

FINANCE APPLICATION

**Date: January 19, 2009**

**Avion Water Company, Inc.  
60813 Parrell Road  
Bend, OR 97702**

Vikie Bailey-Goggins  
Oregon Public Utility Commission  
PO Box 2148  
Salem, OR 97308-2148

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

Dear Ms. Bailey-Goggins:

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

**INFORMATION REQUIREMENTS**

The application shall be in letter form and contain the following information:

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

Avion Water Company, Inc.  
60813 Parrell Road  
Bend, OR 97702

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

Avion Water Company, Inc. was incorporated in the State of Oregon on January 1, 1976.

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

Jan M. Wick, President  
60813 Parrell Road  
Bend, OR 97702

Jason Wick, Vice President  
60813 Parrell Road  
Bend, OR 97702

Avion Water Company, Inc.  
Application to Issue Stocks  
January 19, 2009  
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Richard Bailey, Secretary-Treasurer  
60813 Parrell Road  
Bend, OR 97702

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

Jan M. Wick, President  
60813 Parrell Road  
Bend, OR 97702

Jason Wick, Vice President  
60813 Parrell Road  
Bend, OR 97702

Richard Bailey, Secretary-Treasurer  
60813 Parrell Road  
Bend, OR 97702

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

Avion Water Company, Inc. (the Company) is a water utility that provides water to 9,642 residential customers, 962 commercial customers and 796 irrigation customers. The water utility service territory includes areas from near the Deschutes-Jefferson County line , south to La Pine and east into Crook County in the Powell Butte/Alfalfa area. Please see the included map of Avion Water Company's service territory.

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

Avion Water Company is authorized to issue 100,000 shares of common stock, at no par value. Currently there are 100,000 shares issued and outstanding.

- Issued stock has an amount outstanding of \$47,668.
- Treasury stock has a value of \$75,000.
- All stock is pledged as loan collateral to the Bank of the Cascades.
- Jan and Christine Wick, both affiliated interests, own 92.008% of the Company's stock.  
David Nelsen, an affiliated interest, owns 5.000% of the Company's stock.
- No Company stock is held in funds.

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

The Company has the following long term debt:

**Oregon Department of Energy bond.**

Face amount: \$3,093,142.19

Interest rate: 4.62%

Issuance date: Dec. 20, 1988

Maturity date: December, 2014

Balance at 11/30/08: \$1,317,739

No part of this bond is held as reacquired securities, it is not pledged nor is any part of it held by an affiliated interest.

The bond requires a reserve amount \$157,500 to be set aside. At Nov. 30, 2008, the reserve was fully funded and had a balance of \$160,865.

**Bank of the Cascades loan #1**

Face value: \$5,500,000.00

Interest rate: 7.79%

Issuance date: 01/21/03

Maturity date: 01/10/14

Balance at 11/30/08: \$3,610,459

No part of this loan is held as reacquired securities, nor does it require a sinking or other fund.

Jan Wick, Christine Wick and David Nelsen, all affiliated interests, have pledged their stock as collateral for this loan, but none of them hold any of the loan.

**Bank of the Cascades loan #2**

Face value: \$2,600,000

Interest rate: 8.12%

Issuance date: 01/25/07

Maturity date: 01/25/18

Balance at 11/30/08: \$2,457,790

No part of this loan is held as reacquired securities, nor does it require a sinking or other fund.

Jan Wick, Christine Wick and David Nelsen, all affiliated interests, have pledged their stock as collateral for this loan, but none of them hold any of the loan.

**Bend-LaPine School District #1**

Face value: \$364,000

Interest rate: 0%

Issuance date: 1992 & 1993

Maturity date: 9/2009

Balance at 11/30/08:\$63,049

No part of this loan is held as reacquired securities, nor does it require anything to be pledged.

No affiliated interests hold any part of this loan.

This loan does not require any sinking or other funds.

