

SUN MOUNTAIN WATER SYSTEMS, INC.

P.O. Box 9295 • Bend, OR 97708-9295 • (541) 382-7309

Celeste Hari

1/6/16

Dear Celeste, thank you so much for trying to resolve this 60-day notice issue with selling our water company.

For the past two years we have let our customers know, through our Annual Newsletter, that we were trying to sell our water company. It has taken that long to get everything in order to do so.

During that time I, the seller, and Jamie Hildebrandt, the buyer, have been in contact with Kathy on two different occasions each to make sure everything was ok and that nothing else was needed from your office.

We were told that due to the fact that we aren't being RATE REGULATED by the state PUC that we did not need to have permission to sell or buy the company. But we needed to let you know when it happened.

Not knowing about the 60-day notice until today we went ahead and set up to sign with the title company for February 1, 2016. Jamie has secured down payment moneys from a retirement account and all of our phones, bank accounts, and many other business accounts have been changed over.

You will notice that we have sent to our customers through our annual newsletters that we were in the process of selling the business in the future but not sure when it would take place. You will also notice we wanted them to know there would be no interruption in service during the sale, and that the buyer has been doing our double check valve testing for many years so he is very aware and supportive of the sale.

If you need anything else from me please let me know as soon as possible as time is of the essence.

Thanks again for giving us a hand in this situation.

Ronald K. Fuller
Owner & President of Sun Mountain Water System
3896 S Lamone Way
Meridian, ID 83642
541-977-5025

Hi Celeste,

I understand that Ron has reached out to you regarding the upcoming sale of Sun Mountain Water System and I wished to chime in on the discussion to shed some light and to show that this transaction has not been produced in a vacuum.

In the past 6 months I have met in person or spoken to the following organizations (and others) and let them know about my upcoming purchase of Sun Mountain Water System.

Jeff Freund with Deschutes County Health Department

John Mason with Deschutes County Health Department

Cynthia Schmidt with Deschutes County Community Development Department

The State Highway Department

Thad Olsen with Cloverdale Fire Department

Deschutes County Assessors Office

Oregon Department of Water Resources

Tye Engineering

Deschutes County Road Department

Deschutes County Surveyors Office

Kathy Willis Oregon PUC

All the key players that have operated Sun Mountain Water for the past 25+ years are remaining in place. The maintenance crew and the operator of the system will remain the same the only real change will be that I plan on doing all the office management of the system for the first year to get to know the inner workings of the company.

It may also be noted that I have been the Operator of Rock Springs Guest Ranch Water System ID# 41-91753 for the past 32 years. I am also a certified Backflow tester in the state of Oregon since 2007. I have lived in the Sun Mountain Water System service area and been one of its customers since 1996.

I am the manager of Rock Springs Guest Ranch and have 32 years of experience in operating a business and delivering outstanding customer service.

Thanks for your help with this changing of the guard and I look forward to many years of working with all the organizations that help Sun Mountain Water System operate.

Jamie Hildebrandt

Public Utility Commission of Oregon

My wife, Kelle Hildebrandt, and myself, James (Jamie) Hildebrandt, have formed Brandt, LLC for the purpose of purchasing Sun Mountain Water Systems, Inc. Attached is our 2014 tax return that should fairly demonstrate our financial ability to take over and operate Sun Mountain Water Systems, Inc. Given that Sun Mountain Water Systems Inc. is a PUC service regulated system that provides enough income to maintain itself and operate with its current rate to the customer below the PUC rate regulated systems the financial stability of the system should be fairly easy to maintain without much outside financial assistance if any.

We have seriously been in active talks with Ron Fuller for over 9 years about the purchase of the system and are excited to become the future owners.

I have 32 years of experience operating Rock Springs Guest Ranch including being the DRC of the state regulated water system on the property. I have been a certified backflow tester since 2008 and have tested the backflow devices on the Sun Mountain Water System 6 years during that time. Over these years I have developed a good and solid working relationship with the Deschutes County Health Department, Deschutes County Sheriffs Department, the Bend City Police Department, Deschutes County Rural Fire Department, Deschutes County Planning and Building Departments among others.

My back ground besides 32 years maintaining a resort in Deschutes county include 4 years on land and offshore oil drilling rigs and operating a large tropical foliage business that wholesaled out to Oregon, Washington, and Idaho.

I have a very good working knowledge of wells, pumps, piping and probably more importantly customer service. At some point in time I will take the required courses to be a certified operator for this water system as well as a cross connection specialist.

I live in the Sun Mountain Water Systems service area and have been a customer of the system since 1997. If there is any question as to my ability to own this system as a responsible owner they can be directed to Jeff Freund or John Mason with the Deschutes County Health Division. With that said the employees and contractors that have been associated with running Sun Mountain Water Systems for the past couple of decades on a day to day basis are committed to remaining in place to continue servicing the customers.

Kelle has been with the Bend-La Pine School District since 1995. She is currently the principal at Elk Meadow Elementary School and obviously has a sense of community and customer service.

My wife and I feel that with our steady incomes we do not require an income from the water system. The present state of the water system can afford to pay the debt of

the financed purchased price and continue to make any improvements to the system required to bring it into top condition over the next few years. When the debt for the system is paid off the system will give us a nice supplement to our retirement income. Should the system require outside financial assistance we are capable of finding the source for that assistance through our own personal resources or the resources of others.

Please let us know if any additional information is required from us to move forward with our February 1st closing date.

We appreciate your time on this matter and look forward to working with the PUC and all the other partners that keep our drinking water safe and operational in the state.

Jamie & Kelle Hildebrandt

INSTRUCTIONS: All applications submitted to the Commission must be filed electronically with the Commission's Filing Center. Documents may be electronically filed by sending the filing as an attachment to an electronic mail message addressed to the Commission's Filing Center at puc.filingcenter@state.or.us. An original document must be personally delivered or mailed on the same date the electronic copy of the document is filed.

Street Address

Public Utility Commission of Oregon
 Filing Center
 201 High St. SE Ste. 100
 Salem OR 97301

Mailing Address

Public Utility Commission of Oregon
 Filing Center
 PO Box 1088
 Salem OR 97308-1088

APPLICATION FOR SALE, TRANSFER, OR MERGER OF WATER UTILITY

Legal Name of Water Utility:	Sun Mountain Water Systems, Inc.
Name of Water System if Different:	NA
Name of Owner or Officer:	Ronald K. Fuller
Mailing Address:	3896 S. Lamone Way
City, State, Zip:	Meridian, ID 83642
Location Address if Different:	18075 Second St.
City, State, Zip:	Bend, OR 97701
Utility Telephone Number:	(541) 382-7309
Emergency Phone Number:	(541) 977-5025
Email Address:	rkfuller47@gmail.com
Website if Available:	NA

In the Matter of the Application of Sun Mountain Water Systems, Inc. for an Order Authorizing the Sale, Transfer, or Merger of the Water Utility to Jamie Hildebrandt, 16880 Barbara Way, Bend, OR 97703, (541) 408-1804, pursuant to OAR 860-036-0710.

- 1) **Attach a copy of the contract or agreement to this application.** The contract/agreement must contain the exact terms and provisions of the transaction to be entered into. The Commission will be advised in writing of the exact date the transaction is entered into and that the terms and provisions of the contract or agreement are the same as set forth herein, if this application is approved.
- 2) List the names, addresses, telephone numbers, and email addresses of each purchaser or party involved in the transaction.

Jamie Hildebrandt
 16881 Barbara Way
 Bend, OR 97703
 (541) 408-1804
sunmountainwater@gmail.com

3) Describe the water utility property that is affected by this transaction.

The utility is located in Bend, Oregon and serves approximately 292 customers. The property to be sold consists of three wells, two cisterns, pumps, and all of the meters, pipes and valves necessary to provide safe and adequate service to our customers. All hookups have backflow devices as required by Oregon State Law. The company is being sold in its entirety to the above named purchaser.

4) The price of the property being acted upon is \$305,000, payable as set forth in the contract or agreement attached to the application. The net book value of the water system is \$ unknown.

5) List the reasons applicant desires to sell, transfer, or merge its utility property and any facts supporting these reasons why the transaction is proposed.

I desire to retire and have already moved out of the state. Mr. Hildebrandt is an experienced small water system operator (32 years), is a certified backflow tester, is a current customer of Sun Mountain, lives locally and is able to provide the "hands-on" service that I can no longer provide. Customers will experience a seamless transition of owners. All employees are remaining with the company, rates are remaining the same, and there will be no disruption of service due to the sale.

6) List and discuss all effects of the transaction upon the current customers.

There are no effects on the current customers. Nothing is changing other than the owner of the company. Customers will experience a seamless transition of owners. All employees are remaining with the company, rates are remaining the same, and there will be no disruption of service due to the sale.

7) List and discuss the benefits current customers will realize from this transaction.

Customers will have the benefit of a local owner who can more readily and personally respond to their needs.

8) Provide evidence that the purchasers are financially able and willing to take over and operate the utility property. Include any experience future owners have that will assist or aid them in the operations of the water utility and the reasons why they desire to acquire the utility property.

Attached a copy of the purchaser's financial statements.

9) Attached a copy of all grants of easements to be transferred with the sale, transfer, or merger of the utility property. Also attach all water rights to be transferred.

Application for Authority to Sell, Transfer or Merge Water Utility
Page 3

Wherefore applicant respectfully requests that the Commission enter an appropriate order authorizing the transaction proposed herein.

Name of Utility Sun Mountain Water Systems, Inc. Dated: 1/8/16

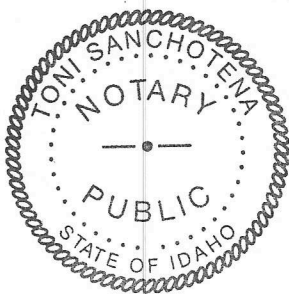
Ronald K Fuller
Signature of Water Utility Officer or Owner

Ronald K. Fuller, being first duly sworn, deposes and says he/she is President of Sun Mountain Water Systems, Inc., the applicant in the foregoing application, that he/she has read said application, including all exhibits thereto, knows the contents thereof, and the same are true to the best of his/her knowledge and belief.

State of Idaho) ss.

County of Ada)

(Signature) Toni Sanchotena
(Notarial Seal) September 28, 2018



**AGREEMENT FOR SALE AND PURCHASE
OF BUSINESS ASSETS**

SELLER: SUN MOUNTAIN WATER SYSTEM, INC.
An Oregon corporation
3896 S Lamone Way
Meridian, ID 83642

**SELLING
SHAREHOLDER:** RONALD and CHERYL FULLER
Address: 3896 S Lamone Way
Meridian, ID 83642

BUYER: BRANDT LLC
An Oregon limited liability company
Address: 16880 Barbara Way
Bend, OR 97703

RECITALS

A. Seller is the owner of a business known as SUN MOUNTAIN WATER SYSTEM, INC., located in Deschutes County, State of Oregon. The business is primarily engaged in delivering water to customers in Central Oregon as more specifically described in the locations referenced in the Public Utility Commission Exclusive Service determination Order # 02-897.

B. Seller desires to sell and Buyer desires to buy all of the assets used by Seller historically and currently in the operation of the Seller's business including but not limited to the name, goodwill, fixtures, equipment, water delivery system, other interest in real property such as easements and wells, real property and miscellaneous assets for the purchase price and on the terms and conditions set forth in this Agreement.

C. Selling Shareholder is the sole shareholder of Seller.

SECTION 1. ASSETS PURCHASED; LIABILITIES ASSUMED

1.1 Assets Purchased. Subject to the terms and conditions set forth in this Agreement, the Seller agrees to sell to the Buyer and the Buyer agrees to purchase from the Seller all of Seller's assets historically and currently used in the operation of Seller's business including but not limited to the following assets (the "Assets"):

(a) The real property located at 18075 2nd Street, Bend, OR 97701, more particularly described on Exhibit A ("Real Property").

(b) All rights, title, and interest in all other real property or interest in real property used by Seller in the operation of Seller's business including but not limited to wells, agreements, easements, including prescriptive easements, licenses, rights of way, and well agreements.

(c) All water rights used in the operation of Seller's business including but not limited to the State of Oregon Water Right Permit G-11328.

(d) All wells, pumps, underground water lines and other water storage and distribution fixtures, equipment, and tools used in Seller's business including but not limited to those listed on Exhibit B, together with any replacements or additions made before the Closing.

(e) All the Seller's rights, title and interest in any agreements with landowners to deliver domestic water.

(f) Office computers, supplies and equipment.

(g) The Seller's name and goodwill.

(h) To the extent transferable, all approvals, authorizations, consents, licenses, permits, franchises, tariffs, orders, and other registrations of any federal, state, or local court or other governmental department, commission, board, bureau, agency, or instrumentality held by the Seller and required or appropriate for the conduct of the business of the Seller, including without limitation Public Utility Commission Exclusive Territory determination Order No. 02-897.

(i) All accounts receivable and other receivables of the Seller and all receivables arising on or before the Closing Date, other than to the extent that those receivables have been collected by the Seller in the ordinary course of business before the Closing Date.

(j) All choses in action, causes of action, rights of recovery and setoff, warranty rights, and other similar rights of the Seller arising or acquired on or before the Closing Date.

(k) All prepaid and deferred items of the Seller, other than prepaid insurance and taxes, but including without limitation prepaid rent and unbilled charges and deposits relating to the business of the Seller.

(l) All correspondence, engineering, surveys, Public Utility Commission records, and other similar documents and records.

(m) All books and records of Seller.

(n) All assignable rights, if any, to all telephone lines and numbers, websites, yellow pages advertisements used in the conduct of the business of the Seller.

1.2 Liabilities.

1.2.1 Assumed Liabilities. Contemporaneously with Closing, the Buyer will assume the following liabilities and obligations of the Seller:

(a) The Seller's account payables for products or services purchased in the ordinary course of business that will be used after Closing that are unpaid and not delinquent as of Closing;

(b) The Seller's liabilities and obligations to customers incurred in the ordinary course of Seller's business that are outstanding and not delinquent as of Closing;

(c) Subject to the proration described in Section 7, the Seller's liabilities and obligations arising after Closing under the contracts included in the Assets, but not including the Seller's liabilities and obligations arising out of or resulting from the Seller's breach of a contract if the breach occurred prior to Closing.

1.2.2 Liabilities Not Assumed. Except for the liabilities and obligations to be assumed by the Buyer under Section 1.2, the Buyer will not assume and will not be liable for any liabilities of the Seller, known or unknown, contingent or absolute, accrued or other, and the Assets will be free of all liabilities, obligations, liens, and encumbrances. Without limiting the generality of the foregoing and except as otherwise provided above, the Buyer will not be responsible for any of the following:

(a) Liabilities, obligations, or debts of the Seller, whether fixed, contingent, or mixed, and whether based on events occurring before or after the Closing, including without limitation those based on tort, contract, statutory, or other claims or involving fines or penalties payable to any governmental authority;

(b) Liabilities, obligations, or debts of the Seller for any federal, state, or local tax, including without limitation federal income taxes, state income and excise taxes, state and local real and personal property taxes, and federal, state, and local withholding and payroll taxes;

(c) Liabilities or obligations of the Seller to employees for salaries, bonuses, or health and welfare benefits or with respect to any profit-sharing, stock bonus, pension, retirement, stock purchase, option, bonus, or deferred compensation plan or for any other benefits or compensation (including without limitation accrued vacation);

(d) Liabilities or obligations of the Seller for employee severance payments or arrangements resulting from termination of the Seller's employees;

(e) Liabilities or obligations of the Seller relating to issuances of securities;

(f) Liabilities or obligations of the Seller incurred in connection with distributions to shareholders or any corporate dissolution; and

(g) Liabilities or obligations of the Seller under any environmental law.

SECTION 2. EXCLUDED ASSETS

Excluded from this sale and purchase is all Cash on hand.

SECTION 3. ALLOCATION OF PURCHASE PRICE

The Purchase Price will be allocated among the Assets in accordance with Exhibit C, and the Buyer and the Seller will be bound by that allocation in reporting the transactions

contemplated by this Agreement to any governmental authority (including without limitation the Internal Revenue Service).

SECTION 4. PURCHASE PRICE

4.1 Purchase Price. The purchase price for the Assets (the "Purchase Price") will be THREE HUNDRED TWENTY FIVE THOUSAND DOLLARS (\$325,000.00).

SECTION 5. EARNEST MONEY

5.1 Non-refundable Earnest Money. Within three days of the date of the execution of this Agreement Buyer will deliver to Amerititle Bend, Oregon or such other escrow agent as requested by the Seller (the "Escrow Agent") in Bend, Oregon, the sum of THREE THOUSAND DOLLARS (\$3,000.00) which shall immediately be released to Seller and shall be nonrefundable (the "Deposit").

SECTION 6. PAYMENT OF PURCHASE PRICE

The price for the Assets will be paid as follows:

6.1 At the Closing, the Deposit shall will be credited to the Purchase Price and the Buyer will pay, by cashier's check, certified check, or wire transfer the sum of SEVENTY TWO THOUSAND DOLLARS (\$72,000.00).

6.2 The balance of the purchase price in the sum of TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000.00) will be paid in equal monthly installments for 10 years, including interest at the initial rate of 6% per annum from the Closing, with the first installment due 30 days after the Closing and subsequent installments due on the same day of each month thereafter until the entire unpaid balance is paid in full. This obligation will be represented by a nonnegotiable promissory note in the form attached as Exhibit D (the "Note"), to be made and delivered by the Buyer at Closing. The obligations under the Note will be secured by the Assets and the form of the security agreement, trust deed and a three-year personal guaranty are attached as Exhibit E, Exhibit F and Exhibit G.

SECTION 7. ADJUSTMENTS

The operation of the Seller's business and related income and expenses up to the close of business on the day before the Closing will be for the account of the Seller and thereafter for the account of the Buyer. Expenses, including but not limited to utilities, personal property taxes, rents, real property taxes, will be prorated between the Seller and the Buyer as of the close of business on the Closing, the proration to be made and paid, insofar as reasonably possible, on the Closing, with settlement of any remaining items to be made within 10 days after the Closing.

