on the Board of Directors not caused by expiration of term may be filled for the unexpired term by majority vote of the remaining members of the Board of Directors.

#### Bylaw 4.5 DISQUALIFICATION

Termination of a Director's membership in the Corporation shall terminate automatically that Director's membership on the Board of Directors. If a Director shall serve as an officer or director of any organization listed in Bylaw 4.3(e) said Director shall automatically be disqualified as a Director for the Corporation.

#### Bylaw 4.6 COMPENSATION

Individuals serving as a Director of the Corporation shall serve without pay for personal services as a director.

#### Bylaw 4.7 POWERS AND DUTIES OF DIRECTORS

The authority and duties of the Board of Directors shall include the following, as well as such other powers and duties as may be vested in the Board by law.

(a) The Board shall have general supervision and control over and shall manage and conduct the affairs and business of the Corporation, and shall make all necessary rules and regulations, not inconsistent with law or with the Bylaws or Articles of Incorporation, for the management of the Corporation and the guidance of the officers, employees and agents of the Corporation.

(b) The Board may in its discretion employ a General Manager, under contract, who shall hold office subject to such terms and conditions as may be fixed by the Board.

(c) The Board shall cause to be kept a record of all of its acts and proceedings. The Board shall present a report at each annual meeting of the members of the Corporation showing in reasonable detail the condition of the Corporation's affairs.

(d) The Board shall call such special meetings of the members of the Corporation as it may deem necessary or advisable.

(e) The Board shall select one or more banks as depository of funds of the Corporation and determine the manner of receiving, depositing and disbursing the funds of the Corporation, with full power from time to time to change such depositories and determinations.

(f) The Board may invest or convert the funds of the Corporation reserve in or into such securities as the Board may find advisable and proper.

(g) The Board, by affirmative vote of at least three Directors, may borrow money or authorize any officer or the General Manager of the Corporation to borrow money, in the name and on behalf of the Corporation, for any Corporation purpose either on open account or secured in any manner by any assets of the Corporation or any of the Corporation's reserves, in such amounts and upon such terms and conditions as the Board may deem necessary or advisable.

(h) In addition to the foregoing express authority and duties, the Board may exercise such powers and do such lawful acts as it may find to be proper and necessary or expedient for accomplishing any of the lawful purposes of the Corporation.

(i) The Board of Directors may make such donations for the public welfare or for charitable, scientific or educational purposes, as the Board finds may result in a present or foreseeable future benefit to the Corporation or to its members as a whole.

#### Bylaw 4.8 RESIGNATION

Any Director may resign from office at any time, such resignation to be in writing and to take effect when filed with the Secretary of the Corporation.

### PART V

#### Meetings of Directors

#### Bylaw 5.1 ANNUAL MEETING

An annual meeting of the Board of Directors shall be held within ten days after each annual meeting of the members of the Corporation, for the purpose of organizing, electing officers, and transacting such other business as may come before the meeting.

#### Bylaw 5.2 REGULAR QUARTERLY MEETINGS

Regular quarterly meetings of the Board of Directors shall be held after the annual meeting in March, and on the third Wednesday of June, September and December of each year at a place designated by the Board of Directors, unless otherwise posted at the offices of the Corporation. Such quarterly meetings may be held without notice other than the action fixing the time and place thereof. Such meetings may be cancelled by the Board of Directors for the benefit of the corporation.

#### Bylaw 5.3 SPECIAL MEETINGS

A special meeting of the Board of Directors shall be held whenever called by the President or by *three* members of the Board. Neither the business to be transacted nor the purpose of any special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

#### Bylaw 5.4 NOTICE

Notice of each special meeting of the Board of Directors shall be mailed to each Director, at that Director's address of record with the Corporation, not less than five days prior to the time of such meeting, or shall be given by telephone or telegraph not less than twenty-four hours prior to that meeting. Notice of any meeting may be waived in writing. Notice of the meeting shall be waived by attendance at the meeting unless the purpose of attendance was solely to object to the transaction of any business at the meeting on the ground that the meeting was not lawfully called.

#### Bylaw 5.5 QUORUM

Three of the five members of the Board of Directors shall constitute a quorum necessary for the transaction of any and all business of the Corporation. In the event there shall be in attendance at any meeting of the Board of Directors a lesser number than a quorum, that number may adjourn the meeting to another day, until a quorum can be present. No one (1) director may dictate day to day policy without a quorum consent of the Board of Directors.

#### Bylaw 5.6 UNEXCUSED ABSENCES

The Board may declare the Board position of a member of the Board of Directors to be vacant in the event such member shall be absent (unexcused) from three consecutive, regular quarterly scheduled meetings of the Board of Directors.

#### Bylaw 5.7 INDEMNIFICATION OF DIRECTORS, OFFICERS AND AGENTS



Each person who at any time has served or serves as a Director, officer or agent of the Corporation shall be indemnified by the Corporation against liabilities incurred as a result of, and expenses (including attorney's fees) reasonably sustained in the defense or in the compromise or settlement of, any civil, criminal, or other action, suit, or proceeding, in which that person may become involved as a part or with which that person may be threatened, by reason of that person being or having been a Director, officer or agent of the Corporation, provided, however, that such indemnification shall not apply to any claim, action, suit, or other proceeding in which the Director, officer or agent is adjudged liable for negligence or misconduct in the performance of duty, or in which that person shall have entered a plea of guilty or nolo contendere, unless the Corporation shall receive a written opinion of independent legal counsel that (a) the conduct of that person in connection with such matters was in good faith, for a purpose which that person reasonably believed to be in the best interests of the Corporation, and, in any criminal action, in addition, that such person had no reasonable cause to believe that such person's conduct was unlawful, and (b) that indemnification pursuant to the provisions of this Bylaw 5.7 may be legally and validly made.

## PART VI

### Officers

#### Bylaw 6.1 ENUMERATED

The officers of the Corporation shall consist of a President, a Vice-President, and a Secretary/Treasurer.

#### Bylaw 6.2 REMOVAL OF DIRECTOR FROM BOARD OF DIRECTORS

The Board of Directors by a majority vote of the Board may remove any director from the Board of Directors if the majority of the Board in their judgment deems that director's presence on the Board not to be in the best interest of Crooked River Ranch Water Company.

#### Bylaw 6.3 ELECTION AND TERM OF OFFICE

Each officer shall be elected annually by the Board of Directors at its annual meeting and shall hold office until the next annual meeting of the Board of Directors at its annual meeting or until that officer's successor shall have been duly elected and qualified, provided, however, that any officer may be removed from office, and that officer's successor be elected, by the Board whenever the Board deems such removal to be in the best interest of the Corporation.

#### Bylaw 6.4 PRESIDENT

The President shall be the principal executive officer of the Corporation. The President shall sign for and on behalf of the Corporation all documents and instruments

authorized by the Board of Directors to be executed, except when the signing and execution thereof shall be expressly delegated by the Board of Directors or these Bylaws to some other officer or agent of the Corporation or shall be required by law to be otherwise signed or executed. The President shall call such special meetings of the Corporation and of the Board of Directors as the President deems advisable, and shall perform such other duties as may properly be required under the Bylaws or by the Board of Directors.

#### **Bylaw 6.5 VICE-PRESIDENT**

In the absence of the President, or in the event of the President's inability or refusal to act, the Vice-President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time to time may be assigned by the Board of Directors.

#### **Bylaw 6.6 SECRETARY/TREASURER**

The Secretary/Treasurer shall keep the minutes of the members and of the Board of Director's meetings in one or more books provided for that purpose. The Secretary shall see all notices are duly given in accordance with provisions of these Bylaws or as required by law. The Secretary shall supervise maintenance of a registry of the post office addresses of each member of the Corporation and have general charge of all membership books of the Corporation. The Secretary/Treasurer shall have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected in accordance with the provisions of these Bylaws. The Secretary and Treasurer shall in general perform all the duties incident to the office of Secretary/Treasurer and the Board of Directors may assign such other duties as from time to time to the Secretary/Treasurer deemed in the best interest of the Corporation.

#### **Bylaw 6.7 SUBORDINATE OFFICERS**

The Board of Directors may create such subordinate offices and employ such subordinate officers or agents as it may from time to time deem expedient and affix the compensation of such officers or agents and define their powers and duties, provided such powers and duties do not constitute a delegation of such authority as is reposed in the directors by law, which shall be exercised and performed exclusively by them.

#### **Bylaw 6.8 GENERAL MANAGER-OPERATIONS MANAGER**

The Board of Directors shall also have power to appoint a General Manger, who shall hold office under contract to the Board of Directors. The General Manager shall perform such duties and shall have such authority as the Board of Directors from time to

time may specify, but in general shall have the power and authority to facilitate the handling and the management of the Corporation's property and interest.

#### Bylaw 6.9 COMPENSATION

The President, Vice-President and Secretary/Treasurer shall serve without pay for personal services as an officer.

#### Bylaw 6.10 EMPLOYMENT

No Corporation employee, nor any relative, or significant other, may be elected to the Board of Directors while the Corporation employs that person as a regular employee. Subcontract work shall be permitted for tasks, but only as an independent contractor. This same restriction shall apply for a period of five (5) years after such person ceases to be employed by the Corporation.

### PART VII

#### Operating Methods

##### Bylaw 7.1 FISCAL YEAR

The fiscal year of the Corporation shall begin on the first day of January of each year and end on the 31st day of December of the same year.

##### Bylaw 7.2 NONPROFIT

This Corporation shall be operated on a nonprofit basis for the mutual benefit of its members as users of water service supplied by or through this Corporation.

##### Bylaw 7.3 CONFLICTS OF INTEREST

No officer, board member or Corporation employee may participate in any action in which that person indirectly or directly has a substantial personal financial interest. Participation includes, but is not limited to, reviewing bids or proposals, making recommendations for awards of contracts, awarding services, preparing bids or similar acts where the employee or Director stands to profit from the outcome of actions taken with respect to the above. Wages shall not be considered a substantial financial interest for purposes of this Bylaw. Any person serving or acting as a Board member shall not retain, or apply for any regular full-time paid position through this Corporation while a Director or for a period of sixty months after that person's term has expired. This restriction does not include short-term contractual work that is necessary for the benefit of the Corporation. Any "contractual work" done by an employee or Director shall be at the discretion of and under the responsibility of the General Manager, with concurrence by a majority of the Board of Directors.

##### Bylaw 7.4 CONTRACTS

The Board of Directors may authorize any officer or agents to enter into any contract or execute any instrument in the name of and on behalf of the Corporation, and such authority may be in general or confined to specific instances.

#### **Bylaw 7.5 LOANS**

No loan shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

#### **Bylaw 7.6 CHECKS AND DRAFTS**

All checks, drafts or other orders for the payment of money, notes or other evidence of indebtedness issued in the name of the Corporation shall be signed by such officers of the Corporation and in such manner as from time to time be determined by resolution of the Board of Directors.

#### **Bylaw 7.7 DEPOSITS**

All funds of the Corporation shall be under the supervision of the Board of Directors and shall be handled and deposited in such manner and by such officers or agents of the Corporation as the Board of Directors may by prior resolutions from time to time authorize.

#### **Bylaw 7.8 WATER RATES AND OTHER CHARGES**

The Board may, from time to time, set rates regarding water service, water, water related service, and future capital expenditures. The Board may set charges for other services related to the operation of the water system. The members of the Corporation (the owners of rental property shall be billed and responsible for payment of water used by said property) shall pay water bills on a monthly basis and such other charges as are due and payable upon receipt of the bill.

#### **Bylaw 7.9 BOARD POLICIES**

The Board may adopt operating policies consistent with the Bylaws necessary for the orderly conduct of business and any related matters consistent with providing the domestic water services to be provided to qualified members of the Corporation.

### **PART VIII**

#### **Dissolution**

#### **Bylaw 8.1 DISSOLUTION**

In the event of dissolution or liquidation of the Corporation, all assets of the Corporation or proceeds thereof shall be distributed in accordance with the Articles of Incorporation and a plan of dissolution adopted by the Board of Directors.

PART IX

Amendments

Bylaw 9.1 AMENDMENTS

These Bylaws may be amended or repealed only by a majority vote of the Board of Directors.

CERTIFICATE OF SECRETARY

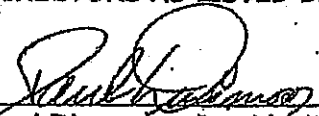
The undersigned, as Secretary of Crooked River Ranch Water Company, hereby certifies that the Bylaws to which this certificate is attached were duly adopted by the Board of Directors of said corporation and are in full force and effect.

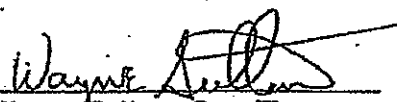
DATED: 9-24-04

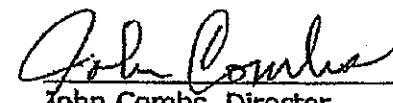
Wayne Sutton Secy.  
Wayne Sutton, Secretary

CROOKED RIVER RANCH WATER COMPANY  
BY-LAWS

ADOPTED 24 Sept 04 BY AFFIRMATIVE VOTE OF THE BOARD OF  
DIRECTORS AS LISTED BELOW:

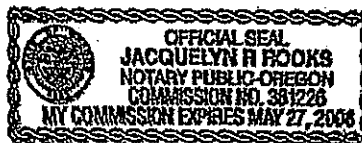
  
Paul Dinsmoor, President

  
Wayne Sutton, Sec./Treasurer

  
John Combs, Director

  
Rick Keen, Director

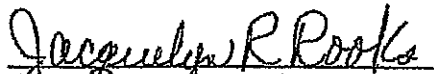
  
Randy Scott, Director



STATE OF OREGON )  
                          ) ss.  
JEFFERSON COUNTY )

This instrument was acknowledged before me on this 24 day of Sept, 2004,  
by Paul Dinsmoor, Wayne Sutton, John Combs, Rick Keen, and Randy Scott, known to be  
officers of the Crooked River Ranch Water Company, and acknowledge the said instrument  
to be the free and voluntary statement, for the uses and purposes therein mentioned.

In witness whereof, I have hereunto set my hand and affixed my official seal the day and  
year first above written.

  
Notary Public in and for the State of  
Oregon, residing at Jefferson County,  
Oregon

My commission expires on 5/27/2008

3

**DATE:** December 29, 2005  
**TO:** Board of Directors  
Crooked River Ranch Water Company  
**FROM:** James H. Rooks  
General Manager/Operations Manager

**SUBJECT: DISQUALIFICATION OF A BOARD OF DIRECTOR**

**Issue:** Our current by-laws state that "termination of a Director's membership in the Corporation shall terminate automatically that Director's membership on the Board of Directors." (Bylaw 4.5) To retain qualified Board members for the best interest of the company and its members, it is necessary to amend our bylaws to allow Directors to continue on the Board even though they are no longer members of the company.

**Recommendation:** Any existing Board member who was elected or appointed to the Board while they were a member of the company, who establishes a residence other than Crooked River Ranch, may remain as a Board member and may run for re-election.

**Resolution:**

**APPROVED:**



Rick Keen, President

Date: \_\_\_\_\_

  
John Combs, Director

Date: 12-29-05

\_\_\_\_\_  
Brian Elliott, Director

Date: \_\_\_\_\_

  
Randy Scott, Director

Date: \_\_\_\_\_

JUL 23 2008

CHBH-CRR0079

JAN-3-2005 09:15 FROM:

TO: 16264431988

P. 2/E

**DATE:** December 29, 2005  
**TO:** Board of Directors  
Crooked River Ranch Water Company  
**FROM:** James H. Rooks  
General Manager/Operations Manager

**SUBJECT: DISQUALIFICATION OF A BOARD OF DIRECTOR**

**Issue:** Our current by-laws state that "termination of a Director's membership in the Corporation shall terminate automatically that Director's membership on the Board of Directors." (Bylaw 4.5) To retain qualified Board members for the best interest of the company and its members, it is necessary to amend our bylaws to allow Directors to continue on the Board even though they are no longer members of the company.

**Recommendation:** Any existing Board member who was elected or appointed to the Board while they were a member of the company, who establishes a residence other than Crooked River Ranch, may remain as a Board member and may run for re-election.

**Resolution:**

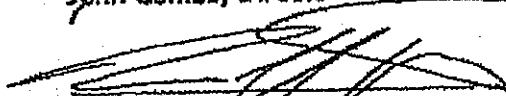
**APPROVED:**

  
Rick Keen, President

Date: \_\_\_\_\_

  
John Combs, Director

Date: 12-29-05

  
Brian Elliott, Director

Date: \_\_\_\_\_

  
Randy Scott, Director

Date: \_\_\_\_\_

JUL 23 2008

CHBH-CRR0080



**DATE:** March 14, 2006  
**TO:** Board of Directors  
Crooked River Ranch Water Company  
**FROM:** James H. Rooks  
General Manager/Operations Manager

**SUBJECT: APPOINTMENT OF RICHARD MILLER TO BOARD OF DIRECTORS**

**Issue:** The Board of Directors currently has a vacancy. Richard Miller, a new member of the CRRWC, has offered to serve on the board. With the removal of Wayne Sutton from the Board of Directors, we have been without a secretary treasurer, so the President has been signing checks. His employment makes it difficult for him to be available as needed. Mr. Miller has agreed to serve in this position if appointed to the board.

**Recommendation:** Appoint Richard Miller to the Board of Directors, effective immediately, and elect him to serve as the Secretary/Treasurer until the next election of officers.

**Resolution:** The Board of Directors have voted and appoint Richard Miller to the Board of Directors and to serve as Secretary/Treasurer until the next election.

**APPROVED:**

  
\_\_\_\_\_  
Rick Keen, President

Date: 3-16-06

  
\_\_\_\_\_  
John Combs, Director

Date: 3-31-06

\_\_\_\_\_  
Brian Elliott, Director

Date: \_\_\_\_\_

  
\_\_\_\_\_  
Randy Scott, Director

Date: 3/31/06

Sent From  
Charles Nichols

**DATE:** June 27, 2006  
**TO:** Board of Directors  
Crooked River Ranch Water Company  
**FROM:** James H. RookS  
General Manager/Operations Manager  
**SUBJECT: DISSOLUTION OF CROOKED RIVER RANCH WATER CO.  
ORGANIZATION OF CROOKED RIVER RANCH WATER  
COOPERATIVE**

**Issue:** The CRRWC is, at this time, on record with the State of Oregon as being formed as a nonprofit, mutual benefit corporation, organized under Chapter 65 of the Oregon Revised Statutes. The Board of Directors of the CRRWC, after exhaustive investigation, have found that it is in the best interest of the members to form Crooked River Ranch Water as a cooperative. We have also been advised by our accountant, Wes Price, that we are listed as a 501 c 12 with the IRS, which is a cooperative. By organizing as a co-op, it gives the members of this co-op more participation in the operation of this company. Our attorneys, Dave Glenn and Tim Gassner, contacted the Secretary of States office and was advised that the simplest way to change our status is to dissolve our current company and refile our Articles of Incorporation under ORS Chapter 62, Cooperatives.

**Recommendation:** The attorneys, Dave Glenn and Tim Gassner, have recommended that Crooked River Ranch Water Company be dissolved with the dissolution contingent and conditioned upon the Cooperative being established. The current assets are to be transferred to the cooperative and all operations of the company will continue. The Articles of Incorporation will be filed with the Secretary of States office, and once completed, the company will be known as the Crooked River Ranch Water Cooperative.

**Resolution:** The Board of Directors agree with the attorney's recommendation to dissolve the current company and proceed with the establishment of the Crooked River Ranch Water Cooperative.

**APPROVED:**

  
\_\_\_\_\_  
Brian Elliott, President

Date: 6/29/06

  
\_\_\_\_\_  
Richard Miller, Secretary/Treasurer

Date: 6/29/06

John Combs  
John Combs, Director

Date: 6-29-06

Rick Keen  
Rick Keen, Director

Date: 6-29-06

Randy Scott  
Randy Scott, Director

Date: 6/29/06

**GLENN, SITES, REEDER & GASSNER, LLP**  
**ATTORNEYS AT LAW**  
205 S. E. Fifth Street, Madras, OR 97741-1632  
Telephone: (541) 475-2272  
Fax: (541) 475-3944

**COPY**

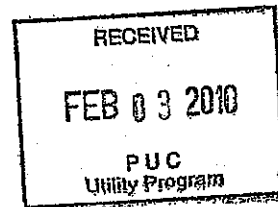
**DAVID C. GLENN**  
**EDWARD E. SITES**  
**DONALD V. REEDER**  
**TIMOTHY R. GASSNER**

**BOYD OVERHULSE**  
1934-1966 (Deceased)  
**SUMNER RODRIGUEZ**  
1949-2005 (Deceased)

February 2, 2010

*First Class Mail/jason.w.jones@state.or.us*

Jason W. Jones  
Dept. of Justice  
Regulated Utilities & Business  
1162 Court St. NE  
Salem, OR 97301



RE: Docket No.: WJ8  
Staff Data Requests 1-11

Dear Mr. Jones:

Crooked River Ranch Water Cooperative submits the following response to Staff Data Requests 1 through 11. Additionally please consider this correspondence as an attempt to confer under OAR 860-014-0070(3) and contact me at your earliest convenience.

1. No responsive documents.
2. No responsive documents.
3. Board Resolution and Minutes attached.
4. 4a provided; 4b contained in Resolution.
5. CRRWC objects to the request for copies of advice received from attorneys regarding reorganization of CRRWC from a non-profit corporation to a cooperative as said information is protected by the attorney-client privilege. No written advice from accountant Wes Price was provided to CRRWC regarding reorganization.
6. No responsive documents.
7. Provided

BILL OF SALE

CROOKED RIVER RANCH CLUB AND MAINTENANCE ASSOCIATION, a non-profit Oregon Corporation, hereby sells, transfers and conveys all its interest in the property described in Exhibit "A" unto CROOKED RIVER RANCH WATER COMPANY, a non-profit Oregon Corporation, subject to all easements, encumbrances, conditions and restrictions, and reservations provided in the Bill of Sale from Crooked River Ranch, a limited partnership, to Crooked River Ranch Club and Maintenance Association, effective as of January 1, 1980. Reserving unto Grantor, its successors and assigns, the right to extend, interconnect and utilize the above-described water system for the benefit of Crooked River Ranch, or such other property as the Grantor may develop. Provided, however, if the above-described water system does not qualify for a tax exemption or later is disqualified for tax exemption or dissolved, said water system will revert to Grantor.

EFFECTIVE this 1st day of January, 1980.

CROOKED RIVER RANCH CLUB AND  
MAINTENANCE ASSOCIATION

By *Arnold E. Throckmold*  
Secretary

STATE OF WASHINGTON, County of King, ss:

The foregoing instrument was acknowledged before me this 1st day of January, 1980, by *Arnold E. Throckmold* Secretary of CROOKED RIVER RANCH CLUB AND MAINTENANCE ASSOCIATION.