**Note Payable SRH Water Co.**

Face value: \$55,000

Interest rate: 6.00%

Issuance date: 12/28/07

Maturity date: 01/10/18

Balance at 11/30/08: \$51,214.60

No part of this loan is held as reacquired securities, nor does it require a sinking or other fund.

**Note Payable Chase Bank USA**

Face value: \$23,072

Interest rate: 4.90%

Issuance date: 9/17/08

Maturity date: 09/14

Balance at 11/30/08: \$22,460

No part of this loan is held as reacquired securities, nor does it require a sinking or other fund.

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

The Company proposes to borrow from the Bank of the Cascades the sum of \$7,420,000. The term of the loan will be fifteen years at 6.75% interest. Principal and interest payments of not more than \$65,660 to commence on February 20, 2009.

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

(A) The proceeds of the loan will be used to refinance existing Company debt.

(B) The loan will be a direct loan from the Bank of the Cascades to Avion Water Company, Inc. Personal guarantees from Jan M. and Christine M. Wick will be required.

(C) No request for an exemption from the competitive bidding requirements of any federal or state regulatory body has been requested as no exemptions are needed.

**(j) The name and address of any person receiving or entitled to a fee for service (other than attorneys, accountants, and similar technical services) in connection with the negotiation or consummation of the issuance or sale of securities, or for services in securing underwriters, sellers, or purchasers of securities, other than fees included in any competitive bid; the amount of each such fee, and facts showing the necessity for the services and that the fee does not exceed the customary fee for such services in arm's-length transactions and is reasonable in the light of the cost of rendering the service and any other relevant factors;**

No person other than the Bank of the Cascades will receive a fee for the proposed loan.

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

N/A

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

A) N/A

B) N/A

C) All proceeds will be used to refinance existing Company debt. Please see paragraph g for the long term debts to be refinanced and the applicable loan terms. The ODOE bond, both Bank of the Cascades loans and the Bend LaPine School district loans were all used to finance plant additions. The loan from SRH Water Co., Inc. was to purchase the South Redmond Heights water system in Redmond, Oregon. The Chase Bank loan was used to purchase an automobile.

D) N/A

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

The Company is not required to file an application, registration statement, etc. with any federal or other state regulatory body with respect to this transaction or any part thereof.

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

(A) Is for some lawful object within the corporate purposes of the applicant:

The Company will be refinancing existing debt.

(B) Is compatible with the public interest;

The refinancing will obtain a favorable overall change in the interest rate on the debts.

(C) Is necessary or appropriate for or consistent with the proper performance by the applicant of service as a water utility;

N/A

(D) Will not impair its ability to perform that service;

N/A

(E) Is reasonable necessary or appropriate for such purposes; and

N/A

(F) If filed under ORS 757.495, is fair, reasonable, and not contrary to the public interest.

N/A

**(o) A brief statement of all rights to be a corporation, franchises, permits, and contracts for consolidation, merger, or lease included as assets of the applicant or any predecessor thereof; the amounts actually paid as consideration therefore, respectively; and the facts relied upon to show the issuance of the securities for which approval is requested will not result in the capitalization of the right to be a corporation or of any franchise, permit, or contract for consolidation, merger, or lease in excess of the amount (exclusive of any tax or annual charge) actually paid as the consideration for such right, franchise, permit, or contract; and**

- The Company is incorporated under the laws of the State of Oregon. There are no franchises, permits or contracts for consolidation, mergers, or leases that would be included in the assets of the Company. Accordingly, the Company has not and will not pay consideration related to these activities.

**(p). If filed under ORS 757.490 or 757.495:**

(A) Provide a statement describing the relationship between the water utility and the affiliated interest as defined in ORS 757.015 or 757.490:

N/A

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

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

See attached

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

See attached

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

Please see resolution of directors authorizing borrowing of \$7,500,000.00 from the Bank of the Cascades is attached.