SECTION 8. DUE DILIGENCE.

8.1 Inspection Rights. Buyer will have until Closing (the "Review Period") to satisfy itself concerning all aspects of Seller's business, including, without limitation, the physical condition of the Real Property; the adequacy of the interests in real property necessary to

operating Seller's business, including the easements, well and cistern/reservoir ownership; the insurance policies, contracts, and all other financial aspects of Seller's business; the availability and transferability of any governmental permits and approvals. Buyer will have the right to perform such tests, inspections, and feasibility studies on the Real Property and Assets as Buyer may deem necessary. Seller will permit and, to the extent reasonably required by Buyer, will assist Buyer in providing access to Seller's architects, engineers, contractors, subcontractors, managers, employees, analysts, and appraisers in connection with Buyer's review of the Seller's business. The Buyer shall indemnify, defend and hold the Seller harmless from any loss, damage, or claim arising out of the Buyer's access to the Real Property and/or Assets for the purpose of making such tests, inspections, studies or any other investigations (whether made by the Buyer or the Buyer's agents). Although Buyer acknowledges the real property is not a legal lot of record in the terms of this Agreement, Buyer may still decide not to purchase the business assets any time prior to Closing because of this fact.

8.2 Copies of Leases, Contracts, Other Information. As soon as practicable, Seller will deliver to Buyer or provide Buyer access to all the documents, contracts, agreements and reports relating to Seller's business.

8.3 Inspection Expenses. All costs and expenses of all Buyer's tests, inspections, and studies must be paid by Buyer when due, regardless of whether this transaction closes.

8.4 Removal of Inspection Contingencies. If, by the end of the Review Period, Buyer has notified Seller in writing that Buyer rejects Seller's business in its then-current condition, this Agreement will terminate. This Agreement thereafter will be null and void, and neither party will have any obligation to the other, except as otherwise provided herein. Unless such notice of rejection is given, the inspection contingency will be deemed waived and this Agreement will be binding on Buyer.

8.5 Environmental Assessments. Buyer is responsible for obtaining its own environmental inspections of the Real Property or other assets. Buyer agrees to provide Seller with a true and complete copy of all environmental studies, tests, and reports that Buyer obtains in connection with its inspection of the Real Property or other assets. Buyer will pay for all costs of its environmental inspections regardless of whether this sale closes. If any person is required to make any report to any governmental agency as the result of any environmental inspection, the report will be submitted solely by Seller.

8.6 Confidentiality Requirements. Buyer will use and disclose information it obtains about Seller's business and the Assets solely in connection with its purchase evaluation. Unless and until it acquires the Assets, Buyer will not disclose any such information to any third party except (a) as and to the extent required by its purchase-money lender; (b) to its members, shareholders, partners, permitted assignees, successors, property consultants, and lawyers; (c) to any court of competent jurisdiction in connection with any mediation, arbitration, or litigation in connection with this Agreement; and (d) as to any information that is otherwise a matter of public record.

Section 9. FINANCING CONTINGENCY

9.1 Financing Contingency. Buyer will have until fourteen (14) days prior to the Closing Date (the “Financing Contingency Period”) in which to obtain financing for the down payment. If, at the end of the Financing Contingency Period, Buyer has notified Seller in writing that the Buyer has not satisfied this contingency, this Agreement will terminate. This Agreement thereafter will be null and void and neither party will have any obligation to the other hereunder, except as otherwise provided herein. If Buyer fails to give such a notice, then the financing contingency will be deemed waived by Buyer.

SECTION 10. TITLE TO PROPERTY

10.1 Title Report. Within ten (10) days after the Effective Date, Seller will order a preliminary title report from the Escrow Agent with respect to the Real Property (the “Title Report”). The Title Report will be accompanied by the most legible copies available of all special exceptions listed therein. Buyer will have until fifteen (15) days after its receipt of the Title Report and copies in which to notify Seller in writing of Buyer’s disapproval of any exceptions shown in the Title Report. Any special assessments shown on the Title Report that are objected to by Buyer will be included in Buyer’s notice. In the event of any disapproval, Seller will notify Buyer in writing within ten (10) days after Buyer’s notification as to whether Seller agrees to remove any of the exceptions so disapproved, and upon delivering the notice, Seller will have until the Closing Date to cause the exceptions that Seller has agreed to remove to be removed of record and from the Title Report. Buyer will be deemed to have accepted all title exceptions to which it has not timely objected. Buyer acknowledges that the Real Property is not a legal lot of record.

SECTION 11. STOCK SALE CONVERSION

11.1 Stock Sale Conversion. If during the Review Period, Buyer determines in Buyer’s sole discretion that Buyer would prefer to purchase Selling Shareholders Stock instead of or in addition to purchasing Seller’s Assets, the Parties agree to amend this Agreement to provide for Buyer’s right to purchase Selling Shareholder’s stock in Seller. Any such conversion shall not modify the other terms and conditions of this Agreement and shall not obligate Buyer to be responsible for assuming all of the obligations of Seller.

SECTION 12. SELLER’S AND SELLING SHAREHOLDER’S REPRESENTATIONS AND WARRANTIES

Subject to, and except as disclosed by the Seller in the Schedule of Exceptions in a numbered paragraph that corresponds to the section for which disclosure is made, the Seller and the Selling Shareholder represent and warrant to the Buyer as follows:

12.1 Corporate Existence. The Seller is a corporation duly incorporated and legally existing under the laws of the state of Oregon and is qualified to do business in every jurisdiction in which it owns property. The Seller has all requisite corporate power and authority and all material licenses, permits, and authorizations necessary to own and operate the Assets and to carry on its business as now conducted. Upon execution of this Agreement, copies of the Seller’s

charter documents and bylaws will be furnished to the Buyer's counsel and will reflect all amendments made thereto at any time before the Closing Date and are correct and complete.

12.2 Authorization. The execution, delivery, and performance of this Agreement and all other agreements contemplated by this Agreement to which the Seller or the Selling Shareholder is a party have been duly authorized by the Seller or the Selling Shareholder, as the case may be. This Agreement and the Related agreements, when executed and delivered by the parties thereto, will constitute the legal, valid, and binding obligation of the Seller or the Selling Shareholder, as the case may be, enforceable against the Seller or the Selling Shareholder. Except as set forth on Exhibit H, the execution and delivery by the Seller and the Selling Shareholder of this Agreement and the related agreements to which the Seller or the Selling Shareholder is a party, and the fulfillment of and compliance with the respective terms hereof and thereof by the Seller or the Selling Shareholder, do not and will not (a) conflict with or result in a breach of the terms, conditions, or provisions of, or constitute a default under, any Contract; (b) result in the creation of any lien, security interest, charge, or encumbrance on the Assets; (c) result in a violation of the charter or bylaws of the Seller or any law, statute, rule, or regulation to which the Seller is subject; or (d) result in a violation of any order, judgment, or decree to which the Seller is subject; or (e) require any authorization, consent, approval, exemption, or other action by or notice to any court or administrative or governmental body.

12.3 Financial Statements. The balance sheet of the Seller at December 31, 2014, fairly presents the financial position of the Seller at December 31, 2014, and the income statements of the Seller for the years ended 2014 fairly present the results of operations of the Seller for the years ended 2014, and both have been prepared in a manner substantially consistent with prior financial statements of the Seller.

12.4 Brokers and Finders. Neither the Seller nor the Selling Shareholder has employed any broker or finder in connection with the transactions contemplated by this Agreement, or taken action that would give rise to a valid claim against any party for a brokerage commission, finder's fee, or other like payment.

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

12.6 Compliance with Codes and Regulations. The Seller and the Selling Shareholder have not received notice from any governmental authority that any of the Assets violate any provisions of any applicable codes, public utility commission rules and regulations, fire regulations, water right restrictions, or other ordinances, orders, or regulations other than the fact that the Real Property is not a legal lot of record and that the improvements and uses thereon have not received a conditional use permit or other land use approval.

12.7 Litigation. To the best of Seller and Selling Shareholder's knowledge:

(a) no action, suit, proceeding, order, investigation, or claim is pending or threatened against the Seller or its property, at law or in equity, or before or by any governmental department, commission, board, bureau, agency, or instrumentality;

(b) the Seller is not subject to any arbitration proceedings under collective bargaining agreements or otherwise or, any governmental investigations or inquiries; and,

(c) no basis exists for any of the foregoing.

12.8 Compliance with Laws. To the best of the Seller's and the Selling Shareholder's knowledge (other than the fact that the Real Property is not a legal lot of record and that the improvements and uses thereon have not received a conditional use permit or other land use approval):

(a) the Seller has at all relevant times conducted its business in compliance with its articles of incorporation and bylaws, and is in compliance with all applicable laws and regulations; and

(b) the Seller has not received notice from any governmental authority of a violation of any applicable laws or regulations, including but not limited to all rules and regulations of the Oregon Public Utility Commission.

12.9 Employment Matters.

12.9.1 Employment Claims. To the best of Seller's knowledge, no claim is pending or threatened by or on behalf of any of its employees under any federal, state, or local labor or employment laws or regulations.

12.9.2 Compensation. Exhibit I contains a complete and accurate list of all officers, employees, and consultants of the Seller, specifying their names and job designations, the total amount paid or payable as compensation to each of them, employment benefits and employment status (employee vs. independent contractor).

12.10 Title to and Condition of Assets.

12.10.1 The Seller owns (and at Closing the Buyer will acquire) all the Assets free and clear of all mortgages, pledges, security interests, options, claims, charges, or other encumbrances or restrictions of any kind except for liens for taxes not yet due.

12.10.2 The Seller has (and at Closing the Buyer will acquire) good and marketable title to the Assets (other than the fact that the Real Property is not a legal lot of record and that the improvements and uses thereon have not received a conditional use permit or other land use approval).

12.10.3 Except as set forth in Sections 12.10.1 and 12.10.2, Seller and Selling Shareholder expressly exclude all warranties with respect to the condition of the Assets, express and implied, including but not limited to the warranty of merchantability, the warranty of fitness for particular purpose, and any warranties that may have arisen or may arise from course

of performance, course of dealing, or usage of trade. Seller is transferring Seller's interest in the Assets to Buyer "as is," "where is," and "with all faults," including, without limitation, the crack in Seller's main water tank.

12.11 Water Rights. Seller is the owner of those water rights from the Three Wells in the Squaw Creek Basin under Water Right Permit No. G-11328. Seller nor Selling Shareholder have any knowledge of any activity, condition or event that would cause a material adverse change in the water rights, nor has Seller or Selling Shareholder received any notice of an event that could cause a material adverse change in the water rights. To the best of Seller's knowledge, the water rights provided for under the above mentioned permit are adequate to service all landowners connected to Seller's domestic water supply system.

12.12 PUC Regulations. To the best of Seller's knowledge, the Seller's domestic water system is regulated by the Oregon Public Utility Commission however the Seller's rates are not currently regulated as a result of the size of the Seller's domestic water system.

12.13 Undisclosed Liabilities. To the best of Seller's knowledge, Seller does not have any liability or obligation (whether absolute, accrued, contingent, or other, and whether due or to become due) that is not accrued, reserved against, or disclosed in the Current Balance Sheet, other than liabilities incurred in the ordinary course of business consistent with past practice.

12.14 Absence of Certain Changes or Events. Since the date of the Current Balance Sheet, to the best of Seller's knowledge there has not been:

- (a) Any material adverse change or any event, occurrence, development, or state of circumstances or facts that could reasonably be expected to result in a material adverse change;
- (b) Any damage, destruction, or casualty loss, whether insured against or not, to any of the Assets;
- (c) Any entry into any agreement, commitment, or transaction (including, without limitation, any borrowing, capital expenditure, or capital financing or any amendment, modification, or termination of any existing agreement, commitment, or transaction) by the Seller, except agreements, commitments, or transactions in the ordinary course of business and consistent with past practices or as expressly contemplated in this Agreement;
- (d) Any conduct of business that is outside the ordinary course of business or not substantially in the manner that the Seller previously conducted its business;
- (e) Any purchase or other acquisition of property or any sale, lease, or other disposition of property, or any expenditure, except in the ordinary course of business;
- (f) Any incurrence of any noncontract liability known to the Seller that, either singly or in the aggregate, is material to the Business, results of operations, financial condition, or prospects of the Seller;
- (g) Any encumbrance or consent to encumbrance of any property or assets except in the ordinary course of business; or

(h) Any change in the assets, liabilities, licenses, permits, or authorizations of the Seller, or in any agreement to which the Seller is a party or is bound, that has had or reasonably could be expected to have a material adverse effect.

12.15 Environmental Conditions.

12.15.1 Definitions. As used in this Agreement,

(a) “Environmental Law” means any federal, state, or local statute, ordinance, or regulation pertaining to the protection of human health or the environment and any applicable orders, judgments, decrees, permits, licenses, or other authorizations or mandates under such statutes, ordinances, or regulations; and

(b) “Hazardous Substance” means any hazardous, toxic, radioactive, or infectious substance, material, or waste as defined, listed, or regulated under any Environmental Law.

12.15.2 Compliance. To the best of Seller’s knowledge, Seller, the Seller’s business, and the Assets are in compliance with all Environmental Laws and the Seller has all permits required under Environmental Laws in connection with the construction, ownership, or operation of the Assets and the Seller’s business. Seller has not received notice of any past, present, or anticipated future events, conditions, activities, investigation, studies, plans, or proposals that (a) would interfere with or prevent compliance by the Seller, the Seller’s business, or the Assets with any Environmental Law or (b) may give rise to any common-law or other liability, or otherwise form the basis of a claim, action, suit, proceeding, hearing, or investigation, involving the Seller, the Seller’s business, or the Assets and related in any way to Hazardous Substances or Environmental Laws.

12.15.3 Hazardous Substances.

(a) To the best of Seller’s knowledge, no Hazardous Substance has been disposed of, spilled, leaked, or otherwise released on, in, under, or from, or otherwise come to be located in the soil or water (including surface water and groundwater) on or under, the Real Property or any other real property owned, leased, or occupied by the Seller in connection with the Seller’s business now or in the past;

(b) To the best of Seller’s knowledge, Seller is not liable under any Environmental Law for investigation, remedial, removal, or other response costs, natural resources damages, or other claims (including administrative orders) arising out of the release or threatened release of any Hazardous Substance at the Real Property or any other facility, and no basis exists for any such liability.

12.16 Receivables. Each of the Seller’s receivables (including accounts receivable, loans receivable, and advances) that is reflected in the Current Balance Sheet, and each of the receivables that has arisen since that date, has arisen only from bona fide transactions in the ordinary course of the Seller’s business and will be fully collected when due, without resort to litigation and without offset or counterclaim.

12.17 Accuracy of Representations and Warranties. To the best of Seller's knowledge, none of the representations or warranties of the Seller or the Selling Shareholder contain or will contain any untrue statement of a material fact or omit or will omit or misstate a material fact necessary in order to make statements in this Agreement not misleading.

SECTION 13. REPRESENTATIONS OF BUYER

The Buyer represents and warrants to the Seller and the Selling Shareholder as follows:

13.1 Company Existence. The Buyer is a limited liability company duly organized and legally existing under the laws of the state of Oregon. The Buyer has all requisite power and authority to enter into this Agreement and the Related agreements and to perform its obligations under them.

13.2 Authorization. The execution, delivery, and performance of this Agreement and the related agreements have been duly authorized and approved by the members of the Buyer. This Agreement and the Related agreements constitute valid and binding agreements of the Buyer, enforceable in accordance with their terms, except as enforceability may be limited by bankruptcy, reorganization, insolvency, or similar laws affecting the enforcement of creditors' rights or by the application of general principles of equity.

13.3 Brokers and Finders. The Buyer has not employed any broker or finder in connection with the transactions contemplated by this Agreement and has taken no action that would give rise to a valid claim against any party for a brokerage commission, finder's fee, or other like payment.

13.4 No Conflict with Other Instruments or Agreements. The execution, delivery, and performance by the Buyer of this Agreement and the Related agreements will not result in a breach or violation of, or constitute a default under, the Buyer's Articles of Organization or Operating Agreement or any material agreement to which the Buyer is a party or by which the Buyer is bound.

13.5 Governmental Authorities. Except as set forth on Exhibit H, (a) the Buyer is not required to submit any notice, report, or other filing with any governmental or regulatory authority in connection with the Buyer's execution and delivery of this Agreement and the Related agreements and the consummation of the purchase and (b) the Buyer is not required to obtain any consent, approval, or authorization of any governmental or regulatory authority in connection with the Buyer's execution, delivery, and performance of this Agreement and the Related agreements and the consummation of the purchase of the Assets.

13.6 Accuracy of Representations and Warranties. To the best of Buyer's knowledge, none of the representations or warranties of the Buyer contain or will contain any untrue statement of a material fact or omit or will omit or misstate a material fact necessary in order to make the statements contained herein not misleading.

SECTION 14. COVENANTS OF SELLER AND SELLING SHAREHOLDER

14.1 Seller's Operation of Business Before Closing. The Seller and the Selling Shareholder agree that between the date of this Agreement and the Closing, the Seller will:

(a) Continue to operate the business that is the subject of this Agreement in the usual and ordinary course and in substantial conformity with all applicable laws, ordinances, regulations, rules, or orders, and will use its best efforts to preserve its business organization and to preserve the continued operation of its business with its customers, suppliers, and others having business relations with the Seller;

(b) Not assign, sell, lease, or otherwise transfer or dispose of any of the Assets used in the performance of its business, whether now owned or hereafter acquired, except in the normal and ordinary course of business and in connection with its normal operation;

(c) Maintain all the Assets other than inventory in their present condition, reasonable wear and tear and ordinary usage excepted, and maintain the inventory at levels normally maintained; and

(d) Notify the Buyer promptly in the event of any material change in the Assets or the Seller's business before Closing or any material adverse change in the financial condition of the Seller or of any breach of a representation or warranty provided in this Agreement.

14.2 Access to Premises and Information. At reasonable times before the Closing, the Seller will provide the Buyer and its representatives with reasonable access during business hours to the assets, titles, contracts, and records of the Seller and will furnish such additional information concerning the Seller's business as the Buyer from time to time may reasonably request.