*James L. Boyer*  
Notary Public for Washington  
My Commission Expires 6:30

GRAY, FANCHER, HOLMES & HURLEY  
ATTORNEYS AT LAW  
1044 N.W. 80ND STREET  
RENO, OREGON 97201

EXHIBIT 1  
PAGE 1

EXHIBIT "A"

All of the water system, including distribution lines, reservoirs and source facilities on the following described property:

(See copies of maps)

Crooked River Ranch No. 8 Water System

Crooked River Ranch No. 10 Water System

Crooked River Ranch No. 12 Water System

120921-10

**CROOKED RIVER RANCH WATER COMPANY  
ARTICLES OF AMENDMENT**

**FILED**  
IN THE OFFICE OF THE SECRETARY  
OF STATE OF THE STATE OF OREGON.  
**JUN 28 1991**  
CORPORATION DIVISION

**I.**

Names of the Corporation prior to Amendment: **CROOKED RIVER RANCH WATER COMPANY.**

**II.**

The following Articles are added as additional Articles and included as Articles of Incorporation:

A. Any member who withdraws or is terminated shall be entitled to received he equitable interest in the Corporation and said interest shall not be forfeited.

B. All funds accumulated in the Corporation that are not necessary to meet current losses and operating expenses, shall be retained only to the extent of this Corporation's reasonable needs for normal business purposes, which shall include but not be limited to, retiring indebtedness, expansion of the water delivery system, improvement of the water delivery system, maintaining reserves for construction and replacement of existing service lines, pumps, water storage facilities, or other anticipated capital improvements. Funds in excess of reasonable need, shall be distributed to the members in proportion to the amount of business provided the members with the Corporation.

C. The Corporation shall maintain records that show the amount of business done by each member on the basis of its annual accounting period and of each member's rights and interest in the assets of the Corporation.

D. Upon the dissolution of the Corporation, if the Corporation has gains from the sale of an appreciated asset, it shall distribute to the extent practical, the gains as well as other funds, to all persons who were members during the period and time which the asset was purchased and owned by the Corporation in proportion to the amount of business done by such members during that period.

**III.**

In no event shall the By-Laws or Articles of this Corporation allow one person to act as a majority and under no circumstances shall one person constitute a majority for the purposes of the By-Laws of this Corporation.

These Articles of Amendment were adopted by the majority of directors in office at a meeting held on the 18 day of JUNE, 1991.

Dick Bransole  
Title: President

Person to contact about this filing:

**DAVID C. GLENN**  
Attorney for this Corporation  
406 Fifth Street

0622910079: 011.115

*ABC  
6-23*

-1- **CROOKED RIVER RANCH WATER COMPANY  
ARTICLES OF AMENDMENT**

**GLENN, SITES & REEDER**  
ATTORNEYS AT LAW  
406 Fifth Street, Medas, OR 97741 Ph. (503) 475-2272  
Fax: (503) 475-3944


**CROOKED RIVER RANCH WATER COMPANY**  
**A RESOLUTION FOR THE AMENDMENT OF THE**  
**ARTICLES OF INCORPORATION**

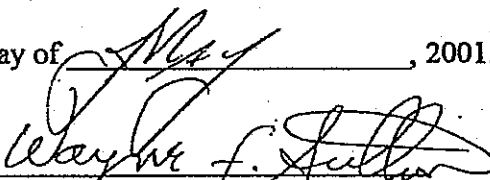
WHEREAS, the Board of Directors has been investigating and making changes in the by-laws of the Corporation; and

WHEREAS, the Board of Directors has reviewed the Articles of Incorporation; now therefore,


The Board of Directors hereby pass and approve the attached Article of Amendment to the Articles of Incorporation by unanimous vote of the Board of Directors.

This Resolution is passed this 2 day of May, 2001.

*Paul*  
  
JOHN DINSMOORE, President

  
WAYNE SUTTON, Secretary/Treasurer

  
BARBARA OAKLEY, Director

  
JOHN COMBS, Director

  
RICK KEEN, Director



Submit the Original  
and One True Copy  
Fee Required

STATE OF OREGON  
CORPORATION DIVISION  
158 12th Street NE  
Salem, OR 97310

Registry Number:

ARTICLES OF AMENDMENT  
Nonprofit Corporation

(IF known)

PLEASE TYPE OR PRINT LEGIBLY IN BLACK INK

Name of the corporation prior to amendment:

State the article number(s) and set forth the article(s) as amended:

No part of the net earnings of the corporation shall inure to the benefit of any member, trustee, officer, or private individual, except that reasonable compensation may be paid for services rendered to or for the corporation affecting one or more of its purposes, and no member, trustee, officer or any private individual shall be entitled to share in the distribution of any of the corporation assets on dissolution of the corporation. If the corporation should be dissolved, then the assets and system shall revert to Deschutes Valley Water District, a domestic water district of the State of Oregon, or to any other domestic water district formed pursuant to Oregon Revised Statutes Chapter 264.

Indicate how the amendment was adopted by checking the appropriate box and completing any requested information. Check only one box.

If there are no members having voting rights:

These articles of amendment were adopted by a majority of the directors in office at a meeting on May 2, 192001

If there are members having voting rights:

These articles of amendment were adopted at a meeting of the members at which there was a quorum, and they received at least two-thirds of the votes. The meeting was held on \_\_\_\_\_, 19\_\_\_\_.

All members entitled to vote consented in writing to the articles of amendment.

Execution:  Paul J. Dinsmoor President  
Signature Printed Name Title

Person to contact about this filing: DAVID C. GLENN 541-475-2272  
Name Daytime Phone Number

Submit the original and a true copy to the Corporation Division, 158 12th Street NE, Salem, Oregon 97310. There is no fee required. If you have questions, please call (503) 378-4166.

IN THE CIRCUIT COURT FOR THE STATE OF OREGON  
FOR THE COUNTY OF JEFFERSON

CROOKED RIVER RANCH  
COOPERATIVE,

Plaintiff,

vs.

CROOKED RIVER RANCH CLUB  
& MAINTENANCE ASSOCIATION,  
Defendant.

Case No. 06CV0028

FOURTH AMENDED  
COMPLAINT FOR DECLARATORY  
JUDGMENT, IMPLIED EASEMENT OR  
EASEMENT BY NECESSITY, AND  
INJUNCTIVE RELIEF

(Not subject to mandatory arbitration)

Plaintiff Alleges:

FOR THE FIRST CAUSE OF ACTION  
(Declaratory Judgment ORS 28.010)

1.

That Plaintiff is a non-profit cooperative corporation organization and existing pursuant to ORS Chapter 65 since 1977. Plaintiff was formerly Crooked River Ranch Water Company and now is doing business as a non-profit Cooperative Corporation designated as Crooked River Ranch Water Cooperative pursuant to ORS 62.115 formed July 5, 2006.

2.

The Defendant is a non-profit corporation homeowner and club maintenance association serving the residents of Crooked River Ranch an unincorporated residential community.

3.

The Defendant on January 1, 1980 conveyed to the Plaintiff all of the water system, including distribution lines, reservoirs and source facilities located on Defendant's community property to the Plaintiff as set forth in the Bill of Sale attached hereto as Exhibit A, pages 1 & 2.

4.

That the Plaintiff supplies domestic water services to its members extensively on the Crooked River Ranch since its inception.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

5.

The Plaintiffs customers in the community have immediate need for the expansion and improvements of Plaintiff's services in the creation of an additional well to be connected to the existing water tank tower requiring piping across community property owned by the Defendant and the Plaintiffs requested easements to said property as set forth in Exhibit B pages 1-6.

6.

The property designated as Tract F of Crooked River Ranch No. 7 Jefferson County, Oregon was established by the developer for the water storage tank, piping and provisions of domestic water supply to residents.

7.

The Plaintiffs have requested the consent and cooperation of the Defendant in allowing access to the water storage tank for improvements and piping in the new well and pipeline easements and the Defendant has refused to allow this access to the Plaintiff.

FOR THE SECOND CAUSE OF ACTION  
(Prescriptive Easement)

8.

Dismissed by ruling of this Court.

FOR THE THIRD CAUSE OF ACTION  
(Implied Easement of Necessity)

9.

Dismissed by ruling of this Court.

FOR THE FOURTH CAUSE OF ACTION  
(Injunction)

////  
////

1 10.

2 Plaintiff re-alleges the allegation in paragraphs 1 through 7.

3 11.

4 Plaintiff has a right to provide domestic water service throughout the Crooked River Ranch  
5 properties Defendants are violating by denying access to common property areas for said purpose.

6 12.

7 The Plaintiffs requested that the Defendants grant the easement described in "Exhibit B"  
8 pages 1 through 6.

9 13.

10 Defendant refuses to grant the easements described in "Exhibit B" pages 1 through 6 and  
11 deny Plaintiff access the property.

12 14.

13 The Plaintiff has a legal right to use said property pursuant to the Bill of Sale dated January  
14 1, 1980 attached hereto as Exhibit A

15 15.

16 Unless enjoined Defendants will continue to interfere in the operation of Plaintiff's water  
17 company and sabotage necessary development of Plaintiff's domestic water service to residents.

18 16.

19 Unless enjoined, Plaintiffs will suffer greatly and irreparable injury and damage for which  
20 it will be impossible to compensate Plaintiff.

21 17.

22 The Defendant by interfering in Plaintiff's attempt to develop the domestic water supply  
23 system has caused the Plaintiff to incur costs and lost of revenue in the sum of \$120,000.

24 18.

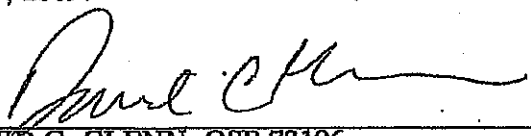
25 Plaintiff does not have adequate remedy of law.  
26

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

WHEREFORE, Plaintiff prays for a decree as follows:

1. Declaring Plaintiff's right for access to Defendant's property for system development and improvement;
2. Granting Plaintiff its necessary and proper easements or licence for piping maintenance and improvements of its water system on Defendant's property;
3. A decree restraining and enjoining the Defendants from interfering with the Plaintiff's operation of its domestic water development and supply;
4. For the damages incurred from Defendant's interference as deemed just and proper by the Court;
5. Granting to Plaintiff the easements described in "Exhibit B" herein;
6. For such other and further relief as the Court may deem equitable and just.

Dated this 2 day of February, 2009.



DAVID C. GLENN, OSB 73106  
Of Attorneys for the Plaintiff

BILL OF SALE

CROOKED RIVER RANCH CLUB AND MAINTENANCE ASSOCIATION, a non-profit Oregon Corporation, hereby sells, transfers and conveys all its interest in the property described in Exhibit "A" unto CROOKED RIVER RANCH WATER COMPANY, a non-profit Oregon Corporation, subject to all easements, encumbrances, conditions and restrictions, and reservations provided in the Bill of Sale from Crooked River Ranch, a limited partnership, to Crooked River Ranch Club and Maintenance Association, effective as of January 1, 1980. Reserving unto Grantor, its successors and assigns, the right to extend, interconnect and utilize the above-described water system for the benefit of Crooked River Ranch, or such other property as the Grantor may develop. Provided, however, if the above-described water system does not qualify for a tax exemption or later is disqualified for tax exemption or dissolved, said water system will revert to Grantor.

EFFECTIVE this 1st day of January, 1980.

CROOKED RIVER RANCH CLUB AND  
MAINTENANCE ASSOCIATION

By Arnold E. Thresh  
Secretary

STATE OF WASHINGTON, County of King, ss:

The foregoing instrument was acknowledged before me this 1st day of January, 1980, by Arnold E. Thresh Secretary of CROOKED RIVER RANCH CLUB AND MAINTENANCE ASSOCIATION.

Jane L. Boyer  
Notary Public for Washington  
My Commission Expires 6/1/82

EXHIBIT "A"

All of the water system, including distribution lines, reservoirs and source facilities on the following described property:

(See copies of maps)

Crooked River Ranch No. 8 Water System

Crooked River Ranch No. 10 Water System

Crooked River Ranch No. 12 Water System

**Part V-A Current Officers, Directors, Trustees, and Key Employees (continued)**

	Yes	No
<b>75a</b> Enter the total number of officers, directors, and trustees permitted to vote on organization business as board meetings. ▶ 4		
<b>b</b> Are any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, related to each other through family or business relationships? If 'Yes,' attach a statement that identifies the individuals and explains the relationship(s).....	75b	X
<b>c</b> Do any officers, directors, trustees, or key employees listed in form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, receive compensation from any other organizations, whether tax exempt or taxable, that are related to the organization? See the instructions for the definition of 'related organization'..... If 'Yes,' attach a statement that includes the information described in the instructions.	75c	X
<b>d</b> Does the organization have a written conflict of interest policy?.....	75d	X

**Part V-B Former Officers, Directors, Trustees, and Key Employees That Received Compensation or Other Benefits** (If any former officer, director, trustee, or key employee received compensation or other benefits (described below) during the year, list that person below and enter the amount of compensation or other benefits in the appropriate column. See the instructions.)

(A) Name and address	(B) Loans and Advances	(C) Compensation (if not paid, enter -0-)	(D) Contributions to employee benefit plans and deferred compensation plans	(E) Expense account and other allowances
None				

**Part VI Other Information (See the instructions.)**

	Yes	No
<b>76</b> Did the organization make a change in its activities or methods of conducting activities? If 'Yes,' attach a detailed statement of each change.....	76	X
<b>77</b> Were any changes made in the organizing or governing documents but not reported to the IRS?..... If 'Yes,' attach a conformed copy of the changes.	77	X
<b>78a</b> Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?...	78a	X
<b>b</b> If 'Yes,' has it filed a tax return on Form 990-T for this year?.....	78b	N/A
<b>79</b> Was there a liquidation, dissolution, termination, or substantial contraction during the year? If 'Yes,' attach a statement.....	79	X
<b>80a</b> Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?.....	80a	X
<b>b</b> If 'Yes,' enter the name of the organization ▶ N/A and check whether it is <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt.		
<b>81a</b> Enter direct and indirect political expenditures. (See line 81 instructions.)..... 81 a 0.	81 a	
<b>b</b> Did the organization file Form 1120-POL for this year?.....	81 b	X

BAA



<b>Part V-A Current Officers, Directors, Trustees, and Key Employees (continued)</b>		Yes	No
<b>75a</b> Enter the total number of officers, directors, and trustees permitted to vote on organization business at board meetings. . . . .	<b>5</b>		
<b>b</b> Are any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, related to each other through family or business relationships? If 'Yes,' attach a statement that identifies the individuals and explains the relationship(s) . . . . .	<b>75b</b>		X
<b>c</b> Do any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, receive compensation from any other organizations, whether tax exempt or taxable, that are related to the organization? See the instructions for the definition of 'related organization' . . . . .	<b>75c</b>		X
If 'Yes,' attach a statement that includes the information described in the instructions.			
<b>d</b> Does the organization have a written conflict of interest policy? . . . . .	<b>75d</b>	X	

**Part V-B Former Officers, Directors, Trustees, and Key Employees That Received Compensation or Other Benefits** (If any former officer, director, trustee, or key employee received compensation or other benefits (described below) during the year, list that person below and enter the amount of compensation or other benefits in the appropriate column. See the instructions.)

(A) Name and address	(B) Loans and Advances	(C) Compensation (if not paid, enter -0-)	(D) Contributions to employee benefit plans and deferred compensation plans	(E) Expense account and other allowances
NONE				

<b>Part V-C Other Information (See the instructions.)</b>		Yes	No
<b>76</b> Did the organization make a change in its activities or methods of conducting activities? If 'Yes,' attach a detailed statement of each change. . . . .	<b>76</b>		X
<b>77</b> Were any changes made in the organizing or governing documents but not reported to the IRS? . . . . .	<b>77</b>	X	
<b>78a</b> Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return? . . . . .	<b>78a</b>		X
<b>b</b> If 'Yes,' has it filed a tax return on Form 990-T for this year? . . . . .	<b>78b</b>	N/A	
<b>79</b> Was there a liquidation, dissolution, termination, or substantial contraction during the year? If 'Yes,' attach a statement . . . . .	<b>79</b>		X
<b>80a</b> Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc, to any other exempt or nonexempt organization? . . . . .	<b>80a</b>		X
<b>b</b> If 'Yes,' enter the name of the organization <b>N/A</b> . . . . .			
and check whether it is <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt.			
<b>81a</b> Enter direct and indirect political expenditures. (See line 81 instructions.) . . . . .	<b>81a</b>	0.	
<b>b</b> Did the organization file Form T120-POL for this year? . . . . .	<b>81b</b>		X



John P. Harrigan, CPA  
Wesley B. Price III, CPA  
Candace S. Fronk, CPA

October 30, 2008

Internal Revenue Service  
Cincinnati, OH 45999-0023

RE: Crooked River Ranch Water Co.  
EIN# 93-0766082

To Whom It May Concern:

975 SW Colorado  
Suite 200  
Bend, OR 97702

Tel (541) 382-4791  
Fax (541) 388-1124

www.bendcpa.com  
email@bendcpa.com

I am writing on behalf of my client, Crooked River Ranch Water Co., EIN# 93-0766082, on advice of IRS representative Dave Koucky, ID# 31-03909, to seek continuity in exempt status as well as continuity in use of the Federal EIN# associated with this Organization. Please see the attached Power of Attorney.


Until July 5, 2006, the Organization was considered a 501(c)12, domestic not-for-profit entity. To comply with IRS regulations mandating cooperative status for 501(c)12 organizations, the attorney for the Organization dissolved and reformed the entity under the laws of the State of Oregon as a cooperative not-for-profit entity. However, the attorney failed to file Form 1024 "Application for Recognition of Exemption" and Form SS-4 "Application for Federal Employment Identification Number" for the newly organized entity.

We discovered this error during preparation of the Organization's 2007 tax return. Some issues were created as a result of this oversight as follows:

1. The Federal EIN# has been used for prior year tax returns and payroll tax forms for an entity that no longer exists at the state level. The paperwork and time for the Organization, the IRS and the state to correct this error will be substantial.
2. Form 1024 was also not filed so the lack of exempt status would require amended returns for 2006 and 2007, even though the activities of the Organization remain the same.

We are respectfully requesting for the IRS to grant continuity in the Organization's exempt status, as well as continuity in use of the Federal EIN# associated with the dissolved entity for the following reasons:

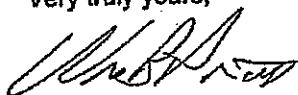
Internal Revenue Service  
October 30, 2008  
Page 2

1. "The Organization was created a number of years prior to the enactment of the earliest federal tax legislation pertaining to mutual ditch and irrigation companies. Since that time, it has continued to operate in a traditional manner that is consistent with the provisions of the state statute. In view of the fact that such organizations were operating in this manner when Congress originally enacted legislation providing for their exemption from federal income tax, and the fact that there have been no major changes in the applicable federal tax provisions in the intervening years, it is clear that Congress intended and still intends that mutual ditch and irrigation companies operated in the manner and under the circumstances described above would qualify for exemption from federal income tax under  section 501(c)(12) of the Code." *Revenue Ruling 81-109.*
2. To not grant exempt status and continuity in use of the EIN# retroactive to the date of reorganization would put undue time and financial burdens on the not-for-profit organization. The unexpected and unplanned tax burden alone could threaten the Organization's ability to continue on with operations.
3. Due to the Organization's lack of experience and knowledge with legal requirements associated to dissolution and reformation, it consulted what it thought to be an experienced professional in this area, and relied on the information provided from this individual.
4. The operations of the Organization remained the same after the reorganization. The only reason for the reorganization was to comply with IRS regulations.

If this request is denied, the Organization will file any needed amended reports in a reasonable time frame. If the request is accepted, please advise us as to what procedural paperwork, if any, the Organization should complete to be in compliance.

Please contact Wes Price or Jamie Kendellen at 541-382-4791 with any questions.

Very truly yours,



Wesley B. Price, III

WBP:rdc

cc: Crooked River Ranch Water Co.

Attachments

P:\DATA\CLIENTS\DATA\113222 CRR WATER COMPANY\Request for Continuity - letter to IRS.doc



**GLENN, SITES, REEDER & GASSNER, LLP**  
**ATTORNEYS AT LAW**  
205 S. E. Fifth Street, Madras, OR 97741-1632  
Telephone: (541) 475-2272  
Fax: (541) 475-3944

**COPY**

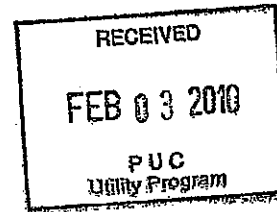
**DAVID C. GLENN**  
**EDWARD E. SITES**  
**DONALD V. REEDER**  
**TIMOTHY R. GASSNER**

**BOYD OVERHULSE**  
1934-1966 (Deceased)  
**SUMNER RODRIGUEZ**  
1949-2005 (Deceased)

February 2, 2010

*First Class Mail/jason.w.jones@state.or.us*

Jason W. Jones  
Dept. of Justice  
Regulated Utilities & Business  
1162 Court St. NE  
Salem, OR 97301



RE: Docket No.: WJ8  
Staff Data Requests 1-11

Dear Mr. Jones:

Crooked River Ranch Water Cooperative submits the following response to Staff Data Requests 1 through 11. Additionally please consider this correspondence as an attempt to confer under OAR 860-014-0070(3) and contact me at your earliest convenience.

1. No responsive documents.
2. No responsive documents.
3. Board Resolution and Minutes attached.
4. 4a provided; 4b contained in Resolution.
5. CRRWC objects to the request for copies of advice received from attorneys regarding reorganization of CRRWC from a non-profit corporation to a cooperative as said information is protected by the attorney-client privilege. No written advice from accountant Wes Price was provided to CRRWC regarding reorganization.
6. No responsive documents.
7. Provided

2002 EO CPE Text

## **E. GENERAL SURVEY OF I.R.C. 501(c)(12) COOPERATIVES AND EXAMINATION OF CURRENT ISSUES**

by  
**Michael Seto and Cheryl Chasin**

### **1. Introduction**

This article discusses general cooperative principles and rules governing I.R.C. 501(c)(12) cooperatives, the history of I.R.C. 501(c)(12) and other requirements that affect operations of I.R.C. 501(c)(12) cooperatives, and current issues.

### **2. I.R.C. 501(c)(12)**

I.R.C. 501(c)(12) provides federal income tax exemption for benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, electric companies, or "like organizations". The Service has never distinguished the terms "mutual" or "cooperative" for purposes of I.R.C. 501(c)(12). This article will use the term "cooperative."

The purpose of an I.R.C. 501(c)(12) organization is to provide certain services to its members at the lowest possible cost. To qualify for and maintain exemption under I.R.C. 501(c)(12), a cooperative must receive 85 percent or more of its income each year from members. The income must be collected solely to meet the cooperative's losses and expenses.

### **3. General History of Cooperatives**

The cooperative form of organization originated in England in the early 1800's to improve the economic lot of workers and farmers, two groups that suffered during the industrial revolution. Workers, with little bargaining power, suffered low wages. Farmers operated in an especially precarious economic environment, paying retail prices for their raw materials, but selling their output wholesale in markets that fluctuated widely and unpredictably. To gain economic power, workers and farmers organized and pooled resources to form sufficient capital to control the means of production, obtain supplies and services, or market their goods or services. The cooperative became very popular, and it spread to and throughout the United States.

Congress recognized the contributions and importance of cooperatives even before ratification of the Sixteenth Amendment to the Constitution authorized the income tax. Congress provided exemption from federal excise taxes to cooperative companies, not-for profit mutual benefit associations, and agricultural, horticultural, and domestic

#### D. Cooperative Principles and State Laws

I.R.C. 501(c)(12) and the regulations do not require a cooperative to organize under a state cooperative statute, unlike I.R.C. 521 farmers' cooperatives. But, many states have cooperative statutes that govern cooperatives described in I.R.C. 501(c)(12). For example, section 57.001 of the Texas Nonprofit Water Supply or Sewer Service Corporations statute governs the formation and operation of nonprofit water and sewer organizations.