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

The loan will be practically identical to the attached existing loan with Bank of the Cascades, except that the principal balance will be \$7,420,000, the interest rate will be not more than 6.75% and the loan term will be 15 years.

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

Please see attached copy of the Balance Sheet as of November 30, 2008 as reported in the form of the annual report and the proforma of that Balance Sheet based on attached proposed changes.

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

There are no known contingent liabilities.

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

Please see attached copy of the Income Statement for the eleven months ended November 30, 2008 in the form of the annual report and proforma based on the proposed changes listed in E above.

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

N/A

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

N/A

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

N/A

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

Please see exhibit D.

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

(A) **EXHIBIT L.** Copies of all proposed or existing contracts or agreements entered into by the parties to the transaction;

N/A

(B) **EXHIBIT M.** The amount of money the applicant desires to loan to the affiliated interest, terms of said loan, rate of interest, method of repayment, security given, if any, and if said loan is to be an open account or evidenced by a promissory note; and

N/A



(C) **EXHIBIT N.** The use to which funds derived from this loan are to be put by the affiliated interest; and

N/A

(m) An application for a water utility to give credit on its books or otherwise by:

(A) Advancing cash through an open or loan account, in addition to **EXHIBITS A** through **K**, shall also include the following:

(i) **EXHIBIT L.** Copies of all proposed or existing contracts or agreements entered into by the parties to the transaction;

N/A

(ii) **EXHIBIT M.** The amount of cash the applicant proposes to receive, the rate of interest it will pay, and the date and method of repayment; and

N/A

(iii) **EXHIBIT N.** A definite statement of purpose for which the advance will be used.

N/A

(B) Payments by the affiliated interest of amounts owed, in addition to **EXHIBITS A** through **K**, shall include the following:

(i) **EXHIBIT L.** Copies of all proposed or existing contracts or agreements entered into by the parties to the transaction; and

N/A

(ii) **EXHIBIT M.** The amount that the affiliated interest proposes to pay on the water utility's behalf, with a description of the obligation, how the funds will be used, and how incurred.

N/A

(C) Credits or open accounts a water utility proposes to give to an affiliated interest, in addition to **EXHIBITS A** through **K**, shall include the following:

(i) **EXHIBIT L.** Copies of all proposed or existing contracts or agreements entered into by the parties to the transaction; and

N/A

(ii) **EXHIBIT M.** The amount and a description of each item for which the water utility proposes to give credit through its loan or open account.

N/A

For the reasons set forth above, Avion Water Company, Inc.  
**NAME OF COMPANY**

respectfully requests that the Commission issue an order approving the financing application, pursuant to the provisions of ORS 757.440 and OAR 860-036-0725.

DATE: \_\_\_\_\_

Avion Water Company, Inc.  
NAME OF COMPANY

\_\_\_\_\_  
(SIGNATURE OF AUTHORIZED PERSON)

\_\_\_\_\_  
(PLEASE PRINT NAME)

\_\_\_\_\_  
(TITLE)

January 14, 2009

The Board of Directors of Avion Water Company, Inc., has, in special meeting, January 14, 2009, authorized Avion Water Company, Inc. to borrow \$7,500,000.00 from the Bank of the Cascades, Bend, Oregon.

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Jan M. Wick  
President

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Jason J. Wick  
Vice President

---

David L. Nelsen  
Board Member

---

Christine Wick  
Board Member

---

Jordan Wick  
Board Member

**AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
AVION WATER COMPANY, INC.  
An Oregon Corporation**

**ARTICLE I**

The name of the corporation is Avion Water Company, Inc. (the "Corporation")

**ARTICLE II**

The purpose of the Corporation is to engage in any lawful business.

**ARTICLE III**

The Corporation is authorized to issue 1,000,000 shares of Common Stock.