14.3 Change of Name. At the Closing, the Seller will take all action necessary or appropriate to permit the Buyer to legally commence using the Seller's name as of the day after Closing.

14.4 Conditions and Best Efforts. The Seller and the Selling Shareholder will use their best efforts to effectuate the transactions contemplated by this Agreement and the Related agreements and to fulfill all the conditions of their obligations under this Agreement and the Related agreements, and will do all acts and things as may be required to carry out their respective obligations under this Agreement and the Related agreements.

14.5 No Negotiations with Others. Except as otherwise permitted by this Agreement, or with the Buyer's prior written consent, the Seller and the Selling Shareholder will refrain from initiating or soliciting any inquiries or making any proposals with respect to, or engaging in negotiations concerning, or providing any confidential information or data to, or having any discussions with any person relating to, any acquisition, business combination or purchase of all or any significant portion of the assets of, or any equity interest in, the Seller. The Seller and the Selling Shareholder will immediately cease and cause to be terminated any existing activities, discussions, or negotiations with any parties conducted heretofore with respect to any of the foregoing.

14.6 Press Releases. No notice to customers, press release, or other public announcement concerning the transactions contemplated by this Agreement will be made by the Seller without the Buyer's prior written consent, which consent will not be unreasonably withheld; but, however, nothing in this section will prevent a party from supplying such information or making statements as required by governmental authority or as necessary for a party to satisfy its legal obligations (prompt notice of which must in any such case be given to the other party or parties).

SECTION 15. COVENANTS OF BUYER

15.1 Conditions and Best Efforts. The Buyer will use its best efforts to effectuate the transactions contemplated by this Agreement and the Related agreements and to fulfill all the conditions of the Buyer's obligations under this Agreement and the Related agreements, and will do all acts and things as may be required to carry out the Buyer's obligations and to consummate this Agreement and the Related agreements.

15.2 Confidential Information. If for any reason the sale of Assets contemplated by this Agreement is not consummated, the Buyer will promptly return to the Seller and will not disclose to third parties any confidential information received from the Seller in the course of investigating, negotiating, and performing the transactions contemplated by this Agreement.

15.3 Press Releases. The buyer will not make or provide any notice to customers, press release, or other public announcement concerning the transactions contemplated by this Agreement without the prior written consent of the Seller, which consent will not be unreasonably withheld; but, however, nothing in this section will prevent a party from supplying such information or making statements as required by governmental authority or as necessary for a party to satisfy its legal obligations (prompt notice of which must in any such case be given to the other party or parties).

SECTION 16. CONDITIONS PRECEDENT TO BUYER'S OBLIGATIONS

The obligation of the Buyer to purchase the Assets is subject to the fulfillment, before or at the Closing, of each of the following conditions, any one or portion of which may be waived in writing by the Buyer:

16.1 Representations, Warranties, and Covenants of Seller and Selling Shareholder. All representations and warranties made in this Agreement by the Seller and the Selling Shareholder will be true in all material respects through the Closing and neither the Seller nor the Selling Shareholder will have violated or will have failed to perform in accordance with any covenant contained in this Agreement or the Related agreements.

16.2 Satisfaction of Contingencies. All of the contingencies shall be satisfied to Buyer's sole discretion.

16.2 Licenses and Permits. The Buyer will have obtained all licenses and permits from public authorities necessary to authorize the ownership and operation of a business using the Assets. This includes Seller's application for and receipt of a non-conforming use overlay and permit for the existing structures on the real property from Deschutes County.

16.3 Consents. The Seller will have obtained the third-party consents required under the terms of the Contracts to be assigned by it under this Agreement, and such consents will not have required any change to the terms and conditions of the Contracts other than changes consented to in writing by the Buyer. Further the Parties will have obtained the necessary consents to transfer the water rights necessary in the operation of the business and all consent necessary from the PUC or other governmental entity to allow Buyer to operate the business including a consent to transfer the PUC determination of Exclusive Service Territory Application.

16.4 No Suits or Actions. At the time of the closing, no action, suit, or proceeding before any court or any governmental or regulatory authority will have been commenced and be continuing, and no investigation by any governmental or regulatory authority will have been commenced and be continuing, and no action, investigation, suit, or proceeding will be threatened, against the Seller or the Buyer or any of their affiliates, associates, officers, or directors, seeking to restrain or prevent or questioning the validity of the transactions contemplated by this Agreement or the Related agreements.

16.5 Material Adverse Change. From the date of this Agreement to the Closing, the Seller will not have suffered any material adverse change (whether or not such change is referred to or described in any supplement to any Exhibit to this Agreement) in its business prospects, financial condition, working capital, assets, liabilities (absolute, accrued, contingent, or otherwise), or operations.

16.6 Corporate Action. The Seller will have furnished to the Buyer a copy, certified by the Seller's secretary or assistant secretary, of the resolutions of the Seller authorizing the execution, delivery, and performance of this Agreement and the Related agreements.

SECTION 17. CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER AND SELLING SHAREHOLDER

The obligations of the Seller and the Selling Shareholder to consummate the transactions contemplated by this Agreement and the Related agreements are subject to the fulfillment, before or at the Closing, of each of the following conditions, any one or a portion of which may be waived in writing by the Seller:

17.1 Representation, Warranties, and Covenants of Buyer. All representations and warranties made in this Agreement by the Buyer will be true in all material respects through the Closing, and the Buyer will have neither violated nor failed to perform in accordance with any covenant contained in this Agreement or the Related agreements.

17.2 No Proceeding or Litigation. At the time of the Closing, no action, suit, or proceeding before any court or any governmental or regulatory authority will have been commenced and be continuing, and no investigation by any governmental or regulatory authority will have been commenced and be continuing, and no action, investigation, suit, or proceeding will be threatened, against the Seller or the Buyer or any of their affiliates, associates, officers, or directors, seeking to restrain or prevent questioning the validity of the transactions contemplated by this Agreement or the Related agreements.

SECTION 18. BUYER'S ACCEPTANCE

The Buyer represents and acknowledges that it has entered into this Agreement on the basis of its own examination, personal knowledge, and opinion of the value of the business. The Buyer has not relied on any representations made by the Seller and the Selling Shareholder other than those specified in this Agreement. The Buyer further acknowledges that the Seller and the Selling Shareholder have made no agreement or promise to repair or improve any of the Real Property, equipment, personal property or other Assets being sold to the Buyer under this Agreement and that the Buyer takes all such property in an "as is" condition. Buyer hereby waives and releases any claim or cause of action for any liability, obligation, cost, expense or other damages against Seller and/or Seller's shareholders, directors, employees, agents, successors and assigns arising out of such defects, but retains the option not to close this transaction because of the same. While Buyer acknowledges that the Real Property is not a legal lot of record and that the improvements and uses thereon have not received a conditional use permit or other land use approval, as a condition of Closing, Seller must apply for and receive a non-conforming use overlay and permit for the existing structures on the real property from Deschutes County.

SECTION 19. RISK OF LOSS

The risk of loss, damage, or destruction to any of the Assets will be borne by the Seller before the Closing. In the event of such loss, damage, or destruction, the Seller, to the extent reasonable, will replace the lost property or will repair or cause to repair the damaged property to its condition before the damage. If replacement, repairs, or restorations are not completed before the Closing, then the purchase price will be adjusted by an amount agreed on by the Buyer and the Seller that will be required to complete the replacement, repair, or restoration after the Closing. If the Buyer and the Seller are unable to agree, then the Buyer, at its sole option and notwithstanding any other provision of this Agreement, and on notice to the Seller, may rescind this Agreement and declare it to be of no further force and effect, in which event there will be no closing of this Agreement and all the terms and provisions of this Agreement will be deemed null and void.

SECTION 20. INDEMNIFICATION AND SURVIVAL

20.1 Survival of Representations and Warranties. All representations and warranties made in this Agreement will survive the Closing of this Agreement.

20.2 Seller's and Selling Shareholder's Indemnification.

20.2.1 The Seller and the Selling Shareholder agree to indemnify, defend, and hold the Buyer, its successors, and assigns harmless from and against any and all claims, liabilities, obligations, costs, expenses, and reasonable attorney fees (collectively, "Damages") arising out of or related to:

(a) Any breach or inaccuracy of any representation or warranty of the Seller or the Selling Shareholder made in this Agreement or any related agreement;

(b) Any failure by the Seller or the Selling Shareholder to perform any covenant required to be performed by it pursuant to this Agreement or any related agreement; and

(c) Any liability or obligation of the Seller arising out of or in connection with the ownership, use, condition, maintenance, or operation of the Seller's business or the Assets by the Seller or its shareholders on or before the Closing, in either case not expressly assumed by the Buyer in accordance with the terms of this Agreement.

20.3 Buyer's Indemnification. The Buyer agrees to defend, indemnify, and hold harmless the Seller and the Selling Shareholder from and against all Damages arising out of or related to:

(a) Any breach or inaccuracy of any representation or warranty of the Buyer made in this Agreement or any related document;

(b) Any failure by the Buyer to perform any covenant required to be performed by it pursuant to this Agreement or any related document; and

(c) Any liability or obligation of the Seller to any third party expressly assumed by the Buyer in accordance with the terms of this Agreement.

20.4 Limitations on Seller's and Selling Shareholder's Liability.

(a) Subject to Section 20.4(b), Seller and Selling Shareholder will have no liability to Buyer or any other person for indemnification or otherwise with respect to:

(1) any claim that arises out of or results from a breach of any representation or warranty if Seller and Selling Shareholder demonstrate by clear and convincing evidence that, as of the date of this Agreement, Buyer had actual knowledge of the facts giving rise to Seller's and Selling Shareholder's breach and that the facts constituted a breach;

(2) any claim that arises out of or results from a breach of any representation or warranty unless Buyer notifies Seller and Selling Shareholder of the claim and specifies in reasonable detail the facts giving rise to the claim within three (3) year after the Closing Date; or

(3) any claim or cause of action for any liability, obligation, cost, expense or other damages arising out of the fact that the Real Property is not a legal lot of record and/or that there is no conditional use permit or other land use approval for the improvements and uses thereon.

(b) The limitations on Seller's and Selling Shareholder's liability in this Section 20.4 will not apply with respect to a claim that arises out of or results from: (1) a breach of any warranty with respect to Seller's title to Assets; or (2) a breach of any representation or warranty in this Agreement, if Buyer demonstrates, as of the date of this Agreement, Seller and Selling

Shareholder had actual knowledge of the facts giving rise to Seller's and Selling Shareholder's breach and that the facts constituted a breach.

SECTION 21. CLOSING

21.1 Time and Place. This Agreement will be closed at the offices of Amerititle, at 15 Oregon St., Bend, OR 97701, at such date as the parties may agree in writing, but if no date has been specified, then closing shall occur on the next business day 15 days from the later of: 1) the issuance of the nonconforming use overlay and building permit by Deschutes County as provided in Section 16.2; or 2) approval by the PUC to the terms of this sale (the "Closing"). Notwithstanding the foregoing, in no event shall the Closing occur later than February 28, 2016, unless the parties otherwise agree in writing.

21.2 Events of Closing. If the Escrow Agent has received the sums and is in a position to cause the title insurance policy to be issued as described below, this transaction will be closed on the Closing Date as follows:

(a) Seller will convey the real property to Buyer by statutory warranty deed, subject to the matters accepted or deemed accepted by Buyer under this Agreement, in the form acceptable to Buyer at Closing.

(b) Seller will convey all its interests in the Assets to Buyer by good and sufficient bill of sale in the form acceptable to Buyer at Closing.

(c) Seller will assign all interest Seller may have in any other real property, including but not limited to easements, licenses, rights of ways, wells, and well agreements in the form acceptable to Buyer at Closing.

(d) Seller will assign to Buyer, and Buyer will assume, the Contracts by assignment and assumption agreement in the form acceptable to Buyer at Closing.

(e) Seller will execute such documents as reasonably requested by Buyer as may be necessary for Buyer to file with the Secretary of State to allow Buyer to use Seller's name on Closing;

(f) Seller will execute all other documents reasonably requested by Buyer to allow Buyer to operate Seller's business, including but not limited to all documents requested by the PUC and State of Oregon.

(g) Seller will provide Buyer with (i) the Certificate of Nonforeign Status as provided in IRC §1445(b)(2) and (ii) a certificate or other documentary evidence complying with ORS 314.258 that is reasonably acceptable to Buyer and the Escrow Agent and sufficient to assure Buyer and the Escrow Agent that no withholding is required under ORS 314.258.

(h) Seller will terminate all employees and pay all outstanding wages, claims and other benefits to such employees.

(i) The Escrow Agent will calculate the prorations agreed to herein, and the parties will be charged and credited accordingly.

(j) Any liens to be paid by Seller at closing will be paid and satisfied of record at Seller's expense.

(k) Buyer will pay the down payment of the purchase price to Seller in cash, minus the Deposit as adjusted for the charges and credits set forth in this Agreement.

(l) Buyer will execute and deliver the Note, Security Agreement, Trust Deed, and Personal Guaranty.

(m) The Escrow Agent will be committed to issuing the policy described in Section 21.3 upon recordation of the closing documents.

(n) Upon compliance with the parties' closing instructions, the Escrow Agent will record the deed to Buyer at Buyer's expense.

21.3 Title Insurance. As soon as possible after the Closing Date, the Escrow Agent will furnish Buyer a standard American Land Title Association form of owner's policy of title insurance in the amount of the purchase price for the Property, subject only to the Escrow Agent's standard preprinted exceptions and exclusions for the form and except for the matters accepted or deemed accepted by Buyer under this Agreement. The costs of additional or extended title insurance beyond standard coverage will be paid by Buyer, and the availability of any such coverage will not be a condition of closing.

SECTION 22. TERMINATION OF AGREEMENT

22.1 Right of Parties to Terminate.

22.1.1 This Agreement may be terminated by the Buyer if:

- (a) Failure of any of the conditions to the satisfaction of Buyer;
- (b) Any of the licenses, permits, or consents described in this Agreement have been denied, not permitted to go into effect, or obtained on terms not reasonably satisfactory to the Buyer and all reasonable final appeals have been exhausted; or
- (c) The Seller breaches any of its obligations under this Agreement in any material respect.

22.1.2 This Agreement may be terminated by the Seller if:

- (a) Any of the conditions are not fulfilled or waived to the satisfaction of the Seller;
- (b) The Buyer breaches any of its obligations under this Agreement in any material respect.

22.1.3 This Agreement may be terminated by either the Seller or the Buyer, by written notice to the other party if the Closing fails to occur on or before February 28, 2016; however, the right to terminate this Agreement under this Section will not be available to any party whose failure to fulfill or perform any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or before such date.

22.2 Effect of Termination. If either the Buyer or the Seller decides to terminate this Agreement, such party will promptly give written notice to the other party to this Agreement of such decision. In the event of a termination of this Agreement, the parties to this Agreement will be released from all liabilities and obligations arising under this Agreement (other than those described in Section 12.2) with respect to the matters contemplated by this Agreement, other than for damages arising from a breach of this Agreement.

SECTION 23. MISCELLANEOUS PROVISIONS

23.1 Binding Effect. This Agreement is binding on and inures to the benefit of the parties and their respective heirs, personal representatives, successors, and permitted assigns.

23.2 Assignment. Buyer may not assign any of the rights, interests, or obligations under this Agreement without the prior written consent of the Seller, which consent may be withheld in the Seller's sole and absolute discretion.

23.3 No Third-Party Beneficiaries. Nothing in this Agreement, express or implied, is intended or may be construed to confer on any person, other than the parties to this Agreement, any right, remedy, or claim under or with respect to this Agreement.

23.4 Notices. Notices under this Agreement must be in writing and, if personally delivered or sent by facsimile, will be effective when received. If mailed, a notice will be deemed effective on the second day after deposited as registered or certified mail, postage prepaid, directed to the other party. Notices must be delivered, mailed, or sent by facsimile or email to the following addresses and telephone numbers:

Seller: Sun Mountain Water System, Inc.
3896 S Lamone Way
Meridian, ID 83642
Attn: Ronald Fuller
Facsimile No.: ____ - ____ - ____
Email: _____

Selling Shareholder: Ronald and Cheryl Fuller
3896 S Lamone Way
Meridian, ID 83642
Facsimile No.: ____ - ____ - ____
Email: _____

with a copy to:

Karnopp Petersen LLP
360 SW Bond Street, Suite 400
Bend, OR 97702
Attn: Brent Kinkade
Facsimile No.: 541-388-5410
Email: bsk@karnopp.com

Buyer:

Brandt LLC
16880 Barbara Way
Bend, OR 97703
Attn: Jamie Hildebrandt
Facsimile No.: ____ - ____ - ____
Email: rockspringsjamie@gmail.com

with a copy to:

Francis Hansen & Martin LLP
1148 NW Hill St.
Bend, OR 97703
Attn: Alison Huycke
Facsimile No.: 541-389-5010
Email: alison@francishansen.com

Either party may change its address for notices by at least fifteen (15) days' advance written notice to the other.

23.5 Time of Essence. Except as otherwise specifically provided in this Agreement, time is of the essence for each and every provision of this Agreement.

23.6 Invalidity of Provisions. If any provision of this Agreement, or any instrument to be delivered by Buyer at closing under this Agreement, is declared invalid or is unenforceable for any reason, the provision will be deleted from the document and will not invalidate any other provision contained in the document.

23.7 Neutral Construction. This Agreement has been negotiated with each party having the opportunity to consult with legal counsel and will be construed without regard to which party drafted all or part of this Agreement.

23.8 Captions. The captions of the sections and paragraphs in this Agreement are used solely for convenience and are not intended to limit or otherwise modify the provisions of this Agreement.

23.9 Waiver. Any provision or condition of this Agreement may be waived at any time, in writing, by the party entitled to the benefit of such provision or condition. The failure of either party at any time to require performance of any provision of this Agreement will not limit the party's right to enforce the provision. Waiver of any breach of any provision will not be a waiver of any succeeding breach of the provision or a waiver of the provision itself or any other provision.