State cooperative statutes do not usually cause conflicts with the cooperative principles (democratic vote, non-forfeiture of assets of former members, etc.). In reviewing a cooperative's governing instruments to determine if it satisfies all organizational and operational requirements, a determination specialist should also review the State's cooperative statute to ensure there is no conflict.

One area where state cooperative statutes and cooperative principles have conflicted concerns ditch or irrigation cooperatives. Rev. Rul. 81-109, 1981-1 C.B. 347, resolved a conflict by holding that a mutual ditch organization qualified for exemption under I.R.C. 501(c)(12) though it did not meet some cooperative requirements, because it operated as required by state law. State law authorized that members purchase stock in the cooperative, which was formed in 1874. The stock entitles a member to certain water rights and services. The stock is assessable to provide funds to operate and maintain the irrigation system. The shares are personal property and freely alienable with all the right, title, and interest to the water and assets of the organization. On dissolution, the assets of the organization would be distributed to the current stockholders in proportion to the amount held by each. Thus, a member who sells his or her stock forfeits any claim to the cooperative's assets on dissolution, which conflicts with the cooperative requirements of non-forfeiture of interest and that, so far as practicable, any gain from the sale of assets be distributed to members and former members in proportion to the amount of business done by each while the cooperative owned the assets.

Rev. Rul. 81-109 noted that several state laws and practices governing cooperatives allowed them to operate in the manner described above, but Congress has not amended I.R.C. 501(c)(12) or its predecessor to provide state laws should not govern in such a circumstance. Congressional inaction despite knowledge of conflicts was interpreted as its intent that state law should control if it conflicts with cooperative requirements.

#### 9. Activities Test

I.R.C. 501(c)(12) describes four specific categories of organizations that can qualify for exemption: benevolent life insurance associations, ditch or irrigation companies, telephone companies, and electric companies. I.R.C. 501(c)(12) also provides for a fifth category, "like organizations," which is not defined in the Code or the regulations. So,

**DATE:** May 21, 2001  
**TO:** Board of Directors  
Crooked River Ranch Water Company  
**FROM:** James H. Rooks  
General Manager/Operations Manager  
**SUBJECT: ARTICLES OF INCORPORATION**

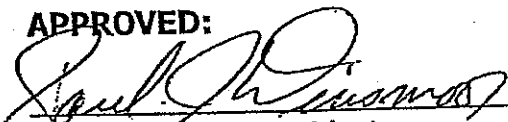
---

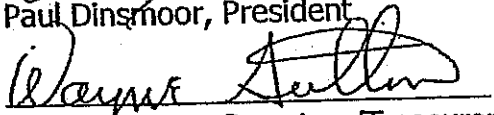
**Recommendation:**

As recommended by the law firm of Glenn, Sites & Reeder, we need to amend the Articles of Incorporation to read:

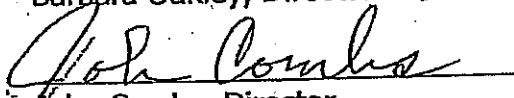
Directors may be removed only for cause.

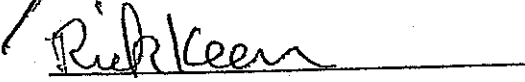
**APPROVED:**

  
Paul Dinsmoor, President

  
Wayne Sutton, Secretary/Treasurer

  
Barbara Oakley, Director

  
John Combs, Director

  
Rick Keen, Director

Submit the Original  
& One True Copy  
Fee Required

STATE OF OREGON  
CORPORATION DIVISION  
158 12th Street NE  
Salem, OR 97310

File Number:

ARTICLES OF AMENDMENT  
Nonprofit Corporation

(If known)

PLEASE TYPE OR PRINT LEGIBLY IN BLACK INK

Name of the corporation prior to amendment:

State the article number(s) and set forth the article(s) as amended:

No part of the net earnings of the corporation shall inure to the benefit of any member, trustee, officer, or private individual, except that reasonable compensation may be paid for services rendered to or for the corporation affecting one or more of its purposes, and no member, trustee, officer or any private individual shall be entitled to share in the distribution of any of the corporation assets on dissolution of the corporation. If the corporation should be dissolved, then the assets and system shall revert to Deschutes Valley Water District, a domestic water district of the State of Oregon, or to any other domestic water district formed pursuant to Oregon Revised Statutes Chapter 264.

Indicate how the amendment was adopted by checking the appropriate box and completing any requested information. Check only one box.

If there are no members having voting rights:

These articles of amendment were adopted by a majority of the directors in office at a meeting on May 2, 192001

If there are members having voting rights:

These articles of amendment were adopted at a meeting of the members at which there was a quorum, and they received at least two-thirds of the votes. The meeting was held on \_\_\_\_\_, 19\_\_\_\_.

All members entitled to vote consented in writing to the articles of amendment.

Execution: Paul J. Dismoor Signature      Paul J. Dismoor Printed Name      President Title

Person to contact about this filing: DAVID C. GLENN Name      541-475-2272 Daytime Phone Number

Submit the original and a true copy to the Corporation Division, 158 12th Street NE, Salem, Oregon 97310. There is no fee required. If you have questions, please call (503) 378-4166.



Submit the Original  
And One True Copy  
No Fee Required

STATE OF OREGON  
CORPORATION DIVISION  
158 12th Street NE  
Salem, OR 97310

Registry Number:

ARTICLES OF AMENDMENT  
Nonprofit Corporation

(If known)

PLEASE TYPE OR PRINT LEGIBLY IN BLACK INK

1. Name of the corporation prior to amendment:

Crooked River Ranch Water Company

2. State the article number(s) and set forth the article(s) as amended:

No part of the net earnings of the corporation shall inure to the benefit of any member, trustee, officer, or private individual, except that reasonable compensation may be paid for services rendered to or for the corporation affecting one or more of its purposes, and no member, trustee, officer or any private individual shall be entitled to share in the distribution of any of the corporation assets on dissolution of the corporation. If the corporation should be dissolved, then the assets and system shall revert to Deschutes Valley Water District, a domestic water district of the State of Oregon; or to any other domestic water district formed pursuant to Oregon Revised Statutes Chapter 264.

Directors may be removed only for cause.

Indicate how the amendment was adopted by checking the appropriate box and completing any requested information. Check only one box.

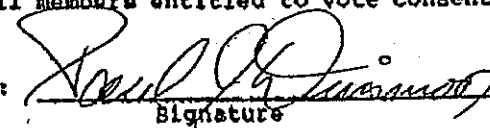
If there are no members having voting rights:

These articles of amendment were adopted by a majority of the directors in office at a meeting on \_\_\_\_\_, 19\_\_\_\_.

If there are members having voting rights:

These articles of amendment were adopted at a meeting of the members at which there was a quorum, and they received at least two-thirds of the votes. The meeting was held on \_\_\_\_\_, 19\_\_\_\_.

All members entitled to vote consented in writing to the articles of amendment.

Execution:  Paul J. Dinsmore President  
Signature Printed Name Title

Person to contact about this filing: David C. Glenn 541-475-2272  
Name Daytime Phone Number

File the original and a true copy to the Corporation Division, 158 12th Street NE, Salem, Oregon 97310. There is no fee required. If you have questions, please call (503) 378-4166.

**DATE:** December 19, 2003  
**TO:** Board of Directors  
Crooked River Ranch Water Company  
**FROM:** James H. Rooks  
General Manager/Operations Manager  
**SUBJECT:** APPLICATION PROCESS FOR BOARD OF DIRECTOR

---

**Issue:** As positions come up for election on the Board of Directors, it is important to recruit the most qualified people to run for the positions. It has been proven over the last five years that by having qualified directors this company has run more efficiently and has reduced costs to the membership.

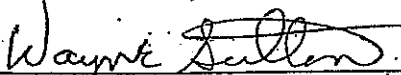
**Recommendation:** To insure that qualified candidates run for the positions, an application and process have been developed. The process is that a candidate will complete the application, the application will be screened by the General Manager and Board of Directors, and then an interview will be offered to those who pass the initial screening. A position description will be developed when the positions become vacant or up for election as the needs of the company will determine the qualifications needed for that particular position.

**Resolution:** The application and the process is approved for use beginning with the 2004 election.

**APPROVED:**

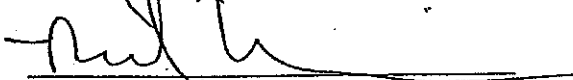
---

Paul Dinsmoor, President

  
Wayne Sutton, Secretary/Treasurer

---

John Combs, Director

  
Rick Keen, Director

---

Randy Scott, Director

May 2001

# CROOKED RIVER RANCH WATER COMPANY BY-LAWS

## ARTICLE I: PURPOSE:

The corporation is organized as a Mutual benefit corporation for the purpose of providing domestic water to the service territory of Crooked River Ranch Water Company.

## ARTICLE II: MEMBERSHIP:

Membership of this Corporation shall consist of all users of the water system that are in good standing, have paid the appropriate fees and are within the Crooked River Ranch Water Corporation service territory.

## ARTICLE III: ANNUAL MEETINGS

### Section: 1. Annual Meeting

a) The annual meeting of the members of this corporation shall be held on the first Saturday of February at 10:00 AM unless such day falls upon a legal holiday in which case such meeting shall be held on the next succeeding Saturday. It shall be held in the principal office and place of business of the corporation, unless a different place shall be designated in the call, and shall be for the purpose of electing a director for the ensuing year, considering the report of the President, showing the condition of the corporation at the close of the last fiscal year, and for the transaction of such business as listed on the call for the Annual meeting. The terms of the office of the directors so elected shall continue until the election and qualifications of their successors as provided in these by-laws.

b) It shall be the duty of the Secretary/Treasurer to cause a written notice of the time and place of the annual meeting to be mailed to each member.

c) Notice of any regular meeting or any adjournment of such meeting may be waived by written consent, whether executed before or subsequent to such meeting. The attendance of any member in person at such meeting shall be deemed a waiver of the notice hereby prescribed.

### Section: 2. Quorum and Membership Defined

a) Members of this Corporation shall consist of all property owners who are in good standing, and have paid all fees and charges and are in the Crooked River Ranch Water Company service territory. Each member shall be entitled to one vote per connected lot at the Annual meeting duly called. A member may consist of any user described above, including businesses and corporations as well as individuals.

b) Any member within the water system who has been disconnected for any reason from the system shall not be entitled to vote until that person has paid the fees and charges and has been reconnected to the water service system.

c) A quorum shall be 51% of the entire membership of Crooked River Ranch Water Company and shall be required at a duly called Annual or Special meeting before transaction of business may commence except for the election of Directors, which shall be by majority of the mail-in ballots.

### Section: 3. Order of Business

The order of business at all meetings of the members shall be as follows:

- Roll Call
- Proof Of Notice Of Meeting
- Reading Of Previous Minutes
- Reports Of Officers

## CROOKED RIVER RANCH WATER COMPANY BY-LAWS

Unfinished Business  
New Business  
Results Of Mail-In Ballot - Election Of Directors  
Comment Period - Limited Time Per Comment

### Section: 4. Voting of Members for Directors

At each election, each member shall be entitled to one mail-in vote for each water connection (Phase and lot number) that is owned and registered in that person's name that is in good standing with Crooked River Ranch Water Company according to these by-laws, limited to one vote per lot.

Each member shall have the right to vote via the mail-in ballot or shall be deposited at the Crooked River Ranch Water Company office only.

These ballots are to be mailed into the Crooked River Ranch Water Company, PO Box 1388, Crooked River Ranch, OR 97760, and must be received no later than two working days before the annual meeting, Wednesday at 4:30 PM prior to the Annual Meeting. The results of the election of the Board of Directors are to be tallied so the results can be announced at the annual meeting.

### ARTICLE IV: AMENDMENTS

#### Section: 1. Method

These by-laws or any portion of them may be amended by a two-thirds vote of the Board of Directors only as expressly provided in Oregon Revised Statutes Chapter 65.464

#### Section: 2. Inclusion

These by-laws, when adopted, include all prior amendments to the by-laws, and are retroactive as of the date of adoption.

### ARTICLE V: FISCAL YEAR

#### Section: 1. Fiscal Year

The fiscal year of this corporation shall be January 1-December 31. All elections are to be conducted at the annual meetings.

### ARTICLE VI: BOARD OF DIRECTORS:

#### Section: 1. Number

The business and the property of the corporation shall be managed and controlled by a Board of Directors consisting of (5) members. The board shall have the power and authority to make rules and regulations not inconsistent with the laws of the State of Oregon, these by-laws, or the articles of incorporation; to call meetings of the members when deemed advisable; and generally to exercise all powers necessary for the transaction of the corporation's business.

#### Section: 2. Election

The Directors shall be elected initially to staggered terms. One Director shall be elected to a one-year term, one Director to a two-year term and the remaining three Directors to a three-year term. To elect for the first initial staggered term the three Directors who receive the most votes shall serve the three year term, the

## CROOKED RIVER RANCH WATER COMPANY BY-LAWS

Director receiving the next number of majority of votes shall serve the two year term, and the Director receiving the next number of majority of votes shall serve the two year term, and the Director receiving the least shall serve the one year term. Thereafter, the Directors shall serve their terms for a five-year term and one director shall be elected at the annual meetings by a majority of the mail-in ballots cast by the membership of the corporation. For consideration as an applicant for the Board of Directors all candidates will complete the application form for the Board of Directors and will submit a written resume to the Board of Directors no less than 90 days prior to the ballots being mailed out. Upon the Board of Directors approval of an application(s) the Board of Directors will invite the applicant back for an interview. The name(s) of applicant(s) with successful interview(s) will be placed on the ballot for the next annual election. Only those people named on the ballot will be considered as running for election of the Board of Directors.

All mail-in ballots must be in between 8:00AM and 4:30PM to the Crooked River Water Company office no less than 48-hours prior to the annual meetings. Directors shall be elected by a majority of the ballots received and verified. No nominations, proxies, or votes will be accepted on the day of the annual meeting or at the annual meeting. The term of office of such Director shall begin immediately after election and qualification and they shall serve until their successors are elected and qualified.

### Section: 3. Vacancies

Whenever any vacancy shall occur in the Board of Directors by any cause, the Board shall fill that vacancy by appointment. The new Director will fulfill the entire term of the Director they replace.

### Section: 4. Regular Board Meetings

A regularly schedule meeting of the Board of Directors of this corporation shall be held immediately following the annual meeting of the members and no notice to the Directors shall be required for the purpose of holding this meeting.

The regular quarterly Board of Directors meeting, after the Annual meeting in February, shall be held on the third Wednesday of the month every 90 days at a place designated by the Board of Directors, unless otherwise posted at the Water Company Office.

### Section: 5. Special Board Meetings

An officer or Director of Crooked River Ranch Water Company may call special meetings of the Board of Directors at any reasonable time by giving to each Director written notice at least two (2) days before the date of the meeting. The attendance of any Director at any such special meeting or his/her written consent to the holding therefore executed before or subsequent to such meeting, shall be deemed a waiver of this notice. Neither the business to be transacted nor the purpose of any regular or special meeting of the Board of Directors need be specified in the notice or waive of notice of such meeting.

### Section: 6. Order of Business at Meetings

Business at meetings of the Board of Directors shall be transacted in such order as the Board of Directors from time to time may determine by resolution.

At all meetings of the Board of Directors, the President, or in his/her absence, the Vice-President or acting-President of Crooked River Ranch Water Company shall preside.

### Section: 7. Presumption of Assent

A Director of the corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his/her dissent shall be

## **CROOKED RIVER RANCH WATER COMPANY BY-LAWS**

contracts, awarding services, preparing bids, etc. when the employee stands to profit from the outcome of actions taken with respect to the above.

#3 Any person acting as a Board Member of this company shall not retain, or apply for any paid position of this company while a director or for a period of 60 months after that person's term has expired. This does not include short-term contractual work that is necessary for the benefit of Crooked River Ranch Water Company. This contractual work shall be at the discretion of and under the responsibility of the General Manager, this responsibility shall include reporting to the Board of Directors.

### **ARTICLE VIII: Contracts, Loans, Checks and Deposits**

#### **Section: 1. Contracts**

The Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute any instrument in the name of and on behalf of the corporation, and such authority may be in general or confined to specific instances.

#### **Section: 2. Loans To Crooked River Ranch Water Company**

No loan shall be contracted on behalf of the Crooked River Ranch water Company and no evidences of indebtedness issued its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

#### **Section: 3. Checks, Drafts, Etc.**

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of Crooked River Ranch Water Company, shall be signed by such Director or Directors of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

#### **Section: 4. Deposits**

All funds of the corporation shall be under the supervision of the Board of Directors and shall be handled and disposed of in such manner and by such officers or agents of this corporation as the Board of Directors may by prior resolutions from time to time to authorize.

### **ARTICLE IX: WATER RATES AND OTHER CHANGES**

#### **Section: 1. Method**

The Board may, from time to time, set water rates for providing water; water related services and future capital expenditures. The Board may set charges for other services related to the operation of the water system. The members of the corporation (the owners of rental property shall be billed and responsible for payment for water used by said property) shall pay water bills on a monthly basis and other charges are due and payable upon receipt of the bill.

#### **Section: 2. Board Policies**

The Board may adopt operating Policies consistent with the by-laws necessary for the orderly conduct of business and any related matters consistent with providing domestic water service.

# CROOKED RIVER RANCH WATER COMPANY BY-LAWS

## DEFINITIONS PAGE

**BOARD  
MEETINGS**

To be advertised according to work schedule of the Board of Directors and posted at The Water Company. Public meeting are only scheduled quarterly.

**ELECTION**

Mail-in or drop-off only no proxies accepted. All ballots MUST be into The Water Company 48 hours prior to election.

**MEMBER**

An individual(s) who own a water connection (Phase & Lot #) that is owned and registered in that person's name. Also, these people are shareholders not owners of The Company.

**SHAREHOLDERS**

Have not financial interest in The Company, only voting rights.

**USERS**

Any one who has legal access to CRRWC water, including these who live outside the CRRWC service territory that purchase and haul water to its point of use.

### CROOKED RIVER RANCH WATER COMPANY BY-LAWS

These by-laws have been reviewed by this office and found to be in compliance with all State and Federal laws governing a non-profit origination in the State of Oregon.

David C. Glenn  
David C. Glenn of  
Glenn, Sites & Reeder  
Attorneys For Crooked River Ranch Water Company

DATED: May 4 2001

ADOPTED MAY 2, 2001, BY AFFIRMATIVE VOTE OF THE BOARD OF DIRECTORS AS LISTED BELOW.

Paul Dinsmoor  
Paul Dinsmoor, President

Wayne Sutton  
Wayne Sutton, Secretary/Treasurer

Barbara Oakley  
Barbara Oakley, Director

John Combs  
John Combs, Director

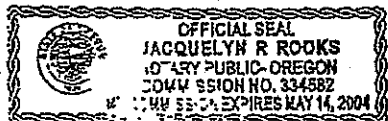
Richard Keen  
Richard Keen, Director

STATE OF OREGON )  
                          ) ss.  
JEFFERSON COUNTY )

This instrument was acknowledged before me on this 2<sup>nd</sup> day of May, 2001, by Paul Dinsmoor, Barbara Oakley, Wayne Sutton, John Combs, and Richard Keen, to me known to be the employee Crooked River Ranch Water Company, and acknowledge the said instrument to be the free and voluntary statement, for the uses and purposes therein mentioned.

In witness whereof, I have hereunto set my hand and affixed my official seal the day and year first above written.

Jacquelyn R Rooks  
Notary Public in and for the  
State of Oregon, residing at  
Jefferson County, Oregon



My commission expires on: 5/14/04





DEPARTMENT OF JUSTICE  
CRIMINAL JUSTICE DIVISION

INVESTIGATION REPORT

MATTER/FILE NO.: COC0010-05  
DATE OF REPORT: August 6, 2008  
SPECIAL AGENT: Wayne A. Trucke  
ATTORNEY: Peter L. Deuel  
Jefferson County District Attorney

I. BASIS FOR INVESTIGATION

On February 16, 2005, Jefferson County District Attorney, Peter L. DEUEL, requested a financial investigation of potentially fraudulent practices by the Crooked River Ranch Water Company (CRRWC) and the General Manager, James H. ROOKS. Specifically, District Attorney DEUEL requested that the investigation focus on allegations that the water company's tax and business filings underreported actual collections for 2003 and 2004 and that the unreported funds were being diverted by ROOKS for personal use. It was alleged that these water company practices might also involve family members of ROOKS who were also employed by the water company.

II. BACKGROUND OF SUBJECT

Name: ROOKS, James H.  
Address: 14360 S.W. Commercial Loop  
Crooked River Ranch, OR 97760  
DOB: [REDACTED]  
ODL: [REDACTED]  
Work Phone: (541) 923-1041  
FAX: (541) 923-5936  
Cell Phone: (541) 350-1683

Spouse: ROOKS, Jacquelyn (Jacquie) R.  
Address: 14360 S.W. Commercial Loop  
Crooked River Ranch, OR 97760  
DOB: [REDACTED]  
ODL: [REDACTED]  
Work phone: (541) 923-1041

COC0010-05  
Investigative Report  
August 6, 2008  
Page 2 of 36

Daughter: COMSTOCK, Michelle R.  
Address: 14045 S.W. Commercial Loop  
Crooked River Ranch, OR 97760  
DOB: [REDACTED]  
ODL: [REDACTED]  
Phone: (541) 923-1974

Son-in-law: COMSTOCK, Richard R.  
Address: 14045 S.W. Commercial Loop  
Crooked River Ranch, OR 97760  
DOB: [REDACTED]  
ODL: [REDACTED]  
Phone: (541) 923-1974

### III. SCOPE OF INVESTIGATION AND ALLEGATIONS

Beginning in February 2005, I conducted an investigation to determine if sufficient evidence existed to support criminal allegations against ROOKS. The initial and primary focus of this investigation dealt with alleged irregularities in the billing and collection practices of the water company for 2003 and 2004 as it was suggested by William HOBBS, a CRRWC member, that actual income was greater than indicated in the records of the water company. It was suspected that the unreported income was being diverted by ROOKS for personal use. Additional allegations became known during the course of the investigation.

The allegations addressed in the investigation and this report are:

Allegation I: It is alleged by William HOBBS, a CRRWC member, that irregularities exist in the billing and collection practices of the CRRWC, suggesting income from metered water sales during 2003 and 2004 were unreported on the Form 990 company tax returns.

Allegation II: It is alleged by HOBBS and Rod WHITTEN, CRRWC members, that unreported money was being diverted by ROOKS for personal use and/or for his companies, JMR Repair Service and Rooks Enterprise, LLC, and Michelle COMSTOCK's (ROOKS' daughter) company, We Can Do Services.

Allegation III: It is alleged by HOBBS, WHITTEN, and Craig SOULE, CRRWC members, that money from a water company assessment fee of \$8.00 per month per water meter, which started on July 1, 2004, may be underreported in water company financial statements. It is also alleged that this money was used by ROOKS and the Board for unauthorized purchases.