**ARTICLE IV**

Any action required or permitted by the Oregon Business Corporation Act to be taken at a shareholders' meeting may be taken without a meeting if the action is taken, in accordance with the Oregon Business Corporation Act, by shareholders having not less than the minimum number of votes that would be necessary to take such action at a meeting at which all shareholders entitled to vote on the action were present and voted.

**ARTICLE V**

No director of the Corporation shall be personally liable to the Corporation or its shareholders for monetary damages for conduct as a director, provided that this Article shall not eliminate the liability of a director for any act or omission for which such elimination of liability is not permitted under the Oregon Business Corporation Act. No amendment to the Oregon Business Corporation Act that further limits the acts or omissions for which elimination of liability is permitted shall affect the liability of a director for any act or omission which occurs prior to the effective date of the amendment.

**ARTICLE VI**

The Corporation may indemnify to the fullest extent not prohibited by law any person who is made, or threatened to be made, a party to an action, suit or proceeding, whether civil, criminal, administrative, investigative or other (including an action, suit or proceeding by or in the right of the Corporation), by reason of the fact that the person is or was a director, officer, employee or agent of the Corporation or a fiduciary within the meaning of the Employee Retirement Income Security Act of 1974 with respect to any employee benefit plan of the Corporation, or serves or served at the request of the Corporation as a director, officer, employee

or agent, or as a fiduciary of an employee benefit plan, of another corporation, partnership, joint venture, trust or other enterprise. This Article shall not be deemed exclusive of any other provisions for indemnification or advancement of expenses of directors, officers, employees, agents and fiduciaries included in any statute, bylaw, agreement, general or specific action of the board of directors, vote of shareholders or other document or arrangement.

**AMENDED AND RESTATED  
BYLAWS  
OF  
AVION WATER COMPANY, INC.**

**ARTICLE I  
SHAREHOLDERS MEETINGS**

1.1 **Annual Meeting.** The annual meeting of the shareholders shall be held on the second Tuesday in April of each year at 10:00 a.m., unless a different date or time is fixed by the Board of Directors and stated in the notice of the meeting.

1.2 **Special Meetings.** Special meetings of the shareholders, for any purposes, unless otherwise prescribed by statute, may be called by the President or the Board of Directors.

1.3 **Place of Meetings.** Meetings of the shareholders shall be held at any place in or out of Oregon designated by the Board of Directors.

1.4 **Meeting by Telephone Conference.** Shareholders may participate in an annual or special meeting by, or conduct the meeting through, use of any means of communications by which all shareholders participating may simultaneously hear each other during the meeting, except that no meeting for which a written notice is sent to shareholders may be conducted by this means unless the notice states that participation in this manner is permitted and describes how any shareholder desiring to participate in this manner may notify the Corporation.

**ARTICLE II  
BOARD OF DIRECTORS**

2.1 **Number and Term.** The number of directors of the Corporation shall be at least three and no more than seven. Within this range, the initial number of directors shall be five, and the number of directors shall otherwise be determined from time to time by the Board of Directors.

2.2 **Regular Meetings.** A regular meeting of the Board of Directors shall be held without notice other than this Bylaw immediately after, and at the same place as, the annual meeting of shareholders.

2.3 **Special Meetings.** Special meetings of the Board of Directors may be called by the President or any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place in or out of Oregon as the place for holding any special meeting of the Board of Directors called by them.

2.4 **Notice.** Notice of the date, time and place of any special meeting of the Board of Directors shall be given at least 24 hours prior to the meeting by notice communicated in person, by telephone, telegraph, teletype, other form of wire or wireless communication, mail or private carrier. If written, notice shall be effective at the earliest of (a) when received, (b) three days

after its deposit in the United States mail, as evidenced by the postmark, if mailed postpaid and correctly addressed, or (c) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested and the receipt is signed by or on behalf of the addressee. Notice by all other means shall be deemed effective when received by or on behalf of the director.

### ARTICLE III OFFICERS

3.1 **Appointment.** The Board of Directors at its first meeting following its election each year shall appoint a President and a Secretary. The Board of Directors or the President may appoint any other officers, assistant officers and agents. Any two or more offices may be held by the same person.