23.10 Subsequent Modifications. This Agreement and any of its terms may be changed, waived, discharged, or terminated only by a written instrument signed by the party against whom enforcement of the change, waiver, discharge, or termination is sought.

23.11 Saturdays, Sundays, and Legal Holidays. If the time for performance of any of the terms, conditions, and provisions hereof falls on a Saturday, Sunday, or legal holiday, then the time of the performance will be extended to the next business day thereafter.

23.12 Venue. In any action brought to interpret or enforce any of the provisions of this Agreement, the venue will be in Deschutes County, Oregon.

23.13 Applicable Law. This Agreement will be construed, applied, and enforced in accordance with the laws of the state of Oregon. All sums referred to in this Agreement will be calculated by and payable in the lawful currency of the United States.

23.14 Attorney Fees. If any arbitration, suit, or action is instituted to interpret or enforce the provisions of this Agreement, to rescind this Agreement, or otherwise with respect to the subject matter of this Agreement, the party prevailing on an issue will be entitled to recover with respect to such issue, in addition to costs, reasonable attorney fees incurred in the preparation, prosecution, or defense of such arbitration, suit, or action as determined by the arbitrator or trial court, and, if any appeal is taken from such decision, reasonable attorney fees as determined on appeal.

23.15 Entire Agreement. This Agreement and the ancillary agreements described herein constitute the entire agreement of the parties with respect to the Property and supersede and replace all written and oral agreements previously made or existing between the parties.

23.16 Further Assurances. Each party agrees to execute and deliver such other documents and to do and perform such other acts and things as any other party may reasonably request to carry out the intent and accomplish the purposes of this Agreement.

23.17 Attorney Representation. This Agreement has been prepared by Francis Hansen & Martin LLP on behalf of Buyer. Seller and Selling Shareholder are advised to retain their own legal counsel to advise them on the terms hereof.

23.18 Counterparts. This Agreement may be executed simultaneously or in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same contract.

23.19 Electronic Copies. Either party may rely on facsimile or email copies of this Agreement to the same extent as the originals.

23.20 Statutory Warning (ORS 93.040(2)). THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS THAT, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND THAT LIMIT LAWSUITS

AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, IN ALL ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010. 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 THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO VERIFY THE EXISTENCE OF FIRE PROTECTION FOR STRUCTURES AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010.

[signature page follows]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of this 16th day of October, 2015.

SELLER:
SUN MOUNTAIN WATER SYSTEM, INC.

BUYER:
BRANDT LLC

RONALD FULLER, President
Date Executed: _____

JAMIE HILDEBRANDT, Member
Date Executed: _____

SELLING SHAREHOLDERS:

RONALD FULLER
Date Executed: _____

CHERYL FULLER
Date Executed: _____

- Exhibits:
- Exhibit A – Legal Description of Real Property
 - Exhibit B – Equipment List
 - Exhibit C – Allocation of Purchase Price
 - Exhibit D – Promissory Note
 - Exhibit E – Security Agreement
 - Exhibit F – Trust Deed
 - Exhibit G – Personal Guaranty
 - Exhibit H – Required Consents
 - Exhibit I – Employee Compensation

EXHIBIT A

All of that part of Lot 1, Block 8, Sun Mountain Ranches, a Subdivision of record situated in SECTION 33, TOWNSHIP 15 SOUTH, RANGE 11 EAST OF THE WILLAMETTE MERIDIAN, Deschutes County, Oregon, lying within the boundary of a 100 foot radius well site circle, the radius point of said circle being more particularly described as follows:

Commencing at the Northwest corner of said Lot 1; Thence North $89^{\circ} 56' 40''$ East, on the North line of said Lot 1, 134 feet, more or less; Thence south $00^{\circ} 03' 18''$ West, 94 feet, more or less, to an existing well casing, being the radius point for said 100 foot radius well site circle.

EXHIBIT B
EQUIPMENT LIST

Office supplies and equipment

Water Pumps and other pump equipment

2 Water reservoirs and reservoir equipment

Electronic upgrades to Varco and Young Wells

Pumphouses – Varco, Young and shed at Varco Reservoir

Thurst blocks throughout system

PVC underground piping throughout system

Valves throughout the system

Air vents throughout the system

Control Valves throughout the system

Parts inventory in van & other storage

Equipment and tools

Used galvanized pipe and pumps

1997 Van with shelving upgrades

EXHIBIT C

Allocation of Purchase Price

Real Property	\$5,000.00
Customer List, Goodwill, Licenses, Permits and Franchises	\$150,000.00
All Other Tangible Property	\$170,000.00

EXHIBIT D

NONNEGOTIABLE PROMISSORY NOTE

MAKER: BRANDT LLC

DATE: _____, 2015

For value received, the undersigned, BRANDT LLC, an Oregon limited liability company, promise to pay in lawful money of the United States to the order of SUN MOUNTAIN WATER SYSTEM, INC., an Oregon Corporation (“Holder”) the principal sum of TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000.00), together with interest on the principal balance at the rate of six percent (6%) per annum from the date of this Note until paid.

The principal sum shall be paid in monthly installments in the amount of TWO THOUSAND SEVEN HUNDRED SEVENTY-FIVE AND 51/100 DOLLARS (\$2,775.51) in accordance with the amortization schedule attached as Exhibit “A”. The first payment shall be made on the 1st day of _____, and a like payment on the same date of every month thereafter until the entire sum, principal and interest, has been paid.

Interest shall be charged on the unpaid principal until the full amount of principal has been paid.

Each monthly payment shall be applied first to any charges permitted under this Note; then to accrued interest; and then to principal.

Maker may not prepay, partially or fully, this Note. Maker acknowledges that: 1) Holder is relying on the expected returns from this Note in making the loan described in this Note to Maker; 2) Holder would incur additional risk in reinvestment of the proceeds from this Note if Maker were to prepay this Note in full or in part prior to the maturity date; 3) Holder is incurring substantial costs to make the loan described in this Note to Maker, including, without limitation, attorney fees and other costs; and 4) the financial cost to Holder would be difficult to calculate in the event Maker were to pay

Francis Hansen & Martin LLP
1148 NW Hill Street • Bend, Oregon 97701-1914
(541) 389-5010

EXHIBIT D

the Note in full or in part prior to maturity. Therefore, Maker acknowledges and agrees that Holder is relying on Maker's agreement to make amortized payments on the principal balance of the Note over its term as contemplated above. Maker shall arrange with its financial institution to cause payments on this Note to be transmitted to Holder's bank account (as Holder may specify from time to time) on the due date each month.

This obligation is secured by a Security Agreement and Trust Deed, and is subject to all the terms and conditions of the Security Agreement and Trust Deed. A default under the Security Agreement or Trust Deed is a default under this Note.

If any payment is not paid within ten (10) days after the due date, Holder shall notify Maker of the same and Maker will have (5) days from receipt of notice by Holder to pay, otherwise the entire indebtedness represented by this Note shall become immediately due and payable at the option of the Holder and shall thereafter bear interest at the rate of six percent (6%) per annum above the announced prime rate of the *Wall Street Journal* or nine percent (9%) per annum, whichever is lower (the "Default Rate"), but the Default Rate shall not exceed the maximum rate permitted by law. In no event, however, shall Holder be required to provide notice of late payment to Maker more than two times in any 12-month period. In the event the Holder does not exercise the option in the event of default, this failure to exercise the option shall not constitute a waiver of the right to exercise it in the event of continuation of the default or a later default.

Time is of the essence.

The undersigned shall pay on demand any and all expenses, including reasonable attorney fees, incurred or paid by the Holder without suit or action in attempting to collect funds due under this Note. If an action is instituted to collect this Note, the Holder will be entitled to recover, at trial or on appeal, or in any bankruptcy proceeding, any sums that the court may adjudge reasonable as

EXHIBIT D

attorney fees, in addition to costs and necessary disbursements.

By signing this Note, the undersigned and any successors and assigns waive presentment for payment, notice of dishonor, protest, notice of protest, and diligence in collection, and consent that the time of payment on any part of this Note may be extended by the Holder without otherwise modifying, altering, releasing, affecting, or limiting their liability. Notwithstanding any other provision of this Note, Holder may assign this Note to its shareholders.

NOTICE TO THE MAKER

Do not sign this Note before you read it. This Note authorizes the holder to refuse to accept prepayment of the loan prior to the date provided for repayment in the Note.

MAKER:
BRANDT LLC

Jamie Hildebrandt, Member

Francis Hansen & Martin LLP
1148 NW Hill Street • Bend, Oregon 97701-1914
(541) 389-5010

LOAN AMORTIZATION

Loan Amount:	\$250,000.00
Interest Rate:	6.000 %
Periodic Interest Rate:	0.50000 %
Daily Interest Rate:	0.01644 %
Term in Years:	10
Payment Amount:	\$2,775.51
Payment Period:	Monthly
Date of Loan:	1/1/2016

		Payment	Interest	Principal	Balance
1	02/01/2016	\$2,775.51	\$1,250.00	\$1,525.51	\$248,474.49
2	03/01/2016	\$2,775.51	\$1,242.37	\$1,533.14	\$246,941.35
3	04/01/2016	\$2,775.51	\$1,234.71	\$1,540.80	\$245,400.55
4	05/01/2016	\$2,775.51	\$1,227.00	\$1,548.51	\$243,852.04
5	06/01/2016	\$2,775.51	\$1,219.26	\$1,556.25	\$242,295.79
6	07/01/2016	\$2,775.51	\$1,211.48	\$1,564.03	\$240,731.76
7	08/01/2016	\$2,775.51	\$1,203.66	\$1,571.85	\$239,159.91
8	09/01/2016	\$2,775.51	\$1,195.80	\$1,579.71	\$237,580.20
9	10/01/2016	\$2,775.51	\$1,187.90	\$1,587.61	\$235,992.59
10	11/01/2016	\$2,775.51	\$1,179.96	\$1,595.55	\$234,397.04
11	12/01/2016	\$2,775.51	\$1,171.99	\$1,603.52	\$232,793.52
2016 Totals		\$30,530.61	\$13,324.13	\$17,206.48	
12	01/01/2017	\$2,775.51	\$1,163.97	\$1,611.54	\$231,181.98
13	02/01/2017	\$2,775.51	\$1,155.91	\$1,619.60	\$229,562.38
14	03/01/2017	\$2,775.51	\$1,147.81	\$1,627.70	\$227,934.68
15	04/01/2017	\$2,775.51	\$1,139.67	\$1,635.84	\$226,298.84
16	05/01/2017	\$2,775.51	\$1,131.49	\$1,644.02	\$224,654.82
17	06/01/2017	\$2,775.51	\$1,123.27	\$1,652.24	\$223,002.58
18	07/01/2017	\$2,775.51	\$1,115.01	\$1,660.50	\$221,342.08
19	08/01/2017	\$2,775.51	\$1,106.71	\$1,668.80	\$219,673.28
20	09/01/2017	\$2,775.51	\$1,098.37	\$1,677.14	\$217,996.14
21	10/01/2017	\$2,775.51	\$1,089.98	\$1,685.53	\$216,310.61
22	11/01/2017	\$2,775.51	\$1,081.55	\$1,693.96	\$214,616.65
23	12/01/2017	\$2,775.51	\$1,073.08	\$1,702.43	\$212,914.22

		Payment	Interest	Principal	Balance
2017 Totals		\$33,306.12	\$13,426.82	\$19,879.30	
24	01/01/2018	\$2,775.51	\$1,064.57	\$1,710.94	\$211,203.28
25	02/01/2018	\$2,775.51	\$1,056.02	\$1,719.49	\$209,483.79
26	03/01/2018	\$2,775.51	\$1,047.42	\$1,728.09	\$207,755.70
27	04/01/2018	\$2,775.51	\$1,038.78	\$1,736.73	\$206,018.97
28	05/01/2018	\$2,775.51	\$1,030.09	\$1,745.42	\$204,273.55
29	06/01/2018	\$2,775.51	\$1,021.37	\$1,754.14	\$202,519.41
30	07/01/2018	\$2,775.51	\$1,012.60	\$1,762.91	\$200,756.50
31	08/01/2018	\$2,775.51	\$1,003.78	\$1,771.73	\$198,984.77
32	09/01/2018	\$2,775.51	\$994.92	\$1,780.59	\$197,204.18
33	10/01/2018	\$2,775.51	\$986.02	\$1,789.49	\$195,414.69
34	11/01/2018	\$2,775.51	\$977.07	\$1,798.44	\$193,616.25
35	12/01/2018	\$2,775.51	\$968.08	\$1,807.43	\$191,808.82
2018 Totals		\$33,306.12	\$12,200.72	\$21,105.40	
36	01/01/2019	\$2,775.51	\$959.04	\$1,816.47	\$189,992.35
37	02/01/2019	\$2,775.51	\$949.96	\$1,825.55	\$188,166.80
38	03/01/2019	\$2,775.51	\$940.83	\$1,834.68	\$186,332.12
39	04/01/2019	\$2,775.51	\$931.66	\$1,843.85	\$184,488.27
40	05/01/2019	\$2,775.51	\$922.44	\$1,853.07	\$182,635.20
41	06/01/2019	\$2,775.51	\$913.18	\$1,862.33	\$180,772.87
42	07/01/2019	\$2,775.51	\$903.86	\$1,871.65	\$178,901.22
43	08/01/2019	\$2,775.51	\$894.51	\$1,881.00	\$177,020.22
44	09/01/2019	\$2,775.51	\$885.10	\$1,890.41	\$175,129.81
45	10/01/2019	\$2,775.51	\$875.65	\$1,899.86	\$173,229.95
46	11/01/2019	\$2,775.51	\$866.15	\$1,909.36	\$171,320.59
47	12/01/2019	\$2,775.51	\$856.60	\$1,918.91	\$169,401.68
2019 Totals		\$33,306.12	\$10,898.98	\$22,407.14	
48	01/01/2020	\$2,775.51	\$847.01	\$1,928.50	\$167,473.18
49	02/01/2020	\$2,775.51	\$837.37	\$1,938.14	\$165,535.04
50	03/01/2020	\$2,775.51	\$827.68	\$1,947.83	\$163,587.21
51	04/01/2020	\$2,775.51	\$817.94	\$1,957.57	\$161,629.64
52	05/01/2020	\$2,775.51	\$808.15	\$1,967.36	\$159,662.28
53	06/01/2020	\$2,775.51	\$798.31	\$1,977.20	\$157,685.08
54	07/01/2020	\$2,775.51	\$788.43	\$1,987.08	\$155,698.00

		Payment	Interest	Principal	Balance
55	08/01/2020	\$2,775.51	\$778.49	\$1,997.02	\$153,700.98
56	09/01/2020	\$2,775.51	\$768.50	\$2,007.01	\$151,693.97
57	10/01/2020	\$2,775.51	\$758.47	\$2,017.04	\$149,676.93
58	11/01/2020	\$2,775.51	\$748.38	\$2,027.13	\$147,649.80
59	12/01/2020	\$2,775.51	\$738.25	\$2,037.26	\$145,612.54
2020 Totals		\$33,306.12	\$9,516.98	\$23,789.14	
60	01/01/2021	\$2,775.51	\$728.06	\$2,047.45	\$143,565.09
61	02/01/2021	\$2,775.51	\$717.83	\$2,057.68	\$141,507.41
62	03/01/2021	\$2,775.51	\$707.54	\$2,067.97	\$139,439.44
63	04/01/2021	\$2,775.51	\$697.20	\$2,078.31	\$137,361.13
64	05/01/2021	\$2,775.51	\$686.81	\$2,088.70	\$135,272.43
65	06/01/2021	\$2,775.51	\$676.36	\$2,099.15	\$133,173.28
66	07/01/2021	\$2,775.51	\$665.87	\$2,109.64	\$131,063.64
67	08/01/2021	\$2,775.51	\$655.32	\$2,120.19	\$128,943.45
68	09/01/2021	\$2,775.51	\$644.72	\$2,130.79	\$126,812.66
69	10/01/2021	\$2,775.51	\$634.06	\$2,141.45	\$124,671.21
70	11/01/2021	\$2,775.51	\$623.36	\$2,152.15	\$122,519.06
71	12/01/2021	\$2,775.51	\$612.60	\$2,162.91	\$120,356.15
2021 Totals		\$33,306.12	\$8,049.73	\$25,256.39	
72	01/01/2022	\$2,775.51	\$601.78	\$2,173.73	\$118,182.42
73	02/01/2022	\$2,775.51	\$590.91	\$2,184.60	\$115,997.82
74	03/01/2022	\$2,775.51	\$579.99	\$2,195.52	\$113,802.30
75	04/01/2022	\$2,775.51	\$569.01	\$2,206.50	\$111,595.80
76	05/01/2022	\$2,775.51	\$557.98	\$2,217.53	\$109,378.27
77	06/01/2022	\$2,775.51	\$546.89	\$2,228.62	\$107,149.65
78	07/01/2022	\$2,775.51	\$535.75	\$2,239.76	\$104,909.89
79	08/01/2022	\$2,775.51	\$524.55	\$2,250.96	\$102,658.93
80	09/01/2022	\$2,775.51	\$513.29	\$2,262.22	\$100,396.71
81	10/01/2022	\$2,775.51	\$501.98	\$2,273.53	\$98,123.18
82	11/01/2022	\$2,775.51	\$490.62	\$2,284.89	\$95,838.29
83	12/01/2022	\$2,775.51	\$479.19	\$2,296.32	\$93,541.97
2022 Totals		\$33,306.12	\$6,491.94	\$26,814.18	
84	01/01/2023	\$2,775.51	\$467.71	\$2,307.80	\$91,234.17
85	02/01/2023	\$2,775.51	\$456.17	\$2,319.34	\$88,914.83

