

Strand Law Firm

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November 10, 2011

Kate Whitney, Administrator
Montana Public Service Commission
P.O. Box 202601
Helena, MT 59620-2601

Re: Docket Nos. D2011.4.34 and D2009.1.9

Dear Ms. Whitney:

Please find enclosed for filing in the above-referenced docket, AquaFlo's Responses to the Data Requests of the PSC and MCC.

If you should have any questions or concerns regarding these documents please feel free to call on me using the contact information in the letterhead.

Sincerely,
s/

Michael Strand
Strand Law Firm
Attorney for AquaFlo

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER OF the APPLICATION of) REGULATORY DIVISION
AQUAFLO, LLC for Authority to Increase)
Rates and Charges and Amend Tariff Rules) DOCKET NO. D2009.1.9
and Regulations for Water and Sewer Service)
to its Helena, Montana, Customers)

IN THE MATTER OF the APPLICATION of) REGULATORY DIVISION
AQUAFLO, LLC for Authority to Permanently)
Increase Rates and Charges and Amend Tariff) DOCKET NO. D2011.4.34
Rules and Regulations for Water and Sewer)
Service to its Helena, Montana, Customers)

**AQUAFLO, LLC RESPONSES TO MONTANA PUBLIC SERVICE
COMMISSION DATA REQUESTS PSC-013 THROUGH PSC-028**

PSC-013

Regarding: Leakage Reconciliation
Witness: Maxness

Please provide a comparison of the 2010 water volumes pumped at the pump house to the water volumes billed to the customers of AquaFlo.

RESPONSE:

This data request is directed by the PSC to John Maxness. However, the only witness for whom pre-filed testimony has been filed to this point is Sandra Barrows. AquaFlo would therefore respectfully request that the data request be changed so that it is directed to Ms. Barrows. While AquaFlo reserves the right to call Mr. Maxness as a rebuttal witness, AquaFlo does not currently intend to call Mr. Maxness as a witness at the hearing of this matter.

A comparison does not exist.

PSC-014

Regarding: Long Term Debt
Witness: Barrows

Your capital structure in ARM 38.5.146 states that as of February 2011, AquaFlo had 100% equity and no debt. The AquaFlo Ledger provided for that period of time does not reflect the payoff.

- a. Please provide a copy of the paid off LT Debt agreement and source of funds used to pay off the debt.
- b. Please explain why the debt was not reflected in the 2010 general ledger.
- c. Was the debt carried at the parent level, though reflected as an obligation of AquaFlo? Please explain

RESPONSE:

- a. The requested information is attached hereto as:

PSC-014 Attachment A. Secured Promissory Note for \$100,000 between AquaFlo, LLC, a Montana Limited Liability Company and W.A. (Bill) Gallagher, individually, the "Borrower" and MT Associates, LLC, a Montana Limited Liability Company, the "Lender". The \$22,642 balance was paid off by AquaSierra, LLC in January 2011.

PSC-014 Attachment B. Promissory Note for \$50,747 between AquaFlo, LLC ("Borrower") and Valley Bank of Helena ("Lender"). The \$44,818 balance was paid off by AquaSierra, LLC in January 2011.

PSC-014 Attachment C. Promissory Demand Note for \$15,361 between AquaFlo, LLC ("Borrower") and AquaSierra, LLC ("Lender") secured by a Deed of Trust between AquaFlo, LLC ("Grantor" and "Borrower") and AquaSierra, LLC ("Lender" or "Beneficiary"). The \$16,540 balance was disposed of with the Full Reconveyance dated January 4, 2011 between AquaFlo, LLC (Grantor) and AquaSierra, LLC (Beneficiary) – Lot 6A, Block 7, Skyview Subdivision.

- b. The document AquaFlo has is more characteristically like a check book than a general ledger. A traditional general ledger does not exist. Also, the transactions took place in 2011, not 2010.
- c. No. The debt was AquaFlo's debt.

PSC-015

Regarding: Loan to AF
Witness: Barrows

- a. Who is AF as reflected on the beginning balance of the "Maxness" general ledger?
- b. Please provide all loan documentation of the transaction.
- c. Is the payment to John Maxness for "reimburse loan" dated March 29, 2011, to repay Maxness for a loan to AquaFlo? Please explain. Are the two transactions related?

RESPONSE:

- a. AquaFlo.
- b. No loan documentation exists.
- c. Yes. When Mr. Maxness took over as manager of AquaFlo he made a temporary infusion of cash into the AquaFlo account in order to pay current bills. This is the transaction referenced in part (a) of PSC-015. This loan was reimbursed on March 29, 2011. Yes, the two transactions are related.

PSC-016

Regarding: Outside Service Providers

Witness: Maxness

- a. Please provide copies of the Service Contracts for the Outside Service Providers list that you provided in response to Audit Request PSC-010 for 2009, 2010 and 2011.
- b. Please provide copies of any Service Contracts that are not on the list and are presently in force.

RESPONSE:

This data request is directed by the PSC to John Maxness. However, the only witness for whom pre-filed testimony has been filed to this point is Sandra Barrows. AquaFlo would therefore respectfully request that the data request be changed so that it is directed to Ms. Barrows. While AquaFlo reserves the right to call Mr. Maxness as a rebuttal witness, AquaFlo does not currently intend to call Mr. Maxness as a witness at the hearing of this matter.

- a. The requested documents are provided herewith on the enclosed CD.
- b. Copies of all service contracts that are presently in force have been provided in the response to PSC-016(a).

PSC-017

Regarding: Financial Statements

Witness: Barrows

- a. Please provide the detail trial balance for YE 2009, 2010, and June 30, 2011.
- b. Please provide the detail General Journal for the same period.
- c. Please provide the detail General Ledger for the same period.

RESPONSE:

- a. AquaFlo does not have a trial balance for 2009, 2010 or 2011.

- b. The documents that exist are provided in response to PSC – 019 (Audit Request PSC-009).
- c. The documents that exist are provided in response to PSC – 019 (Audit Request PSC-009).

PSC-018

Regarding: Decrease in land value in rate base
Witness: Barrows

The testimony exhibits provided in response to ARM 38.5.121 indicate a decrease in land and land rights between 2009 and 2010.

- a. Please provide a description of the land and land rights accounting for the decrease in value including legal description.
- b. Was the land being reflected as used and useful in the rate base in 2009? Was the land used and useful? Please explain.
- c. If the land was disposed of by AquaFlo, please explain the transaction, including all parties involved.
- d. Please provide the fair market value of the land and land rights.

RESPONSE:

Note: The related debt transaction occurred January 4, 2011. The reduction in land should not have been reflected at 2010 year end. See PSC-014 Attachment C.

- a. Skyview Phase II, Block 7 Lot 6A.
- b. No, per discussions with PSC staff, AquaFlo was under the impression that Land was not allowed in ratebase. Skyview Phase II Block 7 Lot 6A served as the previous drain field, it was decommissioned in 2007 and physically disconnected from the system.
- c. See PSC-014 Attachment C.
- d. \$16,514.

PSC-019

Regarding: Audit requests of the August on-site audit
Witness: Barrows

- a. Please provide the responses to Audit Requests for Audit Requests PSC-001, PSC-002, PSC-003, PSC-004, PSC-005, PSC-006, PSC-007, PSC-008, PSC-009 and PSC-010
- b. Please provide the information requested in PSC-011 for 2008, 2009, 2010, and 2011.

- c. Please provide the information requested in PSC-012 for both AquaSierra and AquaFlo for 2008, 2009, 2010.

RESPONSE:

a.

Audit Request PSC-001 Please provide all board minutes of AquaFlo since inception through the most current. If there are no minutes available, please state so.

RESPONSE:

There are no AquaFlo, LLC board minutes.

Audit Request PSC-002 Please provide all board minutes of the parent company of AquaFlo in which AquaFlo was discussed.

RESPONSE:

There are no AquaSierra, LLC board minutes in which AquaFlo was discussed.

Audit Request PSC-003 Please provide for the year 2010, and year to date, by customer classification, the revenue and water consumption of customers. Please include the customer count in each classification.

RESPONSE:

The response provided during the audit is attached hereto as PSC-003.

Audit Request PSC-004 Please provide copies of the documents transferring the management of AquaFlo to John Maxness.

RESPONSE:

The requested documents do not exist.

Audit Request PSC-005 Please provide a listing of the partners of AquaFlo, percentage owned, and date ownership acquired.

RESPONSE:

The response provided during the audit is attached hereto as PSC-005.

Audit Request PSC-006 If AquaFlo is owned by a parent company, please provide a listing of those owners/partners, percentage owned, and date ownership acquired.

RESPONSE:

The response provided during the audit is attached hereto as PSC-006.

Audit Request PSC-007 Please provide copies of AquaFlo's proposed capital budgets for the years since its last general rate case.

RESPONSE:

No AquaFlo capital budgets exist.

Audit Request PSC-008 Please provide any acquisitions by AquaFlo for the years since its last general rate case. Additionally, please provide any plans for near future acquisitions.

RESPONSE:

AquaFlo has not had, nor does it have near future plans, for acquisitions.

Audit Request PSC-009 Please provide a copy of the general ledger for AquaFlo for 2009, 2010 and year to date. Also, please have available supporting documentation for the entries.

RESPONSE:

The information provided during the audit is provided herewith on the enclosed CD.

Audit Request PSC-010 Please provide a listing of all outside service providers, copies of all contracts between AquaFlo and those providers, and the dollar amount per year for 2009, 2010 and year to date. Please include all contracts between AquaFlo and its parent company if applicable.

RESPONSE:

The information provided during the audit inadvertently excluded current AquaFlo Manager, John Maxness. The response has been amended and is provided herewith on the enclosed CD. Copies of the requested contracts are provided in response to PSC-016.

b.

Audit Request PSC-011 Please provide copies of all debt agreements for AquaFlo including any to its parent company.

RESPONSE:

The requested information is attached in response to PSC-014 (a). (See PSC-014 above).

c.

Audit Request PSC-012 Please provide copies of the Montana and federal tax returns for AquaFlo for 2009 and 2010. If AquaFlo does not file its own independent return, please provide copies of the parent's returns and the partnership returns of AquaFlo for 2009 and 2010.

RESPONSE:

The information requested for AquaFlo is provided herewith on the enclosed CD, labeled as PSC-019(c).

Objection. With respect to AquaSierra, LLC, AquaFlo is not in possession of any of the tax returns requested. The tax returns are irrelevant to the current proceeding and beyond its scope. Further, any response by AquaFlo to this data request would be unlikely to lead to discoverable evidence.

The current proceeding is one in which AquaFlo is seeking permission to adjust certain rates for providing water and waste water services. AquaSierra's tax returns have no bearing on the issue of whether AquaFlo should be allowed to adjust its rates. AquaSierra's tax returns are outside the scope of this proceeding.

AquaSierra, LLC, is not a party to this proceeding and is not a "public utility" as defined by §69-3-101 Mont. Code Ann. Any "relevant" information or data not available from AquaFlo and sought from AquaSierra, LLC would properly be directed to AquaSierra, LLC via Rule 45, Mont. R. Civ. P. and should be limited to matters relevant to the proceeding currently before the Commission.

PSC-020

Regarding: Transfer of ownership 2007

Witness: Barrows

- a. Please provide a copy of the transfer of ownership of AquaFlo from Gallagher to AquaSierra.
- b. Please provide a copy of the debt agreement between Gallagher/AquaFlo, and AquaSierra. Gallagher/AquaFlo 2007 partnership return indicates a payment to AquaSierra.

RESPONSE:

- a. The ownership of AquaFlo has not changed since its inception. AquaSierra owns 100% of the membership shares of AquaFlo.
- b. The requested information is attached in response to PSC-014 (a). (See PSC-014 above).

PSC-021

Regarding: Transfer of Interest – February 2011

Witness: Barrows

- a. Please provide a copy of the transfer of Gallagher's control/ownership of AquaFlo/AquaSierra to whomever is presently in control.
- b. What was the remuneration paid to Gallagher for his interest? What was the value of his interest at the time he liquidated his interest? Please provide supporting documentation.
- c. Is there any direct or indirect ownership or control of AquaFlo or AquaSierra by Gallagher? Please explain.

RESPONSE:

- a. The ownership of AquaFlo has not changed since its inception. AquaSierra owns 100% of the membership shares of AquaFlo.

Objection. This data request appears to request information regarding an entity or entities at AquaSierra, LLC to whom Mr. Gallagher's ownership interest in AquaFlo was transferred. Information regarding the ownership of AquaSierra, LLC is irrelevant to the current proceeding and beyond its scope. Further, any response by AquaFlo to this data request would be unlikely to lead to discoverable evidence.

The current proceeding is one in which AquaFlo is seeking permission to adjust certain rates for providing water and waste water services. Information regarding the ownership of AquaSierra has no bearing on the issue of whether AquaFlo should be allowed to adjust its rates. Further, information regarding the ownership of AquaSierra is outside the scope of this proceeding.

AquaSierra, LLC, is not a party to this proceeding and is not a "public utility" as defined by §69-3-101 Mont. Code Ann. Any "relevant" information or data not available from AquaFlo and sought from AquaSierra, LLC would properly be directed to AquaSierra, LLC via Rule 45, Mont. R. Civ. P. and should be limited to matters relevant to the proceeding currently before the Commission.

- b. **Objection.** This data request appears to request information regarding the amounts paid to Mr. Gallagher for Mr. Gallagher's interest in AquaSierra. Information regarding the ownership of AquaSierra, LLC, transfer(s) of such ownership, or the remuneration paid for any such transfer(s) is irrelevant to the current proceeding and beyond its scope. Further, any response by AquaFlo to this data request would be unlikely to lead to discoverable evidence.

The current proceeding is one in which AquaFlo is seeking permission to adjust certain rates for providing water and waste water services. Information regarding the ownership of AquaSierra, transfer(s) of such ownership, or the remuneration paid for such transfer(s) of ownership has no bearing on the issue of whether AquaFlo should be allowed to adjust its rates. Further, information regarding the ownership of AquaSierra or any transfer(s) thereof is outside the scope of this proceeding.

AquaSierra, LLC, is not a party to this proceeding and is not a "public utility" as defined by §69-3-101 Mont. Code Ann. Any "relevant" information or data not available from AquaFlo and sought from AquaSierra, LLC would properly be directed to AquaSierra, LLC via Rule 45, Mont. R. Civ. P. and should be limited to matters relevant to the proceeding currently before the Commission.

- c. **No.** See e-mail from Mr. Gallagher to the Commission dated January 26, 2011; attached herewith as PSC-021(c).

PSC-022

Regarding: Transfer of Interest
Witness: Barrows

Please provide copies of any and all transfers of interest and or ownership in AquaFlo and AquaSierra since 2007.

RESPONSE:

The ownership of AquaFlo has not changed since its inception. AquaSierra owns 100% of the membership shares of AquaFlo.

Objection. This data request appears to request information regarding transfer(s) of interest and/or ownership of AquaSierra, LLC since 2007. Information regarding the ownership of AquaSierra, LLC or any transfer(s) of such ownership is irrelevant to the current proceeding and beyond its scope. Further, any response by AquaFlo to this data request would be unlikely to lead to discoverable evidence.

The current proceeding is one in which AquaFlo is seeking permission to adjust certain rates for providing water and waste water services. Information regarding the ownership of AquaSierra or any transfer(s) of such ownership has no bearing on the issue of whether AquaFlo should be allowed to adjust its rates. Further, information regarding the ownership of AquaSierra or any transfer(s) thereof is outside the scope of this proceeding.

AquaSierra, LLC, is not a party to this proceeding and is not a "public utility" as defined by §69-3-101 Mont. Code Ann. Any "relevant" information or data not available from AquaFlo and sought from AquaSierra, LLC would properly be directed to AquaSierra, LLC via Rule 45, Mont. R. Civ. P. and should be limited to matters relevant to the proceeding currently before the Commission.

PSC-023

Regarding: AquaSierra Capital Structure
Witness: Barrows

Please provide the capital structure of AquaSierra for YE 2007, 2008, 2009, 2010.

RESPONSE:

Objection. This data request appears to request information regarding the capital structure of AquaSierra, LLC at year-end for 2007, 2008, 2009 and 2010. Information regarding the capital structure of AquaSierra, LLC at any point in time is irrelevant to the current proceeding and beyond its scope. Further, any response by AquaFlo to this data request would be unlikely to lead to discoverable evidence.

The current proceeding is one in which AquaFlo is seeking permission to adjust certain rates for providing water and waste water services. Information regarding the capital structure of AquaSierra has no bearing on the issue of whether AquaFlo should be allowed to adjust its rates. Further, information regarding the capital structure of AquaSierra is outside the scope of this proceeding.

AquaSierra, LLC, is not a party to this proceeding and is not a "public utility" as defined by §69-3-101 Mont. Code Ann. Any "relevant" information or data not available from AquaFlo and sought from AquaSierra, LLC would properly be directed to AquaSierra, LLC via Rule 45, Mont. R. Civ. P. and should be limited to matters relevant to the proceeding currently before the Commission.

PSC-024

Regarding: AquaSierra
Witness: Barrows

Please list percentage of ownership of all entities that AquaSierra has an interest in for 2007, 2008, 2009, 2010 and 2011.

RESPONSE:

AquaSierra owns 100% of the membership shares of AquaFlo.

Objection. This data request appears to request information regarding AquaSierra, LLC's percentage of ownership for all entities in which AquaSierra, LLC had such an interest since 2007. AquaFlo has already indicated that AquaSierra has always held 100% of the membership shares of AquaFlo. Information regarding AquaSierra, LLC's ownership interest(s) in any other entity since 2007 is irrelevant to the current proceeding and beyond its scope. Further, any response by AquaFlo to this data request would be unlikely to lead to discoverable evidence.

The current proceeding is one in which AquaFlo is seeking permission to adjust certain rates for providing water and waste water services. Information regarding AquaSierra, LLC's ownership interest in other entities has no bearing on the issue of whether AquaFlo should be allowed to adjust its rates. Further, information regarding AquaSierra's ownership interest(s) in other entities is outside the scope of this proceeding.

AquaSierra, LLC, is not a party to this proceeding and is not a "public utility" as defined by §69-3-101 Mont. Code Ann. Any "relevant" information or data not available from AquaFlo and sought from AquaSierra, LLC would properly be directed to AquaSierra, LLC via Rule 45, Mont. R. Civ. P. and should be limited to matters relevant to the proceeding currently before the Commission.

PSC-025

Regarding: Outside Contracts – Accounting Services
Witness: Barrows

Prior to the transfer in 2011, the accounting services contract would be considered a related party transaction. Please provide copies of any and all competitive bids for accounting services.

RESPONSE:

Objection. This data request is based upon a legal conclusion ("the accounting services contract would be considered a related party transaction") that has not been proven in this case and that has been asserted without citation to any legal authority (e.g., a statutory or case law definition of "related party transaction"). AquaFlo submits that this legal conclusion is erroneous. Notwithstanding this objection and without waiving the

objection for any purpose, AquaFlo responds that no written competitive bids were received. In 2007 an oral bid with similar terms was tendered.

PSC-026

Regarding: Outside Contracts – Gallagher and Assoc, PLCC
Witness: Barrows

Prior to the transfer in 2011, this is a related party transaction. Please provide copies of all invoices for services rendered for 2008, 2009, 2010 and YTD 2011. This should include as well an explanation of the purpose of the charge.

RESPONSE:

Objection. This data request is based upon a legal conclusion (“prior to the transfer in 2011, this is a related party transaction”) that has not been proven in this case and that has been asserted without citation to any legal authority (e.g., a statutory or case law definition of “related party transaction”). AquaFlo submits that this legal conclusion is erroneous. Further, since the invoices were for legal services, they are protected by attorney-client privilege and are therefore not subject to discovery.

PSC-027

Regarding: Rate Case Expense
Witness: Barrows

Please provide actual rate case expense incurred to date.

RESPONSE: To date, AquaFlo has incurred \$19,025 in rate case expenses.

PSC-028

Regarding: Election as to be taxed as a C corporation
Witness: Barrows

Please explain the tax benefits to the ratepayer of AquaFlo’s election to be taxed as a C corporation for both federal and state taxing entities.

RESPONSE:

AquaFlo has not retained the services of a tax accountant to analyze the tax benefits to the ratepayer and therefore cannot address the tax benefits to the ratepayer.

CERTIFICATE OF SERVICE

I, Michael Strand, do hereby certify that the foregoing Responses to PSC Data Requests in Docket Nos. D.2011.4.34 and D2009.1.9 have been filed electronically with hard copies to follow this 14th day of November, 2011.

Hard copies will follow to the entities listed below by first class mail, postage prepaid:

Kate Whitney
Montana Public Service Commission
1701 Prospect Avenue
P.O. Box 202601
Helena, MT 59620-1703

Robert A. Nelson
Montana Consumer Counsel
111 North Last Chance Gulch, Suite 1B
P.O. Box 201703
Helena, MT 59620-1703

s/

Michael Strand

AquaFlo, LLC
D2011.4.34
PSC-003

**Audit Request PSC-003 - Customer Classification, Revenue and
Consumption
7/19/2011**

Year	Class	Count	Revenue	Consumption (gallons)
2010	Residential	137 ¹	\$ 125,989	11,212,900
2010	Commercial	6	\$ 6,174	350,900
2011 yr to date	Residential	137 ²	\$ 74,252	5,347,800
2011 yr to date	Commercial	6	\$ 2,548	100,000

(1) 12/31/2010 136 active; 1 disconnected

(2) 7/19/2011 136 active; 1 disconnected

AquaFlo, LLC

D2011.4.34

PSC-005

Audit Request PSC-005 Please provide a listing of the partners of AquaFlo, percentage owned, and date ownership acquired.

AquaFlo, LLC does not have any partners.

AquaSierra, LLC owns 100% of the membership shares of AquaFlo, LLC.

AquaFlo, LLC management changed from Bill Gallagher to John Maxness January 20, 2011

AquaFlo, LLC
D2011.4.34
PSC-006

Audit Request PSC-006 If AquaFlo is owned by a parent company please provide a listing of those owners/partners, percentage owned, and the date ownership acquired.

AquaSierra, LLC owns 100% of the membership shares of AquaFlo, LLC.

Objection. The information requested is irrelevant to the issue of whether rates should be changed for AquaFlo's customers and neither the question nor the response is likely to lead to relevant evidence in this docket. Notwithstanding this objection and without waiving AquaFlo's right to raise it at any time, AquaFlo can confirm that Bill Gallagher no longer has any ownership interest in AquaFlo, LLC or Aqua Sierra, LLC.

SECURED PROMISSORY NOTE

THIS Promissory Note is made to be effective the 10th day of November, 2007, between AquaFlo, LLC, a Montana Limited Liability Company, and W. A. (Bill) Gallagher, individually, the "Borrower", having an address at 4855 N. Montana Ave. Helena, MT 59602 and MT Associates, LLC, a Montana Limited Liability Company, the "Lender", having an address of 3176 Baxendale, Helena, MT 59601, collectively referred to as the "Parties".

For value received, the Borrower promises to pay to the Lender at such other place as the Lender of this Note ("Lender") may from time to time designate in writing, in lawful money of the United States, the total principal and interest sum of one hundred thousand and no/100 dollars (\$100,000), as follows:

1. Payments.

- A) The note shall be paid in forty seven (47) equal monthly payments at four point eight five percent (4.85%) interest with monthly principal and interest payments due and payable in the amount of two thousand one hundred and no/100 Dollars (\$2,100.00) each, and one final monthly payment in the amount of thirteen hundred and no/100 dollars (\$1,300.00).
- B) The first monthly payment shall be due on the tenth (10th) day of the first month after Closing and a like amount shall be paid monthly thereafter, on or before the tenth (10th) day of each month thereafter until the entire balance shall be fully paid.
- C) **Prepayment:** The Borrowers may make prepayments on the unpaid principal balance due to the Lender under the terms hereof, and may pay the whole of the unpaid principal balance.
- D) **Personal Guarantee.** The Note shall be guaranteed by both AquaFlo, LLC or any other Company created to hold the assets purchased herein and W. A. (Bill) Gallagher individually.

2. Maturity Date. This note shall mature and all principal amounts owed shall be paid on or before the end of the forty ninth (49th) month after the execution of this Note.

3. Rate of Interest. The principal balance outstanding from time to time shall bear interest from and after the date hereof at the rate of four point eight five Percent (4.85%). Except however in the event of default the applicable interest rate during the period of default shall be ten percent (10%).

4. Additional Terms and Conditions.

- A) **Security.** This Note is secured by the Mortgage, encumbering Borrower's interest in the Property described in the Mortgage, "Property".

- B) Application of Payments.** All payments received shall be applied to principal, except that, after the occurrence and during the continuation of any default under this Note, all amounts received shall be applied first to interest and then to principal.
- C) No Waiver.** The acceptance by Lender, of any payment under this Note after the date that such payment is due shall not constitute a waiver of the right to require prompt payment when due of future or succeeding payments or to declare a default as herein provided for any failure to so pay. The acceptance by Lender of the payment of a portion of any installment at any time that such installment is due and payable in its entirety shall neither cure nor excuse the default caused by the failure to pay the whole of such installment and shall not constitute a waiver of Lender's right to require full payment when due of all future or succeeding installments.
- D) Late Payment Charge.** Borrower acknowledges that late payment to Lender of any sums due hereunder will cause Lender to incur costs not contemplated hereunder, the exact amount of which will be impracticable or extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges. Accordingly, if any installment, payment or any other sum due hereunder from Borrower shall not be received by Lender or Lender's designee within fifteen (15) calendar days after it is due, Borrower shall then pay to Lender a late payment charge equal to ten percent (10%) of such overdue amount. Borrower and Lender agree that such late charge represents a fair and reasonable estimate of the costs Lender will incur by reason of late payment. This provision shall not, however, be construed as extending the time for payment of any amount hereunder, and acceptance of such late charge by Lender shall in no event constitute a waiver of Borrower's default with respect to such overdue amount nor prevent Lender from exercising any of the other rights and remedies with respect to such default.
- E) Default.** The following shall constitute a "default" under this Note:
- (1) A default in the payment when due of any amount hereunder;
 - (2) Borrower's failure to comply with or to observe any other term or provision of the Mortgage or this Note;
 - (3) The commencement of any liquidation, reorganization, receivership, bankruptcy, assignment for the benefit of creditors or other debtor-relief proceeding by or against Borrower or affecting any of the Property;
- F) Acceleration Rights; Interest After Acceleration or Maturity.** Upon the occurrence of a default hereunder, Lender may, at its election, declare the entire balance of principal and interest thereon immediately due and payable, together with all costs of collection, including reasonable attorneys' fees and all expenses incurred in connection with protection of, or realization on, the Property. A delay by Lender in exercising any right of acceleration after a default shall not constitute a waiver of the default or the right of acceleration or any other right or remedy for such default. The failure by Lender to

exercise any right of acceleration as a result of a default shall not constitute a waiver of the right of acceleration or any other right or remedy with respect to any other default, whenever occurring. At such time as this Note becomes due in full, whether by acceleration (upon default or otherwise), by the occurrence of the Maturity Date or otherwise, if Borrower fails to pay all amounts due the unpaid principal balance, accrued interest and costs incurred (and any judgment or decree with respect thereto) shall from and after the date due bear interest until paid at a rate equal to ten percent (10%) per annum.

G) Enforcement Fees and Costs. Borrower shall immediately reimburse Lender for all fees and costs, including attorneys' and experts' fees and costs, incurred by Lender for:

- (1) enforcement of this Note or any of its terms, or the exercise of any rights or remedies hereunder and/or at law, in equity or otherwise, whether or not any action or proceeding is filed;
- (2) representation of Lender in any bankruptcy, insolvency, reorganization or other debtor-relief or similar proceeding of or relating to Borrower, any person liable (by guaranty, assumption, endorsement or otherwise) upon any of the obligations of this Note, or to the Property; or
- (3) representation of Lender in any action or proceeding relating to the Property, whether commenced by Lender or any other person, including foreclosure, receivership, lien or stop-notice enforcement, bankruptcy, eminent domain and probate actions or proceedings. All such fees and costs shall bear interest until paid at the rate applicable from time to time under this Note.

H) Full Payment. All amounts payable under this Note shall be paid in full without setoff, deduction or counterclaim. All amounts payable under this Note shall be free and clear of and without any deduction or withholding for or on account of any taxes, levies, duties, charges, fees, restrictions or conditions of any nature now or hereafter imposed by any federal, state, country or local government or any political subdivision or taxing authority thereof or therein. Borrower shall indemnify Lender against any such taxes, levies, imposts, duties, charges and fees (other than taxes on the income of Lender imposed by any taxing authority) which may be assessed against Lender or claimed or demanded from Lender in respect of any amount payable by Borrower hereunder, and against any costs, charges, expenses or liability arising out of or in respect of such assessment, claim or demand, to the full extent permitted by law.

I) Time of the Essence. Time is of the essence with respect to the payment and performance of the obligations of this Note.

J) Governing Law. This Note shall be governed by and construed under the internal laws of the State of Montana, without regard to conflict of law provisions.

K) Severability. Every provision hereof is intended to be severable. If any provision of this Note is determined by a court of competent jurisdiction to be illegal, invalid or

unenforceable, such illegality, invalidity or unenforceability shall not affect the other provisions hereof, which shall remain binding and enforceable.

L) **Headings.** Headings herein are used for convenience of reference only and do not define or limit the scope of provisions of this Note.

M) **Successors and Assigns.** This Note binds Borrower and its successors, assigns, heirs, administrators and executors, and inures to the benefit of Lender and its successors, assigns, participants, heirs, administrators and executors.

Dated this 15th day of November, 2007, by

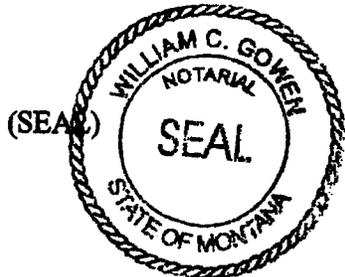


W. A. (Bill) Gallagher, Individually,
and as Managing Member, AquaFlo, LLC

IN WITNESS WHEREOF, the Mortgagor has caused this instrument to be duly executed as of the day and year first above written.

STATE OF MONTANA)
 : ss.
County of Lewis & Clark)

This instrument was acknowledged before me on the 15 day of Nov, 2007, by W. A. (Bill) Gallagher, Managing Member of AquaFlo, LLC.





Notary Public for the State of Montana
Residing at _____, Montana
My commission expires: _____

WILLIAM C. BOWEN
RESIDING AT HELENA
COMM. EXPIRES 10-1, 2011

PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$50,746.78	06-10-2009	06-10-2019	5040151	4 / 218		039	

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Borrower: AQUAFLO LLC
BOX 1091
HELENA, MT 59601

PAID

Lender: VALLEY BANK OF HELENA
Montana Avenue Branch
3030 N. MONTANA AVENUE
P.O. BOX 5269
HELENA, MT 59604

Principal Amount: \$50,746.78

Date of Note: June 10, 2009

PROMISE TO PAY. AQUAFLO LLC ("Borrower") promises to pay to VALLEY BANK OF HELENA ("Lender"), or order, in lawful money of the United States of America, the principal amount of Fifty Thousand Seven Hundred Forty-six & 78/100 Dollars (\$50,746.78), together with interest on the unpaid principal balance from June 10, 2009, until paid in full.

PAYMENT. Subject to any payment changes resulting from changes in the Index. Borrower will pay this loan in accordance with the following payment schedule, which calculates interest on the unpaid principal balances as described in the "INTEREST CALCULATION METHOD" paragraph using the interest rates described in this paragraph: 36 monthly consecutive principal and interest payments in the initial amount of \$576.34 each, beginning July 10, 2009, with interest calculated on the unpaid principal balances using an initial interest rate of 6.500% per annum; 83 monthly consecutive principal and interest payments in the initial amount of \$566.99 each, beginning July 10, 2012, with interest calculated on the unpaid principal balances using an interest rate based on the the Federal Home Loan Bank of Seattle's Intermediate/Long-Term Advances 3 year fixed rate (currently 2.730%), plus a margin of 3.250%, adjusted if necessary for the minimum and maximum rate limitations for this loan, resulting in an initial interest rate of 6.000% per annum; and one principal and interest payment of \$567.20 on June 10, 2019, with interest calculated on the unpaid principal balances using an interest rate based on the the Federal Home Loan Bank of Seattle's Intermediate/Long-Term Advances 3 year fixed rate (currently 2.730%), plus a margin of 3.250%, adjusted if necessary for the minimum and maximum rate limitations for this loan, resulting in an initial interest rate of 6.000% per annum. This estimated final payment is based on the assumption that all payments will be made exactly as scheduled and that the Index does not change; the actual final payment will be for all principal and accrued interest not yet paid, together with any other unpaid amounts under this Note. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

VARIABLE INTEREST RATE. For the first 36 payments, the interest rate on this loan will be 6.500%. Thereafter, the interest rate on this Note is subject to change from time to time based on changes in an independent index which is the the Federal Home Loan Bank of Seattle's Intermediate/Long-Term Advances 3 year fixed rate (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notifying Borrower. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each three years on the anniversary date of the loan. Borrower understands that Lender may make loans based on other rates as well. The Index currently is 2.730% per annum. The interest rate or rates to be applied to the unpaid principal balance during this Note will be the rate or rates set forth herein in the "Payment" section. Notwithstanding any other provision of this Note, after the first payment stream, the interest rate for each subsequent payment stream will be effective as of the last payment date of the just-ending payment stream. NOTICE: Under no circumstances will the interest rate on this Note be less than 6.000% per annum or more than (except for any higher default rate shown below) the lesser of 9.000% per annum or the maximum rate allowed by applicable law. Whenever increases occur in the interest rate, Lender, at its option, may do one or more of the following: (A) increase Borrower's payments to ensure Borrower's loan will pay off by its original final maturity date, (B) increase Borrower's payments to cover accruing interest, (C) increase the number of Borrower's payments, and (D) continue Borrower's payments at the same amount and increase Borrower's final payment.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/365 simple interest basis; that is, by applying the ratio of the interest rate over the number of days in a year, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT PENALTY. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Upon prepayment of this Note, Lender is entitled to the following prepayment penalty: A prepayment penalty equal to 3% of the face amount of this note will be assessed if the note is prepaid in part or in full by another financial institution within the first five years. Prepayments of principal from operating income, sale of assets or other non-borrowed funds will be allowed without penalty. Lender is to be notified by Borrower two business days in advance of any principal prepayment that will exceed 20% of the face amount of this note. Except for the foregoing, Borrower may pay all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: VALLEY BANK OF HELENA, Montana Avenue Branch, 3030 N. MONTANA AVENUE, P.O. BOX 5269, HELENA, MT 59604.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment or \$5.00, whichever is greater.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased to 20.000% per annum. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

PROMISSORY NOTE

Account	Office	Initials
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Borrower: AQUAFLO LLC
BOX 1091
HELENA, MT 59601

PAID

Lender: VALLEY BANK OF HELENA
Montana Avenue Branch
3030 N. MONTANA AVENUE
P.O. BOX 5269
HELENA, MT 59604

Principal Amount: \$50,746.78

Date of Note: June 10, 2009

PROMISE TO PAY. AQUAFLO LLC ("Borrower") promises to pay to VALLEY BANK OF HELENA ("Lender"), or order, in lawful money of the United States of America, the principal amount of Fifty Thousand Seven Hundred Forty-six & 78/100 Dollars (\$50,746.78), together with interest on the unpaid principal balance from June 10, 2009, until paid in full.