3.2 **Compensation.** The Corporation may pay its officers reasonable compensation for their services as fixed from time to time by the Board of Directors or by the President with respect to officers appointed by the President.

3.3 **Term.** The term of office of all officers commences upon their appointment and continues until their successors are appointed or until their resignation or removal.

3.4 **Removal.** Any officer or agent appointed by the Board of Directors or the President may be removed by the Board of Directors at any time with or without cause. Any officer or agent appointed by the President may be removed by the President at any time with or without cause.

3.5 **President.** Unless otherwise determined by the Board of Directors, the President shall be the chief executive officer of the Corporation and, subject to the control of the Board of Directors, shall be responsible for the general operation of the Corporation. The President shall have any other duties and responsibilities prescribed by the Board of Directors. Unless otherwise determined by the Board of Directors, the President shall have authority to vote any shares of stock owned by the Corporation and to delegate this authority to any other officer.

3.6 **Vice Presidents.** Each Vice President shall perform duties and responsibilities prescribed by the Board of Directors or the President. The Board of Directors or the President may confer a special title upon a Vice President.

3.7 **Secretary.** The Secretary shall record and keep the minutes of all meetings of the directors and shareholders in one or more books provided for that purpose and perform any duties prescribed by the Board of Directors or the President.

ARTICLE IV  
ISSUANCE OF SHARES

4.1 **Adequacy of Consideration.** The authorization by the Board of Directors of the issuance of shares for stated consideration shall evidence a determination by the Board that such consideration is adequate.

4.2 **Certificates for Shares.** Certificates representing shares of the Corporation shall be signed, either manually or in facsimile, by two officers of the Corporation, at least one of whom shall be the President or a Vice President.

ARTICLE V  
AMENDMENTS

These Bylaws may be amended or repealed and new Bylaws may be adopted by the Board of Directors or the shareholders of the Corporation.

Adopted: November 7, 2006



**JOINT UNANIMOUS WRITTEN CONSENT RESOLUTIONS  
OF THE BOARD OF DIRECTORS AND SHAREHOLDERS  
OF  
AVION WATER COMPANY, INC.**

Pursuant to ORS 60.211 and ORS 60.341, the undersigned, being all of the directors and shareholders of Avion Water Company, Inc., an Oregon corporation (the "Company"), hereby adopt the following resolutions effective as of November 7, 2006:

**Amended and Restated Articles of Incorporation**

RESOLVED, that the Amended and Restated Articles of Incorporation attached as Exhibit A are adopted as the Articles of Incorporation of the Company.

RESOLVED, that the President of the Company is authorized and directed to file the Amended and Restated Articles of Incorporation with the Secretary of State for the State of Oregon.

**Bylaws**

RESOLVED, that the Amended and Restated Bylaws attached as Exhibit B are adopted as the Bylaws of the Company.

**Form of Stock Certificate**

RESOLVED, that the form of stock certificate attached hereto as Exhibit C is adopted as the form of stock certificate to be used to represent the Common Stock of the Company, and the Secretary of the Company is instructed to file in the minute book a specimen form of this stock certificate.

**General Authorization**

RESOLVED, that the officers of the Company be and hereby are authorized to do or cause to be done any and all acts and things, and to execute and deliver any and all such further documents and papers, as they may deem necessary or appropriate to carry into effect the full intent and purpose of the above resolutions.

**[SIGNATURE PAGE FOLLOWS]**

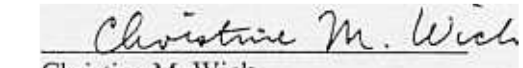
IN WITNESS WHEREOF, the undersigned, being all of the directors and shareholders of the Company, adopt the foregoing resolutions effective as of the date set forth above.