		Payment	Interest	Principal	Balance
86	03/01/2023	\$2,775.51	\$444.57	\$2,330.94	\$86,583.89
87	04/01/2023	\$2,775.51	\$432.92	\$2,342.59	\$84,241.30
88	05/01/2023	\$2,775.51	\$421.21	\$2,354.30	\$81,887.00
89	06/01/2023	\$2,775.51	\$409.44	\$2,366.08	\$79,520.92
90	07/01/2023	\$2,775.51	\$397.60	\$2,377.91	\$77,143.01
91	08/01/2023	\$2,775.51	\$385.72	\$2,389.79	\$74,753.22
92	09/01/2023	\$2,775.51	\$373.77	\$2,401.74	\$72,351.48
93	10/01/2023	\$2,775.51	\$361.76	\$2,413.75	\$69,937.73
94	11/01/2023	\$2,775.51	\$349.69	\$2,425.82	\$67,511.91
95	12/01/2023	\$2,775.51	\$337.56	\$2,437.95	\$65,073.96
2023 Totals		\$33,306.12	\$4,838.12	\$28,468.01	
96	01/01/2024	\$2,775.51	\$325.37	\$2,450.14	\$62,623.82
97	02/01/2024	\$2,775.51	\$313.12	\$2,462.39	\$60,161.43
98	03/01/2024	\$2,775.51	\$300.81	\$2,474.70	\$57,686.73
99	04/01/2024	\$2,775.51	\$288.43	\$2,487.08	\$55,199.65
100	05/01/2024	\$2,775.51	\$276.00	\$2,499.51	\$52,700.14
101	06/01/2024	\$2,775.51	\$263.50	\$2,512.01	\$50,188.13
102	07/01/2024	\$2,775.51	\$250.94	\$2,524.57	\$47,663.56
103	08/01/2024	\$2,775.51	\$238.32	\$2,537.19	\$45,126.37
104	09/01/2024	\$2,775.51	\$225.63	\$2,549.88	\$42,576.49
105	10/01/2024	\$2,775.51	\$212.88	\$2,562.63	\$40,013.86
106	11/01/2024	\$2,775.51	\$200.07	\$2,575.44	\$37,438.42
107	12/01/2024	\$2,775.51	\$187.19	\$2,588.32	\$34,850.10
2024 Totals		\$33,306.12	\$3,082.26	\$30,223.86	
108	01/01/2025	\$2,775.51	\$174.25	\$2,601.26	\$32,248.84
109	02/01/2025	\$2,775.51	\$161.24	\$2,614.27	\$29,634.57
110	03/01/2025	\$2,775.51	\$148.17	\$2,627.34	\$27,007.23
111	04/01/2025	\$2,775.51	\$135.04	\$2,640.47	\$24,366.76
112	05/01/2025	\$2,775.51	\$121.83	\$2,653.68	\$21,713.08
113	06/01/2025	\$2,775.51	\$108.57	\$2,666.94	\$19,046.14
114	07/01/2025	\$2,775.51	\$95.23	\$2,680.28	\$16,365.86
115	08/01/2025	\$2,775.51	\$81.83	\$2,693.68	\$13,672.18
116	09/01/2025	\$2,775.51	\$68.36	\$2,707.15	\$10,965.03
117	10/01/2025	\$2,775.51	\$54.83	\$2,720.68	\$8,244.35
118	11/01/2025	\$2,775.51	\$41.22	\$2,734.29	\$5,510.06

	Payment	Interest	Principal	Balance
119 12/01/2025	\$2,775.51	\$27.55	\$2,747.96	\$2,762.10
2025 Totals	\$33,306.12	\$1,218.12	\$32,088.00	
120 01/01/2026	\$2,775.51	\$13.81	\$2,761.70	\$0.40
2026 Totals	\$2,775.51	\$13.81	\$2,761.70	
	=====	=====	=====	
GRAND TOTALS	\$333,061.20	\$83,061.61	\$250,000.00	

EXHIBIT E

SECURITY AGREEMENT

This SECURITY AGREEMENT (this “Agreement”) is entered into as of _____, 2015, by **BRANDT LLC**, an Oregon limited liability company (the “Debtor”) for the benefit of **SUN MOUNTAIN WATER SYSTEM, INC.**, an Oregon corporation (the “Secured Party”).

RECITALS

A. The Debtor desires to grant the Secured Party a first security interest in all the Debtor’s assets, subject only to Permitted Liens, to secure the Debtor’s full and prompt performance of the Obligations.

B. The Debtor intends that the Secured Party have all the rights and remedies of a secured party under the UCC with respect to the Collateral, together with all additional rights and remedies granted in this Agreement.

AGREEMENT

The Debtor agrees as follows:

SECTION 1. DEFINITIONS

1.1 Definitions Generally. All capitalized terms contained in this Agreement that are not defined in this Agreement will have, unless the context indicates otherwise, the meanings provided for by the UCC. The terms defined in Sections 1.2–1.9 are so defined whenever used in this Agreement.

1.2 Bankruptcy Code. “Bankruptcy Code” means the Bankruptcy Code set forth in 11 USC §§101–1330, and as amended from time to time.

1.3 UCC. “UCC” means the Uniform Commercial Code of the state of Oregon as set forth in ORS chapters 71, 72, 72A, 73, 74, 74A, 75, 77, 78, and 79, and as amended from time to time.

1.4 Collateral. “Collateral” means all the Debtor’s assets, including, without limitation:

(1) All accounts, goods, inventory, equipment, fixtures, general intangibles, money, instruments, chattel paper, deposit accounts, documents, investment property, letter-of-credit rights, and supporting obligations including, without limitation, those assets set forth on Exhibit A;

(2) All products, proceeds, rents, and profits of the foregoing;

(3) All the Debtor’s books and records relating to the foregoing; and

EXHIBIT E

(4) All the foregoing, whether now owned or existing or hereafter acquired or arising or in which the Debtor now has or hereafter acquires any rights.

1.5 Event of Default. “Event of Default” has the meaning set forth in Section 6.

1.6 Lien. “Lien” means any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, security interest, charge, or other encumbrance of any kind, whether consensual or not, or any other type of preferential arrangement that has substantially the same practical effect as a lien or a security interest, including, without limitation, any conditional sale or other title-retention agreement or the interest of a lessor under a capital lease or financing lease.

1.7 Person. “Person” means any government (or political subdivision or agency of any government) or an individual, partnership, corporation (including, without limitation, a business trust), joint stock company, limited liability company, trust, unincorporated association, joint venture, or other entity.

1.8 Obligations. “Obligations” means all the Debtor’s obligations under this Agreement, the Purchase Agreement between the Debtor and Secured Party, the Note between Debtor and Secured Party, and the Trust Deed between Debtor and Secured Party (all dated of even date herewith).

1.9 Permitted Liens. “Permitted Liens” means:

- (1) Liens granted to the Secured Party;
- (2) Liens arising by operation of law for taxes, assessments, or governmental charges not yet due;
- (3) Statutory liens of mechanics, materialmen, shippers, warehousemen, carriers, and other similar persons for services or materials arising in the ordinary course of business for which payment is not yet due; and
- (4) Nonconsensual liens incurred or deposits made in the ordinary course of business in connection with workers’ compensation, unemployment insurance, and other types of social security.

SECTION 2. GRANT OF SECURITY INTEREST

The Debtor grants the Secured Party a security interest in the Collateral as security for the full and prompt payment in cash and performance of the Obligations.

SECTION 3. PERFECTION OF SECURITY INTEREST; DUTY OF CARE

3.1 The Debtor will perform all steps requested by the Secured Party to perfect, maintain, and protect the Secured Party’s security interest in the Collateral.

EXHIBIT E

3.2 The Secured Party's duty of care with respect to the Collateral will be to exercise reasonable care with respect to the Collateral in the Secured Party's custody. The Secured Party will be deemed to have exercised reasonable care if the Secured Party treats the Collateral substantially the same as it treats its own property.

3.3 The Secured Party's failure to take steps to preserve rights against any parties or property will not be a failure to exercise reasonable care with respect to the Collateral in the Secured Party's custody.

SECTION 4. REPRESENTATIONS AND WARRANTIES

The Debtor warrants and represents as follows:

4.1 The Debtor is a limited liability company, duly organized and validly existing in good standing under the laws of Oregon.

4.2 This Agreement is the legal, valid, and binding obligation of the Debtor enforceable against the Debtor in accordance with its terms.

4.3 The Debtor's execution, delivery, and performance of this Agreement does not violate or contravene any provision of the Debtor's articles of organization or operating agreement and does not violate any law or result in a breach of or constitute a default under any contract, obligation, indenture, or other instrument to which the Debtor is a party or by which the Debtor is bound.

4.4 The Debtor's rights to the Collateral are free and clear of all Liens except Permitted Liens.

4.5 The Debtor has filed all tax returns required to be filed by it and has paid all taxes and assessments required to be paid by it.

4.6 To Debtor's knowledge, Debtor is in compliance in all material respects with all applicable laws, except that the real property owned by Debtor is not a legal lot of record and

4.7 The Debtor maintains in full force and effect insurance of a nature and coverage customarily carried by companies of the Debtor's size and character and engaged in the type of business in which the Debtor is engaged.

SECTION 5. COVENANTS

Until all the Obligations have been fully satisfied and paid in cash, the Debtor covenants that, at its expense, unless Secured Party otherwise consents in writing:

5.1 Except for Permitted Liens, the disposition of inventory in the ordinary course of business, and the disposition of assets that have become obsolete or that are replaced in the ordinary course of business, the Debtor will not sell, transfer, lease, or otherwise dispose of any

EXHIBIT E

Collateral or any interest in it, or permit or suffer any other Person to acquire any interest in any of the Collateral, and will keep the Collateral free and clear of all Liens, except Permitted Liens.

5.2 The Debtor will pay all taxes and assessments when due.

5.3 The Debtor will conduct its business in material compliance with all applicable laws.

5.4 The Debtor will insure the Collateral in a manner and with companies reasonably acceptable to the Secured Party and will provide the Secured Party with evidence of insurance and the endorsements regarding insurance coverage reasonably requested by the Secured Party from time to time.

5.5 The Debtor will preserve and maintain its company existence, rights (charter and statutory), and all material franchises, licenses, permits, and general intangibles. The Debtor will not change its name or place of organization without at least 30 days' prior written notice to the Secured Party.

5.6 On the Secured Party's request, the Debtor will promptly execute and deliver to the Secured Party all further instruments, agreements, and documents, and take all further action, that may be reasonably necessary to enable the Secured Party to exercise and enforce its rights and remedies under this Agreement.

5.7 Notwithstanding anything to the contrary, as long as the Secured Party's interest in the Assets is not jeopardized, Debtor may withhold payment of any taxes, assessments, claims or demands or may elect to contest liens if Debtor is, in good faith, conducting appropriate proceedings to contest its obligation to pay. If the Assets are subject to a lien which is not discharged within 30 days from the date the notice of claim of lien is filed, Debtor shall deposit with Secured Party cash, a sufficient surety bond or security reasonably satisfactory to Secured Party in an amount adequate to provide for discharge of the lien plus any interest, costs, attorney fees or other charges that could accrue as a result of foreclosure or sale. In any contest, Debtor shall, at Debtor's expense, defend itself, Secured Party, and shall satisfy any adverse judgment before enforcement against the Assets.

SECTION 6. EVENTS OF DEFAULT

Each of the following events will constitute an "Event of Default" under this Agreement:

- (1) The Debtor breaches any of the Obligations;
- (2) Any representation or warranty made by the Debtor in this Agreement proves to be false or misleading in any material respect when furnished or made;
- (3) The Debtor becomes insolvent;
- (4) The Debtor suffers or consents to or applies for the appointment of a receiver, trustee, custodian, or liquidator of itself or any material part of the Debtor's property;
- (5) The Debtor makes a general assignment for the benefit of creditors;

EXHIBIT E

(6) The Debtor files a voluntary petition in bankruptcy or seeks to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Code or under any state or other federal law granting relief to debtors, whether now or hereafter in effect;

(7) Any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable law relating to bankruptcy, reorganization, or other relief for debtors is filed or commenced against the Debtor and is not dismissed, stayed, or vacated within 60 days thereafter or the Debtor files an answer admitting the jurisdiction of the court and the material allegations of any such involuntary petition;

(8) The Debtor is adjudicated a debtor in bankruptcy, or an order for relief is entered by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization, or other relief for debtors; or

(9) The Debtor takes any corporate action authorizing, or in furtherance of, any of the foregoing.

SECTION 7. SECURED PARTY'S RIGHTS AND REMEDIES

7.1 During the continuance of any Event of Default, the Secured Party may declare any or all of the Obligations to be immediately due and payable without presentment, demand, protest, or any other notice of any kind, all of which are hereby expressly waived by the Debtor. In addition to any other rights and remedies contained in this Agreement, the Secured Party will have all the rights and remedies of a secured party under the UCC and all other applicable law, and all the rights and remedies will be cumulative and nonexclusive to the extent permitted by law. The Debtor acknowledges that portions of the Collateral may be difficult to preserve and dispose of and may be subject to complex maintenance and management; accordingly, the Secured Party will have the widest possible latitude in exercising its rights and remedies under this Agreement.

7.2 On the occurrence of an Event of Default, the Secured Party may cause the Collateral to remain on the Debtor's premises, at the Debtor's expense, pending sale or other disposition. The Secured Party, at its discretion, may conduct sales of the Collateral on the Debtor's premises or elsewhere, at the Debtor's expense. On the Secured Party's request, the Debtor, at its own expense, will assemble the Collateral and make it available to the Secured Party at the places reasonably designated by the Secured Party from time to time. Any sale, lease, or other disposition of the Collateral, or any part of it, may be for cash or other value. The Debtor will execute and deliver, or cause to be executed and delivered, all instruments, documents, assignments, deeds, waivers, certificates, and affidavits and will take all further action reasonably required by the Secured Party in connection with any sale, lease, or other disposition of the Collateral. The Debtor hereby appoints the Secured Party as its attorney-in-fact to execute all such instruments, documents, assignments, deeds, waivers, certificates, and affidavits on behalf of Debtor and in its name.

7.3 At any sale, the Collateral may be sold in one lot or in separate lots as the Secured Party may determine. The Secured Party will not be obligated to make any sale of any Collateral

EXHIBIT E

if the Secured Party determines not to do so, regardless of the fact that notice of sale was given. The Secured Party, without notice or publication, may adjourn any public or private sale or cause the sale to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale, without further notice, may be made at the time and place to which it was so adjourned. If any sale of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Secured Party until the sale price is paid, but the Secured Party will not incur any liability if any purchaser fails to pay for any Collateral so sold and, in the event of any such failure, the Collateral may be sold again. At any public sale, the Secured Party may (a) bid for or purchase, free (to the extent permitted by law) from any rights of redemption, stay, or appraisal on the Debtor's part with regard to the Collateral offered for sale, (b) make payment on account thereof by using any claim then due and payable to the Secured Party from the Debtor as a credit against the purchase price, and (c) on compliance with the terms of sale, hold, retain, and dispose of that property without further accountability to the Debtor for it.

7.4 The Secured Party is hereby granted a license and the right to use, without charge during the continuance of an Event of Default and until the Obligations are fully and finally paid in cash, the Debtor's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, advertising material, general intangibles, and other property of a similar nature in completing the production, advertising for sale, and sale of any Collateral.

7.5 Any notice required to be given by the Secured Party that is given pursuant to Section 9.3 and deemed received pursuant to Section 9.3 at least 10 business days before a sale, lease, disposition or other intended action by the Secured Party regarding any Collateral will constitute fair and reasonable notice to the Debtor of that action. A public sale in the following fashion will be conclusively presumed to be reasonable:

- (1) The sale is held in a county where any part of the Collateral is located or in which the Debtor has a place of business;
- (2) The sale is conducted by auction, but it need not be by a professional auctioneer;
- (3) The Collateral is sold as is and without any preparation for sale; and
- (4) The Debtor is given notice of the public sale pursuant to the preceding sentence.

7.6 On the occurrence of an Event of Default, the Secured Party will have with respect to accounts all rights and powers to:

- (1) Direct account debtors to make all payments directly to the Secured Party or otherwise demand payment of any account;
- (2) Enforce payment by legal proceedings or otherwise;
- (3) Exercise the Debtor's rights and remedies with respect to any actions or proceedings brought to collect any account;

EXHIBIT E

- (4) Sell or assign any account on the terms, for the amount, and at any time or times that the Secured Party deems advisable;
- (5) Settle, adjust, compromise, extend, or renew any account;
- (6) Discharge or release any account; and
- (7) Prepare, file, and sign the Debtor's name on any proof of claim in bankruptcy or on any similar document against an account debtor, and to otherwise exercise the rights granted in this Agreement.

7.7 The Secured Party will have no obligation to (a) preserve any rights to the Collateral against any Person, (b) make any demand on or pursue or exhaust any rights or remedies against the Debtor or others with regard to payment of the Obligations, (c) to pursue or exhaust any rights or remedies with regard to any of the Collateral or any other security for the Obligations, or (d) to marshal any assets in favor of the Debtor or any other Person against or in payment of any or all of the Obligations.

7.8 The Debtor recognizes that federal and state securities laws and other laws may limit the flexibility desired to achieve an otherwise commercially reasonable disposition of the Collateral, and in the event of potential conflict between those laws and what in other circumstances might constitute commercial reasonableness, it is intended that consideration of the laws will prevail over attempts to achieve commercial reasonableness. In connection with any sale or other disposition of the Collateral, the Secured Party's compliance with the written advice of its lawyer concerning the potential effect of any law will not be cause for the Debtor, or any other Person, to claim that the sale or other disposition was not commercially reasonable.

7.9 On demand, the Debtor will pay the Secured Party all costs and expenses, including court costs and costs of sale, incurred by the Secured Party in exercising any of its rights or remedies under this Agreement, together with interest at the highest rate then applicable to any of the Obligations from the date incurred until paid.