Allegation IV: It is alleged by HOBBS, WHITTEN, and SOULE that water company equipment is being used on private property for personal use and gain by Board members and

COC0010-05  
Investigative Report  
August 6, 2008  
Page 3 of 36

water company employees. It is also alleged that the water company was not reimbursed for the use of the equipment.

Allegation V: It is alleged by HOBBS, WHITTEN, and SOULE that ROOKS purchased equipment for personal use with "loans" from water company funds, without a loan contract or interest charges paid to the CRRWC. It is also suspected that ROOKS then leased the equipment back to the water company, allowing him to personally profit from the equipment purchase.

During the course of the investigation, the following people were contacted by email, telephone, or in person:

1. ADKINS, Jim, Captain, Jefferson County Undersheriff, Jefferson County Sheriff's Office
2. BAILEY, Richard C., CPA, Harrigan Price Fronk & Co., LLP
3. BOYLE, Philip, Manager, Consumer Services, Public Utility Commission (PUC)
4. BURNETT, Gary, Oregon Water Resources Department, Pendleton, OR
5. COMBS, John M., CRRWC Board member
6. COMSTOCK, Michelle R., Meter Reader/Secretary for the CRRWC
7. DOUGHERTY, Michael, Program Manager, PUC
8. ELLIOTT, Brian A., CRRWC Board member
9. GASSNER, Timothy R., Attorney for the CRRWC, the Board, and ROOKS
10. GLENN, David, Attorney for the CRRWC, the Board, and ROOKS
11. GRUNDEMAN, Tim, Regional Investigator, Construction Contractors Board
12. HARVEY, M. Kirk, Chief Investigator, Charitable Activities Section, Oregon DOJ
13. HOBBS, William (Bill), CRRWC member
14. JOHNSON, Dora, Sage Insurance Company
15. JONES, Jack, Sheriff, Jefferson County Sheriff's Office
16. JONES, Jason, Assistant Attorney General, Oregon Department of Justice
17. KEEN, Richard A., CRRWC Board member
18. KENDELLEN, Jamie M., CPA, Harrigan Price Fronk & Co., LLP
19. MATHISON, Eric, Legal Department CNH Capital America
20. MATTIMORE, Kathryn J., Program Coordinator, DHS Drinking Water Program
21. McHANEY, Michael, Public Works Director, Jefferson County
22. MILLER, Kathy, Senior Utility Analyst, Water Program, PUC
23. MILLER, Richard J., CRRWC Board member
24. MILLS, Steve, Cascade Machinery Company
25. MOE, Gene, Board member CRR Homeowners Association
26. NICHOLS, Charles, CRR Water Watchdogs
27. OAKLEY, Barbara, Administrative Assistant for the CRRWC
28. ORTIZ, Heather, Law Department, CNH America LLC
29. PETERSON, Charles (Chuck) W., CRRWC past Board member
30. PRICE, Wes, CPA, Harrigan Price Fronk & Co., LLP
31. ROOKS, James H., General Manager for the CRRWC

COC0010-05  
Investigative Report  
August 6, 2008  
Page 4 of 36

32. ROOKS, Jacquelyn R., Office Manager for the CRRWC
33. SCOTT, Randolph (Randy) M., CRRWC Board member
34. SOULE, Craig, CRRWC member
35. SUTTON, Wayne F., CRRWC Board member
36. WHITTEN, Rodney (Rod), CRRWC member

During the investigation the following documents and records were obtained and examined. These records were used by me to complete spreadsheets, which are referred to in this report and are attached. In addition, some of the documents received are referred to in this report and are attached at the end of this report.

1. Articles of Incorporation for the Crooked River Ranch Water Company (CRRWC). Obtained from the Corporations Division and James ROOKS.
2. Bylaws for the CRRWC from James ROOKS.
3. Resolutions approved by the CRRWC Board from James and Jacquie ROOKS.
4. PUC Order No. 01-832-Formal Investigation Opened September 27, 2001 to determine whether CRRWC is subject to PUC jurisdiction. And PUC Order No. 03-116 No Jurisdiction Asserted; Docket Closed February 13, 2003 from WHITTEN and the PUC.
5. CRRWC's Form 990s for 1999 to 2005. Copies received from Jacquie ROOKS, HOBBS, and the accounting firm Harrigan Price Fronk & Co., LLP.
6. CRRWC Financial Statements and Supplementary Information prepared by and obtained from the accounting firm Harrigan Price Fronk & Co., LLP and from HOBBS.
7. Copy of records, received from District Attorney DEUEL, which includes a four-page worksheet prepared by HOBBS.
8. QuickBooks backup of CRRWC records up to October 14, 2005 from Jacquie ROOKS.
9. QuickBooks backup of CRRWC records up to January 25, 2006 from Jacquie ROOKS.
10. QuickBooks backup of CRRWC records up to October 17, 2007 from Jacquie ROOKS.
11. CRRWC 20 Year Project Report and Explanation of Expenditures and Assessment Funds from James ROOKS and SOULE.
12. CRRWC Policies Handbook from James ROOKS.
13. CRRWC bank records from the CRRWC and the following banks: Washington Mutual Bank, Community First Bank, and Columbia River Bank.
14. James and Jacquelyn ROOKS' bank records and Rooks Enterprise/JMR Repair bank records from US Bank and Washington Mutual Bank.
15. Records on track hoe purchase and payments obtained from Cascade Machinery Company, CNH Capital America, and Jacquie ROOKS.
16. CRRWC Safeco insurance records in reference to the track hoe from Sage Insurance Company.

#### IV. SYNOPSIS OF INVESTIGATION

In February 2005, at the request of the Jefferson County District Attorney Peter L. DEUEL, I began the investigation to determine if sufficient evidence existed to support criminal charges against ROOKS. During this investigation I received numerous records, which I reviewed and summarized. I made numerous contacts. To understand the records and the operations of the CRRWC I gathered the following background information in reference to the operation of the CRRWC, its Board, and the General Manager ROOKS. This background information is included to provide a context for the workings of the CRRWC and this investigation into the allegations outlined above.

##### *CRRWC: Employees and Professional Service Providers*

James ROOKS was hired on November 2, 1998 as Operations Manager by Constance ALBRECHT, General Manager, and the CRRWC Board. ROOKS took over as General Manager in February 1999. During the time period relevant to this investigation, in addition to employing ROOKS, CRRWC employed or contracted with the following:

- Adam VALDEZ-CHAVEZ, hired on September 24, 2004, as a laborer to assist the General Manager with installing meters, construction and installation of water lines, and maintenance of water lines and equipment;
- Barbara OAKLEY, a former CRRWC Board member, hired on July 15, 2002, as an office assistant;
- Jacquelyn R. ROOKS, James ROOKS' spouse, hired on July 23, 1999, as the Office Manager and Bookkeeper;
- Keith BEDELL, hired on September 11, 1998, as the Drinking Water Program Certified Operator, Distribution Level 3;
- Michelle R. COMSTOCK, ROOKS' daughter, hired on November 3, 2004, as office assistant and meter reader;
- Ray COMSTOCK, ROOKS' son-in-law, hired on August 30, 2001, as a laborer;
- Susan COMBS, daughter of Board member John COMBS, hired in 2006, as a part-time employee, working for Michelle when Michelle is off.
- A Bend CPA Firm, Harrigan Price Fronk & Co., has prepared the CRRWC's year end financial statements, prepared the CRRWC's quarterly payroll tax forms, and the CRRWC's yearly tax forms (Form 990) since at least 2000.
- Attorneys at Law, Glenn, Sites & Reeder, have been the CRRWC corporation attorneys since at least 1991.

ROOKS also owned and operated JMR Repair Service (An ABN active from January 6, 1999 to January 18, 2007) and Rooks Enterprise, LLC (A Domestic Limited Liability Company active from March 1, 2005 to present). ROOKS is, and was, the only employee of his companies. ROOKS stated in an email on December 14, 2007, that he does not work for anyone besides the CRRWC with any of his personal or company equipment. He has no other income other than from the CRRWC. He also stated, "All tools and equipment etc. are used exclusively to maintain water

COC0010-05  
Investigative Report  
August 6, 2008  
Page 6 of 36

company equipment and facilities." (Attachment 39) His daughter, Michelle COMSTOCK, and son-in-law, Ray COMSTOCK, owned and operated We Can Do Services (An ABN active from February 4, 2002 to April 8, 2005). It is unknown if We Can Do Services employed anyone besides Michelle and Ray COMSTOCK.

According to ROOKS, HOBBS, WHITTEN, SOULE, and CRRWC records, these companies were doing work for the water company and were paid by the water company. During interviews on October 11, 2005 and December 14, 2006 ROOKS said no written contracts exist between the water company and these companies. ROOKS stated that the contracts between the CRRWC, JMR Repair Service, Rooks Enterprise, and We Can Do Services are verbal agreements with the CRRWC Board. According to ROOKS, his companies maintained the water company's equipment and received \$500 per week for this service. ROOKS added that his company, Rooks Enterprise, only works for the water company. We Can Do Services provided office assistance, read water meters, and installed water meters. In addition, We Can Do Services worked directly for customers, performing services such as installing double-check valves.

#### *CRRWC: Formation and Organization*

According to corporation records received from the Corporations Division (Attachment 1) the CRRWC is a mutual benefit nonprofit corporation incorporated on April 27, 1977 for the purpose of providing water to properties on the Crooked River Ranch and for obtaining a tax exemption. The CRRWC maintains the company's water lines, the water meters at each residence on the system, the wells and cistern owned by the company, and the company equipment. It also bills customers and receives payments. The water company adds new main lines for customers on streets not on the system if the customers agree to cover the cost of the line. According to ROOKS and CRRWC members, the water company is not responsible for the customer's line from the water meter to the residence.

The company was originally run by a Board of three directors (Attachment 1), but is currently run by a Board of five directors, who serve for five years in staggered terms (bylaws, Attachment 2 & 3). The Board members are to be elected by a vote of the corporation members. A list of known Board members and the years of their service is attached (Attachment 37). As the General Manager, according to the 2004 bylaws (Attachment 2), ROOKS could not be a Board member (Bylaw 6.10). However, according to HOBBS, WHITTEN, and SOULE, he appeared to function as one. In 2006 the bylaws were changed to allow ROOKS to become a member of the Board and retain his position as the General Manager. The officers of the Corporation Board are a President, a Vice-President, and a Secretary/Treasurer.

Bylaws for the time the corporation was formed were not obtained, so it is not known what the requirements were at that time to become a member of the CRRWC. The earliest bylaws obtained are the 1991 bylaws (Attachment 3) and state any users of the CRRWC water system in good standing is a member of the corporation. This changed on September 24, 2004 with the adoption of the 2004 Bylaws (Attachment 2). Pursuant to the 2004 Bylaws, any property owner within Crooked River Ranch served by the CRRWC is eligible for membership, but they must

COC0010-05  
Investigative Report  
August 6, 2008  
Page 7 of 36

submit an application to the General Manager and the Board. If the General Manager and the Board approve the application, the applicant becomes a member of the corporation. None of the Board members recalled seeing an application to become a member of the water company. They also did not know of anyone being refused membership in the corporation. In an interview on October 11, 2005, ROOKS said he could not recall any situations where an application would or has gone before the Board.

### ***CRRWC: Operation as Nonprofit Mutual Benefit Corporation***

Nonprofit mutual benefit corporations are required to make their records, books, and annual financial reports available for members' inspection and copying during normal business hours. The members support the nonprofit corporation financially and therefore have a statutory right under their membership agreement to access the corporation records. In most cases members were not allowed to view the books or to make copies. When records were requested by HOBBS, WHITTEN, and SOULE, they were told by ROOKS that they did not have a right to the records. He told them he could answer any questions about the records. According to HOBBS, prior to ROOKS becoming General Manager, monthly financial reports were given to the Board and were available for members. Since ROOKS took over as General Manager, members only receive the year-end report prepared by the CPA with records provided to the CPA by ROOKS' wife, Jacque.

According to the CRRWC bylaws, the water company Board is required to hold an annual meeting for all members. They were also required to hold monthly Board meetings. This was changed, on June 1, 2000, to quarterly meetings. In reference to the Board meetings and the annual meeting, SOULE, HOBBS and WHITTEN stated they did not always receive notice of the meetings. When they were able to find out about the annual meetings, they sometimes were not allowed to attend as the meetings were held at the water company in a room with a maximum capacity of 25 people. HOBBS stated the room was always full, prior to the meeting time, by supporters of the General Manager and the Board and they could not get in the room. HOBBS added that some of the people at these meetings were not members of the water company. On some occasions the door would be locked or the members were told the meeting was not open to the public. According to HOBBS, a reporter was denied access to one of these meetings.

### ***CRRWC: Board Membership***

According to the CRRWC bylaws, the current board members, and ROOKS, to apply for a Board position, a person must be a member of the CRRWC, must fill out an application and then submit it to the General Manager. If the General Manager determines the application is filled out correctly and the person is qualified, he approves the application and presents it to the Board. If the Board agrees that the applicant is qualified, the person would then be interviewed by the Board. After the interview, if the person were still qualified, his name would be placed on the ballot, which would be voted on by a mail-in ballot before the annual meeting. ROOKS stated only those listed on the ballot were considered as candidates, no write in candidates were allowed. On October 11, 2005, ROOKS said that he believed the ballots were counted by OAKLEY as she took the Board minutes. The results are reported at the annual meeting. Board member, John COMBS, stated that he has

COC0010-05  
Investigative Report  
August 6, 2008  
Page 8 of 36

never seen an application for the Board and did not fill one out. He was appointed to the Board and was never elected.

It should be noted that the above procedure was in the bylaws and approved by the Board on May 2, 2001 (Attachment 3). The Board approved a resolution on December 19, 2003, which restated this same application procedure (Attachment 4). This resolution made the application procedure known to HOBBS, WHITTEN, and SOULE, who did not know of it previously. They became aware of it when they asked what was required to be a Board member. These members were concerned that the Board and General Manager were trying to maintain control of the Board and would only allow those people who agreed with them on the Board. They further believed all Board members were hand picked by ROOKS so he could maintain control over the Board. This procedure caused these members of the CRRWC to begin asking more questions and observing more closely the workings of the CRRWC Board and its employees.

From 1999 to 2006 (eight years) there have only been twelve Board members, from 2000 to 2006 there have been nine, and from 2002 to 2006 there have been seven (Attachment 37). Chuck PETERSON left the Board in December 1999, Barbara OAKLEY left the Board in 2001 and was hired by ROOKS in 2002, Wayne SUTTON was on the Board from 1999 to December 2005 when he was removed, Paul DINSMOOR was on the Board from 1999 until September 7, 2005 (when he lost his life in an accident), Bill PEMBERTON left the Board in 2000, Rick KEEN has been on the Board from 2000 to the present, John COMBS from 2000 to 2007, Randolph SCOTT from 2001 to the present, Brian ELLIOTT from September 2005 to the present, and Richard MILLER from June 29, 2006 to the present.

On December 8, 2005, Board members removed SUTTON from the Board, shortly after SUTTON questioned ROOKS regarding some of his practices. According to SUTTON, in September 2005, he told ROOKS that he was not comfortable with ROOKS' family working for the company. He also questioned ROOKS about the purchase of a four-wheeler by ROOKS for his daughter's use in reading water meters.

Two of the Board members are away from the ranch for a least half the year. ELLIOTT said he is in California for six months or longer and SCOTT said he travels to Alaska for work every two or three weeks, being gone for two or three weeks at a time, if not longer. Two of the Board members, KEEN and SCOTT, sold their property on the ranch (Attachment 44). Board members COMBS, ELLIOTT, SCOTT, KEEN and SUTTON stated that proposals and/or resolutions were discussed over the phone, or in person at an individual meeting with ROOKS.

#### *CRRWC: Board Activities*

The 2004 CRRWC Bylaws, Section 4.7 (a), state that "The Board shall have general supervision and control over and shall manage and conduct the affairs and business of the Corporation, and shall make all necessary rules and regulations, not inconsistent with law or with the Bylaws or Articles of Incorporation, for the management of the Corporation and the guidance of the officers, employees and agents of the Corporation". (Similar statements can be found in prior



COC0010-05  
Investigative Report  
August 6, 2008  
Page 9 of 36

bylaws.) Also, the Board needs to keep a record of "... all of its acts and proceedings. The Board shall present a report at each annual meeting of the members of the Corporation showing in reasonable detail the condition of the Corporation's affairs" (Bylaw 4.7 (c)). A financial statement was presented and available to members at the annual Board meeting and could be obtained at the water company office. All Board members interviewed and ROOKS stated that Board meetings did not occur very often, as it was difficult to get Board members together because of work schedules and some Board members being out of town. According to ROOKS and Board members, records of Board meetings were very sparse as most decisions were made through individual contact, either in person or on the phone, between ROOKS and Board members.

"The Board may in its discretion employ a General Manager, under contract, who shall hold office subject to such terms and conditions as may be fixed by the Board" (Bylaw 4.7 (b)). The Board hired a General Manager, who is currently ROOKS, to run the everyday operations of the water company. ROOKS has a contract with the Board, dated May 1, 2004, and signed by Paul DINSMOOR, President of the Board of Directors on that date. (Note: DINSMOOR lost his life in an accident on September 7, 2005.) No other Board members signed the contract. Board members COMBS, ELLIOTT, SCOTT, KEEN and SUTTON believed there was a contract but could not remember seeing it nor could they produce one. The contract is for a period of ten (10) years and may be renewed at the end of each year with an annual review. None of the Board members mentioned anything about conducting an annual review of ROOKS contract, but all stated they were satisfied with his work and that they believed he was doing a great job for the water company.

SUTTON said he was concerned about how much ROOKS and his wife were being paid so he asked to see a copy of ROOKS' contract. ROOKS first told SUTTON he did not have a contract but later told him he could not find it. ROOKS told SUTTON it was an ongoing contract. SUTTON never saw a copy of ROOKS contract. COMBS believed ROOKS was being paid a salary of about \$50,000 per year plus overtime pay. KEEN and SCOTT have never seen a copy of ROOKS' contract, nor did they know what he was paid.

All Board members readily admit that they do very little oversight into the operations of the company, the finances of the company, or the overall operation of the water company, leaving this to ROOKS, his wife, Jacquie, and to the CPA firm. All the Board members interviewed indicated that they did not monitor the finances other than to receive a copy of the yearly financial report prepared by the accounting firm. The accounting firm relied on records provided by Jacquie ROOKS to do the year-end financial statements and the company's tax return. Board members did not do a thorough review of the year-end statements or the Form 990s sent to the IRS. They did not know how much money was coming in or going out. They knew that the bills were being paid and that they had money in the bank. SUTTON, as the Secretary/Treasurer, said he reviewed the bills prior to signing the checks but did not monitor the income or the funds in the bank accounts. SUTTON also signed the Form 990, but said he did not do a detailed review of it.

In reference to resolutions or policies passed by the Board, ROOKS and all Board members interviewed stated resolutions and policy changes were presented to the Board by ROOKS, at a regularly scheduled Board meeting, or, if a meeting could not be scheduled, in a person-to-person

COC0010-05  
Investigative Report  
August 6, 2008  
Page 10 of 36

situation, or over the phone. A list of some of the policies (nine) presented to the Board, with dates on the policies ranging from August 23, 2004 to May 5, 2005 are attached (Attachment 17). These policies were signed by three Board members. DINSMOOR signed eight of them on June 24, 2005, SUTTON signed eight of them on May 20, 2005, and COMBS signed eight of them on May 19, 2005. The ninth one was not signed. Board minutes approving these policies were not with the policies when they were received on October 11, 2005 from James ROOKS. (This investigation began in February 2005. The scheduling of the interviews of Board members and ROOKS, through the corporation attorney David GLENN, was in the process of being set up beginning in May 2005.)

#### *CRRWC: Benefits to Board Members<sup>1</sup>*

ROOKS, as General Manager, received monthly financial benefits in that his company, Rooks Enterprise, provided contract maintenance services to the water company. (It is not known if this was put out for bids.) ROOKS states this contract with the water company is a verbal agreement between him and the Board.

One of the benefits Board members and employees received was the use of company equipment. Use of company equipment by employees and Board members was approved on August 11, 1999 (Attachment 31). Board members also benefited from the ability to personally purchase equipment and supplies through the water company. HOBBS and WHITTEN believed this was a violation of nonprofit laws and was a conflict of interest in that the Board members and the General Manager were receiving benefits not available to the general membership of the company.

When interviewed on September 22, 2006 COMBS said he purchased pipe, in April 2005, from the United Pipe Supply Company through the water company when he had a septic system installed on property his daughter owned. He said he paid the water company for the purchase of the pipe and use of company equipment. It is unknown if any Board members besides COMBS purchased supplies through the water company.

COMBS said ROOKS took vacation time to work on his daughter's property, as did one employee of the water company. ROOKS, when interviewed on March 29, 2006, said he used vacation time, as did the other water company employee (Dan), to work on COMBS' property and COMBS paid for the use of the water company equipment and purchase of the pipe. According to SOULE, on April 7, 2005, ROOKS and an unidentified individual were using the following water company equipment on COMBS' property: a dump truck, two backhoes, one with the rock hammer attached and one with a bucket attached, and two pickups.

SOULE, HOBBS, and WHITTEN, stated that during 2003 to 2005 they observed ROOKS use a water company backhoe on COMBS property, on DINSMOOR's property, and on OAKLEY's property. SCOTT, when interviewed on September 21, 2006, said he used a water company backhoe on his property, he believes in 2003. He said he paid for the gas he used. SUTTON, when

---

<sup>1</sup> A director or officer should not personally benefit from their position as an officer or director (Bylaws 7-3 Conflicts of Interest, Attachment 2).

COC0010-05  
Investigative Report  
August 6, 2008  
Page 11 of 36

interviewed on March 29, 2006, said ROOKS used a backhoe on his property and gave him a load of gravel for his driveway from water company supplies. He said he did not pay for the gravel or the use of the backhoe. He could not recall when this took place.

ROOKS, COMSTOCK, KEEN, SCOTT, and SUTTON benefited in that they owned companies and were contracted with to provide services to the CRRWC. It is not known if these services were put out for bid prior to contracts being awarded or if there are written contracts. For 2000 to 2005 ROOKS (Rooks Enterprise) received \$59,600; We Can Do Services (Michelle COMSTOCK's company) received \$25,323.76; SUTTON (Wayne's Body Shop) received \$21,871.60; SUTTON's son Greg received \$2,600; KEEN (Star Excavation & Trucking) received \$74,577.64; and SCOTT (Scott Enterprises) received \$13,314.81 (Attachment 43).

SOULE, HOBBS, and WHITTEN's reports of water company equipment being used on private property (DINSMOOR, COMBS, OAKLEY and ROOKS properties) led to an allegation of misuse of company equipment.

The 2004 bylaws (Attachment 2) state "Any person serving or acting as a Board member shall not retain, or apply for any regular full-time paid position through this corporation while a Director or for a period of sixty months after that person's term has expired." These guidelines were also approved by the water Board on January 1, 2000 when Barbara OAKLEY was a Board member (Attachment 7). OAKLEY was a Board member up to June 2001 and was hired by the CRRWC on July 15, 2002, well short of the sixty months.