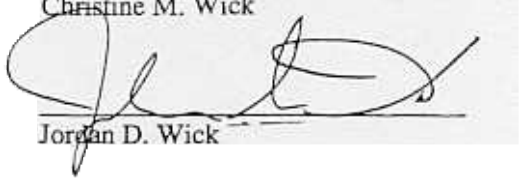
**Shareholders:**

  
\_\_\_\_\_  
Jan M. Wick

\_\_\_\_\_  
David L. Nelsen

  
\_\_\_\_\_  
Jason J. Wick

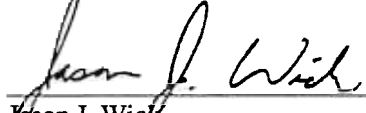
  
\_\_\_\_\_  
Christine M. Wick

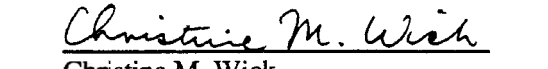
  
\_\_\_\_\_  
Jordan D. Wick

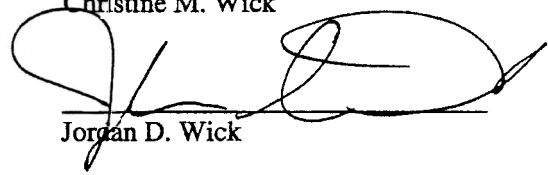
**Directors:**

  
\_\_\_\_\_  
Jan M. Wick

\_\_\_\_\_  
David L. Nelsen

  
\_\_\_\_\_  
Jason J. Wick

  
\_\_\_\_\_  
Christine M. Wick

  
\_\_\_\_\_  
Jordan D. Wick

IN WITNESS WHEREOF, the undersigned, being all of the directors and shareholders of the Company, adopt the foregoing resolutions effective as of the date set forth above.

**Shareholders:**

\_\_\_\_\_  
Jan M. Wick

\_\_\_\_\_  
Christine M. Wick

  
\_\_\_\_\_  
David L. Nelsen


\_\_\_\_\_  
Jordan D. Wick

\_\_\_\_\_  
Jason J. Wick

**Directors:**

\_\_\_\_\_  
Jan M. Wick

\_\_\_\_\_  
Christine M. Wick

  
\_\_\_\_\_  
David L. Nelsen

\_\_\_\_\_  
Jordan D. Wick


\_\_\_\_\_  
Jason J. Wick



AVION WATER CO INC.

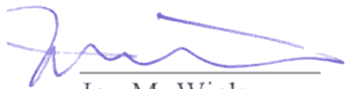
60813 Parrell Road • Bend, OR 97702

Ph: (541) 382-5342 • fax: 541-382-5390 • Email: avion@avionwater.com

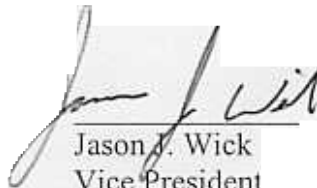


January 14, 2009

The Board of Directors of Avion Water Company, Inc., has, in special meeting, January 14, 2009, authorized Avion Water Company, Inc. to borrow \$7,500,000.00 from the Bank of the Cascades, Bend, Oregon.



Jan M. Wick  
President



Jason J. Wick  
Vice President

\_\_\_\_\_  
David L. Nelsen  
Board Member



Christine Wick  
Board Member

\_\_\_\_\_  
Jordan Wick  
Board Member

**AVION WATER CO INC.**

**60813 Parrell Road • Bend, OR 97702**  
Ph: (541) 382-5342 • fax: 541-382-5390 • Email: [avion@avionwater.com](mailto:avion@avionwater.com)

January 14, 2009

The Board of Directors of Avion Water Company, Inc., has, in special meeting, January 14, 2009, authorized Avion Water Company, Inc. to borrow \$7,500,000.00 from the Bank of the Cascades, Bend, Oregon.