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False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Death or Insolvency. The dissolution of Borrower (regardless of whether election to continue is made), any member withdraws from Borrower, or any other termination of Borrower's existence as a going business or the death of any member, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion; as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

PROMISSORY NOTE

Principal	Interest	Term	Rate	Collateral	Account	Other	Initials
\$50,746.78	8.10%	36 Months	2009	None	None	None	

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Borrower: AQUAFLO LLC
BOX 1091
HELENA, MT 59601

PAID

Lender: VALLEY BANK OF HELENA
Montana Avenue Branch
3030 N. MONTANA AVENUE
P.O. BOX 5269
HELENA, MT 59604

Principal Amount: \$50,746.78

Date of Note: June 10, 2009

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Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Death or Insolvency. The dissolution of Borrower (regardless of whether election to continue is made), any member withdraws from Borrower, or any other termination of Borrower's existence as a going business or the death of any member, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

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Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

PROMISSORY NOTE
(Continued)

Page 2

Cure Provisions. If any default, other than a default in payment is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after receiving written notice from Lender demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Montana without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Montana.

CHOICE OF VENUE. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of LEWIS & CLARK County, State of Montana.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$30.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.

PRIOR NOTE. RENEWAL OF PROMISSORY NOTE #5037261 DATED APRIL 27, 2007 FROM AQUAFLO LLC TO VALLEY BANK OF HELENA.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

NOTICES. Any notice required to be given under this Note shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the address shown near the beginning of this Note. Any person may change his or her address for notices under this Note by giving formal written notice to the other person or persons, specifying that the purpose of the notice is to change the person's address. For notice purposes, Borrower agrees to keep Lender informed at all times of Borrower's current address. Unless otherwise provided or required by law, if there is more than one Borrower, any notice given by Lender to any Borrower is deemed to be notice given to all Borrowers. It will be Borrower's responsibility to tell the others of the notice from the Lender.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Borrower does not agree or intend to pay, and Lender does not agree or intend to contract for, charge, collect, take, reserve or receive (collectively referred to herein as "charge or collect"), any amount in the nature of interest or in the nature of a fee for this loan, which would in any way or event (including demand, prepayment, or acceleration) cause Lender to charge or collect more for this loan than the maximum Lender would be permitted to charge or collect by federal law or the law of the State of Montana (as applicable). Any such excess interest or unauthorized fee shall, instead of anything stated to the contrary, be applied first to reduce the principal balance of this loan, and when the principal has been paid in full, be refunded to Borrower. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

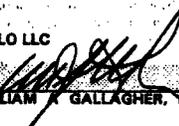
PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

AQUAFLO LLC

By


WILLIAM J. GALLAGHER, Manager of AQUAFLO LLC

PROMISSORY NOTE
(Continued)

Page 2

Cure Provisions. If any default, other than a default in payment is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after receiving written notice from Lender demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Montana without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Montana.

CHOICE OF VENUE. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of LEWIS & CLARK County, State of Montana.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$30.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.

PRIOR NOTE. RENEWAL OF PROMISSORY NOTE #5037261 DATED APRIL 27, 2007 FROM AQUAFLO LLC TO VALLEY BANK OF HELENA.

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NOTICES. Any notice required to be given under this Note shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the address shown near the beginning of this Note. Any person may change his or her address for notices under this Note by giving formal written notice to the other person or persons, specifying that the purpose of the notice is to change the person's address. For notice purposes, Borrower agrees to keep Lender informed at all times of Borrower's current address. Unless otherwise provided or required by law, if there is more than one Borrower, any notice given by Lender to any Borrower is deemed to be notice given to all Borrowers. It will be Borrower's responsibility to tell the others of the notices from the Lender.

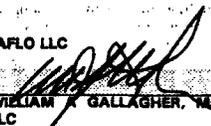
GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Borrower does not agree or intend to pay, and Lender does not agree or intend to contract for, charge, collect, take, reserve or receive (collectively referred to herein as "charge or collect"), any amount in the nature of interest or in the nature of a fee for this loan, which would in any way or event (including demand, prepayment, or acceleration) cause Lender to charge or collect more for this loan than the maximum Lender would be permitted to charge or collect by federal law or the law of the State of Montana (as applicable). Any such excess interest or unauthorized fee shall, instead of anything stated to the contrary, be applied first to reduce the principal balance of this loan, and when the principal has been paid in full, be refunded to Borrower. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

AQUAFLO LLC

By: 
WILLIAM A. GALLAGHER, Manager of AQUAFLO
LLC

PROMISSORY DEMAND NOTE

AquaFlo, LLC
D2011.4.34
PSC-014 Attachment C

Borrower: AquaFlo, LLC
P O Box 1091
Helena, MT 59624

Principal Amount: \$15,361

Interest Rate: 10%

Lender: Aqua Sierra, LLC
634 Irish American Road
Lovelock, NV 89419

Collectively referred to herein as the "Parties"

Dated this: 30th day of July, 2009

1. **PROMISE TO PAY.** For value received, AquaFlo, LLC ("Borrower") promises to pay to Aqua Sierra, LLC ("Lender"), in lawful money of the United States of America, the principal amount of fifteen thousand three hundred sixty one dollars (\$15,361.00), together with interest at the rate of ten percent (10%) per annum on the unpaid outstanding principal balance of this Promissory Note ("Note") as follows:
 2. **PAYMENT.**
 - A. **Principal.** The Borrower shall repay the principal amount of this Note in one lump sum on the earlier of:
 - (1) An Event of Default (as defined hereinafter); or
 - (2) An unauthorized transfer or encumbrance of the Collateral; or
 - (3) The ninth (9th) anniversary of the execution of this Note; or
 - (4) The thirtieth (30th) day after receipt of written Notice of Demand by the Lender upon the Borrower.
 - B. **Interest.** Interest only shall be due and payable annually in arrears. The unpaid principal amount of this Note shall accrue interest until paid in full at the rate of ten percent (10%) per annum. Such interest shall be paid annually on the 31st day December of each year, beginning the year of execution of this Note, and continuing until payment of this Note in full.
 - C. **Interest Calculation.** Interest on this Note is computed on a 365 day year simple interest basis; that is, by applying annual interest rate multiplied by the outstanding principal balance divided by the number of days in a year (365), multiplied by the actual number of days the principal balance is outstanding. *Example: 10% X \$15,361 = \$1,536 ÷ 365 = \$4.21 X 300 days = \$1,262.55*
 - D. **Additional Interest** If payment of any amount due under this Note shall be overdue, such overdue amount shall bear interest from and after the due date, to and including the date when paid in full, at the rate of ten percent (12%) per annum.
 - E. **Application of Payments.** All payments hereunder shall be applied first to any accrued unpaid interest; then to any unpaid collection costs; then to any late charges; and then to principal.
 - F. **Pre-payment.** Any amounts due under this Note may be prepaid, in whole or in part, at any time without penalty or premium. Except for the foregoing, Borrower may pay all or a portion of the amount owed earlier than it is due. Early payments shall not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, early payments shall reduce the principal balance due.
 - G. **Location of Payment.** Borrower shall pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

3. SECURITY

- A. **Deed of Trust.** This Note is secured by a Deed of Trust, executed by the Borrower concurrently with

PROMISSORY NOTE

this Note, encumbering Borrower's interest in certain real property (the "Collateral") described in the Deed of Trust. All representations, warranties, covenants, promises, terms and conditions contained in the Deed of Trust and any Related Documents are incorporated herein and made part of this Note.

4. **DUE ON SALE.** Lender may, at Lender's option, declare immediately due and payable all sums due under this Note and secured by the Deed of Trust upon the sale or transfer, mortgage, indenture or hypothecation, of all or any part of the Collateral, or any interest in the Collateral without Lender's prior written consent. A "sale or transfer" means the conveyance of the Collateral or any right, title or interest in the Collateral; whether legal, beneficial or equitable; whether voluntary or involuntary; whether by outright sale, deed, installment sale contract, land contract, contract for deed, Deed of Trust, trust indenture, leasehold interest with a term greater than three (3) years, lease-option contract, or by sale, assignment, or transfer of any beneficial interest in or to any trust holding title to the Collateral, or by any other method of conveyance of an interest in the Collateral. However, this option shall not be exercised by Lender if such exercise is prohibited by federal law or by Montana law.
5. **DEFAULT.** Each of the following shall constitute an Event of Default ("Event of Default") under this Note:
 - A. **Payment Default** Borrower fails to make any payment when due under this Note.
 - B. **Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note
 - C. **Default in Favor of Third Parties** Borrower defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.
 - D. **Creditor or Forfeiture Proceedings** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the Note. This includes a garnishment of any of Borrower's accounts. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.
 - E. **Options of Lender Upon Event of Default.** Upon the occurrence of any Event of Default, the Lender may immediately do any one or more of the following:
 - (1) **Accelerate** Declare the total Secured Indebtedness including, without limitation, all payments for taxes, assessments, insurance premiums, liens, costs, expenses and attorney's fees herein specified, without notice to Borrower (such notice being hereby expressly waived), to be due and collectible at once, by foreclosure or otherwise;
 - (a) In the event that Lender elects to accelerate the maturity of the Secured Indebtedness and declares the Secured Indebtedness to be due and payable in full at once or as may be provided for in the Deed of Trust, or any other provision or term of this Note, then Lender shall have the right to pursue all of Lender's rights and remedies for the collection of such Secured Indebtedness, whether such rights and remedies are granted by this Note, the Deed of Trust, any Related Document, or other agreement, at law, equity or otherwise, to include, without limitation, the institution of foreclosure proceedings against the Collateral under the terms of this Note and any applicable state or federal law.

- (2) **Foreclosure** With respect to all or any part of the Collateral, the Lender shall have the right to foreclose by notice and sale, and/or Lender shall have the right to foreclose by judicial foreclosure, in either case in accordance with and to the full extent provided by this Note, the Deed of Trust and applicable law.
- (3) **Collect Rents** Lender shall have the right, without notice to Borrower or Guarantor, to take possession of and manage the Collateral and collect the Rents, including amounts past due and unpaid, and apply the net proceeds, over and above Lender's costs, against the Secured Indebtedness. In furtherance of this right, Lender may require any tenant or other user of the Collateral to make payments of rent or use fees directly to Lender. If the Rents are collected by Lender, then Borrower irrevocably designates Lender as Borrower's attorney-in-fact to endorse instruments received in payment thereof in the name of Borrower and to negotiate the same and collect the proceeds. Payments by tenants or other users to Lender in response to Lender's demand shall satisfy the obligations for which the payments are made, whether or not any proper grounds for the demand existed. Lender may exercise its rights under this subparagraph either in person, by agent, or through a receiver.
- (4) **Appoint Receiver** Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the Rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Secured Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Secured Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.
- (5) **Election of Remedies** Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Borrower under this Note or the Deed of Trust, after Borrower's failure to perform, shall not affect Lender's right to declare a Default and exercise its remedies.

6. **AFFIRMATIVE COVENANTS.** Borrower covenants and agrees with Lender that, so long as this Note remains in effect, Borrower shall:

- A. **Notices of Claims and Litigation.** Promptly inform Lender, in writing, of all material adverse changes in Borrower's financial condition and all existing and all threatened litigation, claims, investigations, administrative proceedings or similar actions affecting Borrower, the collateral, or any Guarantor which could materially affect the financial condition of Borrower or the financial condition of any Guarantor.
- B. **Insurance.** At its sole cost and expense, maintain insurance coverages as set out in the Deed of Trust.
- C. **Care of Collateral.** Use and maintain the Collateral pursuant to the terms set out in the Deed of Trust.
- D. **Taxes, Charges and Liens.** Pay and discharge, when due, all of its indebtedness and obligations including, without limitation, all assessments, taxes, governmental charges, levies and liens, of every kind and nature, imposed upon Borrower or its properties, income, or profits, prior to the date on which penalties would attach, and all lawful claims that, if unpaid, might become a lien or charge upon any of Borrower's properties, income, or profits.
- E. **Inspection.** Permit employees or agents of Lender at any reasonable time to inspect any and all Collateral for the Note.

7. **NEGATIVE COVENANTS.** Borrower covenants and agrees with Lender that, while this Note is in

effect, and without the prior written consent of Lender, the Borrower shall not:

- A. Create, incur or assume indebtedness for borrowed money, including capital leases, affecting the Collateral;
- B. Sell, transfer, Deed of Trust, assign, pledge, lease, grant a security interest in, or encumber any of the Collateral; and any such assignment or delegation by the Borrower shall not release him of his obligations under this Note or the Deed of Trust; or
- C. Enter into any agreement containing any provisions which would be violated or breached by the performance of Borrower's obligations under this Note or in connection herewith.

8. **LENDER'S RIGHTS.** At any time by giving Borrower thirty (30) days written notice or upon the occurrence of a default hereunder, Lender may, at its election, declare the entire balance of principal and interest thereon immediately due and payable, together with all costs of collection, including reasonable attorneys' fees and all expenses incurred in connection with protection of, or realization on, the Collateral. A delay by Lender in exercising any right of acceleration after a default shall not constitute a waiver of the default or the right of acceleration or any other right or remedy for such default.

9. **HOMESTEAD EXEMPTION WAIVER.** Borrower hereby releases and waives all rights and benefits of the homestead exemption laws of the State of Montana as to all Indebtedness evidenced by this Note, the Deed of Trust and any Related Documents.

10. **CONDEMNATION.** The following provisions relating to condemnation proceedings upon the Collateral:

- A. **Proceedings.** If any proceeding in condemnation is filed on the Collateral, Borrower shall promptly notify Lender in writing, and Borrower shall promptly take such steps as may be necessary to defend the action and obtain the highest and best award. Lender may be the nominal party in such proceeding and shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of its own choice. The Borrower will deliver, or cause to be delivered, to Lender such instruments and documentation as may be requested by Lender from time to time to permit such participation.
- B. **Application of Net Proceeds.** If all or any part of the Collateral is condemned by eminent domain proceedings or by any proceeding or purchase in lieu of condemnation, Borrower may, at its election, require that all or any portion of the net proceeds of the award be applied to the Secured Indebtedness or the repair or restoration of the Collateral. The net proceeds of the award shall mean the award after payment of all reasonable costs, expenses, and attorneys' fees incurred by the Borrower in connection with the condemnation.

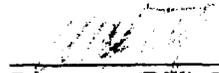
11. **GENERAL PROVISIONS**

- A. **Attorney's Fees; Expenses.** Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower shall pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also shall pay any court costs, in addition to all other sums provided by law.
- B. **Attorneys' Fees.** If either party institutes any action or proceeding against the other relating to the provisions of this Agreement or any default hereunder, the unsuccessful party to such action or proceeding shall reimburse the successful party therein for the reasonable expenses of attorneys' fees, disbursements and litigation expenses incurred by the successful party.
- C. **Assignment.** This Note shall not be assignable by the Borrower without Lender's prior written

consent. However, the Lender may assign its rights hereunder to any third party at any time. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

- D. **Governing Law.** This Note will be governed by the laws of the State of Montana without regard to its conflicts of law provisions.
- E. **Venue.** If there is a lawsuit, the Parties agree to submit to the jurisdiction of the courts of LEWIS & CLARK County, State of Montana.
- F. **Notices.** Any notice required to be given under this Note shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the address shown near the beginning of this Note. Any person may change his or her address for notices under this Note by giving formal written notice to the other person or persons, specifying that the purpose of the notice is to change the person's address. For notice purposes, the Borrower and any Guarantor agree to keep Lender informed at all times of their current address. Unless otherwise provided or required by law, if there is more than one Borrower, any notice given by Lender to any Borrower is deemed to be notice given to all Borrowers. It shall be their responsibility to tell the others of the notice from the Lender.
- G. **Severability.** If any part of this Note cannot be enforced, this fact shall not affect the rest of the Note. Borrower does not agree or intend to pay, and Lender does not agree or intend to contract for, charge, collect, take, reserve or receive (collectively referred to herein as "charge or collect"), any amount in the nature of interest or in the nature of a fee for this Note, which would in any way or event (including demand, prepayment, or acceleration) cause Lender to charge or collect more for this Note than the maximum Lender would be permitted to charge or collect by federal law or the law of the State of Montana (as applicable). Any such excess interest or unauthorized fee shall, instead of anything stated to the contrary, be applied first to reduce the principal balance of this Note, and when the principal has been paid in full, be refunded to Borrower.
- H. **Miscellaneous.**
- (1) Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor.
 - (2) Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no Party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability.
 - (3) Time is of the essence with respect to the payment and performance of the obligations of this Note.

AQUAFLO, LLC:


By: w. A. (Bill) Gallagher, Manager


Date

After Recording Return To:
Aqua Sierra, LLC
4855 N Montana Ave
Helena MT 59602

DEED OF TRUST
Trust Indenture Under the Small Tract Financing Act of Montana

THIS DEED OF TRUST, made this 30 day of July, 2009, between AquaFlo, LLC, whose address is P O Box 1091 Helena, MT 59624 (the "GRANTOR" and "BORROWER"); and Aqua Sierra, LLC, whose address is 634 Irish American Dam Rd. in Lovelock, Nevada, (the "LENDER" or "BENEFICIARY"), (collectively referred to as the "PARTIES"), and HELENA ABSTRACT AND TITLE COMPANY, whose address is P.O. Box 853, Helena, MT 59624 (the "TRUSTEE").

WITNESSETH:

That Grantor hereby irrevocably GRANTS, BARGAINS, SELLS, CONVEYS AND WARRANTS TO TRUSTEE IN TRUST, nevertheless, WITH POWER OF SALE that certain real property, which does not exceed forty (40) acres in area, situated in the County of Lewis and Clark, State of Montana, particularly described as follows, to-wit:

Lot 6A, Block 7, Skyview Subdivision, Phase III, as described in COS #598336/S and located in the NE ¼ of Section 7, T11N, R3W, P.M.M. Lewis and Clark County Montana.

SUBJECT TO:

All existing covenants, reservations, easements and rights of way now of record or apparent from a physical examination of the premises affecting the same or any part thereof, taxes and special assessments.

TOGETHER WITH:

All, buildings, fixtures and improvements thereon and all water rights, rights-of-way, tenements, hereditaments, privileges and appurtenances thereunto belonging, now owned or hereafter acquired, however evidenced, used or enjoyed with said premises or belonging to the same:

All right, title and interest hereafter acquired in or to any of said premises, hereby also releasing, relinquishing and waiving all exemptions, rights of dower and homestead, in or to said premises, vested or inchoate:

All heating, air conditioning, plumbing and lighting facilities, equipment and fixtures now or hereafter installed upon or within said premises, used or proper or necessary to constitute the said premises a habitable, usable or operating unit; All of said property being designated and deemed for the purposes of this instrument a part of the realty; and

All of the rents, issues and profits of said premises, SUBJECT, HOWEVER, to the right, power and

DEED OF TRUST
Page 1 of 6



Lewis & Clark County

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3172718

Page: 1 of 6
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authority hereinafter conferred upon Beneficiary to collect and apply such rents, issues and profits;

FOR THE PURPOSE OF SECURING:

- A) Payment of the principal sum of fifteen thousand three hundred sixty one dollars (\$15,361.00), with interest thereon according to the terms of a Promissory Note, dated the same day as this document (and any extensions and/or renewals or modifications thereof), made by Grantor payable to the order of Beneficiary upon demand or default.
- B) Payment of all sums expended or advanced by Beneficiary under or pursuant to the terms hereof, together with interest thereon as herein provided;
- C) Performance of each agreement of Grantor herein and in said Note contained; and
- D) Payment of any future advances, in no event exceeding Fifty Thousand Dollars (\$50,000), now in contemplation of the parties, if the Beneficiary at its sole option elects to make any advances whatsoever.

TO PROTECT THE SECURITY OF THIS TRUST INDENTURE AND FOR OTHER PURPOSES, GRANTOR AGREES:

- 1. To keep said property in good condition and repair; not to remove or demolish any building thereon: to complete and restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon, and to pay when due all claims for labor performed and materials furnished therefore; to comply with all laws, covenants and restrictions affecting said property; not to commit or permit waste thereof; not commit, suffer or permit any act upon said property in violation of the law; to do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.
- 2. Trustee, upon presentation to it of an affidavit signed by Beneficiary, setting forth facts showing a default by Grantor under this numbered paragraph, is authorized to accept as true and conclusive all facts and statements therein, and to act thereon as provided in this instrument, and as allowed by law.
- 3. To provide, maintain and deliver to Beneficiary, insurance of such type or types and amounts as Beneficiary may require, on the improvements now existing or hereafter erected or placed on said property. Such insurance shall be carried in companies approved by the Beneficiary with loss payable clause in favor of and in form acceptable to Beneficiary. In the event of loss, Grantor shall give immediate notice to Beneficiary, who may make proof of loss and each insurance company concerned is hereby authorized and directed to make payment for such loss directly to Beneficiary instead of to Grantor and Beneficiary jointly, and the insurance proceeds, or any part thereof, may be applied by Beneficiary, at its option, to the reduction of the indebtedness hereby secured or to the restoration or repair of the property damaged.
- 4. To deliver to, pay for and maintain with Beneficiary until the indebtedness secured hereby is paid in full, such evidence of title as Beneficiary may require, including abstracts of title or policies of title insurance and any extensions or renewals thereof or supplements thereto.
- 5. To pay before delinquent, all taxes and assessments, including interest and penalties, affecting said premises and improvements; to promptly pay and discharge all encumbrances, charges and liens on said property which at any time are, or appear to be, prior or superior hereto. In addition to the payments due in accordance with the terms of the note hereby secured, Grantor shall, at the option and on demand of the Beneficiary, pay to the Beneficiary monthly and concurrently with payment of principal and interest, a sum equal to one-twelfth (1/12th) of the annual taxes, assessments, insurance premiums, maintenance and other charges upon the property, as estimated by the Beneficiary, in Trust

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nevertheless for Grantor's use and benefit and for payment by Beneficiary of any such items when due. The failure of Grantor to make any of such payments shall constitute a default under this Trust.

6. Except as otherwise expressly provided herein, to pay all costs fees and expenses of this Trust, including cost of search and evidence of title, advertising and recording expense, documentary taxes and Trustee's and attorney's fees as allowed by law.
7. Should Grantor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, without obligation so to do and without notice to or demand upon Grantor and without releasing Grantor from any obligation hereof, may make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof. Beneficiary or Trustee being authorized to enter upon said property for such purposes.
8. To pay immediately and without demand all sums expended hereunder by Beneficiary or Trustee, with interest from date of expenditure at the rate of two and one tenth percent (2.1%) per annum until paid, and the payment thereof shall be secured hereby.

IT IS MUTUALLY AGREED THAT:

9. Without affecting the liability of any person, including Grantor, for the payment of any indebtedness secured hereby, or the lien of this Deed of Trust on the remainder of the property for the full amount of any indebtedness unpaid, Beneficiary and Trustee are respectively empowered as follows: Beneficiary may from time to time and without notice:
 - A) Release any person liable for payment of any of the indebtedness.
 - B) Extend the time or otherwise alter the terms of payment of any of the indebtedness.
 - C) Alter, substitute or release any property securing the indebtedness:
10. Trustee may, at any time and from time to time, upon the written request of Beneficiary:
 - A) Consent to the making of any map or plat of the property,
 - B) Join in granting any easement or creating any restriction thereon,
 - C) Join in any subordination or other agreement affecting this Trust Indenture or lien or charge thereof.
 - D) Reconvey, without warranty, all or any part of the property.
11. Both parties agree that Beneficiary may, if Beneficiary so elects, procure and thereafter continue during the term of this Deed of Trust, for as long as Beneficiary desires, a form of insurance acceptable to Beneficiary insuring Beneficiary against any loss sustained by Beneficiary by reason of any default in payment by Grantor of the Secured indebtedness. If Beneficiary elects to procure such insurance, Grantor shall promptly reimburse Beneficiary the full amount of the initial premium for such insurance.
12. Upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and said note to Trustee for cancellation and retention and upon payment by Beneficiary of its fees, Trustee shall reconvey to Grantor, without warranty, the property then held hereunder.
13. As additional security, Grantor hereby assigns to Beneficiary, during the continuance of these Trusts, all rents, issues, royalties, and profits of the property affected by this Deed of Trust and of any personal property located thereon. Until Grantor shall default in the payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Grantor shall have the right to

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collect all such rents, issues, royalties, and profits earned prior to default as they become due and payable. If Grantor shall default as aforesaid, Grantor's right to collect any of such monies shall cease and Beneficiary shall have the right, with or without taking possession of the property affected hereby, to collect all rents, royalties, issues, and profits. Failure or discontinuance of Beneficiary at any time or from time to time to collect any such monies shall not in any manner affect the subsequent enforcement by Beneficiary of the right, power, and authority to collect the same. Nothing contained herein, nor the exercise of the right by Beneficiary to collect, shall be, or be construed to be, an affirmation by Beneficiary of any tenancy, lease or option, nor an assumption of liability under, nor subordination of the lien or charge of this Deed of Trust to any such tenancy, lease or option.

14. Upon any Default by Grantor hereunder, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court (Grantor hereby consenting to the appointment of Beneficiary as such receiver), and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in its own name sue for or otherwise collect said rents, issues, and profits, including those past due and unpaid, and apply the same, less cost and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine.
15. The entering upon and taking possession of said property, the collection of such rents, issues, and profits, or the proceeds of fire or other insurance policies, or compensation or awards for any taking or damage of said property, and the application or release thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.
16. Time is of the essence hereof. Upon default by Grantor in the payment of any indebtedness secured hereby or in the performance of any agreement hereunder, all sums secured hereby shall immediately become due and payable at the option of the Beneficiary. In the event of such default, Beneficiary may execute or cause Trustee to execute a written notice of default and of election to cause such property to be sold to satisfy the obligations hereof, and Trustee or Beneficiary shall file such notice for record, in each county wherein said property or some part thereof is situated. Beneficiary shall also deposit with Trustee, the note and all documents evidencing expenditures secured hereby.
17. After the lapse of such time as may then be required by law following the recordation of said notice of default and of election to cause said property to be sold, and notice of default and notice of sale having been given as then required by law, Trustee, or its attorney, without demand on Grantor, shall sell said property on the date and at the time and place designated in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine (but subject to any statutory right of Grantor to direct the order in which such property, if consisting of several known lots or parcels, shall be sold), at public auction to the highest bidder, the purchase price payable in cash in lawful money of the United States at the time of sale. The person conducting the sale may, for any cause he deems expedient, postpone the sale for a period not exceeding fifteen (15) days by public proclamation by such person at the time and place fixed in the notice of sale, and no other notice of the postponed sale need be given. Trustee shall execute and deliver to the purchaser its deed conveying said property so sold, but without any covenant of warranty, express or implied. The recitals in the deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person including Beneficiary (but excluding Trustee) may bid at the sale. After deducting all costs and expenses of exercising the power of sale and of the sale, including cost of search and evidence of title, advertising and recording expense, documentary taxes and Trustees' and attorney's fees, Trustee shall apply the proceeds of sale to payment of all amounts secured hereby and due hereunder, including all sums expended by the Trustee and Beneficiary, or either of them, with accrued interest thereon at the rate of twelve percent (12%) per annum from the date of expenditure thereof, and the surplus, if any, to the person or persons legally entitled thereto; provided that the Trustee, in its

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discretion, may deposit such surplus with the County Clerk and Recorder of the county in which the sale took place.

18. Grantor agrees to surrender possession of the hereinabove described trust property to the purchaser at the aforesaid sale on the tenth (10th) day following said sale, in the event such possession has not previously been delivered by Grantor.
19. Each abstract of title, title insurance policy and all other evidences of title, and all hazard insurance policies placed or deposited with the Beneficiary shall be deemed an incident to the title to the Trust property and upon foreclosure by exercise of power of sale, or otherwise, shall pass to the purchaser and the same are, hereby pledged as additional security for payment of the indebtedness secured hereby.
20. Upon the occurrence of any default hereunder, Beneficiary shall have the option to declare all sums secured hereby immediately due and payable and foreclose this Deed of Trust in the manner provided by law for the foreclosure of mortgages on real property and Beneficiary shall be entitled to recover in such proceedings all costs and expenses incident thereto, including a reasonable attorney's fee in such amount as shall be fixed by the Court.
21. Except as may be otherwise provided herein, Grantor agrees to pay to Beneficiary or Trustee the costs and expenses, including a reasonable attorney's fee, incurred by either of them in instituting, prosecuting or defending any Court action in which Grantor does not prevail, if such action involves the interpretation hereof or performance hereunder by a party hereto or the breach of any provision hereof by a party hereto, including, but not limited to, an action to obtain possession of the above described property after exercise of the power of sale granted hereunder.
22. Lender shall not be deemed to have waived any rights under this Deed of Trust unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Deed of Trust shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Deed of Trust. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Deed of Trust, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.
23. This Deed of Trust shall apply to, inure to the benefit of and bind all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. All obligations of Grantor hereunder are joint and several. The term "Beneficiary" shall mean the owner and holder, including any pledgee, of the note secured hereby. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.
24. Trustee accepts this Trust when this Deed of Trust is duly executed and acknowledged and is made a public record as provided by law. Trustee is not obligated to notify any party hereto of a pending sale under any other trust indenture or of any action or proceeding in which Grantor, Beneficiary, or Trustee shall be a party, unless brought by Trustee.
25. This Trust Indenture is made within the State of Montana pursuant to the Small Tract Financing Act of Montana and is not made or taken in substitution for any mortgage in existence on the effective date of said Act.
26. If a court of competent jurisdiction finds any provision of this Deed of Trust to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal,

DEED OF TRUST

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TRACT TO # 117502

HELENA ABSTRACT AND TITLE COMPANY

P.O. BOX 882, 300 FULLER AVENUE, HELENA, MONTANA 59624

FULL RECONVEYANCE

HELENA ABSTRACT AND TITLE COMPANY, a Montana Corporation of Helena Montana, TRUSTEE under Trust Indenture under and herein described, having been requested in writing by the holder of the obligation secured by said Trust Indenture to reconvey the estate granted to Trustee under said Trust Indenture, does hereby reconvey, release and remise to the person or persons legally entitled thereto, without warranty of any kind, all the estate, title and interest acquired by Trustee under said Trust Indenture:

Grantor: AquaFlo, LLC
Beneficiary: Aqua Sierra, LLC
Recorded: Aug. 6, 2009 in BK-M40 Pg-6511
Legal: Lot 6A, Block 7, Skyview Subdivision, Phase III, COS #598336/S

(LEGAL DESCRIPTION CONTAINED HEREIN ARE FOR POSTING REFERENCES ONLY)

Dated: January 4th 2011

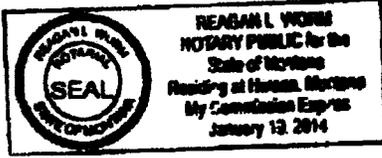
HELENA ABSTRACT AND TITLE COMPANY
As Trustee

(Corporate Seal)

By: [Signature]
President

STATE OF MONTANA
COUNTY OF LEWIS & CLARK

This instrument was acknowledged before me on January 4th 2011, by Russell T. Gowen, as President, of **HELENA ABSTRACT AND TITLE COMPANY**.



Reagan L. Woods
Notary Public State of Montana
Residing at: Helena
My Commission Expires:

 **3199208**
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Lewis & Clark County Helena BK-M40 Pg-1121

From: Gallagher, Bill

Sent: Wednesday, January 26, 2011 11:27 AM

To: PSC_Comm'nrs; Brogan, Al; Whitney, Kate

Subject: Gallagher and AquaFlo, LLC

Commissioners:

For those of you that may be interested, as it was a matter of focus by my opponents during my campaign, and, as I stated publicly that I would do so if elected, I have indeed divested myself of my indirect interest in AquaFlo, LLC, a regulated Helena Valley water/sewer utility.

As a result of my former legal representation of the Company I shall, of course, disqualify myself from any matters involving AquaFlo that may come before the Commission. I have also disassociated myself with the Company by terminating both service my managerial and legal contracts with the Company. I will, however, for the benefit of the Company and its customers, lend my institutional and operational knowledge and memory to the Company as necessary. Unpaid of course.

Since my wife's accounting business, which provides billing and accounting services to several water/sewer providers (both regulated and unregulated) including AquaFlo, will for the time being, continue its contract to provide billing and accounting services to AquaFlo, the question of her interest may arise. Let me assure you, that neither my wife, nor any other relative of mine or hers, whether by blood, marriage or otherwise, has any ownership interest, direct or otherwise in AquaFlo or any affiliated Company.

If you have any questions please feel free to ask.