SECTION 8. WAIVERS

All the Secured Party's rights with respect to the Collateral will continue unimpaired, and the Debtor will be and will remain obligated in accordance with the terms of this Agreement, notwithstanding (a) any release or substitution of any Collateral or other security for the Obligations, (b) any failure to perfect the Secured Party's interest in the Collateral or other security, or (c) any delay, extension of time, renewal, compromise, or other indulgence granted by the Secured Party in reference to any Obligations. The Debtor waives all notice of any such delay, extension, release, substitution, renewal, compromise, or other indulgence, and consents to be bound thereby as fully and effectively as if the Debtor had expressly agreed to them in advance. The Secured Party's delay in exercising, or failure to exercise, any right, remedy, or option will not operate as a waiver by Secured Party of its right to exercise any such right, remedy, or option. To the extent permitted by law, the Debtor waives all rights of redemption, stay, and appraisal that the Debtor now has or may at any time in the future have under any applicable law. No waiver by the Secured Party will be effective unless it is in writing and then

EXHIBIT E

only to the extent specifically stated. The Secured Party's rights and remedies will be cumulative and not exclusive of any other right or remedy that the Secured Party may have.

SECTION 9. MISCELLANEOUS PROVISIONS

9.1 Binding Effect. This Agreement will be binding on and inure to the benefit of the parties and their respective heirs, personal representatives, successors, and permitted assigns.

9.2 Assignment. The Debtor may not assign the rights, interests, or obligations under this Agreement without the prior written consent of the Creditor, which consent may be withheld or denied in the Secured Party's sole discretion.

9.3 Notices. All notices and other communications under this Agreement must be in writing and will be deemed to have been given if delivered personally, sent by facsimile (with confirmation), mailed by certified mail, or delivered by an overnight delivery service (with confirmation) to the parties to the following addresses or facsimile numbers (or at such other address or facsimile number as a party may designate by like notice to the other parties):

To Debtor: Brandt LLC
16880 Barbara Way
Bend, OR 97703
Attn: Jamie Hildebrandt
Facsimile No.: ____ - ____ - ____
Email: rockspringsjamie@gmail.com

With a copy to: Francis Hansen & Martin LLP
1148 NW Hill St.
Bend, OR 97703
Attn: Alison Huycke
Facsimile No.: 541-389-5010
Email: alison@francishansen.com

To Secured Party: Sun Mountain Water System, Inc.
3896 S Lamone Way
Meridian, ID 83642
Attn: Ronald Fuller
Facsimile No.: ____ - ____ - ____
Email: _____

With a copy to: Karnopp Petersen LLP
360 SW Bond Street, Suite 400
Bend, OR 97702
Attn: Brent Kinkade
Facsimile No.: 541-388-5410
Email: bsk@karnopp.com

EXHIBIT E

Any notice or other communication will be deemed to be given (a) on the date of personal delivery, (b) at the expiration of the 3rd day after the date of deposit in the United States mail, or (c) on the date of confirmed delivery by facsimile or overnight delivery service.

9.4 Amendments. This Agreement may be amended only by an instrument in writing executed by all the parties.

9.5 Construction. The captions used in this Agreement are provided for convenience only and will not affect the meaning or interpretation of any provision of this Agreement. All references in this Agreement to “Section” or “Sections” without additional identification refer to the Section or Sections of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Whenever the words *include* or *including* are used in this Agreement, they will be deemed to be followed by the words *without limitation*.

9.6 Further Assurances. Each party agrees (a) to execute and deliver such other documents and (b) to do and perform such other acts and things, as any other party may reasonably request, in order to carry out the intent and accomplish the purposes of this Agreement.

9.7 Time of Essence. Time is of the essence with respect to all dates and time periods set forth or referred to in this Agreement.

9.8 Expenses. Except as otherwise expressly provided in this Agreement, each party to this Agreement will bear the party’s own expenses in connection with the preparation, execution, and performance of this Agreement and the transactions contemplated by this Agreement.

9.9 Waiver. Any provision or condition of this Agreement may be waived at any time, in writing, by the party entitled to the benefit of such provision or condition. Waiver of any breach of any provision will not be a waiver of any succeeding breach of the provision or a waiver of the provision itself or any other provision.

9.10 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Oregon, without regard to conflict-of-laws principles.

9.11 Attorney Fees. With respect to any dispute relating to this Agreement, or in the event that a suit, action, arbitration, or other proceeding of any nature whatsoever is instituted to interpret or enforce the provisions of this Agreement, including, without limitation, any proceeding under the U.S. Bankruptcy Code and involving issues peculiar to federal bankruptcy law or any action, suit, arbitration, or proceeding seeking a declaration of rights or rescission, the prevailing party shall be entitled to recover from the losing party its reasonable attorney fees, paralegal fees, expert fees, and all other fees, costs, and expenses actually incurred and reasonably necessary in connection therewith, as determined by the judge or arbitrator at trial, arbitration, or other proceeding, or on any appeal or review, in addition to all other amounts provided by law.

EXHIBIT E

9.12 Injunctive and Other Equitable Relief. The parties agree that the remedy at law for any breach or threatened breach by a party may, by its nature, be inadequate, and that the other parties will be entitled, in addition to damages, to a restraining order, temporary and permanent injunctive relief, specific performance, and other appropriate equitable relief, without showing or proving that any monetary damage has been sustained.

9.13 Venue. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement will be brought against any of the parties in Deschutes County Circuit Court of the State of Oregon, or, subject to applicable jurisdictional requirements, in the United States District Court for the District of Oregon, and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to such venue.

9.14 Exhibits. The exhibits referenced in this Agreement are a part of this Agreement as if fully set forth in this Agreement.

9.15 Severability. If any provision of this Agreement will be invalid or unenforceable in any respect for any reason, the validity and enforceability of any such provision in any other respect and of the remaining provisions of this Agreement will not be in any way impaired.

9.16 Entire Agreement. This Agreement (including the documents and instruments referred to in this Agreement) constitutes the entire agreement and understanding of the parties with respect to the subject matter of this Agreement and supersedes all prior understandings and agreements, whether written or oral, among the parties with respect to such subject matter

IN WITNESS WHEREOF, the Debtor has signed this Security Agreement as of the date first written above.

BRANDT LLC, an Oregon limited liability company

JAMIE HILDEBRANDT, Member

EXHIBIT E

Exhibit A

- P** Office supplies and equipment
- E Water Pumps and other pump equipment
- E 2 Water reservoirs and reservoir equipment
- E Electronic upgrades to Varco and Young Wells
- E Pumphouses – Varco, Young and shed at Varco Reservoir
- E Thurst blocks throughout system
- E PVC underground piping throughout system
- E Valves throughout the system
- E Air vents throughout the system
- E Control Valves throughout the system
- E Parts inventory in van & other storage
- E Equipment and tools
- E Used galvanized pipe and pumps
- E 1997 Van with shelving upgrades

EXHIBIT F

WHEN RECORDED RETURN TO:
Brent S. Kinkade
Karnopp Petersen LLP
360 SW Bond Street, Suite 400
Bend, Oregon 97702

**TRUST DEED, SECURITY AGREEMENT,
ASSIGNMENT OF CONTRACTS AND PAYMENTS,
AND FIXTURE FILING**

BRANDT LLC, an Oregon limited liability company
whose address is 16880 Barbara Way, Bend, OR 97703
Grantor

AMERITITLE, INC.
whose address is 15 Oregon Avenue, Bend, OR 97703
Trustee

SUN MOUNTAIN WATER SYSTEM, INC., an Oregon corporation
whose address is 3896 S Lamone Way, Meridian, ID 83642
Beneficiary

The tax account number for the real property subject to this instrument
is _____.

THIS TRUST DEED is made on _____, 2015, by **BRANDT LLC**, an Oregon limited liability company whose address is 16880 Barbara Way, Bend, OR 97703 (“Grantor”), to **AMERITITLE, INC.**, having its office at 15 Oregon Avenue, Bend, OR 97703 (“Trustee”), for the benefit of **SUN MOUNTAIN WATER SYSTEM, INC.**, an Oregon corporation whose address is 3896 S Lamone Way, Meridian, ID 83642 (“Beneficiary”).

WHEREAS, Beneficiary has made a loan to Grantor in the sum of \$250,000, which loan is to be evidenced by a Promissory Note dated _____, 2015. The loan, if not sooner paid, is due and payable in full on December 1, 2025 (the Promissory Note, as it may be modified, extended, or replaced from time to time, is referred to herein as the “Note”); and

WHEREAS, as a condition to the making of the loan to Grantor, Beneficiary has required, and Grantor has agreed to provide, this Trust Deed.

NOW, THEREFORE, for valuable consideration, receipt of which is hereby acknowledged, and for the purpose of securing the Obligations described in Section 1.1 below, Grantor hereby irrevocably grants, bargains, sells, conveys, assigns, and transfers to Trustee in trust for the benefit and security of Beneficiary, with power of sale, all of Grantor’s right, title, and interest in and to the real property located in Deschutes County, state of Oregon, and more particularly described in Exhibit A attached hereto and incorporated herein (the “Property”);

EXHIBIT F

TOGETHER WITH all interests, estates, and rights that Grantor now has or may acquire in (1) the Property; (2) all easements, rights-of-way, and rights used in connection with the Property or as a means of access to the Property; and (3) all tenements, hereditaments, and appurtenances in any manner belonging, relating, or appertaining to the Property; and

TOGETHER WITH all rights, titles, and interests of Grantor, now owned or hereafter acquired, in and to any and all buildings and other improvements of every nature now or hereafter located on the Property and all pumps, pump houses, reservoirs, pipes, fixtures, machinery, equipment, and other personal property located on the Property, easements, rights of way, or appurtenances, or attached to, contained in, or used in any such buildings and other improvements, and all appurtenances and additions to and substitutions and replacements of the Property (all of the foregoing being collectively referred to below as the "Improvements"); and

TOGETHER WITH any and all mineral, oil and gas rights, air rights, development rights, water rights (including, without limitation, all water rights from the wells in the Squaw Creek Basin under Water Right Permit No. G-11328), water stock, and water service contracts, drainage rights, zoning rights, and other similar rights or interests that benefit or are appurtenant to the Property or the Improvements or both, and any of their proceeds; and

TOGETHER WITH all present and future rights in and to the trade name by which all or any portion of the Property and the Improvements are known; all books and records relating to the use and operation of all or any portion of the Property and Improvements; all right, title, and interest of Grantor in, to, and under all present and future plans, specifications, and contracts relating to the design, construction, management, or inspection of any Improvements; all rights, titles, and interests of Grantor in and to all present and future licenses, permits, approvals, and agreements with or from any municipal corporation, county, state, or other governmental or quasi-governmental entity or agency relating to the development, improvement, division, or use of all or any portion of the Property to the extent such trade names, licenses, permits, approvals, and agreements are assignable by law (including, without limitation, Public Utility Commission Exclusive Territory determination Order No. 02-897); and all other general intangibles relating to the Property, the Improvements, or their use and operation; and

TOGETHER WITH all rights of Grantor in and to any escrow or withhold agreements, title insurance, surety bonds, warranties, management contracts, leasing and sales agreements, and service contracts that are in any way relevant to the ownership, development, improvement, management, sale, or use of all or any portion of the Property or any of the Improvements; and

TOGETHER WITH Grantor's rights under any payment, performance, or other bond in connection with construction of any Improvements, and all construction materials, supplies, and equipment delivered to the Property or intended to be used in connection with the construction of any Improvements; and

TOGETHER WITH all rights, interests, and claims that Grantor now has or may acquire with respect to any damage to or taking of all or any part of the Property or the Improvements, including without limitation any and all proceeds of insurance in effect with respect to the Improvements, any and all awards made for taking by eminent domain or by any

EXHIBIT F

proceeding or purchase in lieu thereof, of the whole or any part of the Property or the Improvements, and any and all awards resulting from any other damage to the Property or the Improvements, all of which are assigned to Beneficiary, and, subject to the terms of this Trust Deed, Beneficiary is authorized to collect and receive such proceeds, to give proper receipts and acquittances for the proceeds, and to apply them to the Obligations secured by this Trust Deed.

All of the above is sometimes referred to below as the "Trust Property."

TO HAVE AND TO HOLD the Trust Property to Trustee and its successors and assigns for the benefit of Beneficiary and its successors and assigns, forever.

PROVIDED ALWAYS, that if all the Obligations shall be paid, performed, and satisfied in full, then the lien and estate hereby granted shall be reconveyed.

This Trust Deed, the Note, together with a Purchase Agreement between Grantor and Beneficiary, a Security Agreement between Grantor and Beneficiary and all other agreements executed at any time in connection therewith, as they may be amended or supplemented from time to time, are sometimes collectively referred to as the "Loan Documents."

TO PROTECT THE SECURITY OF THIS TRUST DEED, GRANTOR COVENANTS AND AGREES AS FOLLOWS:

ARTICLE 1

Particular Covenants and Warranties of Grantor

1.1 Obligations Secured. This Trust Deed secures the payment of all indebtedness, including but not limited to principal and interest, and the performance of all covenants and obligations of Grantor, under the Note, this Trust Deed, and the other Loan Documents, whether such payment and performance is now due or becomes due in the future (collectively, the "Obligations").

1.2 Payment and Performance. Grantor shall pay and perform all of the Obligations when due.

1.3 Property. Grantor warrants that it holds good and merchantable title to the Trust Property, free and clear of all liens, encumbrances, reservations, restrictions, easements, and adverse claims except those specifically listed in Exhibit B attached hereto. Grantor covenants that it shall forever defend Beneficiary's and Trustee's rights hereunder and the priority of this Trust Deed against the adverse claims and demands of all persons.

1.4 Further Assurances. Grantor shall execute, acknowledge, and deliver, from time to time, such further instruments as Beneficiary or Trustee may require to accomplish the purposes of this Trust Deed.

1.5 Compliance with Laws. Grantor represents, warrants, and covenants to Grantor's knowledge that the Trust Property is currently in material compliance with, and will at all times

EXHIBIT F

be maintained in material compliance with, all applicable laws, and all covenants, conditions, easements, and restrictions affecting the Trust Property, except that the Trust Property is not a legal lot of record.

1.6 Environmental Compliance

(1) For purposes of this section, “Environmental Law” means any federal, state, or local law or regulation now or hereafter at any time pertaining to Hazardous Substances or environmental conditions. For purposes of this section, “Hazardous Substance” includes, without limitation, any substance that is or becomes classified as hazardous, dangerous, or toxic under any federal, state, or local law or regulation.

(2) Grantor will not use, generate, store, release, discharge, or dispose of on, under, or about the Trust Property or the groundwater thereof any Hazardous Substance and will not permit any other person to do so, except for storage and use of such Hazardous Substances (and in such quantities) as may commonly be used for purposes reasonably necessary for operating a water company, provided such substances are stored and used in compliance with all Environmental Laws. Grantor will keep and maintain the Trust Property in compliance with all Environmental Laws.

(3) Beneficiary shall have the right to participate in any legal proceeding initiated with respect to the Trust Property in connection with any Environmental Law and have its attorney fees paid by Grantor. If, at any time, Beneficiary has a good faith reason to believe that any violation of this Section 1.6 has occurred or is threatened, Beneficiary may require Grantor to obtain or may itself obtain, at Grantor’s expense, an environmental assessment by a qualified environmental consultant. Grantor shall promptly provide to Beneficiary a complete copy of any environmental assessment obtained by Grantor.

(4) If any investigation, monitoring, containment, cleanup, or other remedial work of any kind is required on the Trust Property under any applicable Environmental Law or by any governmental agency or person in connection with a release of a Hazardous Substance, Grantor shall promptly complete all such work at Grantor’s expense.

(5) All representations, warranties, and covenants in this Section 1.6 shall survive the satisfaction of the Obligations, the reconveyance of the Trust Property, or the foreclosure of this Trust Deed.

1.7 Maintenance and Improvements. Grantor shall not permit the Trust Property or any part thereof to be removed, demolished, or materially altered without Beneficiary’s prior written consent. Grantor shall maintain the Trust Property, and every portion thereof, in good repair and condition, except for reasonable wear and tear, and shall at Beneficiary’s election restore, replace, or rebuild the Trust Property or any part thereof now or hereafter damaged or destroyed by any casualty (whether or not insured against or insurable) or affected by any Condemnation (as defined in Section 2.1). Grantor shall not commit or suffer any waste or strip of the Trust Property.

EXHIBIT F

1.8 Liens. Grantor shall pay when due all claims for labor and materials that, if unpaid, might become a lien on the Trust Property. Grantor shall not create or suffer any lien, security interest, or encumbrance on the Trust Property that may be prior to, or on a parity with, the lien of this Trust Deed, except as specifically provided in Exhibit B attached hereto.

1.9 Impositions. Grantor shall pay when due all taxes, assessments, fees, and other governmental and nongovernmental charges of every nature now or hereafter assessed against any part of the Trust Property or on the lien or estate of Beneficiary or Trustee therein (collectively, the “Impositions”); provided, however, that if by law any such Imposition may be paid in installments, Grantor may pay the same in installments, together with accrued interest on the unpaid balance thereof, as they become due. Grantor shall furnish to Beneficiary promptly on request satisfactory evidence of the payment of all Impositions. Beneficiary is hereby authorized to request and receive from the responsible governmental and nongovernmental personnel written statements with respect to the accrual and payment of all Impositions.

1.10 Limitations of Use. Grantor shall not initiate or consent to any rezoning of the Trust Property or any change in any covenant or other public or private restrictions limiting or defining the uses that may be made of the Trust Property without the prior written consent of Beneficiary.

1.11 Grantor’s Right to Contest. As long as the Trustee’s interest in the Trust Property is not jeopardized, Grantor may withhold payment of any taxes, assessments, claims or demands or may elect to contest liens if Grantor is, in good faith, conducting appropriate proceedings to contest its obligation to pay. If the Trust Property is subject to a lien which is not discharged within 30 days from the date the notice of claim of lien is filed, Grantor shall deposit with Beneficiary cash, a sufficient surety bond or security reasonably satisfactory to Beneficiary in an amount adequate to provide for discharge of the lien plus any interest, costs, attorney fees or other charges that could accrue as a result of foreclosure or sale. In any contest, Grantor shall at Grantor’s expense, defend itself, Trustee and Beneficiary, and shall satisfy any adverse judgment before enforcement against the Trust Property.