#### *CRRWC Member Concerns*

Because of the lack of involvement and oversight by the Board in the overall operations of the company, especially the financial aspects of the operations, SOULE, HOBBS, and WHITTEN perceived the company as operating in secret. According to SOULE, HOBBS, and WHITTEN they were able to obtain a copy of the yearly financial reports and the corporation tax filings, but little else. They believed the Board allowed ROOKS as the General Manager to run the company as he saw fit. All the Board members stated that ROOKS did run the company, but were not concerned that he would do anything to hurt the company. When contacted on March 29, 2006, SUTTON called the Board a "puppet Board" and stated they "rubber stamped" anything ROOKS presented to them.

Other concerns by SOULE, HOBBS, and WHITTEN, in reference to company records and finances, were that ROOKS' spouse, Jacquie, was the bookkeeper and handled all records involving income and expenses and ROOKS' daughter, Michelle, was an office employee and had access to the company records. They were concerned that income could be falsely reported and that it would be easy for James and Jacquie ROOKS to hide or take money from the water company.

One major action by the Board that caused concern by SOULE, HOBBS, and WHITTEN was allowing Board members KEEN and SCOTT to remain on the Board after they sold their property on the ranch. According to Bylaw 2.3 (a) "Membership in the Corporation shall terminate

COC0010-05  
Investigative Report  
August 6, 2008  
Page 12 of 36

automatically upon ... sale of the premises served to another person or entity." The Board adopted a resolution dated December 29, 2005 to allow Board members to remain on the Board even though they were no longer a member of the water company (Attachment 16). HOBBS, WHITTEN, and SOULE believed this action was an effort to cover up on going thefts and actions by the Board and General Manager. This resolution was passed approximately two months after the General Manager and Board members were interviewed (October 11, 2005) in reference to this investigation and were asked about requirements for being a Board member. This resolution was passed approximately three years after SCOTT sold his property and approximately six months after KEEN sold his property. Both of these Board members signed this resolution although SCOTT stated that he did not believe it was right and they should have been removed from the Board when their property sold. COMBS signed this resolution on December 29, 2005. There is no date by KEEN's or SCOTT's signature so it is not known when they signed it. On November 2, 2005, James and Jacque ROOKS signed over an interest in one of their properties on the Crooked River Ranch, at no cost, to KEEN and SCOTT. It is not known if this property is hooked up to the CRRWC water system.

HOBBS said that because of his limited access to company records, he had to speculate about the water company income. In reviewing the corporation's tax Form 990 for 1999 through 2004 HOBBS noticed that the listed number of water company members remained at 1203 for the six years (Attachment 8 to 15). This was the main item that led HOBBS to attempt to calculate actual income for 2003 and 2004 and led to an allegation of missing funds. In addition, HOBBS noticed that inventories listed on the CRRWC's yearly financial statements were listed at \$41,201 for five years. The total savings (bank accounts) listed on the CRRWC's yearly financial statements decreased over the years even though the income appeared to increase. Total salaries listed on the CRRWC's yearly financial statements went from \$146,471 in 1999 to \$174,512 in 2003 and \$147,492 in 2004. These salaries did not include contract employees or laborers.

#### *Public Utilities Commission Action*

The Public Utilities Commission (PUC) opened an investigation on September 11, 2001, by Order No. 01-832 (Attachment 5), to determine if the CRRWC was subject to their jurisdiction based on allegations of the CRRWC selling water to non-members. On August 3, 2002, the PUC held a public comment hearing at the Crooked River Ranch to obtain public input. On February 13, 2003, Order Number 03-116 (Attachment 6) was entered by the PUC that they had no jurisdiction and the case was closed. In their written findings, they state, "We acknowledge the numerous complaints that raise important questions about the conduct of CRRWC's General Manager. We cannot, however, assert jurisdiction simply to provide these complaining parties with a forum. .... there is no evidence of a widespread pattern of behavior to support a finding that CRRWC is not acting as a members-only water company." They concluded that CRRWC is a private, nonprofit corporation that provides water to its members on the Crooked River Ranch and not to the general public.

On February 23, 2006, the PUC received petitions from members of the CRRWC requesting the PUC regulate the CRRWC. PUC investigated the petitions and found that over 20% of the members signed the petitions. Based on this 20%, under ORS 757.063, the PUC can regulate the

COC0010-05  
Investigative Report  
August 6, 2008  
Page 13 of 36

company, and on April 18, 2006, the PUC asserted jurisdiction over the CRRWC. During the second investigation by the PUC, the Crooked River Ranch Water Company Board of Directors and ROOKS filed Articles of Dissolution for the water company (July 5, 2006). On the same day, they also filed Articles of Incorporation for the Crooked River Ranch Water Cooperative. HOBBS and SOULE believed this was an effort by the Board and ROOKS to circumvent the PUC's authority as the PUC has no authority to regulate a cooperative. Board members Randolph SCOTT, Richard MILLER, Richard KEEN, Brian ELLIOTT, and John COMBS said that changing to a cooperative was because of a recommendation by their attorney and the CPA (Attachment 1).

### *Information Regarding Records and Interviews of Board Members*

District Attorney DEUEL received records from HOBBS. These records were provided to me on March 4, 2005 and included the following (Attachment 38):

- The PUC Order Number 03-116, dated February 13, 2003.
- Four worksheets prepared by HOBBS involving the number of meters reported on the CRRWC's Tax Form 990 and the revenue from these meters (alleging that between \$96,348 and \$105,672 was unreported income for 2003 and also alleging unreported income of \$113,400 for 2004)
- A copy of the CRRWC Financial Statement for 2003.
- A copy of the CRRWC Tax Form 990 for 2003.

At the beginning of the investigation, the attorney for the CRRWC, David GLENN, was contacted by District Attorney DEUEL. GLENN agreed to allow interviews of the CRRWC Board Members, the company CPA, and ROOKS. GLENN also agreed to give access to the CRRWC financial records.

I interviewed the following CRRWC Board members and employees:

- John Milton COMBS (Board member 2000 to 2007) on October 11, 2005 and September 22, 2006.
- Brian A. ELLIOTT (Board member September 2005 to present) on October 11, 2005 and September 21, 2006.
- Richard A. KEEN (Board member 2000 to present) on October 11, 2005 and September 19, 2006.
- Richard J. MILLER (Board member 06/29/06 to present) on September 21, 2006.
- Charles (Chuck) W. PETERSON (A former Board member, President in 1999) on October 11, 2005.
- Randolph (Randy) M. SCOTT (Board member 2001 to present) on October 11, 2005 and September 21, 2006.
- Wayne F. SUTTON (Board member from 1999 until removed from the Board in December 2005). On November 1, 2005, March 29, 2006, and August 28, 2007.
- Richard C. BAILEY (The water company's CPA) on October 11, 2005
- James ROOKS (General Manager of the CRRWC) on October 11, 2005, March 29, 2006, and December 14, 2006.

In addition, during the course of the investigation, I contacted and interviewed other people as listed on page three of this report.

Financial records, covering the period from June 23, 2000 to October 10, 2005, were provided (by agreement with the CRRWC's Attorney GLENN) by Jacquie ROOKS on November 1, 2005 in the form of a CD containing a backup of their QuickBooks records (Attachment 20). The QuickBooks records include financial records in reference to income, expenses, liabilities, accounts receivable, accounts payable, assets, and payroll. The QuickBooks records do not include individual customer accounts. Other records, which included the CRRWC cancelled checks for 2003 and the \$8 assessment fee records; were also received and are listed on the receipt given to the water company (Attachment 21). An update to the QuickBooks records was received on January 25, 2006 covering the period from June 23, 2000 to January 24, 2006 (Attachment 22). All provided records, except the CDs, were returned to ROOKS after being reviewed. Copies were not made of these records as they agreed with the QuickBooks records.

**Allegation I:**

It is alleged by William HOBBS, a CRRWC member, that irregularities exist in the billing and collection practices of the CRRWC, suggesting income from metered water sales during 2003 and 2004 were unreported on the Form 990 company tax returns.

The allegation of missing funds is based on a four-page worksheet prepared by HOBBS (Attachment 19) and provided to District Attorney DEUEL. The basis of this worksheet is a comparison of the number of water meters reported on CRRWC's Form 990, Return of Organization Exempt from Income Tax (Attachments 9-15), water sales reported in the CRRWC year-end financial statement dated December 31, 2003 (Attachment 18) and other water meter numbers publicly reported by the CRRWC and used by HOBBS.

Critical to HOBBS allegation is the figure of 1203 water meters, which is included in each of the company's Tax Form 990 for 2003 to 2005. When asked about this figure, CPA BAILEY stated that this figure was just carried forward each year as it was not required to be reported on the Tax Form 990 and was just overlooked. This number of 1203 water meters on the Form 990 does not correlate to the reported income on the Form 990. The figure of 1203 leads to faulty conclusions by HOBBS about the number of unreported meters and therefore leads to an incorrect accounting of water sales income.

**2003 Records**

To determine the number of actual water meters (paid customers), I reviewed and summarized the CRRWC records in a spreadsheet (Attachment 24). The average number of customers billed in 2003 is 1376 per month. The average number paid per month is 1238. It is reported by ROOKS that the difference of 138 may be explained by inactive accounts. During 2003 the water company allowed customers to become "snow birds," that is, they allowed customers to have their water shut off for the periods they did not reside on the ranch. Other inactive accounts

COC0010-05  
Investigative Report  
August 6, 2008  
Page 15 of 36

would include properties for sale and those unhooked for late payments. Therefore, for 2003, there appears to be 35 (1238 - 1203) unreported meters, not the 259 reported by HOBBS.

Using HOBBS figure of average payments by customers of \$31.00 per meter per month and the number of unreported meters of 35, the low estimate of alleged missing funds would be \$13,020.00 (35 meters x \$31.00 x 12 months = \$13,020.00). Payments by customers of \$34.07 per meter per month the high estimate of alleged missing funds would be \$14,309.40 (35 meters x \$34.07 x 12 months = \$14,309.40). These numbers are significantly less than the \$96,348 or \$105,672 reported by HOBBS. Neither HOBBS figures, nor the figures based on 35 water meters, take into account the total metered water sales of the water company.

To determine the total income and metered water sales income for the water company, using records obtained during the investigation, I prepared profit and loss worksheets for the years 2003, 2004, and 2005 (Attachment 23) as well as a summary of the three years. These profit and loss worksheets include all deposits as income and all expenditures as expenses. While reviewing the company records I noticed that some expenses were recorded in income accounts and some income was recorded in expense accounts. These were corrected on the profit and loss worksheets I prepared by recording income and expenses in their correct accounts.

The total metered water sales for 2003 I calculated using the provided QuickBooks records is \$515,042 (Attachment 23) and total income is \$711,249. Because income and expenses were not always properly recorded, this investigation cannot determine with certainty if metered water sales funds were missing or if those funds were improperly recorded as a result of bookkeeping errors. For example, the alleged missing funds I calculated (\$13,020 to \$14,309) could have been recorded as income, as opposed to metered water sales.

HOBBS did not have access to the CRRWC records and relied on records he could obtain. HOBBS did not have the information to determine the number of paid customers and relied on an incorrect figure of 1462 for 2003. In addition, it appears that HOBBS did not allow for "snow birds" in his selection of 1462 as the number of paid customers.

#### **2004 Records**

For 2004, HOBBS arrives at estimated unreported income of \$113,400 using a figure of 300 unreported meters (1500 minus 1200 = 300) and an average monthly cost of \$31.50 per meter ( $(27.50 + \$35.50)/2 = \$31.50$ ;  $\$31.50 \times 300 \times 12 = \$113,400$ ). Using company records for 2004, the number of paid customers per month averaged 1399, which would possibly result in 196 unreported meters (1399 meters minus 1203 = 196) and gives a low estimate figure of \$74,088 ( $196 \times \$31.50 \times 12$ ) as unreported income for 2004. As mention above, the figure of 1203 is not required on the CRRWC Tax Form 990, was not changed from year to year, and leads to faulty conclusions by HOBBS.

Investigation figures suggest that the water sales income is consistent from year to year and may be accounted for during 2003, 2004, and 2005. To determine an exact accounting for the water

COC0010-05  
Investigative Report  
August 6, 2008  
Page 16 of 36

sales a complete audit of all records dealing with the billing and collection of income would have to be done.

**Record Inconsistencies**

When profit and loss statements from QuickBooks records, received in January 2006 from Jacquie ROOKS, are compared to profit and loss statements from QuickBooks records, received in 2007 from Jacquie ROOKS, some changes in the records are noticed (Attachment 40). These changes alter some figures reported in QuickBooks for 2004 and 2005. The figures for 2003 were unchanged from the January 2006 QuickBooks records to the 2007 QuickBooks records.

For 2004, the Repair & Maintenance expense account (Company account 5000) went from \$9,322.00 using the QuickBooks records received in 2006 to \$13,322.00 in the QuickBooks records received in 2007, an increase in expenses of \$4,000.00. The Equipment Rental expense account (Company account 6170) went from \$24.57 using the 2006 records to -\$3,975.43 using the 2007 records, a decrease in expenses of \$4,000.00. The company's Net Income remained the same.

In 2005, there were numerous changes to company accounts. Below are listed some of the larger changes.

<u>Company</u>		<u>January 2006 Records</u>	<u>2007 Records</u>
<u>Acct. No.:</u>	<u>Name of Acct.:</u>	<u>Amount:</u>	<u>Amount:</u>
4005.1	Metered Water	\$535,897.65	\$567,008.14
4000	Meter Water Sales	\$31180.49	\$0.00
	Other		
4015	Special Assessment	\$8,889.12	\$68,969.12
No Acct. No.	Total Income	\$740,185.43	\$800,115.84
5000	Repair & Maint.	\$0.00	\$3,000.00
	Total Expense	\$599,197.43	\$601,471.48
6065	G&A Postage	\$10,353.69	\$8,558.69
No Acct. No.	Net Income	\$30,079.99	\$90,079.99

With the above changes, and those not listed, the Net Income for 2005 increased by \$60,000 between the January 2006 records and the 2007 records. This increase is reflected in a December 31, 2006 General Journal entry "To adjust for back dated income." (It should be noted that these changes were made after the PUC asserted jurisdiction on April 28, 2006 and requested company records.) The check number 4246 for \$60,000 was written on August 9, 2006 and signed by Rick KEEN and James ROOKS, but was not deposited to the Water Company's Account until February 9, 2007 as part of a \$69,000 deposit (Attachment 45). The check was deposited in the Assessment Account at the Community First Bank and, according to the memo line, replaced the following four checks, which were payments to the water company from the assessment funds:



- Ck #3344, dated 08/01/05, for \$12,000
- Ck #3446, dated 09/15/05, for \$24,000
- Ck #3583, dated 1-1/16/05, for \$12,000
- Ck #3806, dated 02/09/06 for \$12,000.

The other part of the deposit was Ck #4458, dated 11/08/06, for \$9,000, payable to CRR Water Company and signed by Richard MILLER and James ROOKS. This deposit of \$69,000 replaced monies that were from the assessment funds and were paid to the water company operating account, but were never negotiated. QuickBooks records received in 2007 have checks number 3344, 3446, 3583, and 3806 voided while the records from January 2006 show these four checks as payments to the CRRWC from assessment funds. A check of the CRRWC Washington Mutual checking account for the time period of these checks shows that none of the four checks cleared the bank. (Note: Assessment fund income and expenses are addressed in Allegation III.)

I also summarized the Balance Sheets using the records received in January 2006 and compared them to Balance Sheets using records received in 2007 (Attachment 40). There were only minor changes in 2003, which did not change the overall financial picture for 2003.

In 2004, the totals did not change but there were some changes to the following:

<u>Company Account</u>	<u>2006 Records</u>	<u>2007 Records</u>	
2000 - Accounts Payable	\$1315.93	-\$8444.16	Decrease of \$9760.09
3000 - Gen. Fund Bal.	\$1,487,982.66	\$1,497,932.20	Increase of \$9949.54
3010 - Cont. Fund Bal.	\$48,073.00	\$49,460.84	Increase of \$1387.84

Between the records I received in 2006 and those I received in 2007, the total yearly increase was \$11,337.38 and the total yearly decrease was \$9,760.09. The difference of \$1,577.29 was recorded in the 2007 records in Retained Earnings (The company account 3900). The total assets and total liabilities and equity did not change.

For 2005 there were numerous changes as mentioned above in reference to the profit and loss statements. In the balance sheets, the major change is the General Checking Account at Washington Mutual (Company account number 1005) went from \$9,245.98 in the 2006 records to \$69,419.72 for an increase of \$60,173.94. The NSF and Redeposit Account (Company account number 1090) went from \$3,013.95 to 3,094.64, an increase of \$80.69. The total income increased by \$60,254.43.

***Board Members Oversight of Finances***

The following Board members were interviewed regarding their duties in reference to the finances of the water company: John COMBS, Brian ELLIOTT, Richard KEEN, Richard MILLER, Charles PETERSON, Randolph SCOTT, and Wayne SUTTON. All stated an accountant (CPAs Wes PRICE or Richard BAILEY, from Harrigan Price Fronk & Co., LLP) oversaw the records and produced the financial statements.

COC0010-05  
Investigative Report  
August 6, 2008  
Page 18 of 36

None of the Board members knew much about the financial condition of the company other than receiving the yearly report from the accountant. All believed that the company was operating on sound financial principles and was financially better after ROOKS became the General Manager. They knew that Jacquie (ROOKS' wife) was the bookkeeper and handled all income and expenses and oversaw the office operations. They believed that if there were any irregularities the accountant would catch them. None seemed to know that the records used by the accountant were provided by Jacquie and that the accountant did not do an audit of the records. The accountant relied on the records provided to him by Jacquie.

Other than SUTTON, who was secretary/treasurer, they did not look at the bills paid. None looked at the income other than the CPA's Year End Financial report. Most of the Board members did not review the yearly financial statement in detail. SUTTON, as treasurer, did not review the financial statement in detail, nor did he do a thorough review of the company's Form 990 or discuss it with the CPA prior to signing it. COMBS specifically stated that he did not need to review the financial records as he trusted ROOKS.

All Board members stated that they believed ROOKS to be an honest hard working person who would not steal from the company. SUTTON did express some concern about the legitimacy of ROOKS' family members working for the company and the amount of their pay and ROOKS' pay. He asked for a copy of ROOKS' employment contract. He also asked ROOKS about the purchase of a four-wheeler, telling ROOKS he could not purchase such an item without Board approval. Shortly after he expressed these concerns he was removed from the Board by ROOKS and Board members COMBS, KBEN, SCOTT and ELLIOTT.

#### Conclusion - Allegation I:

The investigation was unable to clearly establish, from the limited records available, that income was not reported or was underreported on the Crooked River Ranch Water Company Form 990 for 2003, 2004, or 2005.

The investigation did show that irregularities exist in the recording of income and expenses in the QuickBooks files used by the CRRWC and that these irregularities give an incorrect picture of the company's overall financial status and of expenses and income earned. QuickBooks records can and have been changed over the years to reflect changes in expenses and income. For 2005, comparing the 2006 QuickBooks records received from Jacquie ROOKS to the 2007 QuickBooks records received from her, there were numerous changes in the accounting. There is an increase in total income of \$60,254.43 from the 2006 records to the 2007 records. It is not known why this income was not recorded earlier. It is not known if these changes were at the request of the accountant or an attempt to reflect an incorrect picture of the company's finances. In addition, "loans" to ROOKS were not recorded in company records prior to 2006. (Note: This is addressed further in Allegation V.)

COC0010-05  
Investigative Report  
August 6, 2008  
Page 19 of 36

### Allegation II:

It is alleged by William HOBBS and Rod WHITTEN, CRRWC members, that unreported money from the CRRWC was being diverted by ROOKS for personal use and/or for his companies, JMR Repair Service and Rooks Enterprise, LLC, and Michelle COMSTOCK's (ROOKS' daughter) company, We Can Do Services.

Company records show money from the water company paid to Rooks Enterprise for 2003 was \$1,500; for 2004 it was \$31,100; and for 2005 it was \$25,250 (Attachment 36). According to ROOKS, these monies were paid to Rooks Enterprise for the maintenance of water company equipment. ROOKS said there was no written contract for this maintenance; it was a verbal agreement between the Board and ROOKS'. All the Board members interviewed stated they knew ROOKS' company maintained the water company equipment but were unclear if an agreement existed between the CRRWC and ROOKS. They did not know the amount ROOKS' company was paid for maintaining the water company equipment. The Board and ROOKS stated that prior to 2003 ROOKS did the maintenance on the company equipment without being paid. ROOKS said he was paid \$500 per week, although he did not charge the water company unless he worked on their equipment. At \$500 per week, the total for two years would be \$52,000. The actual amount for 2003 and 2004 was \$32,600, an average of \$313.46 per week. Neither ROOKS nor the Board members could tell me the number of hours ROOKS worked on maintaining the water company equipment. The hours ROOKS worked on maintaining the water company equipment would be in addition to his hours as General Manager and would be paid to his company Rooks Enterprise.

Company records show that no money went to We Can Do Services in 2003 and \$15,884.67 (an average of \$1323.72 per month) was paid to We Can Do Services in 2004. No payments were made to We Can Do Services after December 2004. The payments to We Can Do Services were for meter reading (\$1.00 for each meter read), office work (at \$10.00 per hour), and installing meters (at \$10.00 per hour). When it was discovered that We Can Do Services did not have a contractor's license to install meters, the company was dissolved. No written contract existed between We Can Do Services and the water company. ROOKS stated that this was a verbal contract.

When reviewing company records received from Jacquie ROOKS I noticed a change from the first backup of QuickBooks received on October 14, 2005 to the second backup on January 25, 2006, the changing of JMR Repairs to Rooks Enterprise as a vendor. (Note: QuickBooks allows the operator to change any data/records entered in the company's program.) This changed the amount of funds going to these two companies by \$1,000.00 for the period from June 2000 to October 10, 2005; Rooks Enterprise received \$55,350, using the records received on January 25, 2006, and JMR Repairs received \$54,350, using the records received on October 14, 2005. According to Jacquie ROOKS the change was made as James ROOKS discontinued the use of JMR Repairs and used Rooks Enterprise for billing the water company for repairs to the company equipment.

The investigation shows that for the period from January 1, 2001 to December 31, 2005 ROOKS, his family, his business, and his daughter's business have received wages and benefits

COC0010-05  
Investigative Report  
August 6, 2008  
Page 20 of 36

from the water company totaling \$837,594.47. This total includes the water company payments for social security, Medicare, and unemployment.

Total to ROOKS and family members for wages and benefits during this time are:

<u>Wages</u>		
James ROOKS	\$439,746.89	(Average \$87,949.38 per year for five years)
Jacque ROOKS	\$180,866.63	(Average \$35,773.33 per year for five years)
Ray COMSTOCK	\$47,817.47	(Average \$23,908.73 per year for two years)
M. R. COMSTOCK	\$29,220.00	(Average \$14,610.00 per year for two years)
<u>Benefits for James and Jacque ROOKS and Ray and Michelle COMSTOCK</u>		
Employer SST	\$41,630.95	
Employer Medicare	\$10,115.93	
Fed Unemployment	\$881.39	
OR Unemployment	\$4,141.45	
<u>CRRWC payments to Rooks Enterprise and We Can Do Services</u>		
Rooks Enterprise	\$57,850.00	
We Can Do Services	\$25,323.76	
<b>TOTAL</b>	<b>\$837,594.47</b>	

### Conclusion - Allegation II

The investigation was unable to establish payments made to Rooks Enterprise and We Can Do Services were more than what was billed to the water company or that they received unauthorized payments. These billings were all done within the QuickBooks program by Jacque ROOKS and checks were written by Jacque ROOKS using the QuickBooks program. No written contracts existed so agreed upon payments cannot be verified. It cannot be verified if ROOKS performed the maintenance of the company equipment on his own time or on company time as no records on hours worked for Rooks Enterprise by ROOKS were provided.