Bill

W. A. (Bill) Gallagher, Chairman

Montana Public Service Commission

1701 Prospect Ave

P. O. Box 202601

Helena MT 59620-2601

Email: bgallagher@mt.gov

(406) 444-6169

Operation Expenses																				Revenues							
Month	Day	Check #	Payable to:	Description	Operation & Maintenance	Billing / Metering	Management	Professional Services & Govt Fees	Utilities	Testing & Monitoring	Equipment & Supplies	Office Expense & Supplies	Public Relations / Meetings	Insurance	Expenses before Taxes & ROI	PSC & MCC Taxes	Property Taxes	ROI	Total Expense	Capital Investment Pumps	Capital Investment BMS	Total Payments	Loan	Cust. Pymt.	Additional Services Revenue	Total Deposits	Running Balance
January	8			Revenue	\$3,003.44										\$0.00				\$0.00			\$0.00		\$2,953.44	\$50.00	\$3,003.44	\$3,708.36
	8	1295	AquaSierra	ROI	\$2,166.67										\$0.00			\$2,166.67	\$2,166.67			\$2,166.67			\$0.00	\$1,541.69	
	8			Revenue	\$150.00										\$0.00				\$0.00			\$0.00		\$130.00	\$20.00	\$150.00	\$1,691.69
	9	1296	Q Business Source	Billing cards	\$70.73										\$70.73				\$70.73			\$70.73				\$0.00	\$1,620.96
	9	1297	Energy Labs	Testing	\$20.00					\$20.00					\$20.00				\$20.00			\$20.00				\$0.00	\$1,600.96
	9	1298	Valley Sand	Pumphouse repair	\$520.00	\$520.00									\$520.00				\$520.00			\$520.00				\$0.00	\$1,080.96
	14			Revenue	\$1,614.96										\$0.00				\$0.00			\$0.00		\$1,604.96	\$10.00	\$1,614.96	\$2,695.92
	16			Revenue	\$2,609.92										\$0.00				\$0.00			\$0.00		\$2,519.92	\$90.00	\$2,609.92	\$5,305.84
	23			Revenue	\$1,976.48										\$0.00				\$0.00			\$0.00		\$1,826.48	\$150.00	\$1,976.48	\$7,282.32
	26	1299	Dept of Revenue	Consumer Counsel	\$23.74										\$0.00	\$23.74			\$23.74			\$23.74				\$0.00	\$7,258.58
	26	1300	Dept of Revenue	Public Srvc Reg Fee	\$77.15										\$0.00	\$77.15			\$77.15			\$77.15				\$0.00	\$7,181.43
	26	1301	PSC	Copies	\$7.35							\$7.35			\$7.35				\$7.35			\$7.35				\$0.00	\$7,174.08
	26	1302	Morrison Maierle	monitoring	\$219.00					\$219.00					\$219.00				\$219.00			\$219.00				\$0.00	\$6,955.08
	26	1303	Action Print	Letterhead/envelopes	\$165.00							\$165.00			\$165.00				\$165.00			\$165.00				\$0.00	\$6,790.08
	26	1304	Q Business Source	Billing cards	\$134.98										\$134.98				\$134.98			\$134.98				\$0.00	\$6,655.10
	26	1305	Chase Card Svcs	Pumphouse repair	\$219.74	\$219.74									\$219.74				\$219.74			\$219.74				\$0.00	\$6,435.36
	26	1306	Valley Bank	Loan Payment	\$310.00										\$0.00				\$0.00			\$0.00	(\$310.00)		(\$310.00)	\$6,125.36	
	26	1307	Qwest	Phone	\$57.43							\$57.43			\$57.43				\$57.43			\$57.43				\$0.00	\$6,067.93
	26	1308	Accounting Beans	Billing Admin	\$984.62										\$984.62				\$984.62			\$984.62				\$0.00	\$5,083.31
	26	1309	Accounting Beans	Late Fee Collection	\$300.00										\$300.00				\$300.00			\$300.00				\$0.00	\$4,783.31
	30			Revenue	\$1,764.00										\$0.00				\$0.00			\$0.00		\$1,744.00	\$20.00	\$1,764.00	\$6,547.31
	30	1310	NW Energy	Utilities	\$1,058.00					\$1,058.00					\$1,058.00				\$1,058.00			\$1,058.00				\$0.00	\$5,489.31
	30	1311	NW Energy	Utilities	\$862.49					\$862.49					\$862.49				\$862.49			\$862.49				\$0.00	\$4,626.82
	30	1312	Black Mtn Software	Billing Software	\$1,000.00										\$0.00				\$0.00		\$1,000.00	\$1,000.00				\$0.00	\$3,626.82
February	4	1313	Energy Labs	Testing	\$35.00					\$35.00					\$35.00				\$35.00			\$35.00				\$0.00	\$3,591.82
	3	1314	Aqua Sierra	ROI	\$2,166.67										\$0.00			\$2,166.67	\$2,166.67			\$2,166.67				\$0.00	\$1,425.15
	5			Revenue	\$2,369.38										\$0.00				\$0.00			\$0.00		\$2,339.38	\$30.00	\$2,369.38	\$3,794.53
	6	EFT	MT Sec. of State	Annual Report	\$15.00				\$15.00						\$15.00				\$15.00			\$15.00				\$0.00	\$3,779.53
	2		NSF - Smith	Revenue	\$161.52							\$2.00			\$2.00				\$2.00			\$2.00		(\$139.52)	(\$20.00)	(\$159.52)	\$3,618.01
			1315	VOID											\$0.00				\$0.00			\$0.00				\$0.00	\$3,618.01
	9	1316	Accounting Beans	Billing Admin - Jan	\$1,077.88										\$1,077.88				\$1,077.88			\$1,077.88				\$0.00	\$2,540.13
	9	1317	Accounting Beans	Late Fee Collection	\$340.00					\$340.00					\$340.00				\$340.00			\$340.00				\$0.00	\$2,200.13
	9	1318	Gallagher & Assoc.	Legal	\$210.00				\$210.00						\$210.00				\$210.00			\$210.00				\$0.00	\$1,990.13
	11			Revenue	\$2,502.32										\$0.00				\$0.00			\$0.00		\$2,442.32	\$60.00	\$2,502.32	\$4,492.45
	13			Revenue	\$159.52										\$0.00				\$0.00			\$0.00		\$139.52	\$20.00	\$159.52	\$4,651.97
	18	1319	WA Gallagher	Management - Dec	\$2,112.31	\$247.61					\$1,864.70				\$2,112.31				\$2,112.31			\$2,112.31				\$0.00	\$2,539.66
	18	1320	Accounting Beans	Hourly - Dec	\$390.00										\$390.00				\$390.00			\$390.00				\$0.00	\$2,149.66
	18	1321	Qwest	Phone	\$57.43							\$57.43			\$57.43				\$57.43			\$57.43				\$0.00	\$2,092.23
	19			Revenue	\$2,326.60										\$0.00				\$0.00			\$0.00		\$2,276.60	\$50.00	\$2,326.60	\$4,418.83
	25	1322	Chase Card Svcs	Fuel	\$25.08	\$25.08									\$25.08				\$25.08			\$25.08				\$0.00	\$4,393.75
	25	1323	Energy Labs	Testing	\$45.00					\$45.00					\$45.00				\$45.00			\$45.00				\$0.00	\$4,348.75
	25	1324	Valley Bank	Loan Payment	\$300.00										\$0.00				\$0.00			\$0.00	(\$300.00)		(\$300.00)	\$4,048.75	
	25	1325	Morrison Maierle	monitoring	\$762.00					\$762.00					\$762.00				\$762.00			\$762.00				\$0.00	\$3,286.75
	25	1326	Patrick Henry	reimb repair supplies	\$19.71	\$19.71									\$19.71				\$19.71			\$19.71				\$0.00	\$3,267.04
	25	1327	Gallagher & Assoc.	Legal	\$696.40				\$696.40						\$696.40				\$696.40			\$696.40				\$0.00	\$2,570.64
	27			Revenue	\$2,027.72										\$0.00				\$0.00			\$0.00		\$1,857.72	\$170.00	\$2,027.72	\$4,598.36
March	1	1328	AquaSierra	ROI	\$2,166.67										\$0.00			\$2,166.67	\$2,166.67			\$2,166.67				\$0.00	\$2,431.69
	4			Revenue	\$1,939.48										\$0.00				\$0.00			\$0.00		\$1,909.48	\$30.00	\$1,939.48	\$4,371.17
	4	1329	NW Energy	Utilities	\$803.06					\$803.06					\$803.06				\$803.06			\$803.06				\$0.00	\$3,568.11
	4	1330	NW Energy	Utilities	\$1,058.00					\$1,058.00					\$1,058.00				\$1,058.00			\$1,058.00				\$0.00	\$2,510.11
	4	1331	WA Gallagher	Management - Jan	\$1,928.07	\$693.87					\$1,234.20				\$1,928.07				\$1,928.07			\$1,928.07				\$0.00	\$582.04
	6			Revenue	\$1,998.42										\$0.00				\$0.00			\$0.00		\$1,988.42	\$10.00	\$1,998.42	\$2,580.46
	9	1332	Action Print	Copies - PSC filing	\$160.00							\$160.00			\$160.00				\$160.00			\$160.00				\$0.00	\$2,420.46
	9	1333	MT Dept of Revenue	2008 Tax Return	\$50.00				\$50.00						\$50.00				\$50.00			\$50.00				\$0.00	\$2,370.46
	9	1334	Black Mtn Software	Billing Software	\$520.00										\$0.00				\$0.00		\$520.00	\$520.00				\$0.00	\$1,850.46
	10	1335	Big Sky Plumbing	meter maintenace	\$85.00										\$85.00				\$85.00			\$85.00				\$0.00	\$1,765.46
	13			Revenue	\$1,954.12										\$0.00				\$0.00			\$0.00		\$1,914.12	\$40.00	\$1,954.12	\$3,719.58
	13																										

Operation Expenses																				Revenues							
Month	Day	Check #	Payable to:	Description	Operation & Maintenance	Billing / Metering	Management	Professional Services & Govt Fees	Utilities	Testing & Monitoring	Equipment & Supplies	Office Expense & Supplies	Public Relations / Meetings	Insurance	Expenses before Taxes & ROI	PSC & MCC Taxes	Property Taxes	ROI	Total Expense	Capital Investment Pumps	Capital Investment BMS	Total Payments	Loan	Cust. Pymt.	Additional Services Revenue	Total Deposits	Running Balance
	13	1337	Accounting Beans	Late Fee Collection	\$310.00										\$310.00				\$310.00			\$310.00				\$0.00	\$2,517.98
	13	1338	Gallagher & Assoc.	Legal - Jan	\$1,819.02			\$1,819.02							\$1,819.02				\$1,819.02			\$1,819.02				\$0.00	\$698.96
	14			Revenue	\$1,605.20										\$0.00				\$0.00			\$0.00	\$1,605.20		\$1,605.20	\$2,304.16	
	16	1339	Morrison Maierle	monitoring	\$219.00					\$219.00					\$219.00				\$219.00			\$219.00				\$0.00	\$2,085.16
	16	1340	Gallagher & Assoc.	Legal	\$696.40			\$696.40							\$696.40				\$696.40			\$696.40				\$0.00	\$1,388.76
	16	1341	Accounting Beans	Hourly - Jan	\$477.50										\$477.50				\$477.50			\$477.50				\$0.00	\$911.26
	19	1342	Alycia Holston	refund 1/2 month	\$34.88										\$0.00				\$0.00			\$0.00			(\$34.88)	(\$34.88)	\$876.38
	20			Revenue	\$2,094.10										\$0.00				\$0.00			\$0.00	\$1,939.10	\$155.00	\$2,094.10	\$2,970.48	
	24	1343	DEQ Water Protect	Annual Permit	\$750.00			\$750.00							\$750.00				\$750.00			\$750.00				\$0.00	\$2,220.48
	24	1344	Chase Card Svcs	PR - gift card	\$100.00									\$100.00	\$100.00				\$100.00			\$100.00				\$0.00	\$2,120.48
	24	1345	Qwest	Phone	\$57.43							\$57.43			\$57.43				\$57.43			\$57.43				\$0.00	\$2,063.05
	24	1346	Valley Bank	Loan Payment	\$270.00										\$0.00				\$0.00			\$0.00	(\$270.00)		(\$270.00)	\$1,793.05	
	31	1347	Postmaster	PO Box rent	\$21.00							\$21.00			\$21.00				\$21.00			\$21.00				\$0.00	\$1,772.05
	31	1348	PSC	Legal Notice in IR	\$88.00			\$88.00							\$88.00				\$88.00			\$88.00				\$0.00	\$1,684.05
	31			Revenue	\$3,662.96										\$0.00				\$0.00			\$0.00	\$3,422.96	\$240.00	\$3,662.96	\$5,347.01	
April	1	1349	Aqua Sierra	ROI	\$2,166.67										\$0.00			\$2,166.67	\$2,166.67		\$2,166.67				\$0.00	\$3,180.34	
	2	1350	Energy Labs	monitoring	\$20.00					\$20.00					\$20.00				\$20.00			\$20.00				\$0.00	\$3,160.34
	2	1351	Vigilante Electric	Utilities	\$71.35				\$71.35						\$71.35				\$71.35			\$71.35				\$0.00	\$3,088.99
	2	1352	NW Energy	Utilities	\$534.85				\$534.85						\$534.85				\$534.85			\$534.85				\$0.00	\$2,554.14
	2	1353	NW Energy	Utilities	\$1,058.00				\$1,058.00						\$1,058.00				\$1,058.00			\$1,058.00				\$0.00	\$1,496.14
	2	1354	Gallagher & Assoc.	Legal	\$696.40			\$696.40							\$696.40				\$696.40			\$696.40				\$0.00	\$799.74
	3			Revenue	\$1,126.16										\$0.00				\$0.00			\$0.00	\$1,116.16	\$10.00	\$1,126.16	\$1,925.90	
	6		voided chk#1285												\$0.00				\$0.00			\$0.00			\$200.00	\$200.00	\$2,125.90
	6	1355	WA Gallagher	Management-Feb	\$1,902.75	\$256.59	\$1,646.16								\$1,902.75				\$1,902.75			\$1,902.75				\$0.00	\$223.15
	9			Revenue	\$1,556.16										\$0.00				\$0.00			\$0.00	\$1,536.16	\$20.00	\$1,556.16	\$1,779.31	
	13	1356	SJ Perry	Repairs	\$31.61	\$31.61									\$31.61				\$31.61			\$31.61				\$0.00	\$1,747.70
	13	1357	Energy Labs	Testing	\$130.00					\$130.00					\$130.00				\$130.00			\$130.00				\$0.00	\$1,617.70
	13	1358	Black Mtn Software	Billing	\$500.00										\$0.00				\$0.00		\$500.00	\$500.00				\$0.00	\$1,117.70
	14			Revenue	\$2,229.76										\$0.00				\$0.00			\$0.00	\$2,199.76	\$30.00	\$2,229.76	\$3,347.46	
	15	1359	Accounting Beans	Billing Admin - Mar	\$1,286.43		\$1,286.43								\$1,286.43				\$1,286.43			\$1,286.43				\$0.00	\$2,061.03
	15	1360	Accounting Beans	Late Fee Collection	\$390.00		\$390.00								\$390.00				\$390.00			\$390.00				\$0.00	\$1,671.03
	15	1361	Gallagher & Assoc.	Legal	\$656.86			\$656.86							\$656.86				\$656.86			\$656.86				\$0.00	\$1,014.17
	17			Revenue	\$1,960.20										\$0.00				\$0.00			\$0.00	\$1,750.20	\$210.00	\$1,960.20	\$2,974.37	
	17	1362	Accounting Beans	Hourly - Feb	\$505.00		\$505.00								\$505.00				\$505.00			\$505.00				\$0.00	\$2,469.37
	17	1363	WA Gallagher	Management-Mar	\$1,101.14	\$103.54	\$997.60								\$1,101.14				\$1,101.14			\$1,101.14				\$0.00	\$1,368.23
	17	1364	Gallagher & Assoc.	Legal	\$696.40			\$696.40							\$696.40				\$696.40			\$696.40				\$0.00	\$671.83
	30			Revenue	\$3,450.00										\$0.00				\$0.00			\$0.00	\$3,220.00	\$230.00	\$3,450.00	\$4,121.83	
	30	1366	Dept of Revenue	Public Svc Reg Fee	\$84.34										\$0.00		84.34		\$84.34			\$84.34				\$0.00	\$4,037.49
	30	1367	Dept of Revenue	Consumer Counsel	\$25.95										\$0.00		25.95		\$25.95			\$25.95				\$0.00	\$4,011.54
	30	1368	Valley Bank	Loan Payment	\$300.00										\$0.00				\$0.00			\$0.00	(\$300.00)		(\$300.00)	\$3,711.54	
	30	1369	Qwest	Phone	\$58.40							\$58.40			\$58.40				\$58.40			\$58.40				\$0.00	\$3,653.14
	30	1370	Vigilante Electric	Utilities	\$78.24				\$78.24						\$78.24				\$78.24			\$78.24				\$0.00	\$3,574.90
	30	1371	Chase Card Svcs	Maintenance	\$37.04	\$37.04									\$37.04				\$37.04			\$37.04				\$0.00	\$3,537.86
May	1	1365	Aqua Sierra	ROI	\$2,166.67										\$0.00			\$2,166.67	\$2,166.67		\$2,166.67				\$0.00	\$1,371.19	
	5	1372	NW Energy	Utilities	\$652.10				\$652.10						\$652.10				\$652.10			\$652.10				\$0.00	\$719.09
	5			Revenue	\$2,122.80										\$0.00				\$0.00			\$0.00	\$2,092.80	\$30.00	\$2,122.80	\$2,841.89	
	5	1373	NW Energy	Utilities					\$1,058.00						\$1,058.00				\$1,058.00			\$1,058.00				\$0.00	\$1,783.89
	5	1374	Black Mtn Software	Billing	\$500.00										\$0.00				\$0.00		\$500.00	\$500.00				\$0.00	\$1,283.89
	5	1375	Energy Labs	Testing	\$20.00					\$20.00					\$20.00				\$20.00			\$20.00				\$0.00	\$1,263.89
	5	1376	Action Print	Copies	\$33.00							\$33.00			\$33.00				\$33.00			\$33.00				\$0.00	\$1,230.89
	6	1377	Strand & Assoc.	Consulting	\$395.00			\$395.00							\$395.00				\$395.00			\$395.00				\$0.00	\$835.89
	13			Revenue	\$2,721.60										\$0.00				\$0.00			\$0.00	\$2,691.60	\$30.00	\$2,721.60	\$3,557.49	
	15			Revenue	\$1,458.66										\$0.00				\$0.00			\$0.00	\$1,418.66	\$40.00	\$1,458.66	\$5,016.15	
	15	1378	Accounting Beans	Billing Admin - Apr	\$982.23		\$982.23								\$982.23				\$982.23			\$982.23				\$0.00	\$4,033.92
	15	1379	Accounting Beans	Late Fee Collection	\$270.00		\$270.00								\$270.00				\$270.00			\$270.00				\$0.00	\$3,763.92
	15	1380	Pioneer Technical	4th Qtr 2008	\$905.00			\$905.00							\$905.00				\$905.00			\$905.00				\$0.00	\$2,858.92
	15	1381	WA Gallagher	Management	\$2,688.48	\$717.35	\$1,971.13								\$2,688.48				\$2,688.48			\$2,688.48				\$0.00	\$170.44
	2																										

Operation Expenses																				Revenues								
Month	Day	Check #	Payable to:	Description	Operation & Maintenance	Billing / Metering	Management	Professional Services & Govt Fees	Utilities	Testing & Monitoring	Equipment & Supplies	Office Expense & Supplies	Public Relations / Meetings	Insurance	Expenses before Taxes & ROI	PSC & MCC Taxes	Property Taxes	ROI	Total Expense	Capital Investment Pumps	Capital Investment BMS	Total Payments	Loan	Cust. Pymt.	Additional Services Revenue	Total Deposits	Running Balance	
	27	1382	Chase Card Svcs	Weed Spray	\$607.41										\$607.41				\$607.41			\$607.41				\$0.00	\$1,018.15	
	29			Revenue	\$779.84										\$0.00				\$0.00			\$0.00			\$759.84	\$20.00	\$779.84	\$1,797.99
June	4			Revenue	\$2,419.52										\$0.00				\$0.00			\$0.00			\$2,359.52	\$60.00	\$2,419.52	\$4,217.51
	1	1383	Aqua Sierra	ROI	\$2,166.67										\$0.00			\$2,166.67	\$2,166.67			\$2,166.67				\$0.00	\$2,050.84	
	3	1384	Qwest	Phone	\$54.63							\$54.63			\$54.63				\$54.63			\$54.63				\$0.00	\$1,996.21	
	3	1385	Vigilante Electric	Utilities	\$69.53				\$69.53						\$69.53				\$69.53			\$69.53				\$0.00	\$1,926.68	
	3	1386	Morrison Maierle	Testing	\$328.50					\$328.50					\$328.50				\$328.50			\$328.50				\$0.00	\$1,598.18	
	3	1387	Energy Labs	Testing	\$20.00					\$20.00					\$20.00				\$20.00			\$20.00				\$0.00	\$1,578.18	
	3	1388	DEQ	Operator Cert Renewl	\$70.00			\$70.00							\$70.00				\$70.00			\$70.00				\$0.00	\$1,508.18	
	10			Revenue	\$2,532.06										\$0.00				\$0.00			\$0.00		\$2,502.06	\$30.00	\$2,532.06	\$4,040.24	
	11	1389	Valley Bank	Loan Payment	\$431.42										\$0.00				\$0.00			\$0.00	(\$431.42)			(\$431.42)	\$3,608.82	
	11	1390	Morrison Maierle	Testing	\$146.00					\$146.00					\$146.00				\$146.00			\$146.00				\$0.00	\$3,462.82	
	11	1391	Action Print	Copies	\$130.00							\$130.00			\$130.00				\$130.00			\$130.00				\$0.00	\$3,332.82	
	11	1392	NW Energy	Utilities	\$685.24				\$685.24						\$685.24				\$685.24			\$685.24				\$0.00	\$2,647.58	
	12	1393	Accounting Beans	Billing Admin - May	\$834.80		\$834.80								\$834.80				\$834.80			\$834.80				\$0.00	\$1,812.78	
	12	1394	Accounting Beans	Late Fee Collection	\$190.00		\$190.00								\$190.00				\$190.00			\$190.00				\$0.00	\$1,622.78	
	12	1395	Gallagher & Assoc.	Legal	\$696.40			\$696.40							\$696.40				\$696.40			\$696.40				\$0.00	\$926.38	
	12	1396	Gallagher & Assoc.	Legal	\$535.11			\$535.11							\$535.11				\$535.11			\$535.11				\$0.00	\$391.27	
	15			Revenue	\$1,913.76										\$0.00				\$0.00			\$0.00		\$1,883.76	\$30.00	\$1,913.76	\$2,305.03	
	15	1397	VOID		\$0.00										\$0.00				\$0.00			\$0.00				\$0.00	\$2,305.03	
	15	1398	WA Gallagher	Management		\$226.17	\$2,075.30								\$2,301.47				\$2,301.47			\$2,301.47				\$0.00	\$3.56	
	22			Revenue	\$1,535.68										\$0.00				\$0.00			\$0.00		\$1,505.68	\$30.00	\$1,535.68	\$1,539.24	
	30			Revenue	\$2,283.78										\$0.00				\$0.00			\$0.00		\$2,188.78	\$95.00	\$2,283.78	\$3,823.02	
	30	1399	AquaSierra	ROI	\$2,166.67										\$0.00			\$2,166.67	\$2,166.67			\$2,166.67				\$0.00	\$1,656.35	
	30	1400	Vigilante Electric	Utilities	\$68.10				\$68.10						\$68.10				\$68.10			\$68.10				\$0.00	\$1,588.25	
	30	1401	NW Energy	Utilities	\$582.03				\$582.03						\$582.03				\$582.03			\$582.03				\$0.00	\$1,006.22	
	30	1402	NW Energy	Utilities	\$286.22				\$286.22						\$286.22				\$286.22			\$286.22				\$0.00	\$720.00	
	30	1403	Energy Labs	Testing	\$155.00				\$155.00	\$155.00					\$155.00				\$155.00			\$155.00				\$0.00	\$565.00	
	30	1404	Qwest	Phone	\$54.70							\$54.70			\$54.70				\$54.70			\$54.70				\$0.00	\$510.30	
	30	1405	Chase Card Svcs	Labor,PR,maintenance	\$482.03	\$332.60		\$141.68							\$482.03			\$7.75	\$482.03			\$482.03					\$0.00	\$28.27
	30	1406	Aqua Sierra	Loan Payment	\$4,000.00										\$0.00				\$0.00			\$0.00	(\$4,000.00)			(\$4,000.00)	(\$3,971.73)	
				1407 VOID																								
				1408 VOID																								
July	8			Revenue	\$2,480.56										\$0.00				\$0.00			\$0.00		\$2,440.56	\$40.00	\$2,480.56	(\$1,491.17)	
	15			Revenue	\$3,864.88										\$0.00				\$0.00			\$0.00		\$3,814.88	\$50.00	\$3,864.88	\$2,373.71	
	15	1409	Valley Bank	Loan Payment	\$576.34										\$0.00				\$0.00			\$0.00	(\$576.34)			(\$576.34)	\$1,797.37	
	16	1410	Lindsay Drilling	Well repair	\$4,400.00										\$0.00				\$0.00	\$4,400.00		\$4,400.00				\$0.00	(\$2,602.63)	
	16	1411	Energy Labs	Testing	\$20.00					\$20.00					\$20.00				\$20.00			\$20.00				\$0.00	(\$2,622.63)	
	16	1412	SJ Perry	Pump	\$524.86						\$38.86				\$38.86				\$38.86		\$486.00	\$524.86				\$0.00	(\$3,147.49)	
	16	1413	Action Print	Newsletter	\$60.00							\$60.00			\$60.00				\$60.00			\$60.00				\$0.00	(\$3,207.49)	
	28	1414	Dept of Revenue	Public Srvc Reg Fee	\$74.39										\$0.00		\$74.39		\$74.39			\$74.39				\$0.00	(\$3,281.88)	
	28	1415	Dept of Revenue	Consumer Counsel	\$22.89										\$0.00		\$22.89		\$22.89			\$22.89				\$0.00	(\$3,304.77)	
	30			Aqua Sierra Loan	\$15,361.00										\$0.00				\$0.00			\$0.00	\$15,361.00			\$15,361.00	\$12,056.23	
	31			Revenue	\$2,956.36										\$0.00				\$0.00			\$0.00		\$2,756.36	\$200.00	\$2,956.36	\$15,012.59	
	31	1416	WA Gallagher	Utilities - reimburse	\$705.40				\$705.40						\$705.40				\$705.40			\$705.40				\$0.00	\$14,307.19	
	31	1417	Gallagher & Assoc.	Legal - 5/1/09 Inv.	\$2,087.98			\$2,087.98							\$2,087.98				\$2,087.98			\$2,087.98				\$0.00	\$12,219.21	
	31	1418	Gallagher & Assoc.	Legal - 6/1/09 Inv.	\$1,737.35			\$1,737.35							\$1,737.35				\$1,737.35			\$1,737.35				\$0.00	\$10,481.86	
	31	1419	Gallagher & Assoc.	Legal - 7/1/09 Inv.	\$462.00			\$462.00							\$462.00				\$462.00			\$462.00				\$0.00	\$10,019.86	
	31	1420	Gallagher & Assoc.	Legal - June	\$696.40			\$696.40							\$696.40				\$696.40			\$696.40				\$0.00	\$9,323.46	
	31	1421	Gallagher & Assoc.	Legal - July	\$696.40			\$696.40							\$696.40				\$696.40			\$696.40				\$0.00	\$8,627.06	
	31	1422	WA Gallagher	Management - June	\$2,673.96	\$322.06	\$2,351.90								\$2,673.96				\$2,673.96			\$2,673.96				\$0.00	\$5,953.10	
	31	1423	Bill Gallagher	Equipment Rental	\$80.00						\$80.00				\$80.00				\$80.00			\$80.00				\$0.00	\$5,873.10	
	31	1424	Accounting Beans	Hourly - March	\$120.00		\$120.00								\$120.00				\$120.00			\$120.00				\$0.00	\$5,753.10	
	31	1425	Accounting Beans	Hourly - April	\$222.50		\$222.50								\$222.50				\$222.50			\$222.50				\$0.00	\$5,530.60	
	31	1426	Accounting Beans	Hourly - May	\$210.00		\$210.00								\$210.00				\$210.00			\$210.00				\$0.00	\$5,320.60	
	31	1427	Accounting Beans	Hourly - June	\$380.00		\$380.00								\$380.00				\$380.00			\$380.00				\$0.00	\$4,940.60	
	31	1428	Accounting Beans	Billing Admin - June	\$1,043.98		\$1,043.98								\$1,043.98				\$1,043.98			\$1,043.98						

Operation Expenses																				Revenues							
Month	Day	Check #	Payable to:	Description	Operation & Maintenance	Billing / Metering	Management	Professional Services & Govt Fees	Utilities	Testing & Monitoring	Equipment & Supplies	Office Expense & Supplies	Public Relations / Meetings	Insurance	Expenses before Taxes & ROI	PSC & MCC Taxes	Property Taxes	ROI	Total Expense	Capital Investment Pumps	Capital Investment BMS	Total Payments	Loan	Cust. Pymt.	Additional Services Revenue	Total Deposits	Running Balance
	31	1430	Morrison Maierle	Testing	\$383.25					\$383.25					\$383.25				\$383.25			\$383.25				\$0.00	\$3,268.37
	31	1431	Qwest	Phone	\$54.86							\$54.86			\$54.86				\$54.86			\$54.86				\$0.00	\$3,213.51
	31	1432	Chase Card Svcs	emergency well repair	\$279.44	\$279.44									\$279.44				\$279.44			\$279.44				\$0.00	\$2,934.07
	31	1433	NW Energy	Utilities	\$579.24				\$579.24						\$579.24				\$579.24			\$579.24				\$0.00	\$2,354.83
	31	1434	NW Energy	Utilities	\$1,301.21				\$1,301.21						\$1,301.21				\$1,301.21			\$1,301.21				\$0.00	\$1,053.62
	31	1435	Vigilante Electric	Utilities	\$67.90				\$67.90						\$67.90				\$67.90			\$67.90				\$0.00	\$985.72
	31	1436	Energy Labs	Testing	\$150.00					\$150.00					\$150.00				\$150.00			\$150.00				\$0.00	\$835.72
August	1			Revenue	(\$69.76)										\$0.00				\$0.00			\$0.00		(\$69.76)	(\$69.76)	\$0.00	\$765.96
	1		Valley Bank	Return Check fee	\$2.00							\$2.00			\$2.00				\$2.00			\$2.00				\$0.00	\$763.96
	7			Revenue	\$3,936.72										\$0.00				\$0.00			\$0.00		\$3,846.72	\$90.00	\$3,936.72	\$4,700.68
	10	1437	Valley Bank	Loan Payment	\$576.34										\$0.00				\$0.00			\$0.00	(\$576.34)			(\$576.34)	\$4,124.34
	14			Revenue	\$3,260.48										\$0.00				\$0.00			\$0.00		\$3,220.48	\$40.00	\$3,260.48	\$7,384.82
	18	1438	Aqua Sierra	ROI	\$2,166.67										\$0.00			2166.67	\$2,166.67			\$2,166.67				\$0.00	\$5,218.15
	18	1439	Lindsay Drilling	Repairs	\$4,400.00										\$0.00				\$0.00	\$4,400.00		\$4,400.00				\$0.00	\$818.15
	18	1440	SJ Perry	Equipment	\$640.00										\$0.00				\$0.00	\$640.00		\$640.00				\$0.00	\$178.15
	25			Revenue	\$1,904.48										\$0.00				\$0.00			\$0.00		\$1,734.48	\$170.00	\$1,904.48	\$2,082.63
	27	1441	Chase Card Svcs	Maintenance	\$100.00	\$100.00									\$100.00				\$100.00			\$100.00				\$0.00	\$1,982.63
	31			Revenue	\$1,534.96										\$0.00				\$0.00			\$0.00		\$1,504.96	\$30.00	\$1,534.96	\$3,517.59
Sept.	3	1442	NW Energy	Utilities	\$502.59				\$502.59						\$502.59				\$502.59			\$502.59				\$0.00	\$3,015.00
	3	1443	NW Energy	Utilities	\$1,326.25				\$1,326.25						\$1,326.25				\$1,326.25			\$1,326.25				\$0.00	\$1,688.75
	3	1444	Qwest	Phone	\$55.66							\$55.66			\$55.66				\$55.66			\$55.66				\$0.00	\$1,633.09
	3	1445	Vigilante Electric	Utilities	\$62.31				\$62.31						\$62.31				\$62.31			\$62.31				\$0.00	\$1,570.78
	3	1446	Alpine Analytical	Testing	\$35.00					\$35.00					\$35.00				\$35.00			\$35.00				\$0.00	\$1,535.78
	3	1447	Energy Labs	Testing	\$20.00					\$20.00					\$20.00				\$20.00			\$20.00				\$0.00	\$1,515.78
	10			Revenue	\$4,113.00										\$0.00				\$0.00			\$0.00		\$3,983.00	\$130.00	\$4,113.00	\$5,628.78
	10	1448	Valley Bank	Loan Payment	\$576.34										\$0.00				\$0.00			\$0.00	(\$576.34)			(\$576.34)	\$5,052.44
	16			Revenue	\$3,259.68										\$0.00				\$0.00			\$0.00		\$3,209.68	\$50.00	\$3,259.68	\$8,312.12
	17	1449	Postmaster	PO Box rent	\$22.00							\$22.00			\$22.00				\$22.00			\$22.00				\$0.00	\$8,290.12
	17	1450	SJ Perry	Equipment	\$655.92										\$0.00				\$0.00	\$655.92		\$655.92				\$0.00	\$7,634.20
	17	1451	Morrison Maierle	Testing	\$786.84					\$786.84					\$786.84				\$786.84			\$786.84				\$0.00	\$6,847.36
	17	1452	Pioneer Technical	Operations	\$1,675.00	\$1,675.00									\$1,675.00				\$1,675.00			\$1,675.00				\$0.00	\$5,172.36
	17	1453	Aqua Sierra	ROI	\$2,166.67										\$0.00			\$2,166.67	\$2,166.67			\$2,166.67				\$0.00	\$3,005.69
	17	1454	Gallagher & Assoc.	Legal - Aug	\$696.40			\$696.40							\$696.40				\$696.40			\$696.40				\$0.00	\$2,309.29
	17	1455	Vigilante Electric	Utilities	\$72.00				\$72.00						\$72.00				\$72.00			\$72.00				\$0.00	\$2,237.29
	21	1456	Nikki Masten	Deposit refund	\$33.52										\$0.00				\$0.00			\$0.00		\$106.48	(\$140.00)	(\$33.52)	\$2,203.77
	22	1457	Dominos	SV HOA meeting	\$30.97									\$30.97					\$30.97			\$30.97				\$0.00	\$2,172.80
	28	1458	Chase Card Svcs	Maintenance	\$100.00	\$100.00									\$100.00				\$100.00			\$100.00				\$0.00	\$2,072.80
	23			Revenue	\$150.00										\$0.00				\$0.00			\$0.00		\$130.00	\$20.00	\$150.00	\$2,222.80
	30			Revenue	\$1,818.52										\$0.00				\$0.00			\$0.00		\$1,658.52	\$160.00	\$1,818.52	\$4,041.32
	30			Revenue	\$1,046.40										\$0.00				\$0.00			\$0.00		\$1,046.40		\$1,046.40	\$5,087.72
October	1	1459	Capital Sports	supply for reader	\$6.95						\$6.95				\$6.95				\$6.95			\$6.95				\$0.00	\$5,080.77
	7	1460	NW Energy	Utilities	\$638.99				\$638.99						\$638.99				\$638.99			\$638.99				\$0.00	\$4,441.78
	7	1461	NW Energy	Utilities	\$1,357.85				\$1,357.85						\$1,357.85				\$1,357.85			\$1,357.85				\$0.00	\$3,083.93
	7	1462	Qwest	Phone	\$54.86							\$54.86			\$54.86				\$54.86			\$54.86				\$0.00	\$3,029.07
	7	1463	SJ Perry	Pump	\$486.00										\$0.00				\$0.00	\$486.00		\$486.00				\$0.00	\$2,543.07
	7	1464	Energy Labs	Testing	\$150.00					\$150.00					\$150.00				\$150.00			\$150.00				\$0.00	\$2,393.07
	7	1465	Aqua Sierra	ROI	\$2,166.67										\$0.00			2166.67	\$2,166.67			\$2,166.67				\$0.00	\$226.40
	8			Revenue	\$2,529.84										\$0.00				\$0.00			\$0.00		\$2,509.84	\$20.00	\$2,529.84	\$2,756.24
	8	1466	Valley Bank	Loan Payment	\$576.34										\$0.00				\$0.00			\$0.00	(\$576.34)			(\$576.34)	\$2,179.90
	8	1467	Gallagher & Assoc.	Legal	\$696.40			\$696.40							\$696.40				\$696.40			\$696.40				\$0.00	\$1,483.50
	8	1468	Gallagher & Assoc.	Legal	\$70.00			\$70.00							\$70.00				\$70.00			\$70.00				\$0.00	\$1,413.50
	14			Revenue	\$2,631.60										\$0.00				\$0.00			\$0.00		\$2,621.60	\$10.00	\$2,631.60	\$4,045.10
	19	1469	Vigilante Electric	Utilities	\$59.65				\$59.65						\$59.65				\$59.65			\$59.65				\$0.00	\$3,985.45
	19	1470	Dept of Revenue	Public Svc Reg Fee	\$76.40			\$76.40							\$76.40				\$76.40			\$76.40				\$0.00	\$3,909.05
	19	1471	Dept of Revenue	Consumer Counsel	\$23.51			\$23.51							\$23.51				\$23.51			\$23.51				\$0.00	\$3,885.54
	19	1472	Accounting Beans	Hourly - July	\$112.50					\$112.50					\$112.50				\$112.50			\$112.50				\$0.00	\$3,773.04
	19	1473	Accounting Beans	Hourly - Aug	\$217.50		\$217.50								\$217.50				\$217.50			\$217.50				\$0.00	\$3,555.54
	19	1																									