  
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Jan M. Wick  
President

\_\_\_\_\_  
Jason J. Wick  
Vice President

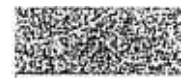
  
\_\_\_\_\_  
David L. Nelsen  
Board Member

\_\_\_\_\_  
Christine Wick  
Board Member

\_\_\_\_\_  
Jordan Wick  
Board Member

**AVION WATER CO INC**

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Ph: (541) 382-5342 • fax: 541-382-5390 • Email: avion@avionwater.com



January 14, 2009

The Board of Directors of Avion Water Company, Inc., has, in special meeting, January 14, 2009, authorized Avion Water Company, Inc. to borrow \$7,500,000.00 from the Bank of the Cascades, Bend, Oregon.

  
\_\_\_\_\_  
**Jan M. Wick**  
President

\_\_\_\_\_  
**Jason J. Wick**  
Vice President

\_\_\_\_\_  
**David L. Nelsen**  
Board Member

\_\_\_\_\_  
**Christine Wick**  
Board Member

  
\_\_\_\_\_  
**Jordan Wick**  
Board Member

# CORPORATE RESOLUTION TO BORROW / GRANT COLLATERAL

Principal \$2,600,000.00	Loan Date 01-25-2007	Maturity 01-25-2018	Loan No 20051827	Call / Coll 4A / 60	Account A1122000	Officer CVB	Initials
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.							

Corporation: AVION WATER COMPANY INC  
60813 PARRELL RD  
BEND, OR 97702

## COPY

Lender: Bank of the Cascades  
South Bend Branch  
61250 S Hwy 97/PO Box 9099  
Bend, OR 97708  
(541) 388-1040

**I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT:**

**THE CORPORATION'S EXISTENCE.** The complete and correct name of the Corporation is AVION WATER COMPANY INC ("Corporation"). The Corporation is a corporation for profit which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the State of Oregon. The Corporation is duly authorized to transact business in all other states in which the Corporation is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which the Corporation is doing business. Specifically, the Corporation is, and at all times shall be, duly qualified as a foreign corporation in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. The Corporation has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. The Corporation maintains an office at 60813 PARRELL RD, BEND, OR 97702. Unless the Corporation has designated otherwise in writing, the principal office is the office at which the Corporation keeps its books and records. The Corporation will notify Lender prior to any change in the location of the Corporation's state of organization or any change in the Corporation's name. The Corporation shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to the Corporation and the Corporation's business activities.

**RESOLUTIONS ADOPTED.** At a meeting of the Directors of the Corporation, or if the Corporation is a close corporation having no Board of Directors then at a meeting of the Corporation's shareholders, duly called and held on \_\_\_\_\_, at which a quorum was present and voting, or by other duly authorized action in lieu of a meeting, the resolutions set forth in this Resolution were adopted.

**OFFICERS.** The following named persons are officers of AVION WATER COMPANY INC:

<u>NAMES</u>	<u>TITLES</u>	<u>AUTHORIZED</u>	<u>ACTUAL SIGNATURES</u>
JAN M WICK	President	Y    X	_____
CHRISTINE M WICK	Shareholder/Director	Y    X	_____

**ACTIONS AUTHORIZED.** Any two (2) of the authorized persons listed above may enter into any agreements of any nature with Lender, and those agreements will bind the Corporation. Specifically, but without limitation, any two (2) of such authorized persons are authorized, empowered, and directed to do the following for and on behalf of the Corporation:

**Borrow Money.** To borrow, as a cosigner or otherwise, from time to time from Lender, on such terms as may be agreed upon between the Corporation and Lender, such sum or sums of money as in their judgment should be borrowed, without limitation.

**Execute Notes.** To execute and deliver to Lender the promissory note or notes, or other evidence of the Corporation's credit accommodations, on Lender's forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any of the Corporation's indebtedness to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit accommodations.