The use of these companies, Rooks Enterprise and We Can Do Services, is questionable and presents a possible conflict of interest for a number of reasons:

- These services do not appear to have been put out for bids.
- ROOKS is the General Manager of the Water Company and owner of Rooks Enterprise.
- ROOKS' daughter is the owner of We Can Do Services.
- Written contracts do not exist between the companies and the CRRWC.
- There are no records as to the hours billed by these companies to the water company.
- ROOKS' wife maintains the water company records with no oversight by Board members or any outside persons.
- Changes were made to the CRRWC QuickBooks records.

COC0010-05  
Investigative Report  
August 6, 2008  
Page 21 of 36

Allegation III:

It is alleged by HOBBS, WHITTEN, and Craig SOULE, CRRWC members, that money from a water company assessment fee of \$8.00 per month per water meter, which started on July 1, 2004, may be underreported in water company financial statements. It is also alleged that this money was used by ROOKS and the Board for unauthorized purchases.

From the company records, received in January 2006, I prepared a spreadsheet showing all income and expenses for the assessment fund (Attachment 25). The amount of funds collected from May 12, 2004 to December 31, 2005 is \$203,546.98 and the expenses paid are \$131,729.32, leaving a balance of \$71,817.66 ( $\$203,546.98 - \$131,729.32 = \$71,817.66$ ). The QuickBooks records for the company show a balance of \$72,320 in the fund on December 31, 2005. The total of \$203,547 equates to an average number of customers of 1414 ( $\$203,547/18 \text{ months} = \$11,308.17 \text{ per month}$ .  $\$11,308.17/\$8 \text{ per month} = 1414$ ).

The special assessment of \$8.00 per month was approved by the water Board on March 29, 2004 (Attachment 26). It became effective in June 2004, being payable starting in July 2004. It was approved for the following uses:

1. Drilling and Construction of Well #3 (Crater Loop and Tower Road) which is referred to as Well #5 by COMBS.
2. New Cistern and Pump house.
3. Pay off the CRRWC Office Building.
4. Re-plumb Well #1 (formerly #4) and add Chlorination Station. (Attachment 26 and Attachment 27)

The Assessment dollars were not to be used for operations or administrative costs (Attachment 27). According to information provided by ROOKS and COMBS the Assessment Funds were spent for different items which included the following: the land for the well, a dump truck, a crane, surveying the land, engineers, attorney fees, pipe for system improvement, a hammer, and payments on the office building (Attachment 28).

At five different times over the course of fourteen months, from December 2005 to February 2007, different items were listed as being paid from the assessment fund (Attachment 28). Craig SOULE, in an email, listed those items he believed were not approved for purchase from this fund (Attachment 28). Because the items listed as being purchased by this fund changed over time, it appears that the Board and General Manager were using this fund for purchases not approved in the proposal and to supplement operational expenses. This can be seen by comparing the QuickBooks records received in January 2006 with the QuickBooks records received in 2007 (Attachment 25).

As pointed out in Allegation I, in records received in 2007 an increase of \$69,000 is reflected in a December 31, 2006 General Journal entry "To adjust for back dated income." The money was deposited in the Assessment Account at the Community First Bank and it appears that the deposit of

COC0010-05  
Investigative Report  
August 6, 2008  
Page 22 of 36

this \$69,000 was to replace monies that were from the assessment funds and paid to the water company operating account for expenses not associated with the assessment funds.

A comparison of the records received in January 2006 and those received in 2007 show some other changes in the assessment funds (Attachment 25). The records of 2006 show total income of \$203,546.98 and total expenses of \$131,729.32 for a net income of \$71,817.66 for the period from May 2004 to December 2005. The records from 2007 show total income of \$268,870.05, an increase of \$65,323.07, and total expenses of \$87,913.54, a decrease of \$43,815.78, for a net income of \$180,956.51, an increase in income of \$109,138.85, for the same time period.

The land listed as "purchased" with assessment funds in 2005 and 2006 (Attachment 28) was actually purchased in April 2001, using the CRRWC checking account at the Washington Mutual Bank (Check number 7253 dated March 29, 2001 for \$15,000 and check number 7301 dated April 9, 2001 for \$15,476.95 (Attachment 29)) years prior to the implementation of the assessment fee. The resolution to purchase the land was approved on April 9, 2001 (Attachment 30), over a week after the first check was paid to the title company and over three years prior to the assessment fund approval and implementation.

The hammer listed as an expense was actually purchased for \$23,500 at the same time a track hoe was purchased for \$25,000 with CRRWC funds (Attachments 33 & 35). The hammer can only be used with the track hoe. According to ROOKS the track hoe belongs to him and the hammer belongs to the water company. (Note: the purchase of these two items will be addressed further in Allegation V.)

### Conclusion - Allegation III:

Based upon a review and summary of the assessment records obtained during this investigation it cannot be determined conclusively that funds are missing from the assessment income. The investigation did show that funds from the assessment fee of \$8 per month were not spent in conformance with the approval of the special assessment. The listed expenses were for land, which was already owned by the company, for equipment and supplies, (the hammer, dump truck and pipe), for surveys, engineers, and for attorney's fees, all of which were not listed in the original proposal. The funds that were supposedly spent on the land and other items were transferred to the metered water sales and were used for everyday operational expenses. In 2006 and 2007 the income and expenses of the assessment funds seem to have been corrected to more closely reflect the actual balance.

### Allegation IV:

It is alleged by HOBBS, WHITTEN, and SOULE that water company equipment is being used on private property for personal use and gain by Board members and water company

COC0010-05  
Investigative Report  
August 6, 2008  
Page 23 of 36

employees. It is also alleged that the water company was not reimbursed for the use of the equipment.

The CRRWC Board approved the use of water company equipment by employees and Board members on August 11, 1999 (Attachment 31). As a result, Board members and employees received benefits not available to the general membership and benefited from this resolution. Based on this investigation, at some time while a Board member or an employee of the water company, the following people made use of company equipment, either by using it themselves or having ROOKS operate it on their property: ROOKS, OAKLEY, SUTTON, DINSMOOR, SCOTT, and COMBS. In addition, ROOKS' contract, dated May 1, 2004, states "The General Manager/Operations Manger reserves the right to exchange mechanical repairs to The Company equipment, such as 'labor, storage, modifications, and alterations' for use of all company equipment, so long as no compensation is received from the use of this equipment." The Employee Policies Handbook, on page 45, also allows for personal use of company equipment (Attachment 31).

Board members and employees who made use of company equipment (ROOKS, SCOTT and COMBS) stated that they paid for the gas and any other supplies when they used the company equipment for personal reasons. SUTTON stated that he was never asked to reimburse the water company for the work ROOKS did on his property. ROOKS said, on March 29, 2006, that he would sometimes exchange work with a Board member, such as with DINSMOOR. ROOKS said he used company equipment to do some work on DINSMOOR's property and DINSMOOR, in return, did some electrical work on one of the company's pumps. ROOKS mentioned COMBS as another Board member who did work for the water company in exchange for use of company equipment.

Records show some payments from Board members, but it is unclear if these are for the use of the equipment or for the purchase of supplies. ROOKS said that if a person did not know how to operate a piece of equipment he would not let them use it. ROOKS did say that he occasionally would take time off work and operate the equipment for a Board member, charging only for gas and supplies. It is important to note that ROOKS, his wife, or another office worker recorded the hours ROOKS worked for the CRRWC in the QuickBooks payroll. The Board did not track ROOKS' hours separately or review the hours claimed so it cannot be verified if ROOKS took time off for this work.

#### Conclusion - Allegation IV:

The CRRWC Board approved a resolution on August 11, 1999 that allowed CRRWC employees and Board members to use company equipment for personal use. ROOKS and Board members SCOTT and COMBS claim to have paid the company for personal use of company equipment. SUTTON was never asked to pay for use of the equipment. Although the personal use of company equipment is allowed this practice raises questions about potential conflicts of interest by the Board members and water company employees.

COC0010-05  
Investigative Report  
August 6, 2008  
Page 24 of 36

### Allegation V:

It is alleged by HOBBS, WHITTEN, and SOULE that ROOKS purchased equipment for personal use with "loans" from water company funds, without a loan contract or interest charges paid to the CRRWC. It is also suspected that ROOKS then leased the equipment back to the water company, allowing him to personally profit from the equipment purchase. As part of this allegation, I reviewed and summarized the number of hours, for regular and overtime hours, ROOKS was paid as General Manager working for the CRRWC to determine if this was a method used by him to repay the loans.

ROOKS, under his business Rooks Enterprise, also maintained all the water company equipment. The amount of hours he worked on maintaining the water company equipment, which is separate from his hours as General Manager, is not known as ROOKS stated he did not maintain records on hours he worked on water company equipment. He said he did the repairs when needed. Payment for this work would be in addition to the hours he was paid for being the General Manager and would be paid to Rooks Enterprise.

### *Payment and Withholding Records*

According to QuickBooks records provided by Jacquie ROOKS on Jan 25, 2006, from January 1, 2003 to December 31, 2005, ROOKS had payments to the water company withheld from his paycheck totaling \$10,199.85 for items he purchased with company funds for personal use. In addition, he received \$2,200 (paid to him from the CRRWC checking account at Washington Mutual Bank, paycheck number 2084 dated January 29, 2004) as a "loan" to purchase hearing aids. This gives a total of \$12,399.85 (Attachment 32) for 2003 to 2005. This indicates that during this time he had "loans" from the water company of at least \$12,399.85 for the purchase of personal equipment and/or supplies.

CRRWC QuickBooks records, obtained through a subpoena and received from Jacquie ROOKS in December 2007, show that from January 20, 2000 to October 17, 2007 withholdings (reimbursements) from ROOKS' paychecks total \$47,989.38 (Attachment 32). Other payments made by ROOKS from Rooks Enterprise checking account and his personal checking account to the water company during this same time period total \$24,748.64. Total payments to the water company from ROOKS are \$72,738.02 (\$47,989.38 + \$24,748.64) for 2000 to 2007. Jacquie ROOKS maintained personal records, other than QuickBooks, on each purchase and on each payment to the water company from James ROOKS, either through payroll withholdings or by personal check. These records show that from January 12, 2000 to November 29, 2006, total water company funds used by ROOKS to purchase items for personal use were \$77,058.62 (Attachment 47).

During this time ROOKS used water company funds (\$25,000) as a down payment to purchase a track hoe for personal use. The purchase price of the track hoe was \$135,000 with a filing fee of \$375 for a total of \$135,375. The loan contract with CNH Capital was for \$110,375 with finance charges of \$18,352.68 for a balance due of \$128,727.68. The total time sale price was \$153,727.68. A hammer was purchased for \$23,400, at the same time, for the water company



COC0010-05  
Investigative Report  
August 6, 2008  
Page 25 of 36

(Attachment 33, 34, & 35). Payments were made to Cascade Machinery Company for the down payment and the hammer from the CRRWC checking account at the Washington Mutual Bank and the equipment loan contract was carried by CNH Capital for the purchase of the track hoe. The hammer was paid in full when purchased. When asked about this, ROOKS said that the Board approved this purchase with the understanding that he would purchase the track hoe from CRRWC in thirty days (Resolution dated September 27, 2005, Attachment 33.).

On March 30, 2006, to show that he was purchasing the track hoe from the water company, ROOKS provided me with a copy of Rooks Enterprise check #1026, intended for the down payment of \$25,000, dated February 21, 2006, and copies of the invoices and the purchase agreement (Attachment 34). The check had not cleared the bank and when asked about it, ROOKS stated that he did not have the entire \$25,000 and he provided the check to show his intension to purchase the track hoe. He said that he was paying the water company through payroll deductions. No other records of payments were received until 2007, when records were received from CNH Capital, the Cascade Machinery Company, the CRRWC; and ROOKS.

The agreement between ROOKS and the Board for the purchase of the track hoe should be recorded as a loan to ROOKS. Besides the initial payment of \$25,000, the water company made payments of \$2,145.47 each month to CNH Capital for the loan on the track hoe. The water company paid a total of \$42,163.76 for the track hoe that ROOKS states he was purchasing from the water company. ROOKS said that the hammer belonged to the water company. It should be noted that the hammer, CRRWC equipment, can only be used with the track hoe that ROOKS says is his. Despite his claim of ownership in 2006, ROOKS did not repay the water company for the track hoe until 2007.

QuickBooks records contain two checks for the purchase of the track hoe and hammer (Attachment 35). Check number 3469 and check number 3470, both dated September 23, 2005, payable to Cascade Machinery Company for the purchase of the hammer and the down payment on the track hoe. These checks are dated four days prior to the date on the resolution to purchase these items.

Records received from CNH Capital and Cascade Machinery Company in 2007, in reference to the track hoe (Attachment 41 and 42), show the CRRWC made payments of \$42,163.76 to Cascade Machinery Company and CNH Capital. The payments to CNH Capital from the CRRWC were made each month until June 7, 2006. This is the date of ROOKS first payment to CNH Capital for the track hoe contract. ROOKS signed paperwork to take over the contract for the track hoe in April 2006.

In addition to making payments to CNH Capital, the water company maintained the insurance on the track hoe. According to records obtained from the Sage Insurance Company, the following amounts, above the regular CRRWC insurance costs, were paid to Safeco Insurance for the track hoe; for 2004-05, \$42.00; for 2005-06, \$1,039.00; and for five months in 2007, \$509.00, for a total of \$1,590.00.

COC0010-05  
Investigative Report  
August 6, 2008  
Page 26 of 36

ROOKS stated, on March 29, 2006 and December 14, 2006, that his wife, Jacquie, kept track of any purchases made using water company funds and she deducts the payments from his paycheck. In addition, he wrote checks to the water company for payments on the track hoe. In 2007, records were received from Jacquie ROOKS in reference to purchases by James ROOKS and his repayments for these purchases through payroll deductions, checks from ROOKS' company and checks from his personal account. This information shows total repayments of \$72,738.02 (Attachment 32, January 2000 to October 2007) and purchases of \$77,058.62 (Attachment 47, January 2000 to November 2006); leaving a balance owed to the water company of \$4,320.60. This balance does not include any equipment or supplies purchased in 2007.

Using subpoenaed records provided by CNH Capital and bank records of the CRRWC and Rooks Enterprise, I entered the information in reference to the track hoe on a spreadsheet (Attachment 41). According to these records, from the month the track hoe was purchased (November 2005) to September 2007, ROOKS made payments to the CRRWC totaling \$41,840.29. These payments did not start until January 2006 with payroll deductions. The CRRWC made payments of \$42,163.76 to CNH Capital on the loan. This leaves a balance owed by ROOKS of \$323.47. With the additional insurance costs to the water company the total owed by ROOKS to the water company, as of September 2007, is \$1,913.47.

#### *Board Members' Knowledge*

When questioned on September 19, 2006 about the purchase of the track hoe and hammer, Board member Richard KEEN stated he approved the purchase not knowing the water company was putting up the down payment funds for the track hoe. He said ROOKS asked to use the water company's name to purchase the track hoe so he could get a discount. Board member John COMBS, on September 22, 2006, stated that he did not know about the purchase of the track hoe and hammer. Board member Wayne SUTTON, on March 29, 2006, said he told ROOKS the water company could rent a track hoe and hammer as needed. In that way they would not have to worry about maintenance. On September 21, 2006, Board member Randolph SCOTT said he believed the water company put up the money to purchase the track hoe and ROOKS repaid the water company, but he was unsure of the actual details. None of the Board members were aware that the hammer could only be used with the track hoe belonging to ROOKS, nor did they know if ROOKS repaid the water company for the down payment. None of the Board members viewed ROOKS as conducting unauthorized business or operating outside the scope of his contract and obligations to CRRWC.

#### *Payroll Records Analysis*

QuickBooks payroll records, which were received from Jacquie ROOKS, for the time period 2003 up to October 17, 2007, were used to record hours James and Jacquie ROOKS were paid for working for the CRRWC in the office, in operations and in overtime (Attachment 46). The concern here is not the amount of money they were paid, but the number of hours listed as being paid in the CRRWC payroll records.

COC0010-05  
Investigative Report  
August 6, 2008  
Page 27 of 36

The total hours (regular and overtime hours as General Manager and not for his company Rooks Enterprise) James ROOKS was paid for working for the CRRWC in 2003 was 3531 hours. Of this total 72 hours are for holidays giving total work hours of 3459. ROOKS would have to average 9.5 hours per day if he worked everyday ( $3459/365 = 9.5$  hours) to get the total work hours of 3459. He would have to average 13.78 hours per day if he only worked workdays ( $3459/251 = 13.78$  hours), and he would have to average 11.42 hours per day ( $3459/303 = 11.42$  hours), not working Sundays, holidays, or vacations to get the total hours of 3459. The below chart is a summary of total hours (includes regular hours, overtime hours, holidays, sick days, and vacations) recorded in the QuickBooks payroll records and paid to James and Jacquie ROOKS for 2003 up to October 17, 2007. (It needs to be noted that the "Average work all days" column is not based on 365 days per year as the pay period is every two weeks and there is some overlap each year. Attachment 46 has details related to the number of workdays in each yearly pay period.)

Name	Year	Total Hours Paid	Work Hours	Average work all days	Average work only work days	Average not including Sun, Vac, or Holidays
James ROOKS	2003	3531	3459	9.5	13.78	11.42
Jacquie ROOKS	2003	2537.5	2449.5	6.7	9.8	8.1
James ROOKS	2004	2980	2852	7.53	11.18	9.23
Jacquie ROOKS	2004	2681.0	2575.0	7.0	10.4	8.6
James ROOKS	2005	3331.25	3199.25	8.81	13.19	10.86
Jacquie ROOKS	2005	2642.5	2556.5	7.0	10.3	8.5
James ROOKS	2006	3485.5	3274.5	9.0	13.90	11.38
Jacquie ROOKS	2006	2667.8	2487.8	6.8	10.5	8.6
James ROOKS	2007	2550	2306	7.84	12.85	10.41
Jacquie ROOKS	2007	2256.3	1825.3	6.0	11.1	8.8

In reviewing the hours ROOKS was paid for by the water company (Attachment 46) the following items were noticed. In 2003 there are consecutive time periods of two weeks where the amount of hours is the same, for example:

- 08/01/03 to 08/14/03, 40 hours in office, 40 hours operational, and 78.5 hours operations overtime.
- 08/15/03 to 08/28/03, 40 hours in office, 40 hours operational, and 78.5 hours operations overtime.
- 08/29/03 to 09/11/03, 40 hours in office, 40 hours operational, and 78.5 hours operations overtime.

These types of patterns occur up until August 2005, when the overtime hours became more varied. (It was in 2005 that this investigation began and in May 2005 that David GLENN, the water company attorney, was contacted about interviews and company records.) From November 30, 2006 up to May 30, 2007, ROOKS working hours (80 for two weeks) was recorded in office full time and

COC0010-05  
Investigative Report  
August 6, 2008  
Page 28 of 36

all overtime was recorded in operations overtime for this same time period. The reason for this change in how hours were recorded is not known.

The above hours do not include hours ROOKS worked for his company, Rooks Enterprise. During this time Rooks Enterprise was paid \$1,500 in 2003, \$31,100 in 2004, \$25,250 in 2005, \$26,000 in 2006, and \$21,000 in 2007 (up to October 18, 2007).

Hours for Jacquie ROOKS were also reviewed and to some extent reflect similar overtime issues as James ROOKS, but not to the same degree. For the total working hours (does not include Saturdays, Sundays, holidays, vacation, or sick days) during this time, Jacquie would need to average 10.4 hours per day and James would need to average 12.96 hours per day. If Sundays, holidays, vacations, or sick leave, are not counted the average for Jacquie would be 8.5 hours per day and for James 10.68 hours per day.

The hours James ROOKS worked for his company, Rooks Enterprise, repairing CRRWC equipment (These hours are not included in the hours in the above chart or Attachment 46) is not known. This repair work is not part of his General Manager duties. Since these hours are not known it can not be determined how many hours he would need to work to fulfill his job as General Manager and as the repair person under Rooks Enterprise. It can be seen by the hours ROOKS was paid by the water company for working for them that he had few hours in the day to devote to repair and maintenance, unless he was using company time to perform his repair and maintenance duties. Rooks Enterprise was paid an average of \$2,592 per month in 2004, \$2,104 per month in 2005, \$2,167 per month in 2006 and \$2,100 in 2007 for work allegedly performed by ROOKS.

There is no way to verify if the hours are correct or if James and Jacquie ROOKS actually worked these hours. There was no oversight by the Board and no one, other than Jacquie, James, or another office worker, recorded the hours.

#### Conclusion - Allegation V:

Although ROOKS stated on October 11, 2005, March 29, 2006, and October 27, 2006 that the CRRWC does not and cannot make loans, ROOKS has used CRRWC funds to purchase equipment and supplies for his personal business and is making payments to the CRRWC by having funds withheld from his paycheck. The payments received from ROOKS are recorded as income in a Reimbursement Account under Metered Water Sales and some payments are recorded in expense accounts. This gives an incorrect picture of the water company's finances. The reimbursement account should not be classified as income under Metered Water Sales. There should be an Accounts Receivable with a Note Receivable Account for any loans the company makes, either to ROOKS or to other employees.

Prior to December 31, 2006, there were no Accounts Receivable or Notes Receivable Accounts for loans made to employees. A General Journal Transaction was added in the QuickBooks records for the CRRWC on December 31, 2006 to account for the loan to ROOKS,

COC0010-05  
Investigative Report  
August 6, 2008  
Page 29 of 36

Account number "1100: N/R JR ROOKS." No interest was recorded or charged for this "note receivable." Adding this account indicates that all such transactions should have been reported as a loan to ROOKS. When asked about paying interest ROOKS said that the water company, as a nonprofit corporation, could not charge interest.

In reference to the track hoe, it appears that ROOKS did not make arrangements to repay the water company and take over the loan until questioned about it in March 2006, although he was using it as his personal company's equipment. In April 2006 ROOKS signed a note for the track hoe and on April 19, 2006 the transfer of sale from the CRRWC to ROOKS with CNH Capital, the loan holder on the track hoe, was signed. Rooks first payment to CNH Capital was June 7, 2006. ROOKS is currently paying CNH Capital for the track hoe and has repaid most of the loan to the water company. With insurance costs the balance ROOKS owes as of September 2007 is \$1,913.47. ROOKS stated on November 26, 2007 that he is not paying for insurance on the track hoe. According to ROOKS, he and the CRRWC Board have an agreement that the water company would continue to insure the track hoe and could then use it at no cost. Without insurance costs the balance owed on the track hoe is \$323.47 as of September 2007.