Operation Expenses																				Revenues							
Month	Day	Check #	Payable to:	Description	Operation & Maintenance	Billing / Metering	Management	Professional Services & Govt Fees	Utilities	Testing & Monitoring	Equipment & Supplies	Office Expense & Supplies	Public Relations / Meetings	Insurance	Expenses before Taxes & ROI	PSC & MCC Taxes	Property Taxes	ROI	Total Expense	Capital Investment Pumps	Capital Investment BMS	Total Payments	Loan	Cust. Pymt.	Additional Services Revenue	Total Deposits	Running Balance
	19	1475	WA Gallagher	Equip Rental - Aug	\$315.00										\$315.00				\$315.00			\$315.00				\$0.00	\$3,200.54
	19	1476	Aqua Sierra	Loan repayment	\$1,000.00										\$0.00				\$0.00			\$0.00	(\$1,000.00)			(\$1,000.00)	\$2,200.54
	19	1477	Accounting Beans	Late Fee Collection	\$360.00		\$360.00								\$360.00				\$360.00			\$360.00				\$0.00	\$1,840.54
	19	1478	Gallagher & Assoc.	Legal	\$696.40			\$696.40							\$696.40				\$696.40			\$696.40				\$0.00	\$1,144.14
	21			Revenue	\$1,668.57										\$0.00				\$0.00			\$0.00		\$1,578.57	\$90.00	\$1,668.57	\$2,812.71
	27	1479	Express Services	Labor	\$177.10		\$177.10								\$177.10				\$177.10			\$177.10				\$0.00	\$2,635.61
	29	1480	Chase Card Srvc	Maintenance	\$500.00		\$500.00								\$500.00				\$500.00			\$500.00				\$0.00	\$2,135.61
	29	1481	Qwest	Phone	\$55.60							\$55.60			\$55.60				\$55.60			\$55.60				\$0.00	\$2,080.01
	30			Revenue	\$2,619.24										\$0.00				\$0.00			\$0.00		\$2,549.24	\$70.00	\$2,619.24	\$4,699.25
November	3	1482	Aqua Sierra	ROI	\$2,166.67										\$0.00			2166.67	\$2,166.67			\$2,166.67				\$0.00	\$2,532.58
	3	1483	Insurance Unlimited	Insurance	\$2,341.00									\$2,341.00	\$2,341.00				\$2,341.00			\$2,341.00				\$0.00	\$191.58
	3	1484	METC	Operator Class	\$80.00			\$80.00							\$80.00				\$80.00			\$80.00				\$0.00	\$111.58
	5			Revenue	\$2,573.80										\$0.00				\$0.00			\$0.00		\$2,423.80	\$150.00	\$2,573.80	\$2,685.38
	9	1485	Valley Bank	Loan Payment	\$576.34										\$0.00				\$0.00			\$0.00	(\$576.34)			(\$576.34)	\$2,109.04
	9	1486	NW Energy	Utilities	\$604.17				\$604.17						\$604.17				\$604.17			\$604.17				\$0.00	\$1,504.87
	9	1487	NW Energy	Utilities	\$909.07				\$909.07						\$909.07				\$909.07			\$909.07				\$0.00	\$595.80
	12			Revenue	\$2,586.84										\$0.00				\$0.00			\$0.00		\$2,516.84	\$70.00	\$2,586.84	\$3,182.64
	16	1488	Eagle Electric	Repairs	\$138.00		\$138.00								\$138.00				\$138.00			\$138.00				\$0.00	\$3,044.64
	16	1489	Morrison Maierle	monitoring	\$169.10					\$169.10					\$169.10				\$169.10			\$169.10				\$0.00	\$2,875.54
	16	1490	SJ Perry	Supplies	\$82.69		\$82.69								\$82.69				\$82.69			\$82.69				\$0.00	\$2,792.85
	16	1491	Energy Labs	Testing	\$150.00					\$150.00					\$150.00				\$150.00			\$150.00				\$0.00	\$2,642.85
	16	1492	Vigilante Electric	Utilities	\$49.18				\$49.18						\$49.18				\$49.18			\$49.18				\$0.00	\$2,593.67
	18			Revenue	\$2,583.28										\$0.00				\$0.00			\$0.00		\$2,483.28	\$100.00	\$2,583.28	\$5,176.95
	27	1493	Chase Card Srvc	Maintenance	\$500.00		500								\$500.00				\$500.00			\$500.00				\$0.00	\$4,676.95
	27	1494	Qwest	Phone	\$55.60							\$55.60			\$55.60				\$55.60			\$55.60				\$0.00	\$4,621.35
	27	1495	Casne & Assoc.	Consulting	\$2,000.00			\$2,000.00							\$2,000.00				\$2,000.00			\$2,000.00				\$0.00	\$2,621.35
	27	1497	Energy Labs	Testing	\$150.00					\$150.00					\$150.00				\$150.00			\$150.00				\$0.00	\$2,471.35
	30			Revenue	\$1,287.84										\$0.00				\$0.00			\$0.00		\$1,197.84	\$90.00	\$1,287.84	\$3,759.19
December	1	1496	NW Energy	Utilities	\$549.00				\$549.00						\$549.00				\$549.00			\$549.00				\$0.00	\$3,210.19
	1	1498	NW Energy	Utilities	\$533.83				\$533.83						\$533.83				\$533.83			\$533.83				\$0.00	\$2,676.36
	1	1499	VOID												\$0.00				\$0.00			\$0.00				\$0.00	\$2,676.36
	3	1500	Aqua Sierra	ROI	\$2,166.67										\$0.00			2,166.67	\$2,166.67			\$2,166.67				\$0.00	\$509.69
	8			Revenue	\$3,882.76										\$0.00				\$0.00			\$0.00		\$3,842.76	\$40.00	\$3,882.76	\$4,392.45
	3	1501	Gallagher & Assoc.	Legal	\$696.40			\$696.40							\$696.40				\$696.40			\$696.40				\$0.00	\$3,696.05
	3	1502	Gallagher & Assoc.	Legal	\$420.00			\$420.00							\$420.00				\$420.00			\$420.00				\$0.00	\$3,276.05
	8	1503	L&C Co Treasurer	Property Tax	\$780.19										\$0.00		\$780.19		\$780.19			\$780.19				\$0.00	\$2,495.86
	8	1504	Valley Bank	Loan Payment	\$576.34										\$0.00				\$0.00			\$0.00	(\$576.34)			(\$576.34)	\$1,919.52
	8	1505	Morrison Maierle	Monitoring	\$109.50					\$109.50					\$109.50				\$109.50			\$109.50				\$0.00	\$1,810.02
	8	1506	Casne & Assoc.	Consulting	\$1,454.90			\$1,454.90							\$1,454.90				\$1,454.90			\$1,454.90				\$0.00	\$355.12
	8	1507	Action Print	Newsletter	\$55.00							\$55.00			\$55.00				\$55.00			\$55.00				\$0.00	\$300.12
	11			Revenue	\$1,475.40										\$0.00				\$0.00			\$0.00		\$1,405.40	\$70.00	\$1,475.40	\$1,775.52
	14	1508	Vigilante Electric	Utilities	\$55.16				\$55.16						\$55.16				\$55.16			\$55.16				\$0.00	\$1,720.36
	14	1509	WA Gallagher	Equipment Rental	\$175.00		\$175.00								\$175.00				\$175.00			\$175.00				\$0.00	\$1,545.36
	14	1510	Gallagher & Assoc.	Legal	\$696.40			\$696.40							\$696.40				\$696.40			\$696.40				\$0.00	\$848.96
	14	1511	Accounting Beans	Billing	\$205.00		\$205.00								\$205.00				\$205.00			\$205.00				\$0.00	\$643.96
	16	1512	Cash	Operator bonus	\$400.00		\$400.00								\$400.00				\$400.00			\$400.00				\$0.00	\$243.96
	22			Revenue	\$3,102.44										\$0.00				\$0.00			\$0.00		\$3,032.44	\$70.00	\$3,102.44	\$3,346.40
	28	1513	Chase Card Srvc	Maintenance	\$400.00		\$400.00								\$400.00				\$400.00			\$400.00				\$0.00	\$2,946.40
	28	1514	Energy Labs	Testing	\$35.00					\$35.00					\$35.00				\$35.00			\$35.00				\$0.00	\$2,911.40
	28	1515	Qwest	Phone	\$55.60							\$55.60			\$55.60				\$55.60			\$55.60				\$0.00	\$2,855.80
	28	1516	Accounting Beans	Hourly - Sept	\$177.50		\$177.50								\$177.50				\$177.50			\$177.50				\$0.00	\$2,678.30
	28	1517	Accounting Beans	Hourly - Oct	\$225.00		\$225.00								\$225.00				\$225.00			\$225.00				\$0.00	\$2,453.30
	28	1518	Accounting Beans	Billing Admin - July	\$901.18										\$901.18				\$901.18			\$901.18				\$0.00	\$1,552.12
	28	1519	Accounting Beans	Late Fee Collection	\$290.00		\$290.00								\$290.00				\$290.00			\$290.00				\$0.00	\$1,262.12
	28	1520	Accounting Beans	Late Fee Collection	\$320.00		\$320.00								\$320.00				\$320.00			\$320.00				\$0.00	\$942.12
	31			Revenue	\$2,612.80										\$0.00				\$0.00			\$0.00		\$2,512.80	\$100.00	\$2,612.80	\$3,554.92
					\$9,242.61	\$14,550.93	\$12,140.99	\$22,404.61	\$18,299.01	\$4,278.19	\$125.81	\$1,329.55	\$138.72	\$2,341.00	\$84,851.42	\$308.46	\$780.19	\$26,00									

		Operation Expenses																Revenues										
Month	Day	Check #	Payable to:	Description	Operation & Maintenance	Billing / Metering	Management	Professional Services & Govt Fees	Utilities	Testing & Monitoring	Equipment & Supplies	Office Expense & Supplies	Public Relations / Meetings	Insurance	Valley Bank Loan	Expenses before Taxes & ROI	PSC & MCC Taxes	Property Taxes	ROI	Income Tax	Total Expense	Capital Investment Pumps/etc	Capital Investment BMS	Total Payments	Cust. Pymt.	Additional Services Revenue	Total Deposits	Running Balance
		21		Revenue	\$9,699.86											\$0.00					\$0.00			\$0.00	\$9,529.86	\$170.00	\$9,699.86	\$ 11,440.78
		21	1616	Aqua Sierra	ROI	\$2,166.67										\$0.00					\$2,166.67			\$2,166.67			\$0.00	\$ 9,274.11
		21	1617	Chase	repairs & maint	\$200.00										\$200.00					\$200.00			\$200.00			\$0.00	\$ 9,074.11
		21	1618	Qwest	phone	\$55.88						\$55.88				\$55.88					\$55.88			\$55.88			\$0.00	\$ 9,018.23
		21	1619	NW Energy	Utilities	\$486.84			\$486.84							\$486.84					\$486.84			\$486.84			\$0.00	\$ 8,531.39
		21	1620	NW Energy	Utilities	\$917.43			\$917.43							\$917.43					\$917.43			\$917.43			\$0.00	\$ 7,613.96
		21	1621	Energy Labs	testing	\$205.00				\$205.00						\$205.00					\$205.00			\$205.00			\$0.00	\$ 7,408.96
		21	1622	Chase	repairs & maint	\$200.00	\$200.00									\$200.00					\$200.00			\$200.00			\$0.00	\$ 7,208.96
		23	1623	USPS	postage	\$88.00						\$88.00				\$88.00					\$88.00			\$88.00			\$0.00	\$ 7,120.96
		24	1624	Vigilante Electric	Utilities	\$29.26			\$29.26							\$29.26					\$29.26			\$29.26			\$0.00	\$ 7,091.70
		24	1625	Qwest	phone	\$62.07						\$62.07				\$62.07					\$62.07			\$62.07			\$0.00	\$ 7,029.63
		24	1626	MT DEQ	Operator Certificate	\$70.00		\$70.00								\$70.00					\$70.00			\$70.00			\$0.00	\$ 6,959.63
		25	1627	David Gallagher	lawn maintenance	\$120.00	\$120.00									\$120.00					\$120.00			\$120.00			\$0.00	\$ 6,839.63
		28	1628	Action Print	copies	\$108.00						\$108.00				\$108.00					\$108.00			\$108.00			\$0.00	\$ 6,731.63
		30	1629	Eagle Tire	repairs & maint	\$11.00	\$11.00									\$11.00					\$11.00			\$11.00			\$0.00	\$ 6,720.63
		30		Revenue	\$2,063.46											\$0.00					\$0.00			\$0.00	\$2,033.46	\$30.00	\$2,063.46	\$ 8,784.09
July		2	1630	Aqua Sierra	ROI	\$2,166.67										\$0.00					\$2,166.67			\$2,166.67			\$0.00	\$ 6,617.42
		2	1631	Browning,Kaleczyk	legal	\$2,035.00		\$2,035.00								\$2,035.00					\$2,035.00			\$2,035.00			\$0.00	\$ 4,582.42
		2	1632	Energy Labs	testing	\$45.00				\$45.00						\$45.00					\$45.00			\$45.00			\$0.00	\$ 4,537.42
		2	1633	PSC	Notice of Hearing	\$66.00		\$66.00								\$66.00					\$66.00			\$66.00			\$0.00	\$ 4,471.42
		2	1634	NW Energy	Utilities	\$471.23			\$471.23							\$471.23					\$471.23			\$471.23			\$0.00	\$ 4,000.19
		2	1635	NW Energy	Utilities	\$720.35			\$720.35							\$720.35					\$720.35			\$720.35			\$0.00	\$ 3,279.84
		2	1636	Pioneer Technical	4th Qtr 2009	\$2,088.00	\$2,088.00									\$2,088.00					\$2,088.00			\$2,088.00			\$0.00	\$ 1,191.84
		9		Revenue	\$4,855.96											\$0.00					\$0.00			\$0.00	\$4,755.96	\$100.00	\$4,855.96	\$ 6,047.80
		9	1637	Sarah Overcast	lawn maintenance	\$300.00	\$300.00									\$300.00					\$300.00			\$300.00			\$0.00	\$ 5,747.80
		9	1638	Valley Bank	Loan payment	\$576.34									\$576.34	\$251.54					\$251.54			\$251.54			\$0.00	\$ 5,171.46
		9	1639	Accounting Beans	LPC - June	\$200.00	\$200.00									\$200.00					\$200.00			\$200.00			\$0.00	\$ 4,971.46
		9	1640	Accounting Beans	LPC - May	\$230.00	\$230.00									\$230.00					\$230.00			\$230.00			\$0.00	\$ 4,741.46
		9	1641	Accounting Beans	Hourly - May	\$257.50	\$257.50									\$257.50					\$257.50			\$257.50			\$0.00	\$ 4,483.96
		9	1642	Gallagher & Assoc	Deferred pmt	\$696.40		\$696.40								\$696.40					\$696.40			\$696.40			\$0.00	\$ 3,787.56
		9	1643	Gallagher & Assoc	Deferred pmt	\$696.40		\$696.40								\$696.40					\$696.40			\$696.40			\$0.00	\$ 3,091.16
		9	1644	Bill Gallagher	Mngt - Nov 2009	\$1,277.67	\$123.03	\$1,154.64								\$1,277.67					\$1,277.67			\$1,277.67			\$0.00	\$ 1,813.49
		9	1645	Bill Gallagher	Mngt - Dec 2009	\$655.30	\$63.70	\$591.60								\$655.30					\$655.30			\$655.30			\$0.00	\$ 1,158.19
		16		Revenue	\$4,094.91											\$0.00					\$0.00			\$0.00	\$4,054.91	\$40.00	\$4,094.91	\$ 5,253.10
		19	1646	MT DOR	Public Srvc Req fee	\$65.30										\$65.30	\$65.30				\$65.30			\$65.30			\$0.00	\$ 5,187.80
		19	1647	MT DOR	Consumer Council	\$9.33										\$9.33	\$9.33				\$9.33			\$9.33			\$0.00	\$ 5,178.47
		19	1648	Vigilante Electric	Utilities	\$27.94			\$27.94							\$27.94					\$27.94			\$27.94			\$0.00	\$ 5,150.53
		19	1649	Accounting Beans	Admin Blg - Nov 09	\$871.18		\$871.18								\$871.18					\$871.18			\$871.18			\$0.00	\$ 4,279.35
		19	1650	Accounting Beans	Admin Blg - Dec 09	\$1,083.34	\$1,083.34									\$1,083.34					\$1,083.34			\$1,083.34			\$0.00	\$ 3,196.01
		19	1651	Bill Gallagher	Mngt - Jan 2010	\$645.40	\$45.40	\$600.00								\$645.40					\$645.40			\$645.40			\$0.00	\$ 2,550.61
		22		Revenue	\$1,132.51											\$0.00					\$0.00			\$0.00	\$1,072.51	\$60.00	\$1,132.51	\$ 3,683.12
August		1	1652	Aqua Sierra	ROI	\$2,166.67										\$0.00					\$2,166.67			\$2,166.67			\$0.00	\$ 1,516.45
		1	1653	Kelly Benhart	meter reading	\$100.00	\$100.00									\$100.00					\$100.00			\$100.00			\$0.00	\$ 1,416.45
		1	1654	Chase	repairs & maint	\$169.10	\$169.10									\$169.10					\$169.10			\$169.10			\$0.00	\$ 1,247.35
		1	1655	Qwest	phone	\$61.08						\$61.08				\$61.08					\$61.08			\$61.08			\$0.00	\$ 1,186.27
		1	1656	Energy Labs	testing	\$190.00				\$190.00						\$190.00					\$190.00			\$190.00			\$0.00	\$ 996.27
		10	1657	Valley Bank	Loan payment	\$576.34									\$576.34	\$257.84					\$257.84			\$257.84			\$0.00	\$ 419.93
		18		Revenue	\$12,207.44											\$0.00					\$0.00			\$0.00	\$12,047.44	\$160.00	\$12,207.44	\$ 12,627.37
		18	1658	NW Energy	Utilities	\$545.53			\$545.53							\$545.53					\$545.53			\$545.53			\$0.00	\$ 12,081.84
		18	1659	NW Energy	Utilities	\$1,354.09			\$1,354.09							\$1,354.09					\$1,354.09			\$1,354.09			\$0.00	\$ 10,727.75
		19	1660	Casne & Assoc	consult	\$261.25		\$261.25								\$261.25					\$261.25			\$261.25			\$0.00	\$ 10,466.50
		19	1661	Eagle Electric	repairs & maint	\$60.00	\$60.00									\$60.00					\$60.00			\$60.00			\$0.00	\$ 10,406.50
		19	1662	Morrison Maierle	testing	\$474.50				\$474.50						\$474.50					\$474.50			\$474.50			\$0.00	\$ 9,932.00
		19	1663	Energy Labs	testing	\$200.00				\$200.00						\$200.00					\$200.00			\$200.00			\$0.00	\$ 9,732.00
		20	1664	Chase	repairs & maint	\$1.50	\$1.50									\$1.50					\$1.50			\$1.50				

					Operation Expenses													Revenues											
Month	Day	Check #	Payable to:	Description	Operation & Maintenance	Billing / Metering	Management	Professional Services & Govt Fees	Utilities	Testing & Monitoring	Equipment & Supplies	Office Expense & Supplies	Public Relations / Meetings	Insurance	Valley Bank Loan	Expenses before Taxes & ROI	PSC & MCC Taxes	Property Taxes	ROI	Income Tax	Total Expense	Capital Investment Pumps/etc	Capital Investment BMS	Total Payments	Cust. Pymt.	Additional Services Revenue	Total Deposits	Running Balance	
	25	1668	Accounting Beans	Billing Admin Jan 2010	\$930.74		\$930.74									\$930.74					\$930.74			\$930.74					\$ 8,588.06
	25	1669	Bill Gallagher	Mngt - Feb 2010	\$1,946.84	\$241.64	\$1,705.20									\$1,946.84					\$1,946.84			\$1,946.84				\$0.00	\$ 6,641.22
	30	1670	Accounting Beans	Billing Admin - Feb 201	\$989.87											\$989.87					\$989.87			\$989.87				\$0.00	\$ 5,651.35
	30	1671	Eagle Electric	repairs & maint	\$354.00	\$354.00										\$354.00					\$354.00			\$354.00				\$0.00	\$ 5,297.35
	31			Revenue	\$3,014.60											\$0.00					\$0.00			\$0.00	\$2,854.60	\$160.00	\$3,014.60		\$ 8,311.95
September	1	1672	Aqua Sierra	ROI	\$2,166.67											\$0.00					\$2,166.67			\$2,166.67				\$0.00	\$ 6,145.28
	1	1673	NW Energy	Utilities	\$463.66				\$463.66							\$463.66					\$463.66			\$463.66				\$0.00	\$ 5,681.62
	1	1674	NW Energy	Utilities	\$1,254.13				\$1,254.13							\$1,254.13					\$1,254.13			\$1,254.13				\$0.00	\$ 4,427.49
	1	1675	Gallagher & Assoc	legal 3-1-2010	\$1,098.28			\$1,098.28								\$1,098.28					\$1,098.28			\$1,098.28				\$0.00	\$ 3,329.21
	1	1676	Bill Gallagher	Mngt - March	\$741.03	\$114.63	\$626.40									\$741.03					\$741.03			\$741.03				\$0.00	\$ 2,588.18
	7	1677	Postmaster	PO Box rent	\$22.00							\$22.00				\$22.00					\$22.00			\$22.00				\$0.00	\$ 2,566.18
	7	1678	Energy Labs	testing	\$65.00					\$65.00						\$65.00					\$65.00			\$65.00				\$0.00	\$ 2,501.18
	8	1679	Bill Gallagher	Mngt - April	\$823.55	\$46.35	\$777.20									\$823.55					\$823.55			\$823.55				\$0.00	\$ 1,677.63
	8	1680	Bill Gallagher	Mngt - May	\$600.82	\$3.42	\$597.40									\$600.82					\$600.82			\$600.82				\$0.00	\$ 1,076.81
	10			Revenue	\$5,202.43											\$0.00					\$0.00			\$0.00	\$5,142.43	\$60.00	\$5,202.43		\$ 6,279.24
	10	1681	Casne & Assoc	consulting	\$71.25			\$71.25								\$71.25					\$71.25			\$71.25				\$0.00	\$ 6,207.99
	10	1682	Valley Bank	Loan payment	\$576.34										\$576.34	\$256.03					\$256.03			\$256.03				\$0.00	\$ 5,631.65
	14	1683	Vigilante Electric		\$40.92				\$40.92							\$40.92					\$40.92			\$40.92				\$0.00	\$ 5,590.73
	14	1684	Bill Gallagher	Equip rental - July	\$500.00	\$500.00										\$500.00					\$500.00			\$500.00				\$0.00	\$ 5,090.73
	14	1685	Gallagher & Assoc	legal - 4-1-2010	\$384.78			\$384.78								\$384.78					\$384.78			\$384.78				\$0.00	\$ 4,705.95
	14	1686	Bill Gallagher	Mngt - June	\$942.92	\$107.72	\$835.20									\$942.92					\$942.92			\$942.92				\$0.00	\$ 3,763.03
	14	1687	Accounting Beans	Admin Blg - March	\$1,136.05	\$1,136.05										\$1,136.05					\$1,136.05			\$1,136.05				\$0.00	\$ 2,626.98
	14	1688	Gallagher & Assoc	legal - deferred pmt	\$696.40			\$696.40								\$696.40					\$696.40			\$696.40				\$0.00	\$ 1,930.58
	15			Revenue	\$5,701.68											\$0.00					\$0.00			\$0.00	\$5,571.68	\$130.00	\$5,701.68		\$ 7,632.26
	15	1689	Accounting Beans	Admin Blg - April	\$1,121.13		\$1,121.13									\$1,121.13					\$1,121.13			\$1,121.13				\$0.00	\$ 6,511.13
	15	1690	Accounting Beans	Admin Blg - May	\$832.11		\$832.11									\$832.11					\$832.11			\$832.11				\$0.00	\$ 5,679.02
	15	1691	Accounting Beans	Admin Blg - June	\$217.50		\$217.50									\$217.50					\$217.50			\$217.50				\$0.00	\$ 5,461.52
	15	1692	Accounting Beans	Admin Blg - July	\$40.00		\$40.00									\$40.00					\$40.00			\$40.00				\$0.00	\$ 5,421.52
	20	1693	Bill Gallagher	Mngt - July	\$1,032.21	\$81.01	\$951.20									\$1,032.21					\$1,032.21			\$1,032.21				\$0.00	\$ 4,389.31
	20	1694	Gallagher & Assoc	legal - deferred pmt	\$696.40			\$696.40								\$696.40					\$696.40			\$696.40				\$0.00	\$ 3,692.91
	22	1695	Joseph Cathcart	meter reading	\$100.00	\$100.00										\$100.00					\$100.00			\$100.00				\$0.00	\$ 3,592.91
	24	1696	Helena Septic	pump tanks	\$400.00	\$400.00										\$400.00					\$400.00			\$400.00				\$0.00	\$ 3,192.91
	24	1697	Energy Labs	testing	\$175.00					\$175.00						\$175.00					\$175.00			\$175.00				\$0.00	\$ 3,017.91
	24	1698	Qwest	phone	\$60.28							\$60.28				\$60.28					\$60.28			\$60.28				\$0.00	\$ 2,957.63
	28	EFT	Check Gallery	checks	\$32.40							\$32.40				\$32.40					\$32.40			\$32.40				\$0.00	\$ 2,925.23
	30			Revenue	\$3,519.95											\$0.00					\$0.00			\$0.00	\$3,297.95	\$222.00	\$3,519.95		\$ 6,445.18
October	1	1699	Aqua Sierra	ROI	\$2,166.67											\$0.00					\$2,166.67			\$2,166.67				\$0.00	\$ 4,278.51
	10	1700	Valley Bank	Loan payment	\$576.34										\$576.34	\$246.22					\$246.22			\$246.22				\$0.00	\$ 3,702.17
	10	1726	NW Energy	Utilities	\$357.86				\$357.86							\$357.86					\$357.86			\$357.86				\$0.00	\$ 3,344.31
	10	1727	NW Energy	Utilities	\$865.28				\$865.28							\$865.28					\$865.28			\$865.28				\$0.00	\$ 2,479.03
	10	1701	Gallagher & Assoc	legal - deferred pmt	\$696.40			\$696.40								\$696.40					\$696.40			\$696.40				\$0.00	\$ 1,782.63
	11	1702	MT Dept of Revenue	Consumer Council	\$10.65											\$10.65	\$10.65				\$10.65			\$10.65				\$0.00	\$ 1,771.98
	11	1703	MT Dept of Revenue	Public Svc Reg fee	\$131.35											\$0.00	\$131.35				\$131.35			\$131.35				\$0.00	\$ 1,640.63
	12			Revenue	-\$220.22											\$0.00					\$0.00			\$0.00	(\$218.22)	(\$2.00)	(\$220.22)		\$ 1,420.41
	12			Revenue	\$4,300.08											\$0.00					\$0.00			\$0.00	\$4,270.08	\$30.00	\$4,300.08		\$ 5,720.49
	14	1704	Vigilante Electric	Utilities	\$43.67				\$43.67							\$43.67					\$43.67			\$43.67				\$0.00	\$ 5,676.82
	20	1705	Joseph Cathcart	meter reading	\$100.00	\$100.00										\$100.00					\$100.00			\$100.00				\$0.00	\$ 5,576.82
	20	1706	Pioneer Technical	2nd Qtr - 2010	\$1,288.00	\$1,288.00										\$1,288.00					\$1,288.00			\$1,288.00				\$0.00	\$ 4,288.82
	20	1707	Energy Labs	testing	\$20.00					\$20.00						\$20.00					\$20.00			\$20.00				\$0.00	\$ 4,268.82
	28			Revenue	\$5,700.89											\$0.00					\$0.00			\$0.00	\$5,570.89	\$130.00	\$5,700.89		\$ 9,969.71
	28	1708	Qwest	phone	\$60.22							\$60.22				\$60.22					\$60.22			\$60.22				\$0.00	\$ 9,909.49
	28	1709	NW Energy	Utilities	\$355.05				\$355.05							\$355.05					\$355.05			\$355.05				\$0.00	\$ 9,554.44
	28	1710	NW Energy	Utilities	\$622.04				\$622.04							\$622.04					\$622.04			\$622.04				\$0.00	\$ 8,932.40
	28	1711	Energy Labs	testing																									