1.12 Insurance

(1) Property and Other Insurance. Grantor shall obtain and maintain in full force and effect during the term of this Trust Deed (a) all-risk property insurance together with endorsements for replacement cost, inflation adjustment, and malicious mischief, all in amounts not less than the full replacement cost of all Trust Property, without reduction for coinsurance; and (b) comprehensive general liability insurance, including liabilities assumed under contract, with limits, coverages, and risks insured acceptable to Beneficiary, and in no event less than \$1,000,000 combined single limit coverage. In addition, Grantor shall obtain and maintain all such other insurance coverages, which at the time are commonly carried for similar property, in such amounts as Beneficiary may require.

(2) Insurance Companies and Policies. All insurance shall be written by a company or companies reasonably acceptable to Beneficiary; shall contain a long-form mortgagee endorsement in favor of Beneficiary with proceeds under any policy payable to Beneficiary, subject to the terms of this Trust Deed; shall require 10 days’ prior written notice to

EXHIBIT F

Beneficiary of cancellation or reduction in coverage; and shall contain a waiver of subrogation. Grantor shall furnish to Beneficiary on request a certificate evidencing the coverage required under this Trust Deed and a copy of each policy.

(3) **Blanket Policy**. If a blanket policy is issued, a certified copy of such policy shall be furnished together with a certificate indicating that the Trust Property and Beneficiary are insured under such policy in the proper designated amount.

(4) **Insurance Proceeds**. All proceeds from any insurance on the Trust Property shall be used in accordance with the provisions of Section 1.13.

1.13 **Casualty/Loss Restoration**

(1) After the occurrence of any casualty to the Trust Property, whether or not covered by insurance, Grantor shall give prompt written notice thereof to Beneficiary. Beneficiary may make proof of loss if it is not made promptly and to Beneficiary's satisfaction by Grantor.

(2) All insurance proceeds with respect to the Trust Property shall be payable to Beneficiary. At Beneficiary's discretion, insurance proceeds may be applied to the Obligations or may be released to Grantor, on such terms and conditions as Beneficiary elects, for restoration of the Trust Property.

1.14 **Actions to Protect Trust Property; Reserves**

(1) If Grantor shall fail to pay, perform, or observe any of its covenants hereunder, Beneficiary may, but shall not be required to, take such actions as it deems appropriate to remedy such failure. All sums, including reasonable attorney fees, so expended, or expended to maintain the lien or estate of this Trust Deed or its priority, or to protect or enforce any of Beneficiary's rights hereunder, shall be a lien on the Trust Property, shall be secured by this Trust Deed, and shall be paid by Grantor on demand, together with interest thereon at the rate provided in the Note. No payment or other action by Beneficiary under this section shall impair any other right or remedy available to Beneficiary or constitute a waiver of any Event of Default.

(2) If Grantor fails to promptly perform any of its obligations under Section 1.9 or 1.11 of this Trust Deed, Beneficiary may require Grantor thereafter to pay and maintain with Beneficiary reserves for payment of such obligations. In that event, Grantor shall pay to Beneficiary each month a sum estimated by Beneficiary to be sufficient to produce, at least 20 days before due, an amount equal to the Impositions, insurance premiums, or both. If the sums so paid are insufficient to satisfy any Imposition or insurance premium when due, Grantor shall pay any deficiency to Beneficiary on demand. The reserves may be commingled with Beneficiary's other funds. Beneficiary shall credit to Grantor interest on such reserves at the minimum rate required from time to time by applicable law. Beneficiary shall not hold the reserves in trust for Grantor, and Beneficiary shall not be the agent of Grantor for payment of the taxes and assessments required to be paid by Grantor.

EXHIBIT F

(3) **INSURANCE WARNING:** Unless Grantor provides Beneficiary with evidence of the insurance coverage required by the Note, Beneficiary may purchase insurance at Grantor's expense to protect Beneficiary's interest. This insurance may, but need not, also protect Grantor's interest. If the Trust Property becomes damaged, the coverage Beneficiary purchases may not pay any claim Grantor makes or any claim made against Grantor. Grantor may later cancel this coverage by providing evidence that Grantor has obtained property coverage elsewhere.

Grantor is responsible for the cost of any insurance purchased by Beneficiary. The cost of this insurance may be added to Grantor's loan balance. If the cost is added to Grantor's loan balance, the interest rate on the underlying loan will apply to this added amount. The effective date of coverage may be the date Grantor's prior coverage lapsed or the date Grantor failed to provide proof of coverage.

The coverage Beneficiary purchases may be considerably more expensive than insurance Grantor can obtain on its own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

1.15 Estoppel Certificates. Grantor, within five days of request therefor, shall furnish Trustee and Beneficiary a written statement, duly acknowledged, of the amount of the Obligations secured by this Trust Deed and whether any offsets or defenses exist against the Obligations secured hereby. If Grantor shall fail to furnish such a statement within the time allowed, Beneficiary shall be authorized, as Grantor's attorney-in-fact, to execute and deliver such statement.

1.16 Books and Records; Inspection of the Property. Grantor shall keep complete and accurate records and books of account with respect to the Trust Property and its operation in accordance with generally accepted accounting principles consistently applied. Grantor shall permit Trustee, Beneficiary, and their authorized representatives to enter and inspect the Property and the Improvements, and to examine and make copies or extracts of the records and books of account of the Grantor with respect to the Property and the Improvements, all at such reasonable times as Beneficiary or Trustee may choose.

1.17 Financial Information. Grantor shall furnish to Beneficiary within 90 days after the end of each of Grantor's fiscal years a complete copy of Grantor's financial statement for such year, audited or reviewed by a certified public accountant (including balance sheet, income statement, and statement of changes in financial position). Grantor shall promptly furnish to Beneficiary any and all such other financial information as Beneficiary shall reasonably request from time to time.

ARTICLE 2

Condemnation

Should the Trust Property or any part thereof be taken or damaged by reason of any public improvement, eminent domain, condemnation proceeding, or in any other manner (a "Condemnation"), or should Grantor receive any notice or other information regarding such

EXHIBIT F

action, Grantor shall give immediate notice thereof to Beneficiary. Beneficiary shall be entitled to all compensation, awards, and other payments or relief therefor (“Condemnation Proceeds”) up to the full amount of the Obligations, and may appear in any Condemnation proceeding in its own or Grantor’s name and make any settlement in connection therewith. Beneficiary may, at its option, apply the Condemnation Proceeds to the Obligations or release the proceeds to Grantor, on such terms and conditions as Beneficiary elects, for restoration of the Trust Property.

ARTICLE 3

Service Contracts

3.1 Assignment of Contracts and Payments. Grantor assigns to Beneficiary all contracts for water service and other agreements now or hereafter relating to the Trust Property or any portion thereof (the “Contracts”) and all payments and income derived therefrom (the “Payments”). Beneficiary shall have the right, but shall not be obligated, after the occurrence of an Event of Default, to notify any and all obligors under any of the Contracts that the same have been assigned to Beneficiary; to discount, compromise, enforce, and collect the Contracts and Payments; and to exercise any and all other rights and remedies of the lessor in connection with any of the Contracts and Payments. Beneficiary shall have the right to use and apply any Payments received (1) for any costs and expenses incurred in connection with enforcing this assignment and collecting Payments; (2) for the maintenance of the Trust Property; and (3) for reduction of the Obligations in such order as Beneficiary shall determine. Beneficiary hereby gives Grantor a revocable license to collect and receive the Payments. Such license may be revoked by Beneficiary, without notice to Grantor, on the occurrence of any Event of Default under this Trust Deed. Grantor agrees not to collect any Payments more than 30 days in advance. This assignment shall not operate to place responsibility for the care, maintenance, or repair of the Trust Property on Beneficiary.

3.2 Attorney-in-Fact. Grantor irrevocably constitutes and appoints Beneficiary as its true and lawful attorney-in-fact, with power of substitution, to exercise any and all of the rights, powers, and authorities described in this Article 3 and to endorse any instruments given in payment of any Payments.

3.3 License. Beneficiary hereby grants to Grantor a revocable license to collect and receive the Payments. This license may be revoked by Beneficiary, without notice to Grantor, on the occurrence of any event of default under this Trust Deed, including any default by Grantor of its covenants in this Article 3.

ARTICLE 4

Security Agreement and Fixture Filing

To secure the Obligations, Grantor grants to Beneficiary a security interest in the following: (1) the Trust Property to the extent the same is not encumbered by this Trust Deed as a first priority real estate lien; (2) all personal property that is used or will be used in the construction of any Improvements on the Trust Property; (3) all personal property that is now or will hereafter be placed on or in the Trust Property or Improvements; (4) all personal property

EXHIBIT F

that is derived from or used in connection with the use, occupancy, or enjoyment of the Trust Property; (5) all property defined in the Uniform Commercial Code as adopted in the state of Oregon, as accounts, equipment, fixtures, and general intangibles, to the extent the same are used at, or arise in connection with the ownership, maintenance, or operation of, the Trust Property; (6) all causes of action, claims, security deposits, advance rental payments, utility deposits, refunds of fees or deposits paid to any governmental authority, refunds of taxes, and refunds of insurance premiums relating to the Trust Property; and (7) all present and future attachments, accessions, amendments, replacements, additions, products, and proceeds of every nature of the foregoing. This Trust Deed shall constitute a security agreement and “fixture filing” under the Uniform Commercial Code–Secured Transactions statutes of the state of Oregon. The mailing address of Grantor and the address of Beneficiary from which information may be obtained are set forth in the cover sheet of this Trust Deed.

ARTICLE 5

Events of Default; Remedies

5.1 Events of Default. Each of the following shall constitute an Event of Default under this Trust Deed and under each of the other Loan Documents:

(1) **Nonpayment.** Failure of Grantor to pay any of the Obligations on or within 10 days after the due date. After Beneficiary shall notify Grantor of a nonpayment, Grantor will have (5) days from receipt of notice by Beneficiary to pay; provided, however, that in no event shall Beneficiary be required to provide notice of nonpayment to Grantor more than two times in any 12-month period.

(2) **Breach of Other Covenants.** Failure of Grantor to perform or abide by any other covenant included in the Obligations, including without limitation those covenants in the Note, in this Trust Deed, or in any other Loan Document within fifteen (15) days after notice from Beneficiary specifying the nature of the default or, if the default cannot be cured within fifteen days, failure within such time to commence and pursue with reasonable diligence curative action.

(3) **Misinformation.** Falsity when made in any material respect of any representation, warranty, or information furnished by Grantor or its agents to Beneficiary in connection with any of the Obligations.

(4) **Other Default.** The occurrence of any other event of default under the Note, the Loan Documents, or any of the other Obligations.

(5) **Other Indebtedness, Secondary Financing.** Grantor’s default beyond applicable grace periods in the payment of any other indebtedness secured by all or any portion of the Trust Property.

(6) **Bankruptcy.** The occurrence of any of the following with respect to Grantor, any guarantor of the Obligations, or the then-owner of the Trust Property: (a) appointment of a receiver, liquidator, or trustee for any such party or any of its properties; (b)

EXHIBIT F

adjudication as a bankrupt or insolvent; (c) filing of any petition by or against any such party under any state or federal bankruptcy, reorganization, moratorium, or insolvency law; (d) inability to pay debts when due; or (e) any general assignment for the benefit of creditors.

(7) **Transfer; Due-on-Sale**. Any sale, gift, conveyance, contract for conveyance, transfer, or assignment of the Trust Property, or any part thereof or any interest therein, either voluntarily, involuntarily, or by the operation of law (a “Transfer”), without Beneficiary’s prior written consent. Any lease for a term in excess of three years, and any lease containing an option to purchase the Trust Property or any portion thereof, shall be a Transfer. Any transfer of an interest in Grantor shall be a Transfer. The provisions of this subsection (7) shall apply to each and every Transfer, regardless of whether or not Beneficiary has consented or waived its rights in connection with any previous Transfer. Beneficiary may attach such conditions to its consent under this subsection (7) as Beneficiary may determine in its sole discretion, including without limitation an increase in the interest rate or the payment of transfer or assumption fees, and the payment of administrative and legal fees and costs incurred by Beneficiary.

5.2 Remedies in Case of Default. If an Event of Default shall occur, Beneficiary or Trustee, as the case may be, may exercise any one or more of the following rights and remedies, in addition to any other remedies that may be available by law, in equity, or otherwise:

- (1) **Acceleration**. Beneficiary may declare all or any portion of the Obligations immediately due and payable.
- (2) **Payments**. Beneficiary may revoke Grantor’s right to collect the Payments, and may collect the Payments. Beneficiary shall not be deemed to be in possession of the Trust Property solely by reason of exercise of the rights contained in this subsection (2).
- (3) **Power of Sale**. Beneficiary may direct Trustee, and Trustee shall be empowered, to foreclose the Trust Property by advertisement and sale under applicable law.
- (4) **Foreclosure**. Beneficiary may judicially foreclose this Trust Deed and obtain a judgment foreclosing Grantor’s interest in all or any part of the Trust Property.
- (5) **Fixtures and Personal Property**. With respect to any fixtures or other property subject to a security interest in favor of Beneficiary, Beneficiary may exercise any and all of the rights and remedies of a secured party under the Uniform Commercial Code.

5.3 Sale. In any sale under this Trust Deed or pursuant to any judgment, the Trust Property, to the extent permitted by law, may be sold as an entirety or in one or more parcels and in such order as Beneficiary may elect. The purchaser at any such sale shall take title to the Trust Property or the part thereof so sold, free and clear of the estate of Grantor, the purchaser being hereby discharged from all liability to see to the application of the purchase money. Any person, including Beneficiary, may purchase at any such sale. Beneficiary is hereby irrevocably appointed Grantor’s attorney-in-fact, with power of substitution, to make all appropriate transfers and deliveries of the Trust Property or any portions thereof so sold. Nevertheless, Grantor shall

EXHIBIT F

ratify and confirm any such sale or sales by executing and delivering to Beneficiary or to such purchaser or purchasers all such instruments requested by Beneficiary for such purpose.

5.4 Cumulative Remedies. All remedies under this Trust Deed are cumulative. Any election to pursue one remedy shall not preclude the exercise of any other remedy. No delay or omission in exercising any right or remedy shall impair the full exercise of that or any other right or remedy or constitute a waiver of any Event of Default.

5.5 Application of Proceeds. All proceeds from the exercise of the rights and remedies under this Article 5 shall be applied (1) to costs of exercising such rights and remedies; (2) to the Obligations, in such order as Beneficiary shall determine in its sole discretion; and (3) the surplus, if any, shall be paid to the clerk of the court in the case of a judicial foreclosure proceeding, otherwise to the person or persons legally entitled thereto.

ARTICLE 6

General Provisions

6.1 Time Is of the Essence. Time is of the essence with respect to all covenants and obligations of Grantor under this Trust Deed.

6.2 Reconveyance by Trustee. At any time on the request of Beneficiary, payment of Trustee's fees, if any, and presentation of this Trust Deed, without affecting the liability of any person for payment of the Obligations, Trustee may reconvey, without warranty, all or any part of the Trust Property. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any facts shall be conclusive proof of the truthfulness thereof.

6.3 Notice. Except as otherwise provided in this Trust Deed, all notices shall be in writing and may be delivered by hand, or mailed by first-class certified mail, return receipt requested, postage prepaid, and addressed to the appropriate party at its address set forth at the outset of this Trust Deed. Any party may change its address for such notices from time to time by notice to the other parties. Notices given by mail in accordance with this paragraph shall be deemed to have been given on the date of mailing; notices given by hand shall be deemed to have been given when actually received.

6.4 Substitute Trustee. In the event of dissolution or resignation of Trustee, Beneficiary may substitute one or more trustees to execute the trust hereby created, and the new trustee(s) shall succeed to all the powers and duties of the prior trustee(s).

6.5 Trust Deed Binding on Successors and Assigns. This Trust Deed shall be binding on and inure to the benefit of the heirs, legatees, personal representatives, successors, and assigns of Grantor, Trustee, and Beneficiary.

6.6 Indemnity. Grantor shall, to the fullest extent allowed by law, hold Beneficiary and Trustee and, if either is a corporation or other legal entity, their respective directors, officers, employees, agents, and attorneys harmless from and indemnify them for any and all claims,

EXHIBIT F

demands, damages, liabilities, and expenses, including but not limited to attorney fees and court costs, arising out of or in connection with Trustee's or Beneficiary's interests and rights under this Trust Deed.

6.7 Expenses and Attorney Fees. Grantor shall pay all fees and expenses, taxes, assessments, and charges arising out of or in connection with the execution, delivery, and recording of this Trust Deed. If Beneficiary refers any of the Obligations to an attorney for collection or seeks legal advice following a default; if Beneficiary is the prevailing party in any litigation instituted in connection with any of the Obligations; or if Beneficiary or any other person initiates any judicial or nonjudicial action, suit, or proceeding in connection with any of the Obligations or the Trust Property (including but not limited to bankruptcy, eminent domain, or probate proceedings), and a lawyer is employed by Beneficiary to appear in any such proceeding or seek relief from a judicial or statutory stay, or otherwise enforce Beneficiary's interests, then in any such event Grantor shall pay reasonable attorney fees, costs, and expenses incurred by Beneficiary in connection with the above mentioned events and any appeals. Such amounts shall be secured by this Trust Deed and, if not paid on demand, shall bear interest at the rate specified in the Note.

6.8 Applicable Law. This Trust Deed shall be governed by the laws of the state of Oregon.

6.9 Person Defined. As used in this Trust Deed, the word person shall mean any natural *person*, partnership, trust, corporation, or other legal entity of any nature.

6.10 Severability. If any provision of this Trust Deed shall be held to be invalid, illegal, or unenforceable, the other provisions of this Trust Deed shall not be affected.

6.11 Entire Agreement. This Trust Deed contains the entire agreement of the parties with respect to the Trust Property. No prior agreement or promise made by any party to this Trust Deed that is not contained herein shall be binding or valid.

6.12 Joint and Several Liability. If this Trust Deed is executed by two or more persons as Grantor, all of such persons shall be liable, jointly and severally, for payment of all sums and performance of all other covenants in this Trust Deed.

6.13 Standard for Discretion. If this Trust Deed is silent on the standard for any consent, approval, determination, or similar discretionary action, the standard shall be sole and unfettered discretion as opposed to any standard of good faith, fairness, or reasonableness.