ROOKS has used CRRWC funds, with the CRRWC Board's knowledge, to purchase items for his personal use. This use of CRRWC funds, especially to purchase large items such as the track hoe, should have been classified as loans and recorded as such in the company records. Although they were not classified as loans, ROOKS has purchased items totaling \$77,058.62 and repaid the water company \$72,738.02 leaving a balance owed to the water company of \$4,320.60. No interest was paid by ROOKS to the water company for these loans. ROOKS was paid for overtime hours but there is no way to determine if he actually worked these hours or if this was an effort to obtain additional funds to repay the water company.

## V. CONCLUSION

The investigation was unable to determine that monies are missing from the CRRWC income or that they were illegally diverted to ROOKS or his business. QuickBooks records were changed numerous times over the years from 2003 to 2007 making it difficult to determine actual income and expenses. A true accounting of the water company books would be difficult, if not impossible, without a complete audit and full cooperation from ROOKS, his family members, and the CRRWC members. When a comparison is made of the CRRWC bank statements to the CRRWC QuickBooks records from 2007, it appears that all funds recorded in the QuickBooks records are in the bank accounts.

The investigation does show that there are many questionable practices and procedures used by the Board and General Manager which led members to suspect misuse of equipment and thefts of funds. The CRRWC appears to be run as a "family business" with very little oversight by the Board of Directors. The Board of Directors failed to monitor the finances of the company, they failed to monitor the hours worked by the employees, they did not review the income or expenses regularly

COC0010-05  
Investigative Report  
August 6, 2008  
Page 30 of 36

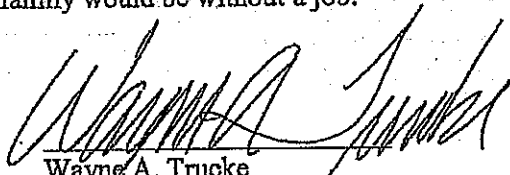
(only yearly, and then not thoroughly), they failed to hold quarterly meetings, they failed to maintain Board minutes, and they failed to be available to the members of the corporation.

The investigation does show that for the period from 2001 to 2005, ROOKS, his family, and his business have been compensated by the water company \$837,637.13 for wages, maintenance contracts, and employee benefits (Attachment 36).

The investigation was able to show that the CRRWC made loans to ROOKS in the amount of at least \$77,058.62. This investigation did not uncover any signed contract on the loans, other than for the track hoe, any indication of interest being paid on the loans, or written approval by the Board for these loans. Further complicating this issue, Jacquie ROOKS, James ROOKS' wife, maintains the payment records without any oversight by the Board or members.

The investigation also shows that Jacquie and James ROOKS are being paid for working hours that would be almost impossible for a person to sustain over a period of four and one half years. They were able to do this as no one checked on the hours they were paid either as CRRWC employees or as independent contractors. The Board did not review any monthly or yearly financial statements.

On October 11, 2005, March 29, 2006, October 27, 2006, and December 14, 2006 ROOKS said he would not steal from the water company. He added that it was in his best interest to keep the water company financially sound as he, his wife, and his daughter work for the water company. Plus his personal business, Rooks Enterprise, only works for the water company. If the water company would go under because of thefts, he and his family would be without a job.

  
Wayne A. Trucke  
Special Agent

Attachments

WAT/si/CRJ38871

3

**DATE:** December 29, 2005  
**TO:** Board of Directors  
Crooked River Ranch Water Company  
**FROM:** James H. Rooks  
General Manager/Operations Manager

**SUBJECT: DISQUALIFICATION OF A BOARD OF DIRECTOR**

**Issue:** Our current by-laws state that "termination of a Director's membership in the Corporation shall terminate automatically that Director's membership on the Board of Directors." (Bylaw 4.5) To retain qualified Board members for the best interest of the company and its members, it is necessary to amend our bylaws to allow Directors to continue on the Board even though they are no longer members of the company.

**Recommendation:** Any existing Board member who was elected or appointed to the Board while they were a member of the company, who establishes a residence other than Crooked River Ranch, may remain as a Board member and may run for re-election.

**Resolution:**

**APPROVED:**

  
Rick Keen, President

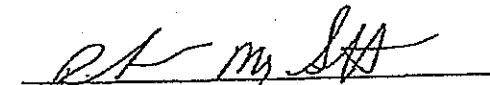
Date: \_\_\_\_\_

  
John Combs, Director

Date: 12-29-05

\_\_\_\_\_  
Brian Elliott, Director

Date: \_\_\_\_\_

  
Randy Scott, Director

Date: \_\_\_\_\_

JUL 23 2008

CHBH-CRR0079

3

**DATE:** April 20, 2006  
**TO:** Board of Directors  
Crooked River Ranch Water Company  
**FROM:** James H. Rooks  
General Manager/Operations Manager

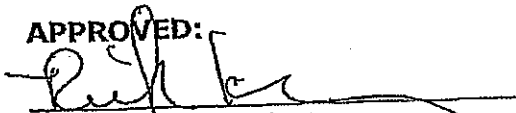
**SUBJECT: AMENDMENT TO ARTICLES OF INCORPORATION**

**Issue:** The Non-Profit ORS 65 statutes state that unless the Articles of Incorporation state differently, five percent of the members may call a special meeting and vote to remove one or more board members **without cause**. Under the current climate that exists on Crooked River Ranch, it is felt that our Articles of Incorporation need to be more specific as to the process of removing a board director by the members, and that cause, based upon the current Oregon statutes, be required.

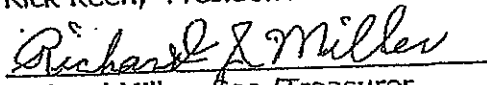
**Recommendation:** Approve the Articles Amendment as written by our attorney, to include the following: that no current member of CRR Association, CRR Rural Fire Protection District, or the CRR Special Road District Board of Directors may serve on the CRR Water Company Board of Directors; that members may remove one or more directors elected by them **only with cause** and only after Judicial Proceeding and for reasons outlined in ORS 65.327(a); and that a quorum of 51% of the entire membership of the CRRWC shall be required at a duly called annual, general, or special meeting before transaction of business on which membership may vote.

**Resolution:** Approve the Articles of Incorporation Amendment as written effective April 20, 2006.

**APPROVED:**

  
Rick Keen, President

Date: 4-20-06

  
Richard Miller, Sec./Treasurer

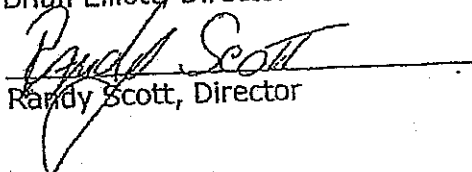
Date: 4-20-06

  
John Combs, Director

Date: 4-20-06

Brian Elliott, Director

Date: \_\_\_\_\_

  
Randy Scott, Director

Date: 4-20-06

JUL 23 2008

CHBH-CRR0082





Phone: (503) 586-2200  
Fax: (503) 378-4381

Articles of Amendment—Business/Professional/Nonprofit

Secretary of State  
Corporation Division  
255 Capitol St. NE, Suite 151  
Salem, OR 97310-1327  
FilingOregon.com

Check the appropriate box below:

BUSINESS/PROFESSIONAL CORPORATION

(Complete only 1, 2, 3, 4, 6, 7)

NONPROFIT CORPORATION

(Complete only 1, 2, 3, 5, 6, 7)

FILED

APR 28 2006

OREGON  
SECRETARY OF STATE

REGISTRY NUMBER: 120921-10

In accordance with Oregon Revised Statute 102.410-102.490, the information on this application is public record. We must release this information to all parties upon request and it will be posted on our website.

For office use only

Please Type or Print Legibly in Black Ink.

1) NAME OF CORPORATION PRIOR TO AMENDMENT: Crooked River Ranch Water Company

2) STATE THE ARTICLE NUMBER(S) AND SET FORTH THE ARTICLE(S) AS IT IS AMENDED TO READ. (Attach a separate sheet if necessary.)  
(See Attached)

3) THE AMENDMENT WAS ADOPTED ON: \_\_\_\_\_  
(If more than one amendment was adopted, identify the date of adoption of each amendment.)

BUSINESS/PROFESSIONAL CORPORATION ONLY

4) CHECK THE APPROPRIATE STATEMENT

Shareholder action was required to adopt the amendment(s). The vote was as follows:

Class or series of shares	Number of shares outstanding	Number of votes entitled to be cast	Number of votes cast FOR	Number of votes cast AGAINST

Shareholder action was not required to adopt the amendment(s). The amendment(s) was adopted by the board of directors without shareholder action.

The corporation has not issued any shares of stock. Shareholder action was not required to adopt the amendment(s). The amendment(s) was adopted by the incorporators or by the board of directors.

NONPROFIT CORPORATION ONLY

5) CHECK THE APPROPRIATE STATEMENT

Membership approval was not required. The amendment(s) was approved by a sufficient vote of the board of directors or incorporators.

Membership approval was required. The membership vote was as follows:

Class(es) entitled to vote	Number of members entitled to vote	Number of votes entitled to be cast	Number of votes cast FOR	Number of votes cast AGAINST

6) EXECUTION

Signature

*[Signature]*

Printed Name

Rick Ken

Title

President

7) CONTACT NAME (To resolve questions with this filing)

Timothy R. Gassner

DAYTIME PHONE NUMBER (include area code)

(541)475-2272

FEEES

Required Processing Fee \$50

No Fee for Nonprofit Type Change Only

Confirmation Copy (Optional) \$5

Processing Fees are nonrefundable.

Please make check payable to "Corporation Division."

NOTE:

Fees may be paid with VISA or MasterCard. The card number and expiration date should be submitted on a separate sheet for your protection.

4-25-06-5-1-55<sup>02</sup>

TB  
4-28-06

# 120721-10

- A. A member of the Corporation shall be ineligible to serve on the Corporation Board of Directors if that member shall at the same time be serving as an officer or director of either the Crooked River Ranch Club and Maintenance Association, the Crooked River Ranch Rural Fire Protection District or the Crooked River Ranch Special Road District.
- B. The Members may remove one or more directors elected by them only with cause and pursuant to ORS 65.324. "Cause" for the removal of a director shall only be after Judicial Proceeding and for the reasons set forth in ORS 65.327(a).
- C. A quorum shall be fifty-one percent of the entire membership of the Corporation and shall be required at a duly called annual, general or special meeting before transaction of business on which the membership may vote, except for the election of directors, who shall be elected by a majority of mailed-in ballots.

13  
4-25

VOID IF ALTERED OR EBASD

VOID IF ALTERED OR EBASD

2

**BYLAWS  
FOR  
CROOKED RIVER RANCH WATER COOPERATIVE**

As amended  
June 30, 2006

An Oregon Non-Profit Cooperative

13845 SW Commercial Loop  
PO Box 2319  
Terrebonne, Oregon 97760

JUL 23 2008

CHBH-CRR0010

TABLE OF CONTENTS

PART I  
Bylaw 1.1 PURPOSES..... 1

PART II  
Bylaw 2.1 QUALIFICATIONS..... 1  
Bylaw 2.2 APPLICATION AND ACCEPTANCE..... 1  
Bylaw 2.3 TERMINATION OF MEMBERSHIP..... 2  
Bylaw 2.4 TRANSFER OF MEMBERSHIP..... 3  
Bylaw 2.5 MEMBER VOTING..... 3

PART III  
Bylaw 3.1 ANNUAL MEETING..... 4  
Bylaw 3.2 SPECIAL MEETINGS..... 4  
Bylaw 3.3 NOTICE OF MEETING..... 5  
Bylaw 3.4 QUORUM..... 5  
Bylaw 3.5 VOTING BY MAIL FOR DIRECTORS..... 5  
Bylaw 3.6 ORDER OF BUSINESS..... 5

PART IV  
Bylaw 4.1 NUMBER..... 6  
Bylaw 4.2 TERM OF OFFICE..... 6  
Bylaw 4.3 NOMINATION OF DIRECTORS..... 6  
Bylaw 4.4 VACANCIES..... 7  
Bylaw 4.5 DISQUALIFICATION ..... 7  
Bylaw 4.6 COMPENSATION..... 7  
Bylaw 4.7 POWERS AND DUTIES OF DIRECTORS..... 8  
Bylaw 4.8 RESIGNATION..... 9

PART V  
Bylaw 5.1 ANNUAL MEETING..... 9  
Bylaw 5.2 REGULAR QUARTERLY MEETINGS..... 9  
Bylaw 5.3 SPECIAL MEETINGS..... 9  
Bylaw 5.4 NOTICE..... 9  
Bylaw 5.5 QUORUM..... 10  
Bylaw 5.6 UNEXCUSED ABSENCES..... 10  
Bylaw 5.7 INDEMNIFICATION OF DIRECTORS, OFFICERS AND AGENTS..... 10

PART VI  
Bylaw 6.1 ENUMERATED..... 10  
Bylaw 6.2 REMOVAL OF DIRECTOR FROM BOARD OF DIRECTORS..... 10  
Bylaw 6.3 ELECTION AND TERM OF OFFICE..... 11  
Bylaw 6.4 PRESIDENT..... 11  
Bylaw 6.5 VICE-PRESIDENT..... 11  
Bylaw 6.6 SECRETARY/TREASURER..... 11

JUL 23 2008

CHBH-CRR0027

Bylaw 6.7 SUBORDINATE OFFICERS.....12  
Bylaw 6.8 GENERAL MANAGER-OPERATIONS MANAGER.....12  
Bylaw 6.9 COMPENSATION.....12  
Bylaw 6.10 EMPLOYMENT.....12

PART VII

Bylaw 7.1 FISCAL YEAR..... 12  
Bylaw 7.2 NONPROFIT..... 13  
Bylaw 7.3 CONFLICTS OF INTEREST..... 13  
Bylaw 7.4 CONTRACTS..... 13  
Bylaw 7.5 LOANS..... 13  
Bylaw 7.6 CHECKS AND DRAFTS..... 13  
Bylaw 7.7 DEPOSITS..... 13  
Bylaw 7.8 WATER RATES AND OTHER CHARGES..... 14  
Bylaw 7.9 BOARD POLICIES..... 14

PART VIII

Bylaw 8.1 DISSOLUTION..... 14

PART IX

Bylaw 9.1 AMENDMENTS..... 14

JUL 23 2008

CHBH-CRR0028

BYLAWS OF  
CROOKED RIVER RANCH WATER COOPERATIVE

PART I

Purposes

Bylaw 1.1 PURPOSES

This organization ("the Cooperative") is a nonprofit cooperative incorporated under the laws of the State of Oregon. The purposes of the Cooperative are as set forth in its Articles of Incorporation.

PART II

Membership

Bylaw 2.1 QUALIFICATIONS

Any person, firm, association, or corporation which owns property within portions of Crooked River Ranch or other adjacent properties then served by the Cooperative or must haul water to their property on the Crooked River Ranch, shall be eligible for membership in this Cooperative, subject to acceptance for membership as hereinafter provided.

Bylaw 2.2 APPLICATION AND ACCEPTANCE

(a) Application for membership shall be in writing. The application shall include the physical address, phase, lot and tax numbers of the premises for which water or water services obtained from the Cooperative is requested and shall include documentary proof of applicant's ownership of the premises and be in such form as the Board of Directors of the Cooperative from time to time shall prescribe. At the time of application, a credit check will be conducted. A letter of credit from a previous water supplier may be accepted. Should the credit check not be acceptable, and a letter of credit from a prior water supplier is not available, the applicant may post a deposit based on multiplying the CRRWC's base rate by 6 months. The water meter to be used, if the application is granted, shall be used only for the premises described in the application. Such application shall constitute an agreement by the applicant, if accepted for membership, to remain in good standing and to comply with and be bound by the Articles of Incorporation, Bylaws and rules and regulations of the Cooperative then in effect or as thereafter from time to time duly amended or promulgated, and also an agreement to obtain from the Cooperative the water service used by or only for that member's consumption on the premises specified in the application.

JUL 23 2008

CHBH-CRR0011

(b) Each application for membership shall be reviewed by the staff of CRRWC and thereafter either be rejected or accepted by the General Manager of the Cooperative. The decision may be appealed to the Board of Directors if necessary.

(c) Membership in the Cooperative shall vest only voting rights and shall not vest in the member any financial interest in the Cooperative or its assets.

(d) A membership fee in the amount of \$150 will be required. This fee is non-refundable.

(e) A certificate of membership will be issued to all members of the Crooked River Ranch Water Cooperative. The certificate will have no monetary value and is not transferrable. Each certificate entitles the member to one (1) vote, regardless of the number of properties or connections to the water system.

(f) The membership fee may be adjusted by the Board of Directors at a meeting called by the Secretary of the Board, upon a majority vote of the Board of Directors. No membership vote shall be required. This procedure may be done without the filing of amended or restated articles.

(g) Payment of the membership fee, connection fee, and meter cost, does not transfer ownership to the member. All service lines, reseters, meters and meter boxes are the property of the Crooked River Ranch Water Cooperative.

### Bylaw 2.3 TERMINATION OF MEMBERSHIP

(a) Membership in the Cooperative shall terminate automatically upon death, removal of the premises served within the service area of the Cooperative, or sale of the premises served to another person or entity.

(b) Membership shall be terminated by the Board of Directors at any time that the Board finds that a member has discontinued use of the Cooperative's service, or for any reason is not qualified for membership.

(c) Membership may be terminated or recalled, by affirmative vote of a majority of the members of the Board of the Directors present at a duly convened meeting of the Board, if the Board finds that the member has violated or refuses to comply with any applicable provision of the Articles of Incorporation, Bylaws or rules or regulations of the Cooperative or any state or federal laws, or any agreement that the member has with the Cooperative. The General Manager shall report to the Board on any matters involving a member within the scope of this Bylaw.

(d) Termination by action of the Board of Directors shall take effect at such time as the Board shall set and such action shall be given by mailing of

notice thereof to the member at that member's address of record with the Cooperative. Any member whose membership is thus terminated may, within thirty days after the mailing of the notice to the former member, file with the Secretary of the Cooperative a written request for a hearing, in which event that former member shall be given the opportunity to be heard before the Board of Directors, and the Board shall reconsider and affirm or rescind the termination, all within sixty days after the filing of such request for a hearing.

- (e) Any member exhibiting ill will toward the Cooperative (to be determined by the Board of Directors at a duly convened Board of Directors meeting) may have membership terminated at the discretion of the majority of the Board of Directors. "Ill will" includes, but is not limited to, frivolous lawsuits, false statements concerning the cooperative or its employees and Board of Directors, and any physical damage or unauthorized expense to the Cooperative. Violation of this bylaw may result in termination of membership and/or civil action in accordance with ORS 62.370.
- (f) Any member may voluntarily withdraw from membership at any time upon notice to the Cooperative and cessation of service or hauling to the member's premises.
- (g) There will be no refund of the membership fee.

#### Bylaw 2.4 TRANSFER OF MEMBERSHIP

Membership in the Cooperative shall not be transferable, by operation of law or otherwise. In the event of the death of a husband or wife who holds a membership jointly with his or her spouse, such membership shall automatically transfer to the survivor with the same effect as though that membership had been originally issued thereto; provided, however, that the estate of the deceased joint member shall not be released from any debt or liability of that deceased member to the Cooperative.

#### Bylaw 2.5 MEMBER VOTING

- (a) Each member shall be entitled to one vote per membership certificate. A joint member shall be treated as one member and shall be entitled to one vote.
- (b) Proxy voting shall not be allowed.
- (c) Any member of the Cooperative not a natural person may act, vote, and be represented at meetings of members of the Cooperative by an officer, manager, stockholder, partner, or agent of such member who is duly authorized in writing filed with the Secretary of the Cooperative. The

JUL 23 2008

CHBH-CRR0013



representative must be member of the Cooperative unless the Board of Directors grant an exception.

- (d) A member of the Cooperative who has had water service disconnected for any reason shall not be entitled to vote until that member has paid all fees and charges owing, reconnected to the water system, and is in conformance with all rules and regulations and policies necessary for water service. A member in compliance with the above requirements shall be considered in good standing and shall then be entitled to vote on matters submitted to the membership.

### PART III

#### Meetings

##### Bylaw 3.1 ANNUAL MEETING

The annual meeting of the members of the Cooperative shall be held on the first Saturday of June of each year, at such hour as may be specified by the Board of Directors, and at such place as specified by the Board within the territory which the Cooperative provides water service; provided, however, that the date of such annual meeting may be postponed or advanced not to exceed fifteen days by the Board of Directors.

The purpose of such annual meeting shall be to elect directors, receive reports of officers, and to transact such other business as may be listed on the call for the Annual Meeting. If the date fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. If for any reason the election of directors shall not be held at the annual meeting or any adjournment thereof, the Board of Directors shall cause such election to be held at a special meeting of the members which shall be called by the Board of Directors as soon after the annual meeting as the Board may find to be feasible.

##### Bylaw 3.2 SPECIAL MEETINGS

A special meeting of the members of the Cooperative may be called by the Board of Directors. Such call shall be in writing, announced on the bill back, and shall state the time, place and purpose of the meeting. Promptly upon receipt of such call, the Secretary of the Cooperative shall cause notice of such meeting to be given as herein provided. No business shall be transacted at a special meeting which is not included as a statement of purpose as set forth in the call and notice of meeting.

Special meetings called as a result of a petition by members will follow the same process as stated above.

Abuse of the petition process by members will result in the members being charged for the costs involved in producing the meeting announcement, postage, mail-in ballots, etc. Determination of whether the process is being abused will be made by the Board of Directors.

### **Bylaw 3.3 NOTICE OF MEETING**

Written or printed notice of each annual or special meeting of the members of the Cooperative shall be given by or under the supervision of the Secretary of the Cooperative to each member not less than ten nor more than thirty days prior to the date of meeting. Such notice shall be delivered to the member in person or mailed thereto at the member's post office address as the same appears on the books of the Cooperative, and such mailed notice shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid. Failure of any member to receive notice of meeting so mailed shall not invalidate any action taken at the meeting, and any member may waive, in writing, and shall waive by attendance in person at the meeting, any notice of meeting required to be given by these Bylaws.

### **Bylaw 3.4 QUORUM**

A quorum shall be fifty-one percent of the entire membership of the Cooperative and shall be required at a duly called annual or special meeting before transaction of business on which the membership may vote, except for the election of directors, who shall be elected by a majority of mailed-in ballots.

### **Bylaw 3.5 VOTING BY MAIL FOR DIRECTORS**

A member of the Cooperative shall be entitled to vote in any election of directors by casting the member's ballot by mail as provided in these Bylaws. All mail-in ballots must be received by the Cooperative no less than forty-eight hours prior to the annual meeting. No nominations, proxies, or votes will be accepted on the day of the annual meeting or at the annual meeting. Ballots mailed to the Cooperative shall be accepted through the regular mail or by hand-delivery to the offices of the Cooperative between 8:00 a.m. and 4:30 p.m., Mondays through Fridays, prior to the annual meeting. Failure of any member to receive a ballot or voting envelope for voting by mail shall not invalidate any election of a director.

### **Bylaw 3.6 ORDER OF BUSINESS**

The order of business at each annual meeting of the members of the Cooperative, and so far as feasible at each other meeting of the members, shall be substantially as follows:

JUL 23 2008

CHBH-CRR0015

1. Roll Call
2. Reading of the notice of the meeting and proof of service thereof, or the waiver or waivers of the notice of the meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the members, and the taking of necessary action thereon.
4. Reports of officers.
5. Unfinished business.
6. New business.
7. Results of mail-in ballot on election of directors, where applicable.
8. Adjournment.