		Operation Expenses																	Revenues										
Month	Day	Check #	Payable to:	Description	Operation & Maintenance	Billing / Metering	Management	Professional Services & Govt Fees	Utilities	Testing & Monitoring	Equipment & Supplies	Office Expense & Supplies	Public Relations / Meetings	Insurance	Valley Bank Loan	Expenses before Taxes & ROI	PSC & MCC Taxes	Property Taxes	ROI	Income Tax	Total Expense	Capital Investment Pumps/etc	Capital Investment BMS	Total Payments	Cust. Pymt.	Additional Services Revenue	Total Deposits	Running Balance	
Beginning	Balance			loan to AF - personal																								Reg. Balance:	\$ 1,000.00
February	17		Vigilante Electric	Utilities	\$100.00				\$100.00							\$100.00					\$100.00			\$100.00			\$0.00		\$ 900.00
	17		Vigilante Electric	Utilities	\$112.25				\$112.25							\$112.25					\$112.25			\$112.25			\$0.00		\$ 787.75
	17		Energy Labs	Testing	\$210.00					\$210.00						\$210.00					\$210.00			\$210.00			\$0.00		\$ 577.75
	21		Joseph Cathcart	Meter reading	\$100.00		\$100.00									\$100.00					\$100.00			\$100.00			\$0.00		\$ 477.75
	24		Check order	checks	\$9.00							\$9.00				\$9.00					\$9.00			\$9.00			\$0.00		\$ 468.75
	24		Check order	checks	\$18.00							\$18.00				\$18.00					\$18.00			\$18.00			\$0.00		\$ 450.75
March	7		Action Print	printing	\$320.00							\$320.00				\$320.00					\$320.00			\$320.00			\$0.00		\$ 130.75
	1		Postmaster	PO box rent	\$44.00							\$44.00				\$44.00					\$44.00			\$44.00			\$0.00		\$ 86.75
	1		DEQ	permit	\$286.00			\$286.00								\$286.00					\$286.00			\$286.00			\$0.00		\$ (199.25)
	2		Energy Labs	Testing	\$190.00					\$190.00						\$190.00					\$190.00			\$190.00			\$0.00		\$ (389.25)
	2			Revenue	\$411.16											\$0.00					\$0.00			\$0.00	\$411.16		\$411.16		\$ 21.91
	4			Revenue	\$1,388.53											\$0.00					\$0.00			\$0.00	\$1,378.53	\$10.00	\$1,388.53		\$ 1,410.44
	7		NW Energy	Utilities	\$568.66				\$568.66							\$568.66					\$568.66			\$568.66			\$0.00		\$ 841.78
	7		NW Energy	Utilities	\$505.96				\$505.96							\$505.96					\$505.96			\$505.96			\$0.00		\$ 335.82
	10		Qwest	Phone	\$82.22							\$82.22				\$82.22					\$82.22			\$82.22			\$0.00		\$ 253.60
	17			Revenue	\$4,946.35											\$0.00					\$0.00			\$0.00	\$4,926.35	\$20.00	\$4,946.35		\$ 5,199.95
	27		Joseph Cathcart	Meter reading	\$100.00		\$100.00									\$100.00					\$100.00			\$100.00			\$0.00		\$ 5,099.95
	29		Qwest	Phone	\$60.46							\$60.46				\$60.46					\$60.46			\$60.46			\$0.00		\$ 5,039.49
	29		John Maxness	reimburse loan	\$1,000.00											\$0.00					\$0.00			\$0.00			(\$1,000.00)		\$ 4,039.49
	31		Aqua Sierra	ROI - 1st qtr	\$5,046.78											\$0.00			\$5,046.78		\$5,046.78			\$5,046.78			\$0.00		\$ (1,007.29)
April	1			Revenue	\$2,342.40											\$0.00					\$0.00			\$0.00	\$2,322.40	\$20.00	\$2,342.40		\$ 1,335.11
	5		MT Dept of Revenue	MCC	\$12.27											\$0.00	\$12.27				\$12.27			\$12.27			\$0.00		\$ 1,322.84
	5		MT Dept of Revenue	PSC	\$46.86											\$0.00	\$46.86				\$46.86			\$46.86			\$0.00		\$ 1,275.98
	5		NW Energy	Utilities	\$997.82				\$997.82							\$997.82					\$997.82			\$997.82			\$0.00		\$ 278.16
	5		DEQ	permit	\$2,000.00			\$2,000.00								\$2,000.00					\$2,000.00			\$2,000.00			\$0.00		\$ (1,721.84)
	8		Accounting Beans	Billing services	\$966.34		\$966.34									\$966.34					\$966.34			\$966.34			\$0.00		\$ (2,688.18)
	13			Revenue	\$1,616.89											\$0.00					\$0.00			\$0.00	\$1,606.89	\$10.00	\$1,616.89		\$ (1,071.29)
	14		Sandra Barrows	Consulting	\$637.50			\$637.50								\$637.50					\$637.50			\$637.50			\$0.00		\$ (1,708.79)
	18		John Maxness	Management-Jan/Feb	\$2,000.00		\$2,000.00									\$2,000.00					\$2,000.00			\$2,000.00			\$0.00		\$ (3,708.79)
	18		Vigilante Electric	Utilities	\$24.90				\$24.90							\$24.90					\$24.90			\$24.90			\$0.00		\$ (3,733.69)
	18		Morrison Maierle	Monitoring	\$292.00					\$292.00						\$292.00					\$292.00			\$292.00			\$0.00		\$ (4,025.69)
	18		Joseph Cathcart	Meter reading	\$100.00		\$100.00									\$100.00					\$100.00			\$100.00			\$0.00		\$ (4,125.69)
	20			Revenue	\$5,897.65											\$0.00					\$0.00			\$0.00	\$5,807.65	\$90.00	\$5,897.65		\$ 1,771.96
	30		NW Energy	Utilities	\$1,035.18				\$1,035.18							\$1,035.18					\$1,035.18			\$1,035.18			\$0.00		\$ 736.78
	30		Pioneer Technical		\$1,647.00	\$1,647.00										\$1,647.00					\$1,647.00			\$1,647.00			\$0.00		\$ (910.22)
	30		Qwest	Phone	\$60.40							\$60.40				\$60.40					\$60.40			\$60.40			\$0.00		\$ (970.62)
	30		Energy Labs	Testing	\$220.00					\$220.00						\$220.00					\$220.00			\$220.00			\$0.00		\$ (1,190.62)
	30			Revenue	\$1,284.98											\$0.00					\$0.00			\$0.00	\$1,224.98	\$60.00	\$1,284.98		\$ 94.36
May	10			Revenue	\$4,226.82											\$0.00					\$0.00			\$0.00	\$4,176.82	\$50.00	\$4,226.82		\$ 4,321.18
	10		John Maxness	Management-Mar	\$1,500.00		\$1,500.00									\$1,500.00					\$1,500.00			\$1,500.00			\$0.00		\$ 2,821.18
	19			Revenue	\$2,960.10											\$0.00					\$0.00			\$0.00	\$2,940.10	\$20.00	\$2,960.10		\$ 5,781.28
	20		Joseph Cathcart	Meter reading	\$100.00		\$100.00									\$100.00					\$100.00			\$100.00			\$0.00		\$ 5,681.28
	23		Morrison Maierle	Monitoring	\$292.00					\$292.00						\$292.00					\$292.00			\$292.00			\$0.00		\$ 5,389.28
	23		PSC	Advertising	\$99.00			\$99.00								\$99.00					\$99.00			\$99.00			\$0.00		\$ 5,290.28
	23		Qwest	Phone	\$60.40							\$60.40				\$60.40					\$60.40			\$60.40			\$0.00		\$ 5,229.88
	23		Vigilante Electric	Utilities	\$55.38				\$55.38							\$55.38					\$55.38			\$55.38			\$0.00		\$ 5,174.50
	23		Accounting Beans	Billing services	\$1,023.95		\$1,023.95									\$1,023.95					\$1,023.95			\$1,023.95			\$0.00		\$ 4,150.55
	23		Sandra Barrows	Consulting	\$3,000.00			\$3,000.00								\$3,000.00					\$3,000.00			\$3,000.00			\$0.00		\$ 1,150.55
	31		Energy Labs	Testing	\$265.00					\$265.00						\$265.00					\$265.00			\$265.00			\$0.00		\$ 885.55
	31		MDEQ	permit	\$70.00			\$70.00								\$70.00					\$70.00			\$70.00			\$0.00		\$ 815.55
	31		Accounting Beans	Billing services	\$1,076.86		\$1,076.86									\$1,076.86					\$1,076.86			\$1,076.86			\$0.00		\$ (261.31)
	31			Revenue	\$2,046.65											\$0.00					\$0.00			\$0.00	\$1,851.65	\$195.00	\$2,046.65		\$ 1,785.34
June	3		Sandra Barrows	Consulting	\$1,875.00			\$1,875.00								\$1,875.00					\$1,875.00			\$1,875.00			\$0.00		\$ (89.66)
	5		NW Energy	Utilities	\$1,135.87				\$1,135.87							\$1,135.87					\$1,135.87			\$1,135.87			\$0.00		\$ (1,225.53)
	10																												

																				Operation Expenses															Revenues			
Month	Day	Check #	Payable to:	Description	Operation & Maintenance	Billing / Metering	Management	Professional Services & Govt Fees	Utilities	Testing & Monitoring	Equipment & Supplies	Office Expense & Supplies	Public Relations / Meetings	Insurance	Valley Bank Loan	Expenses before Taxes & ROI	PSC & MCC Taxes	Property Taxes	ROI	Income Tax	Total Expense	Capital Investment Pumps/etc	Capital Investment BMS	Total Payments	Cust. Pymt.	Additional Services Revenue	Total Deposits	Running Balance										
	20		Sandra Barrows	Consulting	\$225.00			\$225.00								\$225.00					\$225.00			\$225.00			\$0.00		\$ (203.55)									
	20		Action Print	printing	\$38.00							\$38.00				\$38.00					\$38.00			\$38.00			\$0.00		\$ (241.55)									
	20		Vigilante Electric	Utilities	\$53.40				\$53.40							\$53.40					\$53.40			\$53.40			\$0.00		\$ (294.95)									
	20		MT Dept of Revenue		\$13.74											\$0.00	\$13.74				\$13.74			\$13.74			\$0.00		\$ (308.69)									
	20		MT Dept of Revenue		\$52.41											\$0.00	\$52.41				\$52.41			\$52.41			\$0.00		\$ (361.10)									
	20		Joseph Cathcart	Meter reading	\$100.00		\$100.00									\$100.00					\$100.00			\$100.00			\$0.00		\$ (461.10)									
	21			Revenue	\$3,730.17											\$0.00					\$0.00			\$0.00	\$3,630.17	\$100.00	\$3,730.17		\$ 3,269.07									
	27		Qwest	Phone	\$60.40							\$60.40				\$60.40					\$60.40			\$60.40			\$0.00		\$ 3,208.67									
					\$1,647.00	\$3,567.15	\$5,000.00	\$10,192.50	\$4,589.42	\$1,469.00	\$0.00	\$752.88	\$0.00	\$0.00	\$0.00	\$27,217.95	\$125.28	\$0.00	\$5,046.78	\$0.00	\$32,390.01	\$0.00	\$0.00	\$32,390.01	\$34,893.68	\$705.00	\$34,598.68											

																				Operation Expenses										Revenues				
Month	Day	Check #	Payable to:	Description	Operation & Maintenance	Billing / Metering	Management	Professional Services & Govt Fees	Utilities	Testing & Monitoring	Equipment & Supplies	Office Expense & Supplies	Public Relations / Meetings	Insurance	Valley Bank Loan	Expenses before Taxes & ROI	PSC & MCC Taxes	Property Taxes	ROI	Income Tax	Total Expense	Capital Investment Pumps/etc	Capital Investment BMS	Total Payments	Cust. Pymt.	Additional Services Revenue	Total Deposits	Running Balance						
Beginning Balance																												Reg. Balance:	\$ (3,248.83)					
January	5			Revenue	\$2,375.00											\$0.00					\$0.00			\$0.00	\$2,135.00	\$240.00	\$2,375.00		\$ (873.83)					
	7			Revenue	\$1,218.44											\$0.00					\$0.00			\$0.00	\$1,148.44	\$70.00	\$1,218.44		\$ 344.61					
	11			Revenue	\$1,545.10											\$0.00					\$0.00			\$0.00	\$1,465.10	\$80.00	\$1,545.10		\$ 1,889.71					
	11	1763	MT Dept of Revenue	MCC - 4th quarter	\$34.92											\$0.00	\$34.92				\$34.92			\$34.92			\$0.00		\$ 1,854.79					
	11	1764	MT Dept of Revenue	PSC - 4th quarter	\$133.32											\$0.00	\$133.32				\$133.32			\$133.32			\$0.00		\$ 1,721.47					
	11	1765	Valley Bank	loan payment	\$576.34										\$576.34	\$248.27					\$248.27			\$248.27			\$0.00		\$ 1,145.13					
	11	1766	Accounting Beans	hourly - Dec 2010	\$17.50		\$17.50									\$17.50					\$17.50			\$17.50			\$0.00		\$ 1,127.63					
	18	1767	Vigilante Electric	utilities	\$54.39				\$54.39							\$54.39					\$54.39			\$54.39			\$0.00		\$ 1,073.24					
	18	1768	Energy Labs	testing	\$140.00					\$140.00						\$140.00					\$140.00			\$140.00			\$0.00		\$ 933.24					
	18	1769	Qwest	phone	\$60.46							\$60.46				\$60.46					\$60.46			\$60.46			\$0.00		\$ 872.78					
	18			Revenue	\$2,925.56											\$0.00					\$0.00			\$0.00	\$2,825.56	\$100.00	\$2,925.56		\$ 3,798.34					
	19	1770	Bill Gallagher	Mngmt - Dec 2010	\$617.10		\$600.00				\$17.10					\$617.10					\$617.10			\$617.10			\$0.00		\$ 3,181.24					
	19	1771	Accounting Beans	Big Admin - Dec 2010	\$1,061.39											\$1,061.39					\$1,061.39			\$1,061.39			\$0.00		\$ 2,119.85					
	19	1772	Accounting Beans	late fee - Dec 2010	\$370.00											\$370.00					\$370.00			\$370.00			\$0.00		\$ 1,749.85					
	19	1773	Chase	office supplies	\$107.99							\$107.99				\$107.99					\$107.99			\$107.99			\$0.00		\$ 1,641.86					
	20	1774	Joseph Cathcart	meter reading	\$100.00		\$100.00									\$100.00					\$100.00			\$100.00			\$0.00		\$ 1,541.86					
	25	1775	Energy Labs	testing	\$20.00					\$20.00						\$20.00					\$20.00			\$20.00			\$0.00		\$ 1,521.86					
	25	1776	Energy Labs	testing	\$15.00					\$15.00						\$15.00					\$15.00			\$15.00			\$0.00		\$ 1,506.86					
	27	1777	NW Energy	utilities	\$408.64				\$408.64							\$408.64					\$408.64			\$408.64			\$0.00		\$ 1,098.22					
	27	1778	NW Energy	utilities	\$525.19				\$525.19							\$525.19					\$525.19			\$525.19			\$0.00		\$ 573.03					
	31			Revenue	\$3,118.93											\$0.00					\$0.00			\$0.00	\$2,888.93	\$230.00	\$3,118.93		\$ 3,691.96					
February	3			Revenue	\$125.00											\$0.00					\$0.00			\$0.00	\$125.00		\$125.00		\$ 3,816.96					
	4			Revenue	\$2,140.13											\$0.00					\$0.00			\$0.00	\$2,110.13	\$30.00	\$2,140.13		\$ 5,957.09					
	12	1779	Dept of Treas - IRS	Federal tax return	\$2,043.00											\$0.00					\$2,043.00			\$2,043.00			\$0.00		\$ 3,914.09					
	12	1780	MT Dept of Revenue	State tax return	\$1,025.00											\$0.00					\$1,025.00			\$1,025.00			\$0.00		\$ 2,889.09					
	12	1781	Andrea McEwen	credit bal refund	\$19.95											\$0.00					\$0.00			\$0.00	-\$19.95	(\$19.95)	\$0.00		\$ 2,869.14					
	14			Revenue	\$2,725.38											\$0.00					\$0.00			\$0.00	\$2,695.38	\$30.00	\$2,725.38		\$ 5,594.52					
	16		Qwest	refund	\$21.76							(\$21.76)				(\$21.76)					(\$21.76)			(\$21.76)			\$0.00		\$ 5,616.28					
	17			Revenue	\$100.00											\$0.00					\$0.00			\$0.00	\$100.00		\$100.00		\$ 5,716.28					
	23			Revenue	\$2,706.39											\$0.00					\$0.00			\$0.00	\$2,576.39	\$130.00	\$2,706.39		\$ 8,422.67					
	28			Revenue	\$513.59											\$0.00					\$0.00			\$0.00	\$463.59	\$50.00	\$513.59		\$ 8,936.26					
March	4			Revenue	\$512.55											\$0.00					\$0.00			\$0.00	\$462.55	\$50.00	\$512.55		\$ 9,448.81					
	17			Revenue	\$1,084.09											\$0.00					\$0.00			\$0.00	\$924.09	\$160.00	\$1,084.09		\$ 10,532.90					
	18		Valley Bank	returned check	\$149.72											\$0.00					\$0.00			\$0.00	-\$149.72		(\$149.72)		\$ 10,383.18					
	18		Valley Bank	fee for return check	\$2.00							\$2.00				\$2.00					\$2.00			\$2.00			\$0.00		\$ 10,381.18					
	31			Revenue	\$802.44											\$0.00					\$0.00			\$0.00	\$732.44	\$70.00	\$802.44		\$ 11,183.62					
April	5			Revenue	\$299.09											\$0.00					\$0.00			\$0.00	\$289.09	\$10.00	\$299.09		\$ 11,482.71					
	6			Revenue	\$130.00											\$0.00					\$0.00			\$0.00	\$120.00	\$10.00	\$130.00		\$ 11,612.71					
	6	1783	Clerk & Recorder	lein fee on 8186 Avoc	\$5.75							\$5.75				\$5.75					\$5.75			\$5.75			\$0.00		\$ 11,606.96					
	21			Revenue	\$145.00											\$0.00					\$0.00			\$0.00	\$145.00		\$145.00		\$ 11,751.96					
					\$0.00	\$1,548.89	\$600.00	\$0.00	\$988.22	\$175.00	\$17.10	\$154.44	\$0.00	\$0.00	\$576.34	\$3,731.92	\$168.24	\$0.00	\$0.00	\$3,068.00	\$6,968.16	\$0.00	\$0.00	\$6,968.16	\$21,037.02	\$1,260.00	\$22,297.02							

AquaFlo, LLC
D2011.4.34
PSC-010

AMENDED

PSC-010 - Outside Service Providers
6/30/2011

Service Provider	Contract	2009	2010	2011 yr to date
Pioneer Technical Services, Inc.	✓	\$ 2,580.00	\$ 13,001.00	\$ 1,647.00
Morrison Maierle	✓	\$ 3,123.00	\$ 971.22	\$ 584.00
Casne & Associates		\$ 3,455.00	\$ 783.75	
Accounting Beans, LLC	✓	\$ 14,260.00	\$ 22,248.00	\$ 4,516.15
Gallagher and Associates, PLLC	✓	\$ 16,355.00	\$ 10,266.00	
W.A. Gallagher	✓	\$ 12,751.00	\$ 16,371.00	\$ 617.00
John Goroski			\$ 3,975.00	
Joseph Cathcart	✓		\$ 500.00	\$ 600.00
Strand and Associates		\$ 395.00		
Browning, Kaleczyc, Berry & Hoven			\$ 2,035.00	\$ 2,000.00
Sandra Barrows	✓			\$ 5,737.50
John Maxness	✓			\$ 5,000.00

INDEPENDENT CONTRACTOR AGREEMENT

This Agreement is entered into as of the 24th day of December, 2007, (the "Agreement") between AquaFlo, LLC, having an address of P.O. Box 1091, Helena, Montana, 59624 ("the Company") and Pioneer Technical Services, having an address of 63½ Broadway, P.O. Box 3445, Butte, Montana 59702 (Hereinafter referred to as "he", "it" or the "Contractor" depending on the context). Hereinafter the Company and the Contractor are referred to collectively as the "Parties."

RECITALS

WHEREAS,

- A) The Company is in the business of providing water and sewer service to the residents of Skyview, Northwest Major and Northwest Minor subdivisions and operates as a public utility under the Public Service Commission for the State of Montana; and
- B) The Company is in need of the services of a twenty four (24) hour licensed water and sewer operator; and
- C) The Contractor represents and warrants to the Company that they are capable of effectively providing a water sewer operator on behalf of Company; and
- D) The Contractor desires to act as an independent contractor and perform designated services on behalf of Company; and
- E) The Contractor is a registered with and maintains an Independent Contractor Exemption Certificate (ICEC) from the Montana Department of Labor's Independent Contractor Central Unit.
- F) The Company desires to engage the Contractor, but only on the terms and conditions set forth in this Agreement; and
- G) The Contractor has agreed to perform work, operator services and other related activities for the Company;

NOW, THEREFORE, the Parties hereby agree as follows:

1. Independent Contractor.

- A) **Engagement.** Subject to the terms and conditions of this Agreement, the Company hereby engages the Contractor as an independent contractor to perform the services set forth herein, and the Contractor hereby accepts such engagement.
- B) **No Agency Created.** This Agreement shall not render nor create any actual or apparent agency, partnership, franchise, or relationship of employer and employee between the Parties.
 - (1) The Contractor is not authorized to enter into or commit the Company to any agreements.
 - (2) The Contractor shall not represent itself as the agent or legal representative of the Company.
- C) **Independent Contractor Only.** The Contractor is not an employee, partner, agent of, or joint venturer with the Company for any purpose.
- D) **Taxes.** The Company shall not be liable for withholding, taxes, Worker's Compensation, unemployment insurance, employers' liability, employer's FICA, social security, withholding tax, or other taxes or withholding for or on behalf of the Independent Contractor or any other person consulted or employed by the Independent Contractor in performing Services under this

Agreement or with respect to the Contractor's compensation hereunder. All such costs shall be Independent Contractor's responsibility.

E) Benefits. The Contractor shall have no claim against the Company hereunder or otherwise for vacation pay, sick leave, retirement benefits, social security, worker's compensation, health or disability benefits, unemployment insurance benefits, or employee benefits of any kind.

F) Authority to Contract. The Contractor represents that he is free to enter into this Agreement and that this engagement does not violate the terms of any agreement between the Contractor and any third party.

G) Service to Others. The Contractor is expressly free to perform services for other parties while performing services for the Company.

2. Term. Contractor's engagement shall commence on the date hereof and, unless sooner terminated, will expire one year from the date hereof (the "Initial Term"). The Initial Term may be renewed for additional consecutive terms of one year each ("Renewal Term(s)"), unless and until the Engagement is terminated as provided in Section 8. The Initial Term and Renewal Term(s) are collectively designated as the "Term."

3. Duties. Attached to this Agreement as Exhibit-A hereto is a statement of the work to be performed by the Contractor and such other terms and conditions as shall be deemed appropriate or necessary for the performance of the work. Exhibit-A may be amended in writing from time to time, or supplemented with subsequent estimates for services to be rendered by the Contractor and agreed to by the Company, and which collectively are hereby incorporated by reference.

A) During the term of this Agreement, the Contractor shall devote as much manpower, productive time, energy and abilities to the performance hereunder as is necessary to perform the required duties in a timely, responsible and productive manner.

B) Contractor warrants that all material supplied and work performed under this Agreement complies with or will be done in a competent fashion in accordance with applicable standards of the profession, the rules and regulations promulgated by the Montana Department of Environmental Quality ("DEQ") and any other federal, state or local agency that regulates the business of the Company and its operators.

C) All services are subject to final approval by a representative of the Company prior to payment.

D) All services that require an operator's license shall be provided by properly licensed personnel.

E) Contractor warrants that twenty four (24) hour, seven days a week "on call" qualified operator service shall be available to the Company as required.

F) Scheduled lack of available personnel shall be communicated to the Company in writing at least fourteen (14) days in advance of gap in service.

4. Compensation. Attached hereto and incorporated herein as Exhibit-B is a statement of Contractor's rate of payment for such work, expenses to be paid in connection with such work, and the maximum price the Company shall be obligated to pay under this Agreement.

5. Proprietary Rights.

- A) Materials.** The Contractor warrants and acknowledges that it has no right to, copyright, or interest in its work or product resulting from the Services performed hereunder, or any of the documents, reports or other materials created by the Contractor in connection with such Services. The Contractor acknowledges that the Services and the products thereof (hereinafter referred to as the "Materials") have been specially commissioned or ordered by the Company as "works made-for-hire" as that term is used in the Copyright Law of the United States, and that the Company is therefore to be deemed the author of and is the owner of all copyrights in and to such Materials.
- B) Materials Assignment.** In the event that such Materials, or any portion thereof, are for any reason deemed not to have been works made-for-hire, the Contractor hereby assigns to the Company any and all right, title, and interest Contractor may have in and to such Materials, including all copyrights, all publishing rights, and all rights to use, reproduce, and otherwise exploit the Materials in any and all formats or media and all channels, whether now known or hereafter created. The Contractor agrees to execute such instruments as the Company may from time to time deem necessary or desirable to evidence, establish, maintain, and protect the Company's ownership of such Materials, and all other rights, title, and interest therein.
- C) Generic Information.** Notwithstanding the foregoing, the Company acknowledges that the Contractor's ability to carry out the work required is heavily dependent upon the Contractor's past experience in the industry and in providing similar services to others and they expect to continue such work in the future. Subject to the confidentiality provisions of Section 5(F) below, generic information communicated to the Company in the course of this project either orally, in the form of presentations, or in documents that report such general industry knowledge is not subject to the terms of A & B above.
- D) Inventions.** Any and all inventions, discoveries, developments, ideas, improvements and innovations conceived, created or first reduced to practice in the performance of work under this Agreement by the Contractor during this engagement relative to the duties under this Agreement shall be the exclusive property of the Company; and the Contractor hereby assigns all right, title, and interest in the same to the Company. Any and all inventions, discoveries, developments and innovations conceived by the Contractor prior to the term of this Agreement and utilized by it in rendering duties to the Company are hereby licensed to the Company for use in its operations and for an infinite duration. This license is non-exclusive, and may be assigned without the Contractor's prior written approval.
- E) Company Information:** During the term of this Agreement and in the course of Contractor's performance hereunder, Contractor may receive and otherwise be exposed to confidential and proprietary information relating to the Company's business practices, strategies and technologies. Such proprietary and confidential information may include but is not limited to: confidential and proprietary information supplied to Contractor; the Company's marketing and customer support strategies; the Company's financial information, including sales, costs, profits and pricing methods; the Company's internal organization, employee lists, customer lists, and vendor lists; the Company's technology, including discoveries, inventions, research and development efforts, manufacturing processes, hardware/software design and maintenance tools, product know-how and show-how; and all derivatives, improvements and enhancements to any of the above which are created or developed by Contractor under this Agreement and information of third Parties as to which the Company has an obligation of confidentiality (collectively referred to as "Confidential Information").

F) Use of Confidential Information and Return of Company Documents: Contractor acknowledges the confidential and secret character of the Confidential Information and agrees that the Confidential Information is the sole, exclusive, and extremely valuable property of the Company. Accordingly, Contractor agrees not to reproduce any of the Confidential Information without the Company's prior written consent, not to use the Confidential Information except in the performance of this Agreement, and not to divulge all or any part of the Confidential Information in any form to any third party, either during or after the term of this Agreement. Upon termination of this Agreement for any reason including expiration of term, Contractor agrees to cease using and to return to the Company all whole and partial copies and derivatives of the Confidential Information, whether in Contractor's possession or under Contractor's direct or indirect control.

G) Conflicts of Interest; Non-hire Provision. The Contractor shall not, directly or indirectly, hire, solicit, or encourage to leave the Company's employment, any employee, consultant, or contractor of the Company or hire any such employee, consultant, or contractor who has left the Company's employment or contractual engagement within one (1) year of such employment or engagement.

6. Indemnifications and Releases.

A) Injuries and Damages: Contractor agrees to take all necessary precautions to prevent injury to any persons (including customers) or damage to property (including the Company's property) during the term of this Agreement. The Contractor, to the maximum extent allowed by law, shall indemnify and hold the Company and all its officers, agents, directors, and employees harmless against all claims, losses, expenses (including reasonable attorneys' and expert witnesses' fees and costs) and injuries to person or property (including death) resulting in any way from any act, omission, or negligence on the part of Contractor in the performance of failure to perform the scope of work under this Agreement, excepting only those losses which are due solely and directly to the Company's gross negligence.

B) Use of Company Property: Should the Contractor use any of the Company's equipment, tools or facilities during the term of this Agreement, such permission will be gratuitous and Contractor shall indemnify and hold harmless the Company and its officers, directors, agents, and employees from and against any claim, loss, expense, or judgment of injury to person or property (including death) arising out of the use of any such equipment, tools or facilities, whether or not such a claim is based on its condition or on the alleged negligence of the Company in permitting its use.

C) Tax Liability. Contractor shall keep, save, protect, defend, indemnify and hold the Company harmless from and against any and all costs, claims, expenses, damages incurred or sustained by the Contractor arising from any tax liability of the Contractor.

7. Insurance: At all times during the Term, the Contractor, at its expense, shall maintain in effect policies of insurance covering:

A) Public Liability and Property Damage Insurance. Comprehensive General Liability Insurance including Contractual Liability, Professional Liability, Contractors Protective Liability, Fire Legal Liability, Products and Completed Operations Liability and Personal Injury/Property Damage coverages with respect to the services provided and the business conducted herein.

B) Limits. Such insurance shall at all times have limits of not less than one million dollars (\$1,000,000) combined single limit per occurrence and not less than two million dollars

(\$2,000,000) aggregate limits. The amount of such insurance shall not limit Contractor's liability nor relieve the Contractor of any obligation hereunder. Each policy shall contain cross liability endorsements, if applicable, and shall insure Contractor's performance of the indemnity provisions contained in this Agreement.

C) Worker's Compensation Insurance: Worker's Compensation Insurance (including Employer's Liability Insurance) in the statutory amount covering all employees of the Contractor employed, contracted or performing services for the Company or on the Company's property, in order to provide the statutory benefits required by the laws of Montana.

D) Automobile Liability Insurance: Automobile Liability Insurance including, but not limited to, passenger liability on all owned, non-owned, and hired vehicles used in connection with the provision of service to the Company or operated on Company Property, with a combined single limit per occurrence of not less than one million dollars (\$1,000,000) per vehicle for injuries or death of one or more persons or loss or damage to property.

E) Policy Requirements.

- (1) All insurance required to be carried by the Contractor shall be issued by responsible insurance companies, qualified and licensed to do business in the State of Montana, with a Best Rating of "A" or better or a Financial Performance Rating (FPR) of 7 or better, each as established by A.M. Best Company.
- (2) Copies of all policies and/or certificates shall be delivered to the Company at least five (5) days prior to the commencement of Services.
- (3) Each policy and/or certificate shall provide that it may not be cancelled or modified except after thirty (30) days prior written notice to the Company named as an additional insured or loss payee thereunder.
- (4) Contractor shall furnish the Company with renewals or "binders" of each policy, together with evidence of payment of the premium, at least fifteen (15) days prior to expiration. Contractor shall have the right to provide insurance coverage pursuant to blanket or umbrella policies obtained by the Contractor if such policies expressly afford coverage as required by this Agreement.
- (5) Each policy and/or certificate shall name the Company as an additional insured in each insurance policy.
- (6) The Comprehensive General Liability Insurance policy and/or issued certificate shall apply severally to the Company and the Contractor; covering each of them as if separate policies had been issued to each of them; not contain provisions affecting any rights which any of them would have had as claimants if not named as insureds; be primary insurance and not considered contributory, with any other valid and collectible insurance available to the Company constituting excess insurance; and include waiver(s) of subrogation in favor of the Company; insure the Contractor's indemnity, hold harmless, defense obligations, and any other losses arising out of or in connection with this Agreement; and be endorsed as necessary to cover the foregoing requirements.

8. Termination.

- A) The Company may terminate this Agreement without cause effective upon thirty (30) days prior written notice.

- B) The Contractor may terminate this Agreement without cause effective upon sixty (60) days prior written notice.
- C) In the event that any Contractor personnel is convicted of any crime or offense, fails or refuses to comply with Company written policies, reasonable directive of the Company, DEQ Administrative Rules and directives or is charged with serious misconduct in connection with performance hereunder, or materially breaches any provision of this Agreement, the Company at any time may terminate the engagement of the Contractor immediately and without prior notice to the Contractor.
- D) Upon termination by either Party, the Contractor shall provide to Company any and all copies, in whole or in part, of the Materials (as they then exist) and any and all tangible materials the Company provided to the Contractor in connection with this Agreement and the provision of service to the Company.

9. Remedies.

- A) The services to be rendered by the Contractor under this Agreement are of a special, unique, unusual, and extraordinary character. They are vital and unique to the accomplishment of the purpose of this Agreement, which gives them a peculiar value and that any breach or default thereof would give rise to significant and irreparable injury to Company for which money damages are an inadequate remedy at law. Therefore, if any action or proceeding is instituted by or on behalf of Company to enforce any of the terms or provisions of this Agreement, the Contractor hereby waives the claim or defense thereto that Company has an adequate remedy at law or has not been, or is not being, irreparably injured thereby, and the same shall be enforceable in a court of equity by temporary or permanent injunction, restraining order or decree of specific performance. The Company shall be entitled to injunctive and other equitable relief in the event of, or to prevent, a breach of any provision of this Agreement by the Contractor. Resorting to such equitable relief, however, shall not be construed to be a waiver of any other rights or remedies that the Company may have for damages or otherwise. The various rights and remedies of the Company under this Agreement or otherwise shall be construed to be cumulative, and not one of them shall be exclusive of any other or of any right or remedy allowed by law.
- B) The Contractor waives any and all right to injunctive relief in the event of any dispute with the Company, and the Independent Contractor's sole remedy in such a dispute shall be at law.
- C) In the event of termination, provided that Contractor is not in material breach of its obligations hereunder, the Contractor shall be entitled to keep all monies already paid and the Company's sole obligation shall be to pay Contractor the amount due for Services already acceptably performed. In no event shall the Company be liable for any lost profits or consequential, incidental or special damages.

10. Miscellaneous.

- A) **Merger.** This Agreement shall not be terminated by the merger or consolidation of the Company into or with any other entity.
- B) **Choice of Law.** The laws of the state of Montana shall govern the validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the Parties hereto.
- C) **Headings.** Section headings are not to be considered a part of this Agreement and are not intended to be a full and accurate description of the contents hereof.

- D) **Waiver.** Waiver by one Party hereto of breach of any provision of this Agreement by the other shall not operate or be construed as a continuing waiver.
- E) **Assignment.** The Contractor shall not assign any of its rights under this Agreement, or delegate the performance of any of the duties hereunder, without the prior written consent of the Company.
- F) **Notices.** Any and all notices, demands, or other communications required or desired to be given hereunder by any Party shall be in writing and shall be validly given or made to another party if personally served or if deposited in the United States mail, postage prepaid. If such notice or demand is served personally, notice shall be deemed constructively made at the time of such personal service. If such notice, demand or other communication is given by mail, such notice shall be conclusively deemed given three (3) days after deposit thereof in the United States mail addressed to the Party to whom such notice, demand or other communication is to be given. Any Party hereto may change its address by written notice given in the manner provided above.
- G) **Modification or Amendment.** No amendment, change or modification of this Agreement shall be valid unless in writing signed by the Parties hereto.
- H) **Construction.** This Agreement shall not be construed in favor of or against either Party, but shall be construed as if both Parties prepared this Agreement.
- I) **Entire Agreement.** This document and any exhibit attached constitute the entire understanding and Agreement of the Parties, and any and all prior agreements, understandings, and representations are hereby terminated and canceled in their entirety and are of no further force and effect.
- J) **Unenforceability of Provisions.** If any provision of this Agreement, or any portion thereof, is held to be invalid and unenforceable, then the remainder of this Agreement shall nevertheless remain in full force and effect.

IN WITNESS WHEREOF the undersigned have executed this Agreement as of the day and year first written above.

The Company, AquaFlo, LLC



 By: W. A. (Bill) Gallagher, Manager

The Contractor, Pioneer Technical Services, Inc.

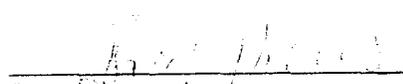
By: 
 _____ as _____ of Pioneer Technical Services Inc.
Print Name *Office or Title*

EXHIBIT-B COMPENSATION

1. So long as the Contractor shall not be in breach or default of any of the covenants in the Agreement, and the engagement of services has not been terminated, the Contractor shall be paid upon Company's receipt of an invoice as follows:

A) All services enumerated in Exhibit-A shall be compensated on a rate basis as follows:

(1) Licensed Operator: fifty dollars (\$50) per hour:

(2) Any unlicensed assistants: thirty five dollars (\$35) per hour.

B) Emergency response calls requiring services between the hours of 7:00 PM and 7:00 AM or on a Saturday or Sunday shall be paid at a rate one point five (1.5) times the above described rates.

C) Emergency response calls requiring services on a state holiday shall be paid at a rate two (2) times the rates enumerated in Sections 1.A) above.

2. **Expenses.** During the term of this Agreement, the Contractor shall bill and the Company shall reimburse for all reasonable and approved out-of-pocket expenses which are incurred in connection with the performance of the duties hereunder including mileage at the rate of .50¢ per mile.

A) Notwithstanding the foregoing, the following expenses shall not be reimbursable:

(1) meal expenses;

(2) administrative expenses;

(3) lodging expenses;

(4) training and licensing expenses.

3. **Invoices.** Contractor shall submit written documentation of time and receipts, where available, itemizing the service, expense, time and date on which services or expenses are incurred. Services billed at hourly rates shall be calculated on increments of one tenth (1/10) of an hour. The Company shall pay Consultant the amounts due pursuant to submitted invoices and receipts within fifteen (15) days after an invoice is received by the Company.