**Grant Security.** To mortgage, pledge, transfer, endorse, hypothecate, or otherwise encumber and deliver to Lender any property now or hereafter belonging to the Corporation or in which the Corporation now or hereafter may have an interest, including without limitation all of the Corporation's real property and all of the Corporation's personal property (tangible or intangible), as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed (including any amendments to or modifications, renewals, and extensions of such promissory notes), or any other or further indebtedness of the Corporation to Lender at any time owing, however the same may be evidenced. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu of any property theretofore mortgaged, pledged, transferred, endorsed, hypothecated or encumbered.

**Execute Security Documents.** To execute and deliver to Lender the forms of mortgage, deed of trust, pledge agreement, hypothecation agreement, and other security agreements and financing statements which Lender may require and which shall evidence the terms and conditions under and pursuant to which such liens and encumbrances, or any of them, are given; and also to execute and deliver to Lender any other written instruments, any chattel paper, or any other collateral, of any kind or nature, which Lender may deem necessary or proper in connection with or pertaining to the giving of the liens and encumbrances. Notwithstanding the foregoing, any one of the above authorized persons may execute, deliver, or record financing statements.

**Negotiate Items.** To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Corporation or in which the Corporation may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the Corporation's account with Lender, or to cause such other disposition of the proceeds derived therefrom as they may deem advisable.

**Further Acts.** In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances under such lines, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements, including agreements waiving the right to a trial by jury, as the officers may in their discretion deem reasonably necessary or proper in order to carry into effect the provisions of this Resolution.

**ASSUMED BUSINESS NAMES.** The Corporation has filed or recorded all documents or filings required by law relating to all assumed business names used by the Corporation. Excluding the name of the Corporation, the following is a complete list of all assumed business names under which the Corporation does business: **None.**

**NOTICES TO LENDER.** The Corporation will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (A) change in the Corporation's name; (B) change in the Corporation's assumed business name(s); (C) change in the management of the Corporation; (D) change in the authorized signer(s); (E) change in the Corporation's

**CORPORATE RESOLUTION TO BORROW / GRANT COLLATERAL  
(Continued)**

Loan No: 20051827

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principal office address; (F) change in the Corporation's state of organization; (G) conversion of the Corporation to a new or different type of business entity; or (H) change in any other aspect of the Corporation that directly or indirectly relates to any agreements between the Corporation and Lender. No change in the Corporation's name or state of organization will take effect until after Lender has received notice.

**CERTIFICATION CONCERNING OFFICERS AND RESOLUTIONS.** The officers named above are duly elected, appointed, or employed by or for the Corporation, as the case may be, and occupy the positions set opposite their respective names. This Resolution now stands of record on the books of the Corporation, is in full force and effect, and has not been modified or revoked in any manner whatsoever.

**NO CORPORATE SEAL.** The Corporation has no corporate seal, and therefore, no seal is affixed to this Resolution.

**CONTINUING VALIDITY.** Any and all acts authorized pursuant to this Resolution and performed prior to the passage of this Resolution are hereby ratified and approved. This Resolution shall be continuing, shall remain in full force and effect and Lender may rely on it until written notice of its revocation shall have been delivered to and received by Lender at Lender's address shown above (or such addresses as Lender may designate from time to time). Any such notice shall not affect any of the Corporation's agreements or commitments in effect at the time notice is given.

**IN TESTIMONY WHEREOF,** I have hereunto set my hand and attest that the signatures set opposite the names listed above are their genuine signatures.

I have read all the provisions of this Resolution, and I personally and on behalf of the Corporation certify that all statements and representations made in this Resolution are true and correct. This Corporate Resolution to Borrow / Grant Collateral is dated January 25, 2007.

**CERTIFIED TO AND ATTESTED BY**

X \_\_\_\_\_  
Attestor

NOTE: If the officers signing this Resolution are designated by the foregoing document as one of the officers authorized to act on the Corporation's behalf, it is advisable to have this Resolution signed by at least one non-authorized officer of the Corporation.