#### PART IV

##### Board of Directors

###### Bylaw 4.1 NUMBER

The Board of Directors shall consist of not less than three (3), and not more than five (5) members of the Cooperative.

###### Bylaw 4.2 TERM OF OFFICE

The Directors shall be elected initially to staggered terms. One Director shall be elected to a one-year term, one Director to a two-year term and the remaining three Directors to a three-year term. To elect for the first initial staggered term, the three Directors who received the most votes shall serve the three-year term, the Director receiving the next number of majority votes shall serve the two-year term, and the Director receiving the next number of majority votes shall serve the one-year term. Thereafter, the Directors shall serve their terms for a three-year term, and one Director shall be elected at the annual meetings by a majority of the mail-in ballots cast by the membership of the Cooperative. The existing Board of Directors shall serve out their present terms.

###### Bylaw 4.3 NOMINATION OF DIRECTORS

- (a) Any member in good standing is eligible to apply to serve on the Board of Directors.

JUL 23 2008

CHBH-CRR0016

- (b) The Board of Directors shall adopt a form of application along with a separate Applicant Disclosure Statement, which each applicant shall complete and submit to the Secretary of the Cooperative no later than ninety days prior to the annual meeting
- (c) The Applicant Disclosure Statement and application shall include, but not be limited to, disclosures of the applicant's residence address, time as a member of the Cooperative and, whether or not the applicant's personal residence is served by the Cooperative.
- (d) Applicant interviews will be conducted by the Board of Directors, provided the Board shall accept the written application. Upon the Board of Directors' approval of an application, based on the applicant's experience and expertise in relationship to the corporation's needs and requirements at the time, the Board of Directors will invite the applicant for a Board interview. The name of the applicant(s) with successful interviews will be placed on the ballot for the next annual election. Only people named on the ballot will be considered as candidates for election to the Board of Directors.
- (e) A member of the Cooperative shall be ineligible to serve on the Corporation Board of Directors if that member shall at the same time be serving as an officer or director of either the Crooked River Ranch Club and Maintenance Association, the Crooked River Ranch Rural Fire Protection District, the Crooked River Ranch Special Road District, the Crooked River Ranch Chamber of Commerce or any elected or appointed position with Jefferson County.

#### **Bylaw 4.4 VACANCIES**

Any vacancies on the Board of Directors not caused by expiration of term may be filled for the unexpired term by majority vote of the remaining members of the Board of Directors.

#### **Bylaw 4.5 DISQUALIFICATION**

Termination of a Director's membership in the Cooperative shall terminate automatically that Director's membership on the Board of Directors. If a Director shall serve as an officer or director of any organization listed in Bylaw 4.3(e) said Director shall automatically be disqualified as a Director for the Cooperative.

#### **Bylaw 4.6 COMPENSATION**

Individuals serving as a Director of the Cooperative shall serve without pay for personal services as a director.

#### Bylaw 4.7 POWERS AND DUTIES OF DIRECTORS

The authority and duties of the Board of Directors shall include the following, as well as such other powers and duties as may be vested in the Board by law.

- (a) The Board shall have general supervision and control over and shall manage and conduct the affairs and business of the Cooperative, and shall make all necessary rules and regulations, not inconsistent with law or with the Bylaws or Articles of Incorporation, for the management of the Cooperative and the guidance of the officers, employees and agents of the Cooperative.
- (b) The Board shall employ a General Manager, under contract, who shall hold office subject to such terms and conditions as may be fixed in the General Manager's contract. The General Manager is for all legal purposes an officer of the cooperative.
- (c) The Board shall cause to be kept a record of all of its acts and proceedings. The Board shall present a report at each annual meeting of the members of the Cooperative showing in reasonable detail the condition of the Cooperative's affairs.
- (d) The Board shall call such special meetings of the members of the Cooperative as it may deem necessary or advisable.
- (e) The Board shall select one or more banks as depository of funds of the Cooperative and determine the manner of receiving, depositing and disbursing the funds of the Cooperative, with full power from time to time to change such depositories and determinations.
- (f) The Board may invest or convert the funds of the Cooperative reserve in or into such securities as the Board may find advisable and proper.
- (g) The Board, by affirmative vote of at least three Directors, may borrow money or authorize any officer or the General Manager of the Cooperative to borrow money, in the name and on behalf of the Cooperative, for any Cooperative purpose either on open account or secured in any manner by any assets of the Cooperative or any of the Cooperative's reserves, in such amounts and upon such terms and conditions as the Board may deem necessary or advisable.
- (h) In addition to the foregoing express authority and duties, the Board may exercise such powers and do such lawful acts as it may find to be proper and necessary or expedient for accomplishing any of the lawful purposes of the Cooperative.

JUL 23 2008

CHBH-CRR0018

- (l) The Board of Directors may make such donations for the public welfare or for charitable, scientific or educational purposes, as the Board finds may result in a present or foreseeable future benefit to the Cooperative or to its members as a whole.

**Bylaw 4.8 RESIGNATION**

Any Director may resign from office at any time, such resignation to be in writing and to take effect when filed with the Secretary of the Cooperative.

**PART V**

**Meetings of Directors**

**Bylaw 5.1 ANNUAL MEETING**

An annual meeting of the Board of Directors shall be held within ten days after each annual meeting of the members of the Cooperative, for the purpose of organizing, electing officers, and transacting such other business as may come before the meeting.

**Bylaw 5.2 REGULAR QUARTERLY MEETINGS**

Regular quarterly meetings of the Board of Directors shall be held after the annual meeting in June, and on the third Wednesday of September, December and May of each year at a place designated by the Board of Directors, unless otherwise posted at the offices of the Cooperative. Such quarterly meetings may be held without notice other than the action fixing the time and place thereof. Such meetings may be cancelled by the Board of Directors for the benefit of the Cooperative.

**Bylaw 5.3 SPECIAL MEETINGS**

A special meeting of the Board of Directors shall be held whenever called by the President or by *three* members of the Board. The business to be transacted and the purpose of any special meeting of the Board of Directors must be specified in the notice or waiver of notice of such meeting.

**Bylaw 5.4 NOTICE**

Notice of each special meeting of the Board of Directors shall be mailed to each Director, at that Director's address of record with the Cooperative, not less than five days prior to the time of such meeting, or shall be given by telephone or telegraph not less than twenty-four hours prior to that meeting. Notice of any meeting may be waived in writing. Notice of the meeting shall be waived by attendance at the meeting unless the purpose of attendance was solely to object to the transaction of any business at the meeting on the ground that the meeting was not lawfully called.

JUL 23 2008

CHBH-CRR0019

#### **Bylaw 5.5 QUORUM**

A majority of the seated Board of Directors shall constitute a quorum necessary for the transaction of any and all business of the Cooperative. In the event there shall be in attendance at any meeting of the Board of Directors a lesser number than a quorum, that number may adjourn the meeting to another day, until a quorum can be present. No one (1) director may dictate day to day policy without a quorum consent of the Board of Directors.

#### **Bylaw 5.6 UNEXCUSED ABSENCES**

The Board may declare the Board position of a member of the Board of Directors to be vacant in the event such member shall be absent (unexcused) from three consecutive, regular quarterly scheduled meetings of the Board of Directors.

#### **Bylaw 5.7 INDEMNIFICATION OF DIRECTORS, OFFICERS AND AGENTS**

Each person who at any time has served or serves as a Director, officer or agent of the Cooperative shall be indemnified by the Cooperative against liabilities incurred as a result of, and expenses (including attorney's fees) reasonably sustained in the defense or in the compromise or settlement of, any civil, criminal, or other action, suit, or proceeding, in which that person may become involved as a part or with which that person may be threatened, by reason of that person being or having been a Director, officer or agent of the Cooperative, provided, however, that such indemnification shall not apply to any claim, action, suit, or other proceeding in which the Director, officer or agent is adjudged liable for negligence or misconduct in the performance of duty, or in which that person shall have entered a plea of guilty or nolo contendere, unless the Cooperative shall receive a written opinion of independent legal counsel that (a) the conduct of that person in connection with such matters was in good faith, for a purpose which that person reasonably believed to be in the best interests of the Cooperative, and, in any criminal action, in addition, that such person had no reasonable cause to believe that such person's conduct was unlawful, and (b) that indemnification pursuant to the provisions of this Bylaw 5.7 may be legally and validly made.

### **PART VI**

#### **Officers**

#### **Bylaw 6.1 ENUMERATED**

The officers of the Cooperative shall consist of a President, a Vice-President, a Secretary/Treasurer, and the General Manager.

#### **Bylaw 6.2 REMOVAL OF DIRECTOR FROM BOARD OF DIRECTORS**

JUL 23 2009

CHBH-CRR0020

The Board of Directors by a majority vote of the Board may remove any director from the Board of Directors if the majority of the Board in their judgment deems that director's presence on the Board not to be in the best interest of Crooked River Ranch Water Cooperative.

#### **Bylaw 6.3 ELECTION AND TERM OF OFFICE**

Each officer shall be elected annually by the Board of Directors at its annual meeting and shall hold office until the next annual meeting of the Board of Directors at its annual meeting or until that officer's successor shall have been duly elected and qualified, provided, however, that any officer may be removed from office, and that officer's successor be elected, by the Board whenever the Board deems such removal to be in the best interest of the Cooperative.

#### **Bylaw 6.4 PRESIDENT**

The President shall be the principal executive officer of the Cooperative. The President shall sign for and on behalf of the Cooperative all documents and instruments authorized by the Board of Directors to be executed, except when the signing and execution thereof shall be expressly delegated by the Board of Directors or these Bylaws to some other officer or agent of the Cooperative or shall be required by law to be otherwise signed or executed. The President shall call such special meetings of the Cooperative and of the Board of Directors as the President deems advisable, and shall perform such other duties as may properly be required under the Bylaws or by the Board of Directors.

#### **Bylaw 6.5 VICE-PRESIDENT**

In the absence of the President, or in the event of the President's inability or refusal to act, the Vice-President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time to time may be assigned by the Board of Directors.

#### **Bylaw 6.6 SECRETARY/TREASURER**

The Secretary/Treasurer shall keep the minutes of the members and of the Board of Director's meetings in one or more books provided for that purpose. The Secretary shall see all notices are duly given in accordance with provisions of these Bylaws or as required by law. The Secretary shall supervise maintenance of a registry of the post office addresses of each member of the Cooperative and have general charge of all membership books of the Cooperative. The Secretary/Treasurer shall have charge and custody of and be responsible for all funds and securities of the Cooperative; receive and give receipts for moneys due and payable to the Cooperative from any source whatsoever, and deposit all such moneys in the name of the Cooperative in such banks, trust companies, or other depositories as shall be selected in accordance with the provisions of these Bylaws. The Secretary and Treasurer shall

JUL 23 2008

CHBH-CRR0021



in general perform all the duties incident to the office of Secretary/Treasurer and the Board of Directors may assign such other duties as from time to time to the Secretary/Treasurer deemed in the best interest of the Cooperative.

#### **Bylaw 6.7 SUBORDINATE OFFICERS**

The Board of Directors may create such subordinate offices and employ such subordinate officers or agents as it may from time to time deem expedient and affix the compensation of such officers or agents and define their powers and duties, provided such powers and duties do not constitute a delegation of such authority as is reposed in the directors by law, which shall be exercised and performed exclusively by them.

#### **Bylaw 6.8 GENERAL MANAGER-OPERATIONS MANAGER**

The Board of Directors shall also have power to appoint a General Manger, who shall hold office under contract to the Board of Directors. The General Manager shall perform such duties and shall have such authority as the Board of Directors from time to time may specify, but in general shall have the power and authority to facilitate the handling and the management of the Cooperative's property and interest.

#### **Bylaw 6.9 COMPENSATION**

The President, Vice-President and Secretary/Treasurer shall serve without pay for personal services as an officer.

#### **Bylaw 6.10 EMPLOYMENT**

No Cooperative employee (other than those under contract), nor any relative, or significant other, may be elected to the Board of Directors while the Cooperative employs that person as a regular employee. Subcontract work shall be permitted for tasks, but only as an independent contractor. This same restriction shall apply for a period of five (5) years after such person ceases to be employed by the Cooperative.

### **PART VII**

#### **Operating Methods**

##### **Bylaw 7.1 FISCAL YEAR**

The fiscal year of the Cooperative shall begin on the first day of January of each year and end on the 31st day of December of the same year.

##### **Bylaw 7.2 NONPROFIT**

JUL 23 2008

CHBH-CRR0022

This Cooperative shall be operated on a nonprofit basis for the benefit of its members as users of water service supplied by or through this Cooperative.

#### **Bylaw 7.3 CONFLICTS OF INTEREST**

No officer, board member or Cooperative employee may participate in any action in which that person indirectly or directly has a substantial personal financial interest. Participation includes, but is not limited to, reviewing bids or proposals, making recommendations for awards of contracts, awarding services, preparing bids or similar acts where the employee or Director stands to profit from the outcome of actions taken with respect to the above. Wages shall not be considered a substantial financial interest for purposes of this Bylaw. Any person serving or acting as a Board member shall not retain, or apply for any regular full-time paid position through this Cooperative while a Director or for a period of sixty months after that person's term has expired. This restriction does not include short-term contractual work that is necessary for the benefit of the Cooperative. Any "contractual work" done by an employee or Director shall be at the discretion of and under the responsibility of the General Manager, with concurrence by a majority of the Board of Directors.

#### **Bylaw 7.4 CONTRACTS**

The Board of Directors may authorize any officer or agents to enter into any contract or execute any instrument in the name of and on behalf of the Cooperative, and such authority may be in general or confined to specific instances.

#### **Bylaw 7.5 LOANS**

No loan shall be contracted on behalf of the Cooperative and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

#### **Bylaw 7.6 CHECKS AND DRAFTS**

All checks, drafts or other orders for the payment of money, notes or other evidence of indebtedness issued in the name of the Cooperative shall be signed by such officers of the Cooperative and in such manner as from time to time be determined by resolution of the Board of Directors.

#### **Bylaw 7.7 DEPOSITS**

All funds of the Cooperative shall be under the supervision of the Board of Directors and shall be handled and deposited in such manner and by such officers or agents of the Cooperative as the Board of Directors may by prior resolutions from time to time authorize.

#### **Bylaw 7.8 WATER RATES AND OTHER CHARGES**

JUL 23 2008

CHBH-CRR0023

The Board may, from time to time, set rates regarding water service, water, water related service, and future capital expenditures. The Board may set charges for other services related to the operation of the water system. The members of the Cooperative (the owners of rental property shall be billed and responsible for payment of water used by said property) shall pay water bills on a monthly basis and such other charges as are due and payable upon receipt of the bill.

**Bylaw 7.9 BOARD POLICIES**

The Board may adopt operating policies consistent with the Bylaws necessary for the orderly conduct of business and any related matters consistent with providing the domestic water services to be provided to qualified members of the Cooperative.

**PART VIII**

**Dissolution**

**Bylaw 8.1 DISSOLUTION**

In the event of dissolution or liquidation of the Cooperative, all assets of the Cooperative or proceeds thereof shall be distributed in accordance with the Articles of Incorporation and a plan of dissolution adopted by the Board of Directors.

**PART IX**

**Amendments**

**Bylaw 9.1 AMENDMENTS**

These Bylaws may be amended or repealed only by a majority vote of 30% of the total members of the cooperative.

JUL 23 2008

CHBH-CRR0024

**CERTIFICATE OF SECRETARY**

The undersigned, as Secretary of Crooked River Ranch Water Cooperative, hereby certifies that the Bylaws to which this certificate is attached were duly adopted by the Board of Directors of said cooperative and are in full force and effect.

DATED: 3-18-07

  
Richard Miller, Secretary

JUL 23 2008

CHBH-CRR0025

**ANNUAL MEETING**  
**MINUTES**

The Crooked River Ranch Water Co-op held its Annual Meeting on Saturday, June 2, 2007, at the company office. The meeting was called to order at 10:00 a.m. by President Brian Elliott.

Roll Call conducted by Richard Miller, Sec/Treasurer:

**Board of Directors**

Brian Elliott, President  
Richard Miller, Sec/Treasurer  
James Rooks, Director  
Rick Keen, Director - Absent  
Randy Scott, Director - Absent

**STAFF PRESENT:**

Jacquie Rooks, Ofc.Mgr.  
Barb Oakley, Admin. Assistant  
Michelle Cornstock, Field Sup.  
Adan Valdez, Field Tech

**Company Attorney**

Tim Gassner, of Glenn, Sites, Reeder and Gassner was also present at the meeting.

**PROOF OF NOTICE OF MEETING**

Announced in the Madras Pioneer on 5/23 and 5/30/07 - newspapers retained as verification. Also was announced on the front of the bills mailed 5/29/07. Copy included.

**APPROVAL OF LAST MINUTES**

Mr. Rooks moved to approve the minutes of the June 3, 2006 Annual Meeting. Mr. Miller seconded. Motion passed.

**QUORUM ANNOUNCEMENT**

51% of members needed to conduct business noted by President Elliott. Quorum not in attendance.

President Elliott went off the agenda to ask for public assistance. There is a fire going on down on the South end of the Ranch. JR has been working hard to keep enough water going to the hydrants so the fire trucks can fill up. The water system is old, so when you see the hydrants being used, please refrain from car washing, etc.

A new well will help out in these emergency situations. Mr. Rooks explained that the biggest problem is pumping water from down below to the cistern. As soon as the new well is on line, it will give the company more time to do maintenance on the plant without throwing the system into a crisis mode.

Mr. Rooks noted that Hal Robbins was in the audience, and commended him and the other firefighters for the excellent work they've done on the Crooked Fire. No structures or lives were lost.

#### **UNFINISHED BUSINESS**

New Well and piping still planned. Some pipe has been issued. Mr. Rooks noted that he plans to begin drilling this year.

Assessment - still being collected. Reports will be made available at the office if anyone is interested, per Mr. Rooks.

Association Lawsuit regarding leases & easements still on-going. Pres. Elliott stated we need these in order to continue with the new well, etc.

Criminal Mischief Charges filed against JR by Assn. Over clearing of community property behind CRRWC office still on-going. President Elliott noted that if the building burns, there would be no water and insurance rates would go through the roof.

Public Utility Commission has asserted jurisdiction of the CRRWC. An appeal has been filed with the Oregon Appellate Court by the Board of Directors. In the meantime, the company will conduct business as normal.

#### **NEW BUSINESS**

President Elliott read a phone message that was given to Mr. Rooks from Kay Norberg. She called to personally thank Mr. Rooks and Adan Valdez for all their hard work they've done on the new firehall site. She stated they received a round of applause at the ground breaking ceremony on May 29 for removing the dirt and rock berm along the side of the property.

President Elliott noted that the March and April PUC Consumer Service Contact reports show a total of 13 calls this year. He also noted that the PUC has not found any to be the fault of the company. A member

in the audience asked for a copy - copies were made and were available during the meeting.

### **COMPANY OPERATIONS**

- General Managers Report - James Rooks
- JR stated the PUC has sent a bill for \$1900+ for the year 2006. JR asked the board for advice as he doesn't believe the company should pay for services for a full year when jurisdiction wasn't asserted until Nov. 20, 2006. Mr. Miller said he doesn't see any reason to pay, and President Elliott stated don't pay. The company attorney, Tim Gassner, asked that a copy be faxed to him, and he will review and research. However, he does know that the PUC law is not retroactive.
- The assessment money is still being put away and some pipe has been purchased.
- JR noted that 3 years ago, the company submitted its Water Conservation and Management plan to the WRD and paid \$250. WRD has sent a letter stating they just found the WCMP, and they need \$1000 to read it. President Elliott said to argue it, but pay if we have to. Tim noted that this is not an issue that's been brought to him, but if there's legal authority, pay it.

### **FINANCIAL**

Copies of last years financial statement were available at the meeting, and will be available at the counter in the office.

### **RESULTS OF MAIL IN BALLOTS**

Announcement of the director opening was made on the bill back which was mailed on 3/29/07, and in the Madras Pioneer on 4/4/07. Verification noted.

Election of 1 Director - since only 1 person on ballot, Mr. Miller looked at a few ballots and determined that James Rooks had been elected. The exact number will be given later.

### **COMMENTS FROM THE PUBLIC**

Q: What services did the PUC render for \$1900?

A: Tim: Explained the PUC and rate regulation. But no services provided prior to 11/20/06.

Q: Moved here 5 years ago and was told that there would be no new water extensions.

A: JR: Not true. Drilling a new well, so may be able to do more

extensions. Whether it happens depends on the people on the street. JR explained the process for customers to pay for the line extensions. President Elliott explained how the Chickadee extension came about.

Q: Is there a master plan for fire hydrants?

A: JR: Yes, but it is not available right now. If he varied from the plan, there would surely be people screaming about it.

Q: How about a proposed plan? A: No

Q: Why did the company "expand" before the new well is on line?

A: JR: Because it is a matter of \$\$\$. The more customers, the more income for the company. The extensions have not put a drain on the system. JR also explained the aquifer and the possible effects if Bend and Redmond continue to drill huge wells and bring them on line.

Q: Spike Durfee stated that the company must share information, like written materials, videos, etc. Anything that's produced by the company. He asked Tim if that is correct.

A: Tim: Doesn't have the law in front of him so cannot say that the statement is accurate.

Q: Spike to Tim: Why are you here? You have disqualified everything that's been asked of you.

A: Tim: The CRRWC is not a public entity. If he's not happy with the production of documents, contact the PUC.

Q: Spike: Doesn't like paying attorneys. Tired of paying through the water company, association, and the Dogs. How many suits have been filed? At least 4 that he knows of.

A: Tim: Two against the water company, and the WC has filed one against the association.

Q: Barbara Roberts: How many votes did you get? How much does JR get paid? \$25 hour? 240 hours a month? All employees work 240 hours a month...

Q: Isn't being on the Board of Directors and working for the company a conflict?

Q: Only 1 person is on the ballot and no write ins allowed. Isn't that like being appointed?

A: President Elliott: Directors must be qualified and fill a need, etc. The



Board of Directors review all applications. There were 6 applications received - all of which were not completed. Persons wrote caustic comments but failed to provide the information requested.

Tim: The applications asked for various information. Barbara Roberts: bank loans, social security numbers, etc. Tim: The decisions was made by the Board of Directors. He doesn't know the logic behind it all, but agrees financial history is important.

Darlene Quiriconi: Bad debts,, not paying bills - not a good idea, but we have someone like that on the board now. Jacquie noted that their bankruptcy filing was due to the Exxon Valdez oil spill disaster.

Q: If you run for the association, do you need to put private info on the application?

A: JR: When he tried to run, they wouldn't even put him on the ballot.

A: Larry Miller: He has filled out an application 2 times with the county to run for the Special Road District, and he had to supply his social security number, etc. And only ranch people voted!

Herb Fields noted that he believes the Board is doing a good job!

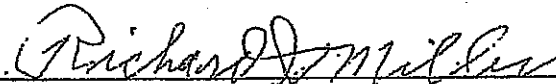
**ADJOURN**

Meeting adjourned at 10:48 a.m.

The Board of Directors went into executive session and elected the following officers:

Brian Elliott, President  
Richard Miller, Sec/Treasurer

Submitted by:

  
\_\_\_\_\_  
Richard Miller, Sec/Treasurer Date