MORRISON-MAIERLE, INC.



AMENDMENT NO. 3 TO OWNER-ENGINEER AGREEMENT

PROJECT NO. 4477002-010

1. Background Data:

- a. Effective date of OWNER-ENGINEER Agreement: 12/18/2007
b. OWNER: AquaFlo LLC.
c. ENGINEER: Morrison-Maierle, Inc.
d. Project: Skyview Monitoring

2. Nature of Amendment: [Check those that are applicable.]

- Additional Services to be performed by ENGINEER
Modifications to Services of ENGINEER
Modifications to Responsibilities of OWNER
Modifications to Payment to ENGINEER
[X] Modifications to Time(s) for rendering Services
Modifications to other terms and conditions of the Agreement

3. Description of Modifications

- [X] Attachment 1, "Modifications"
Other attachments as listed below:

OWNER and ENGINEER hereby agree to modify the above-referenced Agreement as set forth in this Amendment. All provisions of the Agreement not modified by this or previous Amendments remain in effect. The Effective Date of this Amendment is 1/03/2011.

OWNER: AquaFlo LLC.
By: W.A. Gallagher
Title:
Date Signed:

ENGINEER: Morrison-Maierle, Inc.
By: [Signature]
Title: VICE PRESIDENT
Date Signed: 12-30-10



MORRISON-MAIERLE, INC.
ATTACHMENT 1



This is **Attachment 1**, consisting of 4 Page(s), to Amendment No.3, Dated 1/03/2011.

Modifications

[Check the following paragraphs that are appropriate. Refer to paragraph numbers used in the Agreement or a previous amendment for clarity with respect to the modifications to be made. Use paragraph numbers in this document for ease of reference herein and future correspondence or amendments.]

- A1. ENGINEER shall perform the following Additional Services:
Extend current services through 2011.
- A2. The Scope of Services currently authorized to be performed by ENGINEER in accordance with the Agreement and previous amendments, if any, is modified as follows:
- A3. The responsibilities of OWNER are modified as follows:
- A4. For the Additional Services or the modifications to services set forth above, OWNER shall pay ENGINEER the following additional or modified compensation:
\$2,506
- A5. The schedule for rendering services is modified as follows:
2011
- A6. Other portions of the Agreement (including previous amendments, if any) are modified as follows:

Attachment Page 3 of 4

January 3, 2011

AquaFlo, LLC
C.O. Mr. W.A. (Bill) Gallagher
P.O. Box 1091
Helena, MT 59624

Subject: Skyview Estates Water Well Monitoring

Dear: Mr. Gallagher

This letter provides a scope of work based on our estimate of the effort required to continue monitoring ground water levels in the Skyview Estates well #1 and #2 for a period of one year. This letter shall serve as a contract modification to an existing contract between AquaFlo, LLC and Morrison-Maierle, Inc. dated December 18, 2007.

Morrison-Maierle, Inc. will operate two existing pressure transducer/loggers to record water levels in Skyview well #1 and #2. Morrison-Maierle, Inc. will provide an electronic water level indicator to measure static water levels and a laptop computer to program and download the loggers. Morrison-Maierle, Inc. will continue compiling water level data into appropriate charts and figures.

Work by Morrison-Maierle, Inc. will be performed at an hourly rate as defined below plus out-of-pocket expenses times a 1.05 multiplier. The total effort outlined below is our estimate of a reasonable amount of time to perform the work; however, additional effort beyond what is described above is outside of the scope of work of this contract and will be charged at the hourly rates below in addition to the estimated work.

The estimated labor and non-labor costs for the latter scope of work is as follows:

Labor Costs				Hourly	sub-
Task:	Staff:	# Hours/day	Days	Rate	total
Data Downloads	J. Mohrmann	2	7	\$82	\$1,148
Data Processing	J. Mohrmann	2	7	\$82	\$1,148
Technology Fee	rate per staff hour	4	7	\$5	\$140

Non-Labor Costs	# of Units	time/ unit	Cost/ hour		sub- total
Vehicle Use	1	20 mi/day	\$0.50	7times/year	\$70
total=					\$2,506

Sincerely,

Morrison-Maierle, Inc.



Jacob Mohrmann
Project Geologist

INDEPENDENT CONTRACTOR AGREEMENT

This Agreement is entered into as of the 1st day of December, 2007, (the "Agreement") between AquaFlo, LLC, having an address of P.O. Box 1091, Helena, Montana, 59624 ("the Company") and Accounting Beans, LLC, having an address of 4855 N Montana Ave, Helena, Montana 59602 (Hereinafter referred to as "she", "it" or the "Contractor" depending on the context). Hereinafter the Company and the Contractor are referred to collectively as the "Parties."

RECITALS

WHEREAS,

- A) The Company is in the business of providing water and sewer service to the residents of Skyview, Northwest Major and Northwest Minor subdivisions and operates as a public utility under the Public Service Commission for the State of Montana; and
- B) The Company is in need of the billing services bookkeeper; and
- C) The Contractor represents and warrants to the Company that she is capable of effectively acting as such on behalf of Company; and
- D) The Contractor desires to act as an independent contractor and perform designated services on behalf of Company; and
- E) The Contractor is a registered with and maintains an Independent Contractor Exemption Certificate (ICEC) from the Montana Department of Labor's Independent Contractor Central Unit.
- F) The Company desires to engage the Contractor, but only on the terms and conditions set forth in this Agreement; and
- G) The Contractor has agreed to perform billing, accounting, account management, customer service work, and other related activities for the Company;

NOW, THEREFORE, the Parties hereby agree as follows:

1. Independent Contractor.

- A) **Engagement.** Subject to the terms and conditions of this Agreement, the Company hereby engages the Contractor as an independent contractor to perform the services set forth herein, and the Contractor hereby accepts such engagement.
- B) **No Agency Created.** This Agreement shall not render nor create any actual or apparent agency, partnership, franchise, or relationship of employer and employee between the Parties.
 - (1) The Contractor is not authorized to enter into or commit the Company to any agreements.
 - (2) The Contractor shall not represent itself as the agent or legal representative of the Company.
- C) **Independent Contractor Only.** The Contractor is not an employee, partner, agent of, or joint venturer with the Company for any purpose.
- D) **Taxes.** The Company shall not be liable for withholding, taxes, Worker's Compensation, unemployment insurance, employers' liability, employer's FICA, social security, withholding tax, or other taxes or withholding for or on behalf of the Independent Contractor or any other person consulted or employed by the Independent Contractor in performing Services under this Agreement or with respect to the Contractor's compensation hereunder. All such costs shall be Independent Contractor's responsibility.

E) Benefits. The Contractor shall have no claim against the Company hereunder or otherwise for vacation pay, sick leave, retirement benefits, social security, worker's compensation, health or disability benefits, unemployment insurance benefits, or employee benefits of any kind.

F) Authority to Contract. The Contractor represents that she is free to enter into this Agreement and that this engagement does not violate the terms of any agreement between the Contractor and any third party.

G) Service to Others. The Contractor is expressly free to perform services for other parties while performing services for the Company.

2. Term. Contractor's engagement shall commence on the date hereof and, unless sooner terminated, will expire one year from the date hereof (the "Initial Term"). The Initial Term may be renewed for additional consecutive terms of one year each ("Renewal Term(s)"), unless and until the Engagement is terminated as provided in Section 8. The Initial Term and Renewal Term(s) are collectively designated as the "Term."

3. Duties. Attached to this Agreement as Exhibit-A hereto is a statement of the work to be performed by the Contractor and such other terms and conditions as shall be deemed appropriate or necessary for the performance of the work. Exhibit-A may be amended in writing from time to time, or supplemented with subsequent estimates for services to be rendered by the Contractor and agreed to by the Company, and which collectively are hereby incorporated by reference.

A) During the term of this Agreement, the Contractor shall devote as much of her productive time, energy and abilities to the performance of her duties hereunder as is necessary to perform the required duties in a timely and productive manner.

B) Contractor warrants that all material supplied and work performed under this Agreement complies with or will be done in a competent fashion in accordance with applicable standards of the profession, the rules and regulations promulgated by the Montana Public Service Commission ("PSC") and any other federal, state or local agency that regulates the business of the Company and its operators.

C) All services are subject to final approval by a representative of the Company prior to payment.

4. Compensation. Attached hereto and incorporated herein as Exhibit-B is a statement of Contractor's rate of payment for such work, expenses to be paid in connection with such work, and the maximum price the Company shall be obligated to pay under this Agreement.

5. Proprietary Rights.

A) Materials. The Contractor warrants and acknowledges that it has no right to, copyright, or interest in its work or product resulting from the Services performed hereunder, or any of the documents, reports or other materials created by the Contractor in connection with such Services. The Contractor acknowledges that the Services and the products thereof (hereinafter referred to as the "Materials") have been specially commissioned or ordered by the Company as "works made-for-hire" as that term is used in the Copyright Law of the United States, and that the Company is therefore to be deemed the author of and is the owner of all copyrights in and to such Materials.

B) Materials Assignment. In the event that such Materials, or any portion thereof, are for any reason deemed not to have been works made-for-hire, the Contractor hereby assigns to the Company any and all right, title, and interest Contractor may have in and to such Materials, including all copyrights, all publishing rights, and all rights to use, reproduce, and otherwise exploit the

Materials in any and all formats or media and all channels, whether now known or hereafter created. The Contractor agrees to execute such instruments as the Company may from time to time deem necessary or desirable to evidence, establish, maintain, and protect the Company's ownership of such Materials, and all other rights, title, and interest therein.

- C) **Generic Information.** Notwithstanding the foregoing, the Company acknowledges that the Contractor's ability to carry out the work required is heavily dependent upon the Contractor's past experience in the industry and in providing similar services to others and they expect to continue such work in the future. Subject to the confidentiality provisions of Section 5(F) below, generic information communicated to the Company in the course of this project either orally, in the form of presentations, or in documents that report such general industry knowledge is not subject to the terms of A & B above.
- D) **Inventions.** Any and all inventions, discoveries, developments, ideas, improvements and innovations conceived, created or first reduced to practice in the performance of work under this Agreement by the Contractor during this engagement relative to the duties under this Agreement shall be the exclusive property of the Company; and the Contractor hereby assigns all right, title, and interest in the same to the Company. Any and all inventions, discoveries, developments and innovations conceived by the Contractor prior to the term of this Agreement and utilized by it in rendering duties to the Company are hereby licensed to the Company for use in its operations and for an infinite duration. This license is non-exclusive, and may be assigned without the Contractor's prior written approval.
- E) **Company Information:** During the term of this Agreement and in the course of Contractor's performance hereunder, Contractor may receive and otherwise be exposed to confidential and proprietary information relating to the Company's business practices, strategies and technologies. Such proprietary and confidential information may include but is not limited to: confidential and proprietary information supplied to Contractor; the Company's marketing and customer support strategies; the Company's financial information, including sales, costs, profits and pricing methods; the Company's internal organization, employee lists, customer lists, and vendor lists; the Company's technology, including discoveries, inventions, research and development efforts, manufacturing processes, hardware/software design and maintenance tools, product know-how and show-how; and all derivatives, improvements and enhancements to any of the above which are created or developed by Contractor under this Agreement and information of third Parties as to which the Company has an obligation of confidentiality (collectively referred to as "Confidential Information").
- F) **Use of Confidential Information and Return of Company Documents:** Contractor acknowledges the confidential and secret character of the Confidential Information and agrees that the Confidential Information is the sole, exclusive, and extremely valuable property of the Company. Accordingly, Contractor agrees not to reproduce any of the Confidential Information without the Company's prior written consent, not to use the Confidential Information except in the performance of this Agreement, and not to divulge all or any part of the Confidential Information in any form to any third party, either during or after the term of this Agreement. Upon termination of this Agreement for any reason including expiration of term, Contractor agrees to cease using and to return to the Company all whole and partial copies and derivatives of the Confidential Information, whether in Contractor's possession or under Contractor's direct or indirect control.
- G) **Conflicts of Interest; Non-hire Provision.** The Contractor shall not, directly or indirectly, hire, solicit, or encourage to leave the Company's employment, any employee, consultant, or contractor

of the Company or hire any such employee, consultant, or contractor who has left the Company's employment or contractual engagement within one (1) year of such employment or engagement.

6. Indemnifications and Releases.

- A) Injuries and Damages:** Contractor agrees to take all necessary precautions to prevent injury to any persons (including customers) or damage to property (including the Company's property) during the term of this Agreement.
- B) Use of Company Property:** Should the Contractor use any of the Company's equipment, tools or facilities during the term of this Agreement, such permission will be gratuitous and Contractor shall indemnify and hold harmless the Company and its officers, directors, agents, and employees from and against any claim, loss, expense, or judgment of injury to person or property (including death) arising out of the use of any such equipment, tools or facilities, whether or not such a claim is based on its condition or on the alleged negligence of the Company in permitting its use.
- C) Tax Liability.** Contractor shall keep, save, protect, defend, indemnify and hold the Company harmless from and against any and all costs, claims, expenses, damages incurred or sustained by the Contractor arising from any tax liability of the Contractor.
- D) Indemnification.** The Company will indemnify and hold harmless the Contractor from and against any and all losses, costs, expenses, claims, damages and liabilities (the "Liabilities") to which such Contractor may become subject under any applicable law, or any claim made by any third party, or otherwise, to the extent they relate to or arise out of the performance of the Services contemplated by this Agreement or the engagement of the Contractor pursuant to, and the performance by the Contractor of the Services contemplated by, this Agreement.

The Company will reimburse the Contractor for all reasonable costs and expenses (including reasonable attorneys' fees and expenses) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim for which the Contractor would be entitled to indemnification under the terms of the previous sentence, or any action or proceeding arising therefrom, whether or not such the Contractor is a party hereto, provided that, subject to the following sentence, the Company shall be entitled to assume the defense thereof at its own expense, with counsel satisfactory to such the Contractor in its reasonable judgment. The Contractor may, at its own expense, retain separate counsel to participate in such defense, and in any action, claim or proceeding in which the Company, on the one hand, and an the Contractor, on the other hand, is, or is reasonably likely to become, a party, such Contractor shall have the right to employ separate counsel at the Company's expense and to control its own defense of such action, claim or proceeding if, in the reasonable opinion of counsel to such the Contractor, a conflict or potential conflict exists between the Company, on the one hand, and such Contractor, on the other hand, that would make such separate representation advisable.

The Company agrees that it will not, without the prior written consent of the Contractor, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding relating to the matters contemplated hereby (if the Contractor is a party thereto or has been actually threatened to be made a party thereto) unless such settlement, compromise or consent includes an unconditional release of the Contractor from all liability arising or that may arise out of such claim, action or proceeding.

Provided that the Company is not in breach of its indemnification obligations hereunder, the Contractor shall not settle or compromise any claim subject to indemnification hereunder without the consent of the Company.

7. **Insurance:** At all times during the Term, the Company, at its expense, shall maintain in effect policies of insurance covering:

- A) **Public Liability and Property Damage Insurance.** Comprehensive General Liability Insurance including Contractual Liability, Professional Liability, Contractors Protective Liability, Fire Legal Liability, Products and Completed Operations Liability and Personal Injury/Property Damage coverages with respect to the services provided and the business conducted herein.
- B) **Limits.** Such insurance shall at all times have limits of not less than one million dollars (\$1,000,000) combined single limit per occurrence and not less than two million dollars (\$2,000,000) aggregate limits. The amount of such insurance shall not limit Contractor's liability nor relieve the Contractor of any obligation hereunder. Each policy shall contain cross liability endorsements, if applicable, and shall insure Contractor's performance of the indemnity provisions contained in this Agreement.
- C) **Automobile Liability Insurance:** Automobile Liability Insurance including, but not limited to, passenger liability on all owned, non-owned, and hired vehicles used in connection with the provision of service to the Company or operated on Company Property, with a combined single limit per occurrence of not less than one million dollars (\$1,000,000) per vehicle for injuries or death of one or more persons or loss or damage to property.

8. **Termination.**

- A) The Company may terminate this Agreement without cause effective upon thirty (30) days prior written notice.
- B) The Contractor may terminate this Agreement without cause effective upon sixty (60) days prior written notice.
- C) In the event the Contractor is convicted of any crime or offense, fails or refuses to comply with Company written policies, reasonable directive of the Company, PSC Administrative Rules and directives or is charged with serious misconduct in connection with performance hereunder, or materially breaches any provision of this Agreement, the Company at any time may terminate the engagement of the Contractor immediately and without prior notice to the Contractor.
- D) Upon termination by either Party, the Contractor shall provide to Company any and all copies, in whole or in part, of the Materials (as they then exist) and any and all tangible materials the Company provided to the Contractor in connection with this Agreement and the provision of service to the Company.

9. **Remedies.**

- A) The Contractor waives any and all right to injunctive relief in the event of any dispute with the Company, and the Independent Contractor's sole remedy in such a dispute shall be at law.
- B) In the event of termination, provided that Contractor is not in material breach of its obligations hereunder, the Contractor shall be entitled to keep all monies already paid and the Company's sole obligation shall be to pay Contractor the amount due for Services already acceptably performed. In no event shall the Company be liable for any lost profits or consequential, incidental or special damages.

10. **Miscellaneous.**

EXHIBIT-A DUTIES

During the Term, the Contractor shall devote attention, energies and best efforts on a full-time basis as a billing services and bookkeeping for the Company and shall perform the following duties:

A) Income and Expense. The Company requires record keeping of payments and expenses to be provided by Contractor on a regular basis. The data, results and reports shall be in such form and setting forth such information and data as is reasonably requested by the Company.

B) Routine Duties:

(1) Weekly:

- (a) Post payments to individual accounts;
- (b) Deposit payments to bank account;
- (c) Pay incoming bills;
- (d) Reply to resident's inquiries regarding billing or individual accounts;
- (e) Pickup mail.

(2) Monthly:

- (a) Prepare and submit Notices.

(3) Every 3 Months:

- (a) Prepare and submit Quarterly Report to Montana DOR PSC tax;
- (b) Prepare and submit Quarterly Report to Montana DOR MCC tax.

(4) Every 12 Months:

- (a) Prepare and submit Year End Accounting Reports for individual residents;
- (b) Prepare and submit Annual Report to PSC;
- (c) Prepare and submit Annual Report to DOR;
- (d) Prepare material for income tax;

C) Contractor shall be available at all times and shall provide to the Company professional services in the area of call response and emergency management as needed and requested.

D) In addition to the above, the Contractor shall perform the following services:

- (1)** Receive and log all communications from Consumers including follow-up actions.

EXHIBIT-B COMPENSATION

1. So long as the Contractor shall not be in breach or default of any of the covenants in the Agreement, and the engagement of services has not been terminated, the Contractor shall be paid upon Company's receipt of an invoice as follows:
 - A) All services enumerated in Exhibit-A shall be compensated on a rate basis as follows:
 - (1) 10% of gross income from utility Consumers;
 - (2) All late fees paid by Consumers.
 - B) Any other services provided shall be compensated at a rate of twenty five dollars (\$25.00) per hour plus any out of pocket expenses.
2. **Software.** In anticipation of the Company's conversion to meter based rates, specific billing software shall be selected and purchased by the Company for installation on the Contractor's computer for use by the Contractor. After two (2) years of service, the software, but not the data, shall become the property of the Contractor.
3. **Expenses.** During the term of this Agreement, the Contractor shall bill and the Company shall reimburse for all reasonable and approved out-of-pocket expenses which are incurred in connection with the performance of the duties hereunder.
 - A) Notwithstanding the foregoing, the following expenses shall not be reimbursable:
 - (1) meal expenses;
 - (2) administrative expenses;
 - (3) lodging expenses;
 - (4) training and licensing expenses.
4. **Invoices.** Contractor shall submit written documentation of time and receipts, where available, itemizing the service, expense, time and date on which services or expenses are incurred. Services billed at hourly rates shall be calculated on increments of one tenth (1/10) of an hour. The Company shall pay Consultant the amounts due pursuant to submitted invoices and receipts within fifteen (15) days after an invoice is received by the Company.

AquaFlo
CLIENT'S COPY

**ATTORNEY CLIENT
HOURLY PLUS EXPENSES FEE AGREEMENT**

This ATTORNEY-CLIENT FEE AGREEMENT (Agreement") is entered into by and between AquaFlo LLC (Client) and Gallagher and Associates, PLLC (Attorney).

1. **CONDITIONS.** This Agreement will not take effect, and Attorney will have no obligation to provide legal services, until Client returns a signed copy of this Agreement and pays the deposit called for under ¶ 4 below.
2. **SCOPE AND DUTIES.**
 - A. Client hires Attorney to provide legal services in connection with negotiating the purchase of MT Associates, LLC business assets, creating a Company structure to hold those assets and acquire necessary approvals for the sale. Specifically, the Attorney is engaged for the limited scope of:
 - (1) Advise as to Company structure;
 - (2) Draft all documents and make applications for entity creation;
 - (3) Negotiate the purchase of MTA assets and prepare all contract and sale documents;
 - (4) Make application to any agency whose approval is required including the PSC, DNRC, DEQ and DOR.
 - (5) Supervise the closing of the sale
 - (6) Preparing Contracts for operation services;
 - (7) Advise the Company as requested.
 - B. Attorney shall provide legal services reasonably required to represent Client, and shall take reasonable steps to keep Client informed of progress and to respond to Client's inquiries. Client shall be truthful with Attorney, cooperate with Attorney, keep Attorney informed of developments, abide by this Agreement, pay Attorney's bills on time and keep Attorney advised of Client's address, telephone number and whereabouts.
3. **LEGAL SERVICES SPECIFICALLY EXCLUDED.** Legal services that are not to be provided by Attorney under this Agreement specifically include, but are not limited to, the following: **NA**
 - A. If Client wishes and the Attorney agrees that Attorney shall provide any legal services not to be provided under this Agreement, a separate written agreement between Attorney and Client will be required.
4. **ATTORNEY'S FEES.** The amount Attorney will receive for the legal services to be provided under this Agreement will be based on hourly rates, outlined in Sub-Paragraph (A) below, and Expenses outlined in Sub-Paragraph (B) below.
 - A. **Hourly Plus Expenses:** The Attorney shall be compensated on an hourly basis, plus Expenses, at the following rates:
 - (1) attorneys- \$140 / hour; and
 - (2) other personnel \$35/ hour.
 - (3) hourly charges are recorded in minimum of one tenth (1/10) units of an hour.
 - B. **Expenses:** In addition to the above legal services Fees, the Attorney shall be reimbursed for all Expenses incurred by Attorney, including, but not limited to, those enumerated below. Expenses may include, but are not limited to:
 - (1) court filing expenses and process server costs, (Actual cost)
 - (2) court reporters' expenses, (Actual cost)
 - (3) messenger and other delivery charges, (Actual cost)

MANAGEMENT AGREEMENT

This Agreement is entered into as of the 1st day of November, 2007, (the "Agreement") between **AquaFlo, LLC**, having an address of P.O. Box 1091, Helena, Montana, 59624 ("the Company") and **W. A. (Bill) Gallagher**, having an address of 4855 N Montana Ave., Helena, Montana 59602 (Hereinafter referred to as "he", or the "Manager" depending on the context). Hereinafter the Company and the Manager are referred to collectively as the "Parties."

RECITALS

WHEREAS,

- A) The Company is in the business of providing water and sewer service to the residents of Skyview, Northwest Major and Northwest Minor subdivisions and operates as a public utility under the Public Service Commission for the State of Montana; and
- B) The Company is in need of the services of a Manager and reserve Operator; and
- C) The Manager represents and warrants to the Company that he is capable of effectively acting as a manager and water sewer operator on behalf of Company; and
- D) The Manager desires to act as an independent contractor and perform designated services on behalf of Company; and
- E) The Company desires to engage the Manager, but only on the terms and conditions set forth in this Agreement; and
- F) The Manager has agreed to perform managerial and operator services and other related activities for the Company;

NOW, THEREFORE, the Parties hereby agree as follows:

1. Management.

- A) **Engagement.** Subject to the terms and conditions of this Agreement, the Company hereby engages the Manager as an independent contractor to perform the services set forth herein, and the Manager hereby accepts such engagement.
- B) **Agency Created.**
 - (1) The Manager is authorized to enter into or commit the Company to any agreements.
 - (2) The Manager shall represent himself as the agent or legal representative of the Company.
- C) **Independent Manager Only.** The Manager is not a partner or joint venturer with the Company for any purpose.
- D) **Taxes.** The Company shall not be liable for withholding, taxes, Worker's Compensation, unemployment insurance, employers' liability, employer's FICA, social security, withholding tax, or other taxes or withholding for or on behalf of the Manager or with respect to the Manager's compensation hereunder. All such costs shall be the Manager's responsibility.

E) Authority to Contract. The Manager represents that he is free to enter into this Agreement and that this engagement does not violate the terms of any agreement between the Manager and any third party.

F) Service to Others. The Manager is expressly free to perform services for other parties while performing services for the Company.

2. Term. Manager's engagement shall commence on the date hereof and, unless sooner terminated, will expire one year from the date hereof (the "Initial Term"). The Initial Term may be renewed for additional consecutive terms of one year each ("Renewal Term(s)"), unless and until the Engagement is terminated as provided in Section 8. The Initial Term and Renewal Term(s) are collectively designated as the "Term."

3. Duties. Attached to this Agreement as Exhibit-A hereto is a statement of the work to be performed by the Manager and such other terms and conditions as shall be deemed appropriate or necessary for the performance of the work. Exhibit-A may be amended in writing from time to time, or supplemented with subsequent estimates for services to be rendered by the Manager and agreed to by the Company, and which collectively are hereby incorporated by reference.

A) During the term of this Agreement, the Manager shall devote as much of his productive time, energy and abilities to the performance of his duties hereunder as is necessary to perform the required duties in a timely and productive manner.

B) Manager warrants that all material supplied and work performed under this Agreement complies with or will be done in a competent fashion in accordance with applicable standards of the profession, the rules and regulations promulgated by the Montana Department of Environmental Quality ("DEQ"), the Public Service Commission ("PSC") and any other federal, state or local agency that regulates the business of the Company and its operators.

4. Compensation. Attached hereto and incorporated herein as Exhibit-B is a statement of Manager's rate of payment for such work, expenses to be paid in connection with such work, and the maximum price the Company shall be obligated to pay under this Agreement.

5. Proprietary Rights.

A) Materials. The Manager warrants and acknowledges that it has no right to, copyright, or interest in its work or product resulting from the Services performed hereunder, or any of the documents, reports or other materials created by the Manager in connection with such Services. The Manager acknowledges that the Services and the products thereof (hereinafter referred to as the "Materials") have been specially commissioned or ordered by the Company as "works made-for-hire" as that term is used in the Copyright Law of the United States, and that the Company is therefore to be deemed the author of and is the owner of all copyrights in and to such Materials.

B) Materials Assignment. In the event that such Materials, or any portion thereof, are for any reason deemed not to have been works made-for-hire, the Manager hereby assigns to the Company any and all right, title, and interest Manager may have in and to such Materials, including all copyrights, all publishing rights, and all rights to use, reproduce, and otherwise exploit the Materials in any and all formats or media and all channels,

whether now known or hereafter created. The Manager agrees to execute such instruments as the Company may from time to time deem necessary or desirable to evidence, establish, maintain, and protect the Company's ownership of such Materials, and all other rights, title, and interest therein.

- C) Generic Information.** Notwithstanding the foregoing, the Company acknowledges that the Manager's ability to carry out the work required is heavily dependent upon the Manager's past experience in the industry and in providing similar services to others and they expect to continue such work in the future. Subject to the confidentiality provisions of Section 5(F) below, generic information communicated to the Company in the course of this project either orally, in the form of presentations, or in documents that report such general industry knowledge is not subject to the terms of A & B above.
- D) Inventions.** Any and all inventions, discoveries, developments, ideas, improvements and innovations conceived, created or first reduced to practice in the performance of work under this Agreement by the Manager during this engagement relative to the duties under this Agreement shall be the exclusive property of the Company; and the Manager hereby assigns all right, title, and interest in the same to the Company. Any and all inventions, discoveries, developments and innovations conceived by the Manager prior to the term of this Agreement and utilized by it in rendering duties to the Company are hereby licensed to the Company for use in its operations and for an infinite duration. This license is non-exclusive, and may be assigned without the Manager's prior written approval.
- E) Company Information:** During the term of this Agreement and in the course of Manager's performance hereunder, Manager may receive and otherwise be exposed to confidential and proprietary information relating to the Company's business practices, strategies and technologies. Such proprietary and confidential information may include but is not limited to: confidential and proprietary information supplied to Manager; the Company's marketing and customer support strategies; the Company's financial information, including sales, costs, profits and pricing methods; the Company's internal organization, employee lists, customer lists, and vendor lists; the Company's technology, including discoveries, inventions, research and development efforts, manufacturing processes, hardware/software design and maintenance tools, product know-how and show-how; and all derivatives, improvements and enhancements to any of the above which are created or developed by Manager under this Agreement and information of third Parties as to which the Company has an obligation of confidentiality (collectively referred to as "Confidential Information").
- F) Use of Confidential Information and Return of Company Documents:** Manager acknowledges the confidential and secret character of the Confidential Information and agrees that the Confidential Information is the sole, exclusive, and extremely valuable property of the Company. Accordingly, Manager agrees not to reproduce any of the Confidential Information without the Company's prior written consent, not to use the Confidential Information except in the performance of this Agreement, and not to divulge all or any part of the Confidential Information in any form to any third party, either during or after the term of this Agreement. Upon termination of this Agreement for any reason including expiration of term, Manager agrees to cease using and to return to the Company all whole and partial copies and derivatives of the Confidential Information, whether in Manager's possession or under Manager's direct or indirect control.

G) Conflicts of Interest; Non-hire Provision. The Manager shall not, directly or indirectly, hire, solicit, or encourage to leave the Company's employment, any employee, consultant, or contractor of the Company or hire any such employee, consultant, or contractor who has left the Company's employment or contractual engagement within one (1) year of such employment or engagement.

6. Indemnifications and Releases.

A) Injuries and Damages: Manager agrees to take all necessary precautions to prevent injury to any persons (including customers) or damage to property (including the Company's property) during the term of this Agreement.

B) Tax Liability. Manager shall keep, save, protect, defend, indemnify and hold the Company harmless from and against any and all costs, claims, expenses, damages incurred or sustained by the Manager arising from any tax liability of the Manager.

C) Indemnification. The Company will indemnify and hold harmless the Manager from and against any and all losses, costs, expenses, claims, damages and liabilities (the "Liabilities") to which such Manager may become subject under any applicable law, or any claim made by any third party, or otherwise, to the extent they relate to or arise out of the performance of the Services contemplated by this Agreement or the engagement of the Manager pursuant to, and the performance by the Manager of the Services contemplated by, this Agreement.

The Company will reimburse the Manager for all reasonable costs and expenses (including reasonable attorneys' fees and expenses) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim for which the Manager would be entitled to indemnification under the terms of the previous sentence, or any action or proceeding arising therefrom, whether or not such the Manager is a party hereto, provided that, subject to the following sentence, the Company shall be entitled to assume the defense thereof at its own expense, with counsel satisfactory to such the Manager in its reasonable judgment. The Manager may, at its own expense, retain separate counsel to participate in such defense, and in any action, claim or proceeding in which the Company, on the one hand, and an the Manager, on the other hand, is, or is reasonably likely to become, a party. such Manager shall have the right to employ separate counsel at the Company's expense and to control its own defense of such action, claim or proceeding if, in the reasonable opinion of counsel to such the Manager, a conflict or potential conflict exists between the Company, on the one hand, and such Manager, on the other hand, that would make such separate representation advisable.

The Company agrees that it will not, without the prior written consent of the Manager, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding relating to the matters contemplated hereby (if the Manager is a party thereto or has been actually threatened to be made a party thereto) unless such settlement, compromise or consent includes an unconditional release of the Manager from all liability arising or that may arise out of such claim, action or proceeding.

Provided that the Company is not in breach of its indemnification obligations hereunder, the Manager shall not settle or compromise any claim subject to indemnification hereunder without the consent of the Company.

7. Insurance: At all times during the Term, the Company, at its expense, shall maintain in effect policies of insurance covering:

- A) Public Liability and Property Damage Insurance.** Comprehensive General Liability Insurance including Contractual Liability, Professional Liability, Managers Protective Liability, Fire Legal Liability, Products and Completed Operations Liability and Personal Injury/Property Damage coverages with respect to the management and Operator services provided and the business conducted herein.
- B) Limits.** Such insurance shall at all times have limits of not less than one million dollars (\$1,000,000) combined single limit per occurrence and not less than two million dollars (\$2,000,000) aggregate limits.
- C) Automobile Liability Insurance:** Automobile Liability Insurance including, but not limited to, passenger liability on all owned, non-owned, and hired vehicles used in connection with the provision of service to the Company or operated on Company Property, with a combined single limit per occurrence of not less than one million dollars (\$1,000,000) per vehicle for injuries or death of one or more persons or loss or damage to property.

8. Termination.

- A)** The Company may terminate this Agreement without cause effective upon thirty (30) days prior written notice.
- B)** The Manager may terminate this Agreement without cause effective upon sixty (60) days prior written notice.
- C)** In the event the Manager is convicted of any crime or offense, fails or refuses to comply with Company written policies, reasonable directive of the Company, DEQ or PSC Administrative Rules and directives, or is charged with serious misconduct in connection with performance hereunder, or materially breaches any provision of this Agreement, the Company at any time may terminate the engagement of the Manager immediately and without prior notice to the Manager.
- D)** Upon termination by either Party, the Manager shall provide to Company any and all copies, in whole or in part, of the Materials (as they then exist) and any and all tangible materials the Company provided to the Manager in connection with this Agreement and the provision of service to the Company.

9. Remedies.

- A)** The services to be rendered by the Manager under this Agreement are of a special, unique, unusual, and extraordinary character. They are vital and unique to the accomplishment of the purpose of this Agreement, which gives them a peculiar value and that any breach or default thereof would give rise to significant and irreparable injury to Company for which money damages are an inadequate remedy at law. Therefore, if any action or proceeding is instituted by or on behalf of Company to enforce any of the terms

or provisions of this Agreement, the Manager hereby waives the claim or defense thereto that Company has an adequate remedy at law or has not been, or is not being, irreparably injured thereby, and the same shall be enforceable in a court of equity by temporary or permanent injunction, restraining order or decree of specific performance. The Company shall be entitled to injunctive and other equitable relief in the event of, or to prevent, a breach of any provision of this Agreement by the Manager. Resorting to such equitable relief, however, shall not be construed to be a waiver of any other rights or remedies that the Company may have for damages or otherwise. The various rights and remedies of the Company under this Agreement or otherwise shall be construed to be cumulative, and not one of them shall be exclusive of any other or of any right or remedy allowed by law.