6.14 ORS 93.040 Warning. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010. THIS INSTRUMENT DOES NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS

EXHIBIT F

INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010.

GRANTOR

BRANDT LLC, an Oregon limited liability company

JAMIE HILDEBRANDT, Member

STATE OF OREGON)
)ss.
County of Deschutes)

The foregoing instrument was acknowledged before me this _____ day of _____, 2015, by **JAMIE HILDEBRANDT**, as Member of **BRANDT LLC**, an Oregon limited liability company.

NOTARY PUBLIC FOR OREGON

EXHIBIT F

Exhibit A

All of that part of Lot 1, Block 8, Sun Mountain Ranches, a Subdivision of record situated in SECTION 33, TOWNSHIP 15 SOUTH, RANGE 11 EAST OF THE WILLAMETTE MERIDIAN, Deschutes County, Oregon, lying within the boundary of a 100 foot radius well site circle, the radius point of said circle being more particularly described as follows:

Commencing at the Northwest corner of said Lot 1; Thence North $89^{\circ} 56' 40''$ East, on the North line of said Lot 1, 134 feet, more or less; Thence south $00^{\circ} 03' 18''$ West, 94 feet, more or less, to an existing well casing, being the radius point for said 100 foot radius well site circle.

EXHIBIT F

Exhibit B

- P** An easement including the terms and provisions thereof, affecting the portion of said premises and for the purposes stated therein as set forth in instrument:
Granted To: Central Electric Cooperative, Inc.
Recorded: January 9, 1970
Instrument No.: 168-208
- E** Reservation regarding water distribution system as disclosed in document,
Recorded: March 10, 1970
Instrument No.: 169-98

EXHIBIT G

PERSONAL GUARANTY

This Guaranty is jointly and severally made by **JAMIE HILDEBRANDT** and **KELLE HILDEBRANDT** (collectively "**Guarantor**") in favor of **SUN MOUNTAIN WATER SYSTEM, INC.**, an Oregon corporation ("**Creditor**"). The parties comprising Guarantor are the sole Members of **BRANDT LLC**, an Oregon limited liability company ("**Debtor**"). Creditor is requiring Guarantor to sign and deliver this Guaranty as a condition to Creditor entering into that Agreement for Sale and Purchase of Business Assets (the "Purchase Agreement") dated as of the date of this Guaranty with Debtor. In view of the business relationship between Guarantor and Debtor, the consideration from Creditor to Debtor under the Purchase Agreement will inure to the benefit of Guarantor.

Guarantor irrevocably and unconditionally guarantees to Creditor the full and prompt payment and performance of all of the obligations of Debtor arising out of the Promissory Note dated _____, 2015 in the principal amount of \$250,000 made by Debtor in favor of Creditor, the Security Agreement dated _____, 2015 between Debtor and Creditor, the Trust Deed between Debtor and Creditor dated _____, 2015, and the Purchase Agreement dated _____, 2015 among **SUN MOUNTAIN WATER SYSTEM, INC.** as Seller, **RONALD and CHERYL FULLER** as Selling Shareholder and **BRANDT LLC** as Buyer (collectively the "**Obligations**"). Upon Creditor's demand, Guarantor will immediately pay and perform the then-due Obligations. This Personal Guaranty shall expire on the third anniversary of its execution, provided Debtor is not then in default under the Obligations. Upon expiration of the three year period Creditor shall provide Buyer with documents Buyer reasonably requests confirming the termination of this personal guarantee

Guarantor is a principal obligor and is directly liable for the payment and performance of the Obligations. Creditor may exercise Creditor's remedies against Guarantor without making a demand, instituting an action, or exercising or exhausting Creditor's remedies against Debtor or any collateral.

This Guaranty will not be affected by: (i) Creditor's release of Debtor or any collateral that may secure the payment and performance of any of the Obligations; (ii) Creditor's amendment of any agreement evidencing, guaranteeing, or securing any of the Obligations; (iii) Creditor's waiver of a breach of a provision of any agreement evidencing, guaranteeing, or securing any of the Obligations; (iv) Creditor's extension or postponement of the due date of any of the Obligations; (v) the death, dissolution, or insolvency of Debtor; or (vi) the Obligations becoming unenforceable against Debtor for any reason, including but not limited to the application of bankruptcy, insolvency, or other similar laws for the benefit of creditors.

. Unless the guarantee has been terminated after three years, This Guaranty will be automatically reinstated to the extent that any payment or performance of the Obligations is rescinded or must otherwise be restored by Creditor for any reason, including but not limited to the application of bankruptcy, insolvency, or other similar laws for the benefit of creditors.

Guarantor waives demand, presentment for payment, notice of dishonor or nonpayment, protest, notice of protest, and lack of diligence in collection with respect to the Obligations. No waiver will be binding on Creditor unless it is in writing and signed by Creditor. Creditor's waiver of a breach of a provision of this Guaranty or any agreement evidencing, guaranteeing, or securing any of the Obligations will not be a waiver of any other provision or a waiver of a subsequent breach of the same provision. Creditor's failure to exercise any remedy under this Guaranty or any agreement evidencing, guaranteeing, or securing any of the Obligations will not be considered a waiver by Creditor of Creditor's right to exercise the remedy.

EXHIBIT G

Time is of the essence with respect to all dates and time periods in this Guaranty.

This Guaranty is governed by the laws of the State of Oregon, without giving effect to any conflict-of-law principle that would result in the laws of any other jurisdiction governing this Guaranty. Any action, suit, or proceeding arising out of the subject matter of this Guaranty will be litigated in courts located in Deschutes County, Oregon. Each party consents and submits to the jurisdiction of any local, state, or federal court located in Deschutes County, Oregon. If any arbitration, action, suit, or proceeding is instituted to interpret, enforce, or rescind this Guaranty, or otherwise in connection with the subject matter of this Guaranty, including but not limited to any proceeding brought under the United States Bankruptcy Code, the prevailing party on a claim will be entitled to recover with respect to the claim, in addition to any other relief awarded, the prevailing party's reasonable attorney's fees and other fees, costs, and expenses of every kind, including but not limited to the costs and disbursements specified in ORCP 68 A(2), incurred in connection with the arbitration, action, suit, or proceeding, any appeal or petition for review, the collection of any award, or the enforcement of any order, as determined by the arbitrator or court.

Dated effective: _____, 2015

Guarantor:

JAMIE HILDEBRANDT

KELLE HILDEBRANDT

EXHIBIT H
CONSENTS

Public Utility Commission – Consent to Transfer PUC Permit

Consent to Transfer the Exclusive Territory Determination

State of Oregon – Consent to Transfer Water Rights

Deschutes County – non-conforming use overlay or other land use approval



SUN MOUNTAIN WATER SYSTEMS, INC.

P.O. Box 9295 • Bend, OR 97708-9295 • (541) 382-7309

EMPLOYEE COMPENSATION

OFFICER: Ronald K. Fuller – President
3896 S Lamone Way, Meridian, ID 83642
Compensation: None

OFFICER: Cheryl D. Fuller – Secretary
3896 S Lamone Way, Meridian, ID 83642
Compensation: None


SALARIED EMPLOYEES: Monthly Gross Income

1. Cheryl D. Fuller – Office Manager – \$3100 - 3896 S Lamone Way, Meridian, ID 83642
 2. Walter E. Wolden – Maintenance Supervisor - \$530 – 19553 Apache Rd – Bend, OR 97702
 3. Jerry E. Rifenburg – Maintenance Driver - \$285 – 17642 Paladin Dr – Bend, OR 97701
 4. Jennifer L.A. Martinez – Office Secretary - \$1000 – 61147 Hamilton Ln – Bend, OR 97702
-

None of these officers or employees receive employment benefits other than salary.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of this 16th day of October, 2015.


SELLER:
SUN MOUNTAIN WATER SYSTEM, INC.



RONALD FULLER, President
Date Executed: 10/16/15

BUYER:
BRANDT LLC

JAMIE HILDEBRANDT, Member
Date Executed: _____

SELLING SHAREHOLDERS:


RONALD FULLER
Date Executed: 10/16/15


CHERYL FULLER
Date Executed: 10-16-15

Exhibits:

- Exhibit A – Legal Description of Real Property
- Exhibit B – Equipment List
- Exhibit C – Allocation of Purchase Price
- Exhibit D – Promissory Note
- Exhibit E – Security Agreement
- Exhibit F – Trust Deed
- Exhibit G – Personal Guaranty
- Exhibit H – Required Consents
- Exhibit I – Employee Compensation

AMENDMENT TO
AGREEMENT FOR SALE AND PURCHASE OF BUSINESS ASSETS

PARTIES:

SELLER: SUN MOUNTAIN WATER SYSTEM, INC.
An Oregon corporation
3896 S Lamone Way
Meridian, ID 83642

**SELLING
SHAREHOLDER:** RONALD and CHERYL FULLER
Address: 3896 S Lamone Way
Meridian, ID 83642

BUYER: BRANDT LLC
An Oregon limited liability company
Address: 16880 Barbara Way
Bend, OR 97703

RECITALS

- A. The Parties entered into an Agreement for Sale and Purchase of Business Assets on October 16, 2015 (“Agreement”).
- B. The Parties desire to amend the Agreement to include the following changes.

AGREEMENT

The parties agree as follows:

1. Section 4 of the Agreement is hereby amended to read:

SECTION 4. PURCHASE PRICE

4.1 Purchase Price. The purchase price for the Assets (the “Purchase Price”) will be THREE HUNDRED AND FIVE THOUSAND DOLLARS (\$305,000.00).

2. Section 6.1 of the Agreement is amended to read:

6.2 At the Closing, the Deposit shall will be credited to the Purchase Price and the Buyer

will pay, by cashier's check, certified check, or wire transfer the sum of FIFTY TWO THOUSAND DOLLARS (\$52,000.00).

3. The Parties agree the only proration to be handled in escrow shall be the real property taxes all other income and expense proration shall be handled by Buyer and Seller outside of escrow within 10 days of Closing.

4. The Parties agree Seller shall not be required to receive a non-conforming use overlay and permit for the existing structures on the real property from Deschutes County prior to Closing and such shall not be a condition of Closing.

5. Section 21 of the Agreement is hereby amended to read:

SECTION 21. CLOSING

21.1 Time and Place. This Agreement will be closed at the offices of Amerititle, at 15 Oregon St., Bend, OR 97701 on or before April 1, 2016, or at such other time as the parties may agree in writing. (the "Closing").

6. Section 23.1, Further Assurances, shall survive Closing.

7. Except as specifically modified herein, the terms and conditions of the Agreement remain the same and in full force and effect.

DATED this ____ day of _____, 2016.

SELLER:
SUN MOUNTAIN WATER SYSTEM, INC.

BUYER:
BRANDT LLC

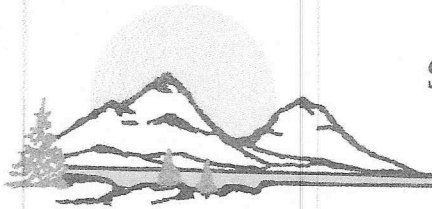
RONALD FULLER, President
Date Executed: _____

JAMIE HILDEBRANDT, Member
Date Executed: _____

SELLING SHAREHOLDERS:

RONALD FULLER
Date Executed: _____

CHERYL FULLER
Date Executed: _____



SUN MOUNTAIN WATER SYSTEMS, INC.

P.O. Box 9295 • Bend, OR 97708-9295 • (541) 382-7309

To all Sun Mountain Water System customers:

1/6/16

For two years we have informed you of the pending sale of our water company in our Annual Newsletter. We have finally got to that point of being able to let you know that the sale of our company is scheduled to be on February 1, 2016.

The good news is that the new owner is one of your neighbors, and a customer of our company, and is currently using the same water you are.

Mr. Jamie Hildebrandt, 16880 Barbara Way, Bend, OR 97703 will be the new owner and is very excited about this great opportunity. Jamie has wanted to buy the water company for some time but we weren't in the position to sell until now. He has, until last year, been our double check valve tester and knows the system very well. Zeke Wolden, our maintenance supervisor will be staying on with the company as he has for the past 30 years. So you will be pleased to see him in the white van traveling through your neighborhood providing you with the same service and water quality that you have grown to know and expect. Jamie's phone # is the office phone (541) 382-7309 and for water emergencies Zeke's phone number is (541) 408-2601.

As many of you already know we are living in Idaho and have found it very difficult to continue providing you with the personalized service that we did while living in the Bend area.

There will be no interruption in office or water service during this transition. Jamie is already answering the office phone and doing the daily business tasks that need attention and Zeke will continue to maintain the system as he always has.

We are being advised of the information that is contained in this notice by the Public Utility Commission's Consumer Services Division and their phone number is 503-378-6600 if you have any questions.

Sincerely,

Ronald & Cheryl Fuller Cheryl D Fuller

Ronald & Cheryl Fuller
(541) 977-5025



CCR CERTIFICATION FORM

OHA Drinking Water Services

Submit to OHA-DWS at Time of CCR Delivery or No Later than October 1 see footnote

Community Water System Name: Sun Mountain Water System, Inc.

PWS I.D. No: 4100111 For calendar year: 2014

The community water system named above hereby confirms that its Consumer Confidence Report has been distributed to customers (and appropriate notices of availability have been given). Further, the system certifies that the information contained in the report is correct and consistent with the compliance monitoring data previously submitted to the primacy agency.

CCR Certified by - Name: Ronald K. Fuller

Title: Pres. corp. Phone No: 541-977-5025 Date CCR certified: 4-1-15

Date CCR distributed to customers: 4-1-15

CCR Delivery Certification: (check all items below that apply)

Paper CCR was distributed to each customer by mail or other direct delivery method. Included annual News letter that notifies customers that we are in the process of selling company

Electronic delivery. Check box below and describe how customers may request a paper copy: _____

Notification (mail or email-check all that apply) that CCR is available on website. Specify URL (web address): _____

CCR sent as an attachment to email (e.g. portable document format-PDF)

CCR sent as an embedded image in body of email

"Good faith" efforts were used to reach non-bill paying consumers. Those efforts may include one or more of the following methods, as recommended by OHA-DWS:

posting the CCR on a publicly-accessible Internet site at www. _____ (required for systems serving at least 100,000 persons)

mailing the CCR to postal patrons within the service area

advertising availability of the CCR in news media

publication of CCR in local newspaper

posting the CCR in public places (locations: _____)

delivery of multiple copies to single bill addresses serving several people such as: apartments, businesses, and large private employers

delivery to community organizations

electronic newsletter or listserv, or notice of availability via social media outlets

Mail form to:

OHA-Drinking Water Services
P.O. Box 14350
Portland, OR 97293-0350

Fax form to:

(971) 673-0694

Email form to:

dwp.dmce@state.or.us

(If the CCR has been distributed, it is recommended that this form be sent to Drinking Water Services at the same time a copy of the CCR is sent to the program; but by rule, the certification form is due no later than Oct 1 annually.)

Sun Mountain Water Systems, Inc.
2014 Annual Newsletter

Greetings from Sun Mountain Water Systems. Each year we perform a yearly maintenance on all DCVA devices. Included in this service is a clean out of the box at least twice a year for rodent control, adequate insulation, a test by a state certified tester, written report, and updated information in the company's computer system. This is required by the state yearly.

We still request that you observe the **"odd - even" watering schedule** that was established in 2002. **Odd numbered addresses irrigate on the odd days and even numbered houses irrigate on the even days. Please no irrigating on July or August 31st.** The only exception would be if you are trying to grow a new lawn, in this case a phone call to the office would be appreciated.

As with all water systems there will always be things that need to be changed or corrected, if you experience any problems call 382-7309 so we can respond to your needs. FYI we are currently in the process of selling our company and the new owner will notify you when this occurs. There will not be any interruption in service when this does occur. We have owned and operated this company since 1995 and have been proud to be a part of your community. Sincerely, Ron & Cheryl Fuller

We constantly update our contact phone numbers and email addresses for emergency and office use. Please cut this section out and send in your information with your bill. Thank you.

Name: _____ Phone# _____ email: _____

Sun Mountain Water Systems, Inc.
2014 Annual Newsletter

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Name: _____ Phone# _____ email: _____

January 8, 2016

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

RE: Sun Mountain Water Systems, Inc. Request for Waiver of OAR 860-036-0710(2)

Sun Mountain Water Systems, Inc. (Sun Mountain) is a service-only regulated water utility located in the Bend area. The company has 292 customers. I respectfully request a waiver of OAR 860-036-0710(2), regarding the 60-day notice to customers and the Commission of the intent to sell the company. I am the current owner of Sun Mountain. I desire to retire and have already moved out of state towards that goal.

Sun Mountain has been seeking a purchaser of the company for nearly two years and recently was successful in that search. The closing date of the transaction is February 1, 2016. Sun Mountain has informally notified customers of the desired sale for over a year, but only recently discovered there was a formal notice of the actual sale required under the above noted rule. The rule requires formal notice at least 60 days prior to the close of the sale. As soon as Sun Mountain became aware of the requirement, I immediately sent formal notice to customers and the Commission. I seek a waiver of the formal notice in order not to delay the sale of the company as planned and expected by customers.

A copy of the informal information sent to customers and a copy of the formal notice are included with this filing.

Customers have been aware of the impending sale for quite some time. They will not be surprised at the finalization of the sale. Since I have moved out of state, I am no longer personally available to serve the customers in the manner they have been used to. The purchaser of the company, Jamie Hildebrandt, is already providing the personal contact that I used to provide. He is a customer of Sun Mountain, as well as the operator of Rock Springs Guest Ranch Water System, and a certified backflow tester. No changes will occur with the sale of the company to Mr. Hildebrandt. Rates will remain the same, the same staff that have operated and maintained the system will remain in place, and there will be no interruption in service.

Since the customers already know of the sale and nothing will change with the finalization of the sale, I respectfully request the Commission grant my request for waiver of OAR 860-032-0710(2).

Thank you,



Ronald K. Fuller

Owner and President of Sun Mountain Water System
3896 S. Lamone Way
Meridian, ID 83642
(541) 977-5025