- B) The Manager waives any and all right to injunctive relief in the event of any dispute with the Company, and the Independent Manager's sole remedy in such a dispute shall be at law.
- C) In the event of termination, provided that Manager is not in material breach of its obligations hereunder, the Manager shall be entitled to keep all monies already paid and the Company's sole obligation shall be to pay Manager the amount due for Services already acceptably performed. In no event shall the Company be liable for any lost profits or consequential, incidental or special damages.

10. Miscellaneous.

- A) **Merger.** This Agreement shall not be terminated by the merger or consolidation of the Company into or with any other entity.
- B) **Choice of Law.** The laws of the state of Montana shall govern the validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the Parties hereto.
- C) **Headings.** Section headings are not to be considered a part of this Agreement and are not intended to be a full and accurate description of the contents hereof.
- D) **Waiver.** Waiver by one Party hereto of breach of any provision of this Agreement by the other shall not operate or be construed as a continuing waiver.
- E) **Assignment.** The Manager shall not assign any of its rights under this Agreement, or delegate the performance of any of the duties hereunder, without the prior written consent of the Company.
- F) **Notices.** Any and all notices, demands, or other communications required or desired to be given hereunder by any Party shall be in writing and shall be validly given or made to another party if personally served or if deposited in the United States mail, postage prepaid. If such notice or demand is served personally, notice shall be deemed constructively made at the time of such personal service. If such notice, demand or other communication is given by mail, such notice shall be conclusively deemed given three (3) days after deposit thereof in the United States mail addressed to the Party to whom such notice, demand or other communication is to be given. Any Party hereto may change its address by written notice given in the manner provided above.
- G) **Modification or Amendment.** No amendment, change or modification of this Agreement shall be valid unless in writing signed by the Parties hereto.

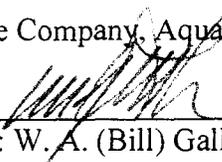
H) Construction. This Agreement shall not be construed in favor of or against either Party, but shall be construed as if both Parties prepared this Agreement.

I) Entire Agreement. This document and any exhibit attached constitute the entire understanding and Agreement of the Parties, and any and all prior agreements, understandings, and representations are hereby terminated and canceled in their entirety and are of no further force and effect.

J) Unenforceability of Provisions. If any provision of this Agreement, or any portion thereof, is held to be invalid and unenforceable, then the remainder of this Agreement shall nevertheless remain in full force and effect.

IN WITNESS WHEREOF the undersigned have executed this Agreement as of the day and year first written above.

The Company, AquaFlo, LLC


By: W. A. (Bill) Gallagher, Manager

The Manager,

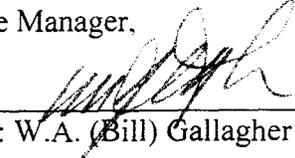

By: W.A. (Bill) Gallagher

EXHIBIT-A DUTIES

During the Term, the Contractor shall devote attention, energies and best efforts on a full-time basis as Manager and Reserve Operator for the Company. During the term of this Agreement, the Manager shall, in cooperation with the Manager of Aqua Sierra, LLC, perform the following duties excluding legal services:

A) General Management Duties: Render to the Company:

(1) Advisory, consulting and other services (“Oversight Services”) in relation to the operations of the Company, strategic planning, marketing and financial oversight, public relations and including, without limitation, advisory and consulting services in relation to the selection, retention and supervision of independent Contactors and service providers such as accounting, legal counsel, financial advisors or consultants and the structuring and implementation of equity participation plans, employee benefit plans and other incentive arrangements for certain key executives of the Company.

B) Liaison with Regulatory Agencies: The Manager shall act as the contact person and liaison with any agency charged with regulatory authority over the Company and its operations. These include but are not limited to the Public Service Commission, the Department of Environmental Quality, the Department of Natural Resources and Conservation, the Department of Revenue, the Environmental Protection Agency.

(1) Reporting. These agencies require certain reporting and record keeping by the Company. The manager shall, on a regular basis, see that these reports and applications are made in a timely and professional manner and in such form and setting forth such information and data as is required by the regulating agency.

C) Reserve Operator Service: The manager shall, when necessary devote attention, energies and best efforts on a reserve basis as a professional water-sewer operator for the Company and shall perform the duties as enumerated in Schedule A of the full time Operator’s Contract.

D) Customer Relations and Customer Service:

- (1) Works with management to maintain and improve the quality of services provided by the company;
- (2) Consult with Contract service providers, customers, regulatory officials, and the SVHOA leaders and liaisons;
- (3) Assess both customer service needs as well as their levels of satisfaction with the Company;
- (4) Management to improve the existing service offerings, and assists in the development and proposals for new services;
- (5) Gain and maintain, through a variety methods, an understanding of customers and their needs;
- (6) Provides information on Company product and services to customers;
- (7) Develop informational materials and implement informational briefings and events for users;
- (8) Develop measurements of customer satisfaction, e.g., designs surveys/questionnaires regarding services;
- (9) Develop quality measurements for services provided;
- (10) Receive and log all communications from Consumers including follow-up actions.

E) Planning: Develop and implement short, medium and long term plans for the Company.

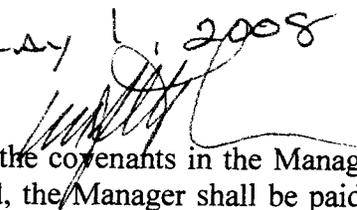
EXHIBIT-B COMPENSATION

1. So long as the Manager shall not be in breach or default of any of the covenants in the Management Agreement, and the engagement of services has not been terminated, the Manager shall be paid upon Company's receipt of a time sheet as follows:
 - A) All services enumerated in Exhibit-A shall be compensated on a rate basis as follows:
 - (1) \$500 per month; OR if in any month the hourly compensation for services exceeds \$500,
 - B) All services enumerated in Exhibit-A shall be compensated on a rate basis as follows:
 - (1) Seventy dollars (\$70) per hour;
 - (2) Emergency Operator response calls requiring services between the hours of 7:00 PM and 7:00 AM or on a Saturday or Sunday shall be paid at a rate one point five (1.5) times the rate enumerated in Sections 1.B) above.
 - (3) Emergency Operator response calls requiring services on a state holiday shall be paid at a rate two (2) times the rate enumerated in Sections 1.B) above.
2. **Bonus.** The Manager shall be eligible for an annual bonus based upon factor such as productivity, profitability, performance, regulatory testing results, and customer satisfaction.
3. **Expenses.** During the term of this Agreement, the Contractor shall bill and the Company shall reimburse for all reasonable and approved out-of-pocket expenses which are incurred in connection with the performance of the duties hereunder including but not limited to:
 - A) Vehicle mileage at the rate of \$1.00 per mile; and
 - B) Copies .15¢ per page.
4. **Invoices.** The Manager shall submit written documentation of time and receipts, where available, itemizing the service, expense, time and date on which services or expenses are incurred. Services billed at hourly rates shall be calculated on increments of one tenth (1/10) of an hour. The Company shall pay Manager the amounts due pursuant to submitted invoices and receipts within fifteen (15) days after an invoice is received by the Company.

**EXHIBIT-B
COMPENSATION**

Amended

May 1, 2008



1. So long as the Manager shall not be in breach or default of any of the covenants in the Management Agreement, and the engagement of services has not been terminated, the Manager shall be paid upon Company's receipt of a time sheet as follows:
 - A) All services enumerated in Exhibit-A shall be compensated on a rate basis as follows:
 - (1) \$600 per month; OR if in any month the hourly compensation for services exceeds \$600,
 - B) All services enumerated in Exhibit-A shall be compensated on a rate basis as follows:
 - (1) Fifty eight (\$58) per hour;
 - (2) Emergency Operator response calls requiring services between the hours of 7:00 PM and 7:00 AM or on a Saturday or Sunday shall be paid at a rate one point five (1.5) times the rate enumerated in Sections 1.B) above.
 - (3) Emergency Operator response calls requiring services on a state holiday shall be paid at a rate two (2) times the rate enumerated in Sections 1.B) above.
2. **Bonus.** The Manager shall be eligible for an annual bonus based upon factor such as productivity, profitability, performance, regulatory testing results, and customer satisfaction.
3. **Expenses.** During the term of this Agreement, the Contractor shall bill and the Company shall reimburse for all reasonable and approved out-of-pocket expenses which are incurred in connection with the performance of the duties hereunder including but not limited to:
 - A) Vehicle mileage at the rate of \$1.00 per mile; and
 - B) With Trailer, add .50 per mile
 - C) Copies .15¢ per page.
4. **Equipment.** In some instances, when the Contractor provides his own equipment (other than hand tools), the Contractor shall be paid in addition to fuel and any other costs, a rental fee for the equipment as follows:
 - A) **Commercial Mower:** \$25 per hour;
 - B) **Hand Mower:** \$5 per hour;
 - C) **Trimmer:** \$5 per hour;
 - D) **Commercial Weed Sprayer:** \$20 per hour
 - E) **Loader tractor:** \$35 per hour
5. **Invoices.** The Manager shall submit written documentation of time and receipts, where available, itemizing the service, expense, time and date on which services or expenses are incurred. Services billed at hourly rates shall be calculated on increments of one tenth (1/10) of an hour. The Company shall pay Manager the amounts due pursuant to submitted invoices and receipts within fifteen (15) days after an invoice is received by the Company.

INDEPENDENT CONTRACTOR AGREEMENT

This Agreement is entered into as of the 19th day of September 2010, (the "Agreement") between AquaFlo, LLC, having an address of P.O. Box 1091, Helena, Montana 59624 ("the Company") and Joseph Cathcart, having an address of 8055 Austin Road, Helena, Montana 59602 (hereinafter referred to as "he", "it" or the "Contractor" depending on the context). Hereinafter, the Company and the Contractor are referred to collectively as the "Parties."

RECITALS

WHEREAS,

- A) The Company is in the business of providing water and sewer service to the residents of Skyview, Northwest Major and Northwest Minor subdivisions and operates as a public utility under the Public Service Commission for the State of Montana; and
- B) The Company is in need of a monthly water meter reader; and
- C) The Contractor represents and warrants to the Company that he is capable of effectively acting as such on behalf of Company; and
- D) The Contractor desires to act as an independent contractor and perform designated services on behalf of Company; and
- E) The Company desires to engage the Contractor, but only on the terms and conditions set forth in this Agreement; and
- F) The Contractor has agreed to perform water meter readings and related activities for the Company.

NOW, THEREFORE, the Parties hereby agree as follows:

1. Independent Contractor.

- A) **Engagement.** Subject to the terms and conditions of this Agreement, the Company hereby engages the Contractor as an independent contractor to perform the services set forth herein, and the Contractor hereby accepts such engagement.
- B) **No Agency Created.** This Agreement shall not render nor create any actual or apparent agency, partnership, franchise, or relationship of employer and employee between the Parties.
 - (1) The Contractor is not authorized to enter into or commit the Company to any agreements.
 - (2) The Contractor shall not represent itself as the agent or legal representative of the Company.
- C) **Independent Contractor Only.** The Contractor is not an employee, partner, agent of, or joint venturer with the Company for any purpose.
- D) **Taxes.** The Company shall not be liable for withholding, taxes, Worker's Compensation, unemployment insurance, employers' liability, employer's FICA, social security, withholding tax, or other taxes or withholding for or on behalf of the Independent

Contractor or any other person consulted or employed by the Independent Contractor in performing Services under this Agreement or with respect to the Contractor's compensation hereunder. All such costs shall be Independent Contractor's responsibility.

E) Benefits. The Contractor shall have no claim against the Company hereunder or otherwise for vacation pay, sick leave, retirement benefits, social security, worker's compensation, health or disability benefits, unemployment insurance benefits, or employee benefits of any kind.

F) Authority to Contract. The Contractor represents that he is free to enter into this Agreement and that this engagement does not violate the terms of any agreement between the Contractor and any third party.

G) Service to Others. The Contractor is expressly free to perform services for other parties while performing services for the Company.

2. Term. Contractor's engagement shall commence on the date hereof and, unless sooner terminated, will expire one year from the date hereof (the "Initial Term"). The Initial Term may be renewed for additional consecutive terms of one year each ("Renewal Term(s)"), unless and until the engagement is terminated as provided in Section 8. The Initial Term and Renewal Term(s) are collectively designated as the "Term."

3. Duties. Attached to this Agreement as Exhibit-A hereto is a statement of the work to be performed by the Contractor and such other terms and conditions as shall be deemed appropriate or necessary for the performance of the work. Exhibit-A may be amended in writing from time to time, or supplemented with subsequent estimates for services to be rendered by the Contractor and agreed to by the Company, and which collectively are hereby incorporated by reference.

A) During the term of this Agreement, the Contractor shall devote as much of his productive time, energy and abilities to the performance of his duties hereunder as is necessary to perform the required duties in a timely and productive manner.

B) Contractor warrants that all material supplied and work performed under this Agreement complies with or will be done in a competent fashion in accordance with applicable standards of the profession, the rules and regulations promulgated by the Montana Department of Environmental Quality ("DEQ") and any other federal, state or local agency that regulates the business of the Company and its operators.

C) All services are subject to final approval by a representative of the Company prior to payment.

4. Compensation. Attached hereto and incorporated herein as Exhibit-B is a statement of Contractor's rate of payment for such work, expenses to be paid in connection with such work, and the maximum price the Company shall be obligated to pay under this Agreement.

5. Proprietary Rights.

- A) **Materials.** The Contractor warrants and acknowledges that it has no right to, copyright, or interest in its work or product resulting from the Services performed hereunder, or any of the documents, reports or other materials created by the Contractor in connection with such Services. The Contractor acknowledges that the Services and the products thereof (hereinafter referred to as the "Materials") have been specially commissioned or ordered by the Company as "works made-for-hire" as that term is used in the Copyright Law of the United States, and that the Company is therefore to be deemed the author of and is the owner of all copyrights in and to such Materials.
- B) **Materials Assignment.** In the event that such Materials, or any portion thereof, are for any reason deemed not to have been works made-for-hire, the Contractor hereby assigns to the Company any and all right, title, and interest Contractor may have in and to such Materials, including all copyrights, all publishing rights, and all rights to use, reproduce, and otherwise exploit the Materials in any and all formats or media and all channels, whether now known or hereafter created. The Contractor agrees to execute such instruments as the Company may from time to time deem necessary or desirable to evidence, establish, maintain, and protect the Company's ownership of such Materials, and all other rights, title, and interest therein.
- C) **Generic Information.** Notwithstanding the foregoing, the Company acknowledges that the Contractor's ability to carry out the work required is heavily dependent upon the Contractor's past experience in the industry and in providing similar services to others and they expect to continue such work in the future. Subject to the confidentiality provisions of Section 5(F) below, generic information communicated to the Company in the course of this project either orally, in the form of presentations, or in documents that report such general industry knowledge is not subject to the terms of A & B above.
- D) **Inventions.** Any and all inventions, discoveries, developments, ideas, improvements and innovations conceived, created or first reduced to practice in the performance of work under this Agreement by the Contractor during this engagement relative to the duties under this Agreement shall be the exclusive property of the Company; and the Contractor hereby assigns all right, title, and interest in the same to the Company. Any and all inventions, discoveries, developments and innovations conceived by the Contractor prior to the term of this Agreement and utilized by it in rendering duties to the Company are hereby licensed to the Company for use in its operations and for an infinite duration. This license is non-exclusive, and may be assigned without the Contractor's prior written approval.
- E) **Company Information.** During the term of this Agreement and in the course of Contractor's performance hereunder, Contractor may receive and otherwise be exposed to confidential and proprietary information relating to the Company's business practices, strategies and technologies. Such proprietary and confidential information may include but is not limited to: confidential and proprietary information supplied to Contractor; the Company's marketing and customer support strategies; the Company's financial information, including sales, costs, profits and pricing methods; the Company's internal organization, employee lists, customer lists, and vendor lists; the Company's technology, including discoveries, inventions, research and development efforts, manufacturing

processes, hardware/software design and maintenance tools, product know-how and show-how; and all derivatives, improvements and enhancements to any of the above which are created or developed by Contractor under this Agreement and information of third Parties as to which the Company has an obligation of confidentiality (collectively referred to as "Confidential Information").

- F) Use of Confidential Information and Return of Company Documents.** Contractor acknowledges the confidential and secret character of the Confidential Information and agrees that the Confidential Information is the sole, exclusive, and extremely valuable property of the Company. Accordingly, Contractor agrees not to reproduce any of the Confidential Information without the Company's prior written consent, not to use the Confidential Information except in the performance of this Agreement, and not to divulge all or any part of the Confidential Information in any form to any third party, either during or after the term of this Agreement. Upon termination of this Agreement for any reason including expiration of term, Contractor agrees to cease using and to return to the Company all whole and partial copies and derivatives of the Confidential Information, whether in Contractor's possession or under Contractor's direct or indirect control.
- G) Conflicts of Interest; Non-hire Provision.** The Contractor shall not, directly or indirectly, hire, solicit, or encourage to leave the Company's employment, any employee, consultant, or contractor of the Company or hire any such employee, consultant, or contractor who has left the Company's employment or contractual engagement within one (1) year of such employment or engagement.

6. Indemnifications and Releases.

- A) Injuries and Damages.** Contractor agrees to take all necessary precautions to prevent injury to any persons (including customers) or damage to property (including the Company's property) during the term of this Agreement. The Contractor, to the maximum extent allowed by law, shall indemnify and hold the Company and all its officers, agents, directors, and employees harmless against all claims, losses, expenses (including reasonable attorneys' and expert witnesses' fees and costs) and injuries to person or property (including death) resulting in any way from any act, omission, or negligence on the part of Contractor in the performance of failure to perform the scope of work under this Agreement, excepting only those losses which are due solely and directly to the Company's gross negligence.
- B) Use of Company Property.** Should the Contractor use any of the Company's equipment, tools or facilities during the term of this Agreement, such permission will be gratuitous and Contractor shall indemnify and hold harmless the Company and its officers, directors, agents, and employees from and against any claim, loss, expense, or judgment of injury to person or property (including death) arising out of the use of any such equipment, tools or facilities, whether or not such a claim is based on its condition or on the alleged negligence of the Company in permitting its use.
- C) Tax Liability.** Contractor shall keep, save, protect, defend, indemnify and hold the Company harmless from and against any and all costs, claims, expenses, damages incurred or sustained by the Contractor arising from any tax liability of the Contractor.

D) Workman's Compensation. The Contractor is NOT an employee of the Company. As a Contract service provider, the Contractor shall be responsible for providing any coverages for injury sustained in the course of providing service to the Company.

7. Insurance:

A) At all times during the Term, the Contractor, at its expense, shall maintain in effect policies of insurance covering:

(1) **Automobile Liability Insurance.** Automobile Liability Insurance including, but not limited to, passenger liability on all owned, non-owned, and hired vehicles used in connection with the provision of service to the Company or operated on Company Property, with a limit per occurrence of not less than one hundred thousand dollars (\$100,000) per vehicle for injuries or death of one or more persons or loss or damage to property.

B) At all times during the Term, the Company, at its expense, shall maintain in effect policies of insurance covering:

(1) **Public Liability and Property Damage Insurance.** Comprehensive General Liability Insurance including Contractual Liability, Professional Liability, Contractors Protective Liability, Fire Legal Liability, Products and Completed Operations Liability and Personal Injury/Property Damage coverages with respect to the services provided and the business conducted herein.

(2) **Limits.** Such insurance shall at all times have limits of not less than one million dollars (\$1,000,000) combined single limit per occurrence and not less than two million dollars (\$2,000,000) aggregate limits. The amount of such insurance shall not limit Contractor's liability nor relieve the Contractor of any obligation hereunder. Each policy shall contain cross liability endorsements, if applicable, and shall insure Contractor's performance of the indemnity provisions contained in this Agreement.

(3) **Automobile Liability Insurance.** Automobile Liability Insurance including, but not limited to, passenger liability on all owned, non-owned, and hired vehicles used in connection with the provision of service to the Company or operated on Company Property, with a combined single limit per occurrence of not less than one million dollars (\$1,000,000) per vehicle for injuries or death of one or more persons or loss or damage to property.

8. Termination.

A) The Company may terminate this Agreement without cause effective upon thirty (30) days prior written notice.

B) The Contractor may terminate this Agreement without cause effective upon sixty (60) days prior written notice.

C) In the event the Contractor is convicted of any crime or offense, fails or refuses to comply with Company written policies, reasonable directive of the Company, PSC Administrative Rules and directives or is charged with serious misconduct in connection with performance hereunder, or materially breaches any provision of this

Agreement, the Company at any time may terminate the engagement of the Contractor immediately and without prior notice to the Contractor.

- D) Upon termination by either Party, the Contractor shall provide to Company any and all copies, in whole or in part, of the Materials (as they then exist) and any and all tangible materials the Company provided to the Contractor in connection with this Agreement and the provision of service to the Company.

9. Remedies.

- A) The Contractor waives any and all right to injunctive relief in the event of any dispute with the Company, and the Independent Contractor's sole remedy in such a dispute shall be at law.
- B) In the event of termination, provided that Contractor is not in material breach of its obligations hereunder, the Contractor shall be entitled to keep all monies already paid and the Company's sole obligation shall be to pay Contractor the amount due for Services already acceptably performed. In no event shall the Company be liable for any lost profits or consequential, incidental or special damages.

10. Miscellaneous.

- A) **Merger.** This Agreement shall not be terminated by the merger or consolidation of the Company into or with any other entity.
- B) **Choice of Law.** The laws of the state of Montana shall govern the validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the Parties hereto.
- C) **Headings.** Section headings are not to be considered a part of this Agreement and are not intended to be a full and accurate description of the contents hereof.
- D) **Waiver.** Waiver by one Party hereto of breach of any provision of this Agreement by the other shall not operate or be construed as a continuing waiver.
- E) **Assignment.** The Contractor shall not assign any of its rights under this Agreement, or delegate the performance of any of the duties hereunder, without the prior written consent of the Company.
- F) **Notices.** Any and all notices, demands, or other communications required or desired to be given hereunder by any Party shall be in writing and shall be validly given or made to another party if personally served or if deposited in the United States mail, postage prepaid. If such notice or demand is served personally, notice shall be deemed constructively made at the time of such personal service. If such notice, demand or other communication is given by mail, such notice shall be conclusively deemed given three (3) days after deposit thereof in the United States mail addressed to the Party to whom such notice, demand or other communication is to be given. Any Party hereto may change its address by written notice given in the manner provided above.
- G) **Modification or Amendment.** No amendment, change or modification of this Agreement shall be valid unless in writing signed by the Parties hereto.

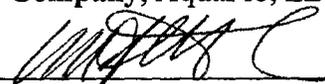
H) Construction. This Agreement shall not be construed in favor of or against either Party, but shall be construed as if both Parties prepared this Agreement.

I) Entire Agreement. This document and any exhibit attached constitute the entire understanding and Agreement of the Parties, and any and all prior agreements, understandings, and representations are hereby terminated and canceled in their entirety and are of no further force and effect.

J) Unenforceability of Provisions. If any provision of this Agreement, or any portion thereof, is held to be invalid and unenforceable, then the remainder of this Agreement shall nevertheless remain in full force and effect.

IN WITNESS WHEREOF the undersigned have executed this Agreement as of the day and year first written above.

The Company, AquaFlo, LLC

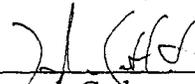


By: W. A. (Bill) Gallagher, Manager

10-31-10

Date

The Contractor, Joseph Cathcart



By: Joseph Cathcart, Individual

10-31-10

Date

EXHIBIT-A DUTIES

During the Term, the Contractor shall devote attention, energies and best efforts as a professional meter reader for the Company and shall perform the following duties:

A) Written Reports: The Company requires plans, reports, and log entries provided by Contractor on a regular basis. The data, results and reports shall be in such form and setting forth such information and data as is reasonably requested by the Company.

B) Routine Meter Reading:

(1) Monthly, between the 19th and 22nd of each month:

- (a) Collect and record water meter readings on all customer residences;
- (b) Note any deficiencies or unusual circumstances regarding meters or customer interaction;
- (c) Transmit all data to the Company in requested format.
- (d) Re-read residential water meters as requested.

(2) Upon Request:

- (a) Read and report water meters as requested by Company for the purpose of opening and/or closing an account, move-in and/or move-out of a resident, sale or vacancy of property.

C) Monitoring Alarms:

- (1) Visual check of the two "light" alarms, one each at the waste water treatment facility located at 1065 Avian and one at the water reservoir located at 8230 Eagle Drive.
- (2) Audible check for "audible" alarms at the waste water treatment facility.
- (3) **Log and Report:** Immediately log the time and location of the alarm, note any additional observations and report any alarms to the property system operator.

**EXHIBIT-B
COMPENSATION**

1. So long as the Contractor shall not be in breach or default of any of the covenants in the Agreement, and the engagement of services has not been terminated, the Contractor shall be paid upon Company's receipt of an invoice as follows:

A) All services enumerated in Exhibit-A shall be compensated on a rate basis as follows:

- (1) One Hundred dollars (\$100) per month for Routine Meter Reading - **B)(1)**;
- (2) Ten dollars (\$10) per read for Meter Reading occurring outside the scope of the monthly meter reads - **B)(2)**.

2. **Expenses.** During the term of this Agreement, the Contractor shall bill and the Company shall reimburse for all reasonable and approved out-of-pocket expenses which are incurred in connection with the performance of the duties hereunder.

A) Notwithstanding the foregoing, the following expenses shall not be reimbursable:

- (1) mileage or vehicle expense;
- (2) meal expenses;
- (3) administrative expenses;
- (4) lodging expenses;
- (5) training and licensing expenses.

3. **Payment.** Company shall pay Contractor monthly for all readings occurring within the prior month. Payment shall be made to Contractor no later than 5 days following complete submission.

Engagement Letter

This letter describes the terms upon which Sandra Barrows will provide regulatory consulting services to AquaFlo, LLC.

Professional Undertaking

Sandra Barrows has agreed to prepare and file with the Montana Public Service Commission the necessary application, testimony, and associated work papers as required by the Minimum Rate Case Filing Standards for Electric, Gas and Private Water Utilities (ARM 38.5.1).

AquaFlo, LLC will provide all data necessary to complete the desired filing. This data shall include, but not be limited to, current and past balance sheets, income statements, tax returns, property records, plant and depreciation records and a summary of customer billing and revenues.

Sandra Barrows has also agreed to assist AquaFlo, LLC with general regulatory issues on an as needed basis.

Hourly Fees

Regulatory consulting services will be provided at an hourly rate of \$150.00 per billable hour.

Costs

In the course of rendering services it may be necessary to incur expenses for items such as copying, postage, filing fees and out of town travel. These expenses will be billed to you at actual cost.

Billing Statement

A billing statement will be prepared and mailed/emailed on a monthly basis.

Termination

AquaFlo, LLC may withdraw from this engagement at any time, without cause, should you desire to do so. I do request that you notify me in writing of your decision to withdraw. I also reserve the right to withdraw from this engagement at any time, should I feel that the mutual objectives of this engagement cannot be reached, or if I feel that I cannot properly serve your request for support. Should either party withdraw from this engagement, all fees and expenses incurred to date will be billed and due payable.

ACKNOWLEDGMENT AND ACCEPTANCE

Please indicate your approval of the terms of this engagement by signing where indicated below. Should you have additional questions, please do not hesitate to contact me.

Sandra Barrows 3/11/11
Sandra Barrows Date
6171 Lazy Man Gulch
Helena, MT 59601
msbarrows@juho.com

John Maxness 3/7/11
John Maxness Date
AquaFlo, LLC

MANAGEMENT AGREEMENT

This Agreement is entered into as of the 20th day of January, 2011, (the "Agreement") between **AquaFlo, LLC**, having an address of P.O. Box 1091, Helena, Montana, 59624 ("the Company") and John J. Maxness, having an address of 6008 Spokane Ranch Road, East Helena, Montana 59635 (Hereinafter referred to as "he", or the "Manager" depending on the context). Hereinafter the Company and the Manager are referred to collectively as the "Parties."

RECITALS

WHEREAS,

- A) The Company is in the business of providing water and sewer service to the residents of Skyview, Northwest Major and Northwest Minor subdivisions and operates as a public utility under the Public Service Commission for the State of Montana; and
- B) The Company is in need of the services of a Manager and reserve Operator; and
- C) The Manager represents and warrants to the Company that he is capable of effectively acting as a manager and water sewer operator on behalf of Company; and
- D) The Manager desires to act as an independent contractor and perform designated services on behalf of Company; and
- E) The Company desires to engage the Manager, but only on the terms and conditions set forth in this Agreement; and
- F) The Manager has agreed to perform managerial and operator services and other related activities for the Company;

NOW, THEREFORE, the Parties hereby agree as follows:

1. Management.

- A) **Engagement.** Subject to the terms and conditions of this Agreement, the Company hereby engages the Manager as an independent contractor to perform the services set forth herein, and the Manager hereby accepts such engagement.
- B) **Agency Created.**
 - (1) The Manager is authorized to enter into or commit the Company to any agreements.
 - (2) The Manager shall represent himself as the agent or legal representative of the Company.
- C) **Independent Manager Only.** The Manager is not a partner or joint venturer with the Company for any purpose.
- D) **Taxes.** The Company shall not be liable for withholding, taxes, Worker's Compensation, unemployment insurance, employers' liability, employer's FICA, social security, withholding tax, or other taxes or withholding for or on behalf of the Manager or with respect to the Manager's compensation hereunder. All such costs shall be the Manager's responsibility.

E) Authority to Contract. The Manager represents that he is free to enter into this Agreement and that this engagement does not violate the terms of any agreement between the Manager and any third party.

F) Service to Others. The Manager is expressly free to perform services for other parties while performing services for the Company.

2. Term. Manager's engagement shall commence on the date hereof and, unless sooner terminated, will expire one year from the date hereof (the "Initial Term"). The Initial Term may be renewed for additional consecutive terms of one year each ("Renewal Term(s)"), unless and until the Engagement is terminated as provided in Section 8. The Initial Term and Renewal Term(s) are collectively designated as the "Term."

3. Duties. Attached to this Agreement as Exhibit-A hereto is a statement of the work to be performed by the Manager and such other terms and conditions as shall be deemed appropriate or necessary for the performance of the work. Exhibit-A may be amended in writing from time to time, or supplemented with subsequent estimates for services to be rendered by the Manager and agreed to by the Company, and which collectively are hereby incorporated by reference.

A) During the term of this Agreement, the Manager shall devote as much of his productive time, energy and abilities to the performance of his duties hereunder as is necessary to perform the required duties in a timely and productive manner.

B) Manager warrants that all material supplied and work performed under this Agreement complies with or will be done in a competent fashion in accordance with applicable standards of the profession, the rules and regulations promulgated by the Montana Department of Environmental Quality ("DEQ"), the Public Service Commission ("PSC") and any other federal, state or local agency that regulates the business of the Company and its operators.

4. Compensation. Attached hereto and incorporated herein as Exhibit-B is a statement of Manager's rate of payment for such work, expenses to be paid in connection with such work, and the maximum price the Company shall be obligated to pay under this Agreement.

5. Proprietary Rights.

A) Materials. The Manager warrants and acknowledges that it has no right to, copyright, or interest in its work or product resulting from the Services performed hereunder, or any of the documents, reports or other materials created by the Manager in connection with such Services. The Manager acknowledges that the Services and the products thereof (hereinafter referred to as the "Materials") have been specially commissioned or ordered by the Company as "works made-for-hire" as that term is used in the Copyright Law of the United States, and that the Company is therefore to be deemed the author of and is the owner of all copyrights in and to such Materials.

B) Materials Assignment. In the event that such Materials, or any portion thereof, are for any reason deemed not to have been works made-for-hire, the Manager hereby assigns to the Company any and all right, title, and interest Manager may have in and to such Materials, including all copyrights, all publishing rights, and all rights to use, reproduce, and otherwise exploit the Materials in any and all formats or media and all channels,

whether now known or hereafter created. The Manager agrees to execute such instruments as the Company may from time to time deem necessary or desirable to evidence, establish, maintain, and protect the Company's ownership of such Materials, and all other rights, title, and interest therein.

- C) Generic Information.** Notwithstanding the foregoing, the Company acknowledges that the Manager's ability to carry out the work required is heavily dependent upon the Manager's past experience in the industry and in providing similar services to others and they expect to continue such work in the future. Subject to the confidentiality provisions of Section 5(F) below, generic information communicated to the Company in the course of this project either orally, in the form of presentations, or in documents that report such general industry knowledge is not subject to the terms of A & B above.
- D) Inventions.** Any and all inventions, discoveries, developments, ideas, improvements and innovations conceived, created or first reduced to practice in the performance of work under this Agreement by the Manager during this engagement relative to the duties under this Agreement shall be the exclusive property of the Company; and the Manager hereby assigns all right, title, and interest in the same to the Company. Any and all inventions, discoveries, developments and innovations conceived by the Manager prior to the term of this Agreement and utilized by it in rendering duties to the Company are hereby licensed to the Company for use in its operations and for an infinite duration. This license is non-exclusive, and may be assigned without the Manager's prior written approval.
- E) Company Information:** During the term of this Agreement and in the course of Manager's performance hereunder, Manager may receive and otherwise be exposed to confidential and proprietary information relating to the Company's business practices, strategies and technologies. Such proprietary and confidential information may include but is not limited to: confidential and proprietary information supplied to Manager; the Company's marketing and customer support strategies; the Company's financial information, including sales, costs, profits and pricing methods; the Company's internal organization, employee lists, customer lists, and vendor lists; the Company's technology, including discoveries, inventions, research and development efforts, manufacturing processes, hardware/software design and maintenance tools, product know-how and show-how; and all derivatives, improvements and enhancements to any of the above which are created or developed by Manager under this Agreement and information of third Parties as to which the Company has an obligation of confidentiality (collectively referred to as "Confidential Information").
- F) Use of Confidential Information and Return of Company Documents:** Manager acknowledges the confidential and secret character of the Confidential Information and agrees that the Confidential Information is the sole, exclusive, and extremely valuable property of the Company. Accordingly, Manager agrees not to reproduce any of the Confidential Information without the Company's prior written consent, not to use the Confidential Information except in the performance of this Agreement, and not to divulge all or any part of the Confidential Information in any form to any third party, either during or after the term of this Agreement. Upon termination of this Agreement for any reason including expiration of term, Manager agrees to cease using and to return to the Company all whole and partial copies and derivatives of the Confidential Information, whether in Manager's possession or under Manager's direct or indirect control.

G) Conflicts of Interest; Non-hire Provision. The Manager shall not, directly or indirectly, hire, solicit, or encourage to leave the Company's employment, any employee, consultant, or contractor of the Company or hire any such employee, consultant, or contractor who has left the Company's employment or contractual engagement within one (1) year of such employment or engagement.

6. Indemnifications and Releases.

A) Injuries and Damages: Manager agrees to take all necessary precautions to prevent injury to any persons (including customers) or damage to property (including the Company's property) during the term of this Agreement.

B) Tax Liability. Manager shall keep, save, protect, defend, indemnify and hold the Company harmless from and against any and all costs, claims, expenses, damages incurred or sustained by the Manager arising from any tax liability of the Manager.

C) Indemnification. The Company will indemnify and hold harmless the Manager from and against any and all losses, costs, expenses, claims, damages and liabilities (the "Liabilities") to which such Manager may become subject under any applicable law, or any claim made by any third party, or otherwise, to the extent they relate to or arise out of the performance of the Services contemplated by this Agreement or the engagement of the Manager pursuant to, and the performance by the Manager of the Services contemplated by, this Agreement.

The Company will reimburse the Manager for all reasonable costs and expenses (including reasonable attorneys' fees and expenses) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim for which the Manager would be entitled to indemnification under the terms of the previous sentence, or any action or proceeding arising therefrom, whether or not such the Manager is a party hereto, provided that, subject to the following sentence, the Company shall be entitled to assume the defense thereof at its own expense, with counsel satisfactory to such the Manager in its reasonable judgment. The Manager may, at its own expense, retain separate counsel to participate in such defense, and in any action, claim or proceeding in which the Company, on the one hand, and an the Manager, on the other hand, is, or is reasonably likely to become, a party, such Manager shall have the right to employ separate counsel at the Company's expense and to control its own defense of such action, claim or proceeding if, in the reasonable opinion of counsel to such the Manager, a conflict or potential conflict exists between the Company, on the one hand, and such Manager, on the other hand, that would make such separate representation advisable.

The Company agrees that it will not, without the prior written consent of the Manager, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding relating to the matters contemplated hereby (if the Manager is a party thereto or has been actually threatened to be made a party thereto) unless such settlement, compromise or consent includes an unconditional release of the Manager from all liability arising or that may arise out of such claim, action or proceeding.

Provided that the Company is not in breach of its indemnification obligations hereunder, the Manager shall not settle or compromise any claim subject to indemnification hereunder without the consent of the Company.

7. Insurance: At all times during the Term, the Company, at its expense, shall maintain in effect policies of insurance covering:

- A) Public Liability and Property Damage Insurance.** Comprehensive General Liability Insurance including Contractual Liability, Professional Liability, Managers Protective Liability, Fire Legal Liability, Products and Completed Operations Liability and Personal Injury/Property Damage coverages with respect to the management and Operator services provided and the business conducted herein.
- B) Limits.** Such insurance shall at all times have limits of not less than one million dollars (\$1,000,000) combined single limit per occurrence and not less than two million dollars (\$2,000,000) aggregate limits.
- C) Automobile Liability Insurance:** Automobile Liability Insurance including, but not limited to, passenger liability on all owned, non-owned, and hired vehicles used in connection with the provision of service to the Company or operated on Company Property, with a combined single limit per occurrence of not less than one million dollars (\$1,000,000) per vehicle for injuries or death of one or more persons or loss or damage to property.

8. Termination.

- A)** The Company may terminate this Agreement without cause effective upon thirty (30) days prior written notice.
- B)** The Manager may terminate this Agreement without cause effective upon sixty (60) days prior written notice.
- C)** In the event the Manager is convicted of any crime or offense, fails or refuses to comply with Company written policies, reasonable directive of the Company, DEQ or PSC Administrative Rules and directives, or is charged with serious misconduct in connection with performance hereunder, or materially breaches any provision of this Agreement, the Company at any time may terminate the engagement of the Manager immediately and without prior notice to the Manager.
- D)** Upon termination by either Party, the Manager shall provide to Company any and all copies, in whole or in part, of the Materials (as they then exist) and any and all tangible materials the Company provided to the Manager in connection with this Agreement and the provision of service to the Company.

9. Remedies.

- A)** The services to be rendered by the Manager under this Agreement are of a special, unique, unusual, and extraordinary character. They are vital and unique to the accomplishment of the purpose of this Agreement, which gives them a peculiar value and that any breach or default thereof would give rise to significant and irreparable injury to Company for which money damages are an inadequate remedy at law. Therefore, if any action or proceeding is instituted by or on behalf of Company to enforce any of the terms

or provisions of this Agreement, the Manager hereby waives the claim or defense thereto that Company has an adequate remedy at law or has not been, or is not being, irreparably injured thereby, and the same shall be enforceable in a court of equity by temporary or permanent injunction, restraining order or decree of specific performance. The Company shall be entitled to injunctive and other equitable relief in the event of, or to prevent, a breach of any provision of this Agreement by the Manager. Resorting to such equitable relief, however, shall not be construed to be a waiver of any other rights or remedies that the Company may have for damages or otherwise. The various rights and remedies of the Company under this Agreement or otherwise shall be construed to be cumulative, and not one of them shall be exclusive of any other or of any right or remedy allowed by law.

- B) The Manager waives any and all right to injunctive relief in the event of any dispute with the Company, and the Independent Manager's sole remedy in such a dispute shall be at law.
- C) In the event of termination, provided that Manager is not in material breach of its obligations hereunder, the Manager shall be entitled to keep all monies already paid and the Company's sole obligation shall be to pay Manager the amount due for Services already acceptably performed. In no event shall the Company be liable for any lost profits or consequential, incidental or special damages.

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- A) **Merger.** This Agreement shall not be terminated by the merger or consolidation of the Company into or with any other entity.
- B) **Choice of Law.** The laws of the state of Montana shall govern the validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the Parties hereto.
- C) **Headings.** Section headings are not to be considered a part of this Agreement and are not intended to be a full and accurate description of the contents hereof.
- D) **Waiver.** Waiver by one Party hereto of breach of any provision of this Agreement by the other shall not operate or be construed as a continuing waiver.
- E) **Assignment.** The Manager shall not assign any of its rights under this Agreement, or delegate the performance of any of the duties hereunder, without the prior written consent of the Company.
- F) **Notices.** Any and all notices, demands, or other communications required or desired to be given hereunder by any Party shall be in writing and shall be validly given or made to another party if personally served or if deposited in the United States mail, postage prepaid. If such notice or demand is served personally, notice shall be deemed constructively made at the time of such personal service. If such notice, demand or other communication is given by mail, such notice shall be conclusively deemed given three (3) days after deposit thereof in the United States mail addressed to the Party to whom such notice, demand or other communication is to be given. Any Party hereto may change its address by written notice given in the manner provided above.
- G) **Modification or Amendment.** No amendment, change or modification of this Agreement shall be valid unless in writing signed by the Parties hereto.

EXHIBIT-A DUTIES

During the Term, the Contractor shall devote attention, energies and best efforts on a full-time basis as Manager and Reserve Operator for the Company. During the term of this Agreement, the Manager shall, in cooperation with the Manager of Aqua Sierra, LLC, perform the following duties excluding legal services:

A) General Management Duties: Render to the Company:

(1) Advisory, consulting and other services ("Oversight Services") in relation to the operations of the Company, strategic planning, marketing and financial oversight, public relations and including, without limitation, advisory and consulting services in relation to the selection, retention and supervision of independent Contactors and service providers such as accounting, legal counsel, financial advisors or consultants and the structuring and implementation of equity participation plans, employee benefit plans and other incentive arrangements for certain key executives of the Company.

B) Liaison with Regulatory Agencies: The Manager shall act as the contact person and liaison with any agency charged with regulatory authority over the Company and its operations. These include but are not limited to the Public Service Commission, the Department of Environmental Quality, the Department of Natural Resources and Conservation, the Department of Revenue, the Environmental Protection Agency.

(1) Reporting. These agencies require certain reporting and record keeping by the Company. The manager shall, on a regular basis, see that these reports and applications are made in a timely and professional manner and in such form and setting forth such information and data as is required by the regulating agency.

C) Reserve Operator Service: The manager shall, when necessary devote attention, energies and best efforts on a reserve basis as a professional water-sewer operator for the Company and shall perform the duties as enumerated in Schedule A of the full time Operator's Contract.

D) Customer Relations and Customer Service:

- (1) Works with management to maintain and improve the quality of services provided by the company;
- (2) Consult with Contract service providers, customers, regulatory officials, and the SVHOA leaders and liaisons;
- (3) Assess both customer service needs as well as their levels of satisfaction with the Company;
- (4) Management to improve the existing service offerings, and assists in the development and proposals for new services;
- (5) Gain and maintain, through a variety methods, an understanding of customers and their needs;
- (6) Provides information on Company product and services to customers;
- (7) Develop informational materials and implement informational briefings and events for users;
- (8) Develop measurements of customer satisfaction, e.g., designs surveys/questionnaires regarding services;
- (9) Develop quality measurements for services provided;
- (10) Receive and log all communications from Consumers including follow-up actions.

E) Planning: Develop and implement short, medium and long term plans for the Company.

1/21/2011

JM

**EXHIBIT-B
COMPENSATION**

1. So long as the Manager shall not be in breach or default of any of the covenants in the Management Agreement, and the engagement of services has not been terminated, the Manager shall be paid upon Company's receipt of a time sheet as follows:
 - A) All services enumerated in Exhibit-A shall be compensated on a rate basis as follows:
 - (1) \$1,500 per month.
 - (2) Emergency Operator response calls requiring services between the hours of 7:00 PM and 7:00 AM or on a Saturday or Sunday or Holiday shall be paid at a rate of \$ 95.00 per hour.
2. **Bonus.** The Manager shall be eligible for an annual bonus based upon factor such as productivity, profitability, performance, regulatory testing results, and customer satisfaction.
3. **Expenses.** During the term of this Agreement, the Contractor shall bill and the Company shall reimburse for all reasonable and approved out-of-pocket expenses which are incurred in connection with the performance of the duties hereunder including but not limited to:
 - A) Vehicle mileage at the rate of \$0.80 per mile; and
 - B) Copies \$ 0.15 per page.
4. **Equipment.** In some instances, when the Contractor provides his own equipment (other than hand tools), the Contractor shall be paid in addition to fuel and any other costs, a rental fee for the equipment as follows:
 - A) **Commercial Mower:** \$45 per hour;
 - B) **Loader tractor:** \$65 per hour
5. **Invoices.** The Manager shall submit written documentation of time and receipts, where available, itemizing the service, expense, time and date on which services or expenses are incurred. Services billed at hourly rates shall be calculated on increments of one tenth (1/10) of an hour. The Company shall pay Manager the amounts due pursuant to submitted invoices and receipts within fifteen (15) days after an invoice is received by the Company.

1/21/2011 

H) Construction. This Agreement shall not be construed in favor of or against either Party, but shall be construed as if both Parties prepared this Agreement.

I) Entire Agreement. This document and any exhibit attached constitute the entire understanding and Agreement of the Parties, and any and all prior agreements, understandings, and representations are hereby terminated and canceled in their entirety and are of no further force and effect.

J) Unenforceability of Provisions. If any provision of this Agreement, or any portion thereof, is held to be invalid and unenforceable, then the remainder of this Agreement shall nevertheless remain in full force and effect.

IN WITNESS WHEREOF the undersigned have executed this Agreement as of the day and year first written above.

The Company, AquaFlo, LLC

By: John Maxness
John Maxness, Manager

The Manager,

By: John Maxness
John Maxness (printed name)
individually

1120

U.S. Corporation Income Tax Return

For calendar year 2008 or tax year beginning January 1, 2008, ending Dec. 31, 20 08

See separate instructions.

Form Department of the Treasury Internal Revenue Service

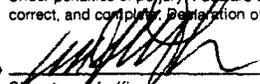
A Check if: 1a Consolidated return (attach Form 851) <input type="checkbox"/> b Life/nonlife consolidated return <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (see instructions) <input type="checkbox"/> 4 Schedule M-3 attached <input type="checkbox"/>		Name AquaFlo, LLC Number, street, and room or suite no. If a P.O. box, see instructions. P O Box 1091 City or town, state, and ZIP code Helena MT 59624	B Employer identification number 26-1333354 C Date incorporated 03/12/2007 D Total assets (see instructions) \$ 224,313 00
E Check if: (1) <input checked="" type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change			

Income	1a Gross receipts or sales	126,983	b Less returns and allowances		c Bal	1c	126,983
	2 Cost of goods sold (Schedule A, line 8)					2	
	3 Gross profit. Subtract line 2 from line 1c					3	126,983
	4 Dividends (Schedule C, line 19)					4	
	5 Interest					5	
	6 Gross rents					6	
	7 Gross royalties					7	
	8 Capital gain net income (attach Schedule D (Form 1120))					8	
	9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)					9	
	10 Other income (see instructions—attach schedule)					10	
	11 Total income. Add lines 3 through 10					11	126,983

Deductions (See instructions for limitations on deductions.)	12 Compensation of officers (Schedule E, line 4)				12	
	13 Salaries and wages (less employment credits)				13	
	14 Repairs and maintenance				14	21,604
	15 Bad debts				15	
	16 Rents				16	
	17 Taxes and licenses				17	4,379
	18 Interest				18	980
	19 Charitable contributions				19	
	20 Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return (attach Form 4562)				20	9,449
	21 Depletion				21	
	22 Advertising				22	3090
	23 Pension, profit-sharing, etc., plans				23	
	24 Employee benefit programs				24	
	25 Domestic production activities deduction (attach Form 8903)				25	
	26 Other deductions (attach schedule)				26	93,514
	27 Total deductions. Add lines 12 through 26				27	133,016
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11				28	<6,033>
29 Less: a Net operating loss deduction (see instructions)	29a	0				
b Special deductions (Schedule C, line 20)	29b				29c	

Tax, Refundable Credits, and Payments	30 Taxable income. Subtract line 29c from line 28 (see instructions)				30	0
	31 Total tax (Schedule J, line 10)				31	0
	32a 2007 overpayment credited to 2008	32a				
	b 2008 estimated tax payments	32b				
	c 2008 refund applied for on Form 4466	32c			d Bal	32d
	e Tax deposited with Form 7004					32e
	f Credits: (1) Form 2439 (2) Form 4136					32f
	g Refundable credits from Form 3800, line 19c, and Form 8827, line 8c					32g
	33 Estimated tax penalty (see instructions). Check if Form 2220 is attached					33
	34 Amount owed. If line 32h is smaller than the total of lines 31 and 33, enter amount owed					34
35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid					35	0
36 Enter amount from line 35 you want: Credited to 2009 estimated tax Refunded					36	0

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Preparation of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer:  Date: 3/8/2009 Title: Manager

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code	EIN	Phone no.	

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

9a Check all methods used for valuing closing inventory:

- (i) Cost
- (ii) Lower of cost or market
- (iii) Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 9d

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? Yes No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation Yes No

Schedule C Dividends and Special Deductions (see instructions)

	(a) Dividends received	(b) %	(c) Special deductions (a) × (b)
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)	70	
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)	80	
3	Dividends on debt-financed stock of domestic and foreign corporations	see instructions	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs	70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs	80	
8	Dividends from wholly owned foreign subsidiaries	100	
9	Total. Add lines 1 through 8. See instructions for limitation		
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958	100	
11	Dividends from affiliated group members	100	
12	Dividends from certain FSCs	100	
13	Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12		
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)		
15	Foreign dividend gross-up		
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3		
17	Other dividends		
18	Deduction for dividends paid on certain preferred stock of public utilities		
19	Total dividends. Add lines 1 through 17. Enter here and on page 1, line 4		
20	Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b		

Schedule E Compensation of Officers (see instructions for page 1, line 12)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
2	Total compensation of officers				
3	Compensation of officers claimed on Schedule A and elsewhere on return				
4	Subtract line 3 from line 2. Enter the result here and on page 1, line 12				

Schedule J Tax Computation (see instructions)

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120))	<input type="checkbox"/>		
2	Income tax. Check if a qualified personal service corporation (see instructions)	<input type="checkbox"/>	2	0
3	Alternative minimum tax (attach Form 4626)		3	0
4	Add lines 2 and 3		4	0
5a	Foreign tax credit (attach Form 1118)		5a	
5b	Credit from Form 8834		5b	
5c	General business credit (attach Form 3800)		5c	
5d	Credit for prior year minimum tax (attach Form 8827)		5d	
5e	Bond credits from Form 8912		5e	
6	Total credits. Add lines 5a through 5e		6	0
7	Subtract line 6 from line 4		7	0
8	Personal holding company tax (attach Schedule PH (Form 1120))		8	
9	Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Form 8902 <input type="checkbox"/> Other (attach schedule)		9	
10	Total tax. Add lines 7 through 9. Enter here and on page 1, line 31		10	0

Schedule K Other Information (see instructions)

1	Check accounting method: a <input checked="" type="checkbox"/> Cash b <input type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶	Yes	No
2	See the instructions and enter the:		
a	Business activity code no. ▶ 221300		
b	Business activity ▶ Water/Sewer Utility		
c	Product or service ▶ Water and Sewer		
3	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? If "Yes," enter name and EIN of the parent corporation ▶		✓
4	At the end of the tax year:		
a	Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), or trust own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v).	✓	

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Type of Entity	(iv) Country of Organization	(v) Percentage Owned in Voting Stock
Aqua Sierra, LLC	26-1328831	LLC	US	100%

b Did any individual or estate own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote?
For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv).

(i) Name of Individual or Estate	(ii) Identifying Number (if any)	(iii) Country of Citizenship (see instructions)	(iv) Percentage Owned in Voting Stock

Schedule K *Continued*

5 At the end of the tax year, did the corporation:	Yes	No
a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation not included on Form 851 , Affiliations Schedule? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv).		✓

(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage Owned in Voting Stock

b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv).	Yes	No
		✓

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Country of Organization	(iv) Maximum Percentage Owned in Profit, Loss, or Capital

6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) If "Yes," file Form 5452 , Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on Form 851 for each subsidiary.	Yes	No
		✓
7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of the corporation's stock entitled to vote or (b) the total value of all classes of the corporation's stock? For rules of attribution, see section 318. If "Yes," enter: (i) Percentage owned ▶ and (ii) Owner's country ▶ (c) The corporation may have to file Form 5472 , Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter the number of Forms 5472 attached ▶		✓
8 Check this box if the corporation issued publicly offered debt instruments with original issue discount ▶ <input type="checkbox"/> If checked, the corporation may have to file Form 8281 , Information Return for Publicly Offered Original Issue Discount Instruments.		
9 Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$		
10 Enter the number of shareholders at the end of the tax year (if 100 or fewer) ▶ 1		
11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here ▶ <input type="checkbox"/> If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3) must be attached or the election will not be valid.		
12 Enter the available NOL carryover from prior tax years (do not reduce it by any deduction on line 29a.) ▶ \$ 0		
13 Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2 on page 5. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. ▶ \$ 0	✓	

Schedule L Balance Sheets per Books	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash				
2a Trade notes and accounts receivable				
b Less allowance for bad debts	()		()	
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities (see instructions)				
6 Other current assets (attach schedule)				
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach schedule)				
10a Buildings and other depreciable assets				
b Less accumulated depreciation	()		()	
11a Depletable assets				
b Less accumulated depletion	()		()	
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)				
b Less accumulated amortization	()		()	
14 Other assets (attach schedule)				
15 Total assets				
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities (attach schedule)				
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more				
21 Other liabilities (attach schedule)				
22 Capital stock: a Preferred stock				
b Common stock				
23 Additional paid-in capital				
24 Retained earnings—Appropriated (attach schedule)				
25 Retained earnings—Unappropriated				
26 Adjustments to shareholders' equity (attach schedule)				
27 Less cost of treasury stock	()		()	
28 Total liabilities and shareholders' equity				

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return

Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more—see instructions

1 Net income (loss) per books		7 Income recorded on books this year not included on this return (itemize):	
2 Federal income tax per books		Tax-exempt interest \$ _____	
3 Excess of capital losses over capital gains		_____	
4 Income subject to tax not recorded on books this year (itemize): _____		8 Deductions on this return not charged against book income this year (itemize):	
5 Expenses recorded on books this year not deducted on this return (itemize):		a Depreciation \$ _____	
a Depreciation \$ _____		b Charitable contributions \$ _____	
b Charitable contributions \$ _____		_____	
c Travel and entertainment \$ _____		9 Add lines 7 and 8	
6 Add lines 1 through 5		10 Income (page 1, line 28)—line 6 less line 9	

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1 Balance at beginning of year		5 Distributions: a Cash	
2 Net income (loss) per books		b Stock	
3 Other increases (itemize): _____		c Property	
_____		6 Other decreases (itemize): _____	
_____		7 Add lines 5 and 6	
4 Add lines 1, 2, and 3		8 Balance at end of year (line 4 less line 7)	

Form 1120 (2008)
Line 26 Other Deductions Schedule
AquaFlo, LLC EIN:26-1333354

Billing and Metering:	\$ 18,394
Management Expenses:	\$ 20,652
Professional Services & Gov't Fees:	\$ 23,178
Utilities:	\$ 18,408
Testing and Monitoring:	\$ 4,132
Office Expenses and Supplies:	\$ 4,436
Insurance:	<u>\$ 4,314</u>
TOTAL:	\$ 93,514

Depreciation and Amortization
 (Including Information on Listed Property)

OMB No. 1545-0172

2008

Attachment
 Sequence No. **67**

▶ See separate instructions. ▶ Attach to your tax return.

Name(s) shown on return AquaFlo, LLC	Business or activity to which this form relates Water/Sewer Utility	Identifying number 26-1333354
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Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1 Maximum amount. See the instructions for a higher limit for certain businesses.	1	\$250,000																											
2 Total cost of section 179 property placed in service (see instructions)	2	0																											
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	3	\$800,000																											
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	0																											
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	250,000																											
<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th style="width:50%;">(a) Description of property</th> <th style="width:25%;">(b) Cost (business use only)</th> <th style="width:25%;">(c) Elected cost</th> </tr> <tr> <td>6</td> <td></td> <td></td> </tr> <tr> <td>7 Listed property. Enter the amount from line 29</td> <td style="text-align: center;">7</td> <td></td> </tr> <tr> <td>8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7</td> <td style="text-align: center;">8</td> <td style="text-align: right;">0</td> </tr> <tr> <td>9 Tentative deduction. Enter the smaller of line 5 or line 8</td> <td style="text-align: center;">9</td> <td></td> </tr> <tr> <td>10 Carryover of disallowed deduction from line 13 of your 2007 Form 4562</td> <td style="text-align: center;">10</td> <td></td> </tr> <tr> <td>11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)</td> <td style="text-align: center;">11</td> <td></td> </tr> <tr> <td>12 Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11</td> <td style="text-align: center;">12</td> <td></td> </tr> <tr> <td>13 Carryover of disallowed deduction to 2009. Add lines 9 and 10, less line 12 ▶</td> <td style="text-align: center;">13</td> <td></td> </tr> </table>			(a) Description of property	(b) Cost (business use only)	(c) Elected cost	6			7 Listed property. Enter the amount from line 29	7		8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	0	9 Tentative deduction. Enter the smaller of line 5 or line 8	9		10 Carryover of disallowed deduction from line 13 of your 2007 Form 4562	10		11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11		12 Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12		13 Carryover of disallowed deduction to 2009. Add lines 9 and 10, less line 12 ▶	13	
(a) Description of property	(b) Cost (business use only)	(c) Elected cost																											
6																													
7 Listed property. Enter the amount from line 29	7																												
8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	0																											
9 Tentative deduction. Enter the smaller of line 5 or line 8	9																												
10 Carryover of disallowed deduction from line 13 of your 2007 Form 4562	10																												
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11																												
12 Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12																												
13 Carryover of disallowed deduction to 2009. Add lines 9 and 10, less line 12 ▶	13																												

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15 Property subject to section 168(f)(1) election	15	
16 Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2008	17	6,467
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input checked="" type="checkbox"/>		

Section B—Assets Placed in Service During 2008 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property		7,476	7 Yrs	HY	S/L	1,068
d 10-year property						
e 15-year property		28703	15 yrs	HY	S/L	1,914
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property			27.5 yrs.	MM	S/L	
			39 yrs.	MM	S/L	

Section C—Assets Placed in Service During 2008 Tax Year Using the Alternative Depreciation System

20a Class life						
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	

Part IV Summary (See instructions.)

21 Listed property. Enter amount from line 28	21	
22 Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instr.	22	9,449
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	0

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? Yes No **24b** If "Yes," is the evidence written? Yes No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)							25	
26 Property used more than 50% in a qualified business use:								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use:								
		%				S/L -		
		%				S/L -		
		%				S/L -		
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1.							28	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1.								29

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
	Yes	No										
30 Total business/investment miles driven during the year (do not include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.)		

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2008 tax year (see instructions):					
43 Amortization of costs that began before your 2008 tax year.					43
44 Total. Add amounts in column (f). See the instructions for where to report.					44

Department of the Treasury
Internal Revenue Service

▶ See separate instructions.
▶ Attach to the corporation's tax return.

Name
AquaFlo, LLC

Employer identification number
26-1333354

Part I Alternative Minimum Tax Computation

Note: See the instructions to find out if the corporation is a small corporation exempt from the alternative minimum tax (AMT) under section 55(e).

1	Taxable income or (loss) before net operating loss deduction	1	<6,033>
2	Adjustments and preferences:		
a	Depreciation of post-1986 property	2a	0
b	Amortization of certified pollution control facilities	2b	
c	Amortization of mining exploration and development costs	2c	
d	Amortization of circulation expenditures (personal holding companies only)	2d	
e	Adjusted gain or loss	2e	
f	Long-term contracts	2f	
g	Merchant marine capital construction funds	2g	
h	Section 833(b) deduction (Blue Cross, Blue Shield, and similar type organizations only)	2h	
i	Tax shelter farm activities (personal service corporations only)	2i	
j	Passive activities (closely held corporations and personal service corporations only)	2j	
k	Loss limitations	2k	
l	Depletion	2l	
m	Tax-exempt interest income from specified private activity bonds	2m	
n	Intangible drilling costs	2n	
o	Other adjustments and preferences	2o	
3	Pre-adjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o.	3	<6,033>
4	Adjusted current earnings (ACE) adjustment:		
a	ACE from line 10 of the ACE worksheet in the instructions	4a	<6,033>
b	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount (see instructions)	4b	0
c	Multiply line 4b by 75% (.75). Enter the result as a positive amount	4c	0
d	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments (see instructions). Note: You must enter an amount on line 4d (even if line 4b is positive)	4d	0
e	ACE adjustment. • If line 4b is zero or more, enter the amount from line 4c • If line 4b is less than zero, enter the smaller of line 4c or line 4d as a negative amount	4e	0
5	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT	5	<6,033>
6	Alternative tax net operating loss deduction (see instructions)	6	
7	Alternative minimum taxable income. Subtract line 6 from line 5. If the corporation held a residual interest in a REMIC, see instructions	7	
8	Exemption phase-out (if line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):		
a	Subtract \$150,000 from line 7 (if completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-	8a	0
b	Multiply line 8a by 25% (.25)	8b	0
c	Exemption. Subtract line 8b from \$40,000 (if completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-	8c	
9	Subtract line 8c from line 7. If zero or less, enter -0-	9	
10	If the corporation had qualified timber gain, complete Part II and enter the amount from line 24 here. Otherwise, multiply line 9 by 20% (.20)	10	
11	Alternative minimum tax foreign tax credit (AMTFTC) (see instructions)	11	
12	Tentative minimum tax. Subtract line 11 from line 10	12	
13	Regular tax liability before applying all credits except the foreign tax credit	13	
14	Alternative minimum tax. Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 3, or the appropriate line of the corporation's income tax return	14	

For Paperwork Reduction Act Notice, see the instructions.

Part II **Alternative Tax for Corporations with Qualified Timber Gain.** Complete Part II only if the corporation had qualified timber gain under section 1201(b). See instructions.

15	Enter qualified timber gain from Schedule D (Form 1120), line 15, as refigured for the AMT, if necessary. If you are filing Form 1120-RIC, see instructions for the amount to enter	15	
16	Enter the amount from Schedule D (Form 1120), line 13, as refigured for the AMT, if necessary	16	
17	Enter the amount from Part I, line 9	17	
18	Enter the smallest of the amount on line 15, line 16, or line 17	18	
19	Multiply line 18 by 15% (.15)	19	
20	Subtract line 18 from line 17	20	
21	Multiply line 20 by 20% (.20)	21	
22	Enter the total of line 19 and line 21	22	
23	Multiply line 17 by 20% (.20)	23	
24	Enter the smaller of line 22 or line 23 here and on Part I, line 10	24	



2008 Corporation License Tax Return

C
MONTANA
Form CLT-4
Rev. 8-08

For calendar year 2008 or tax year beginning (MM-DD) 1 - 1 - 08 and ending (MM-DD-YY) 12 - 31 - 8

- Check if applicable:
- Initial Return
 - Final Return
 - Amended Return
 - Refund Return

Corporation Name AquaFlo, LLC		
Mailing Address if new address check here <input type="checkbox"/> P O Box 1091		
City Helena	State MT	Zip+4 59624-1091

FEIN 26-1333354
Federal Business Code 221300
Incorporated in State of Montana
Date March 12, 2007
Date Qualified in Montana March 12, 2007

Check this box if you do not need the Montana corporation license tax return and instructions sent to you next year.

Copy of signed federal Form 1120 as filed with the Internal Revenue Service must be attached

Part I - Filing Method.

- Check this box if you are exempt from tax under the provision of Public Law 86-272. 1.
If checked, Schedule K must be completed and attached to your return and skip questions 2 through 5 of this part.
- Are you a member (parent or subsidiary) of a consolidated group for federal purposes? Yes No
- Are you filing a combined return for Montana purposes? Yes No
If "Yes," enter the number of entities with Montana activity included in this return. _____
- If you answered "Yes" to questions 2 or 3 above, then check one of the following filing methods and attach Schedule M:

a. Separate Company <input type="checkbox"/>	d. Domestic Combination <input type="checkbox"/>
b. Separate Accounting <input type="checkbox"/>	e. Limited Combination <input type="checkbox"/>
c. Worldwide Combination <input type="checkbox"/>	f. Water's Edge <input type="checkbox"/>

 (You must have a valid election and Schedule WE must be attached.)
- If you answered "Yes" to questions 2 or 3 above, you must attach pages 1 through 4 of the parent's consolidated federal Form 1120 that you filed with the Internal Revenue Service, and enter:
 - U.S. parent's name as reported on federal tax return _____
 - U.S. parent's FEIN _____

Part II - Amended Return Only. Check all that apply.

- Federal Revenue Agent Report; a complete copy of this report must be attached. a.
- NOL carryback/carryforward, year(s) of loss _____ b.
- Apportionment factor changes; attach a statement explaining all adjustments in detail. c.
- Amended federal tax return (Form 1120X); a complete copy of the federal Form 1120X must be attached. d.
- Application and/or change in tax credit; type of credit being claimed _____ e.
- Other; attach a statement explaining all adjustments in detail. f.

Part III - General Questions. All questions must be answered.

- Describe in detail the nature and location(s) of your Montana activities (if necessary, provide the description on an additional page). Water/Sewer Utility N. Hills, Helena MT
- Is this your corporation's first Montana tax return? Yes No
If this corporation is a successor to your previously existing business, enter:
Name: AquaFlo, LLC and FEIN: 26-1333354
- Is this your corporation's final Montana tax return? Yes No
If "Yes," indicate whether your corporation has:

<input type="checkbox"/> Withdrawn;	<input type="checkbox"/> Merged (please attach detailed statement);
<input type="checkbox"/> Dissolved (please attach detailed statement);	<input type="checkbox"/> Reorganized (please attach detailed statement);

 Date of withdrawal, dissolution, merger, or reorganization _____
If applicable, enter the successor's name: _____ and FEIN: _____
- For any tax period(s), has the Internal Revenue Service issued an official notice of change or correction that you have not filed with the Montana Department of Revenue? Yes No
If "Yes," indicate what period(s) _____
- Are any statute of limitation waivers currently in force that have been executed with the Internal Revenue Service? Yes No
If "Yes," which taxable year(s) are covered and what are the expiration date(s) of the waiver(s)? _____

Part III - continued

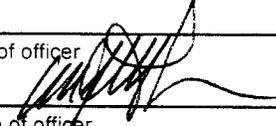
- f. Have you filed an amended federal return for any of the last five taxable periods? Yes No
If "Yes," for which years have you filed amended Montana returns? _____
 - g. Did an individual at the end of the taxable year own, directly or indirectly, 50% or more of the voting stock of this corporation? If "Yes," enter name: _____ % of ownership: _____ Yes No
 - h. Did a partnership, corporation, estate or trust at the end of the taxable year own, directly or indirectly, 50% or more of the voting stock of this corporation? Yes No
If "Yes," enter name: Aqua Sierra, LLC % of ownership: 100
 - i. If the answer to question (g) or (h) is "Yes," did the same individual, partnership, corporation, estate or trust at the end of the taxable year also own, directly or indirectly, 50% or more of the voting stock of another (brother-sister) corporation? Yes No
 - j. Did this corporation or any member of the consolidated group own, directly or indirectly, 50% or more of the outstanding voting stock of a domestic corporation that is not included in the consolidated group? Yes No
 - k. Did this corporation or any member of the consolidated group own, directly or indirectly, 50% or more of the outstanding voting stock of a foreign corporation? Yes No
 - l. Was your corporation owned 50% or more, directly or indirectly, by a corporation or entity that was organized or incorporated outside the U.S.? If "Yes," enter foreign entity's name: _____ and % of ownership: _____ Yes No
- If you answered "Yes" to any of the above questions (h) through (l), you will need to complete and attach Schedule M.**

Part IV - Reporting of Special Transactions.

Check "Yes" if you filed any of the following forms with the Internal Revenue Service.
You will need to attach to your Montana tax return a complete copy of any of these applicable forms.

- a. I filed federal Form 8918 – Material Advisor Disclosure Statement with the Internal Revenue Service. Yes No
Form 8918 is required to be filed by material advisors to any reportable transactions.
- b. I filed federal Form 8824 – Like-Kind Exchanges with the Internal Revenue Service. Yes No
Check "Yes" if your like-kind exchange includes Montana property.
Form 8824 is used to report each exchange of business or investment property for property of a like-kind.
- c. I filed federal Form 8865 – Return of U.S. Persons With Respect to Certain Foreign Partnerships with the Internal Revenue Service. Yes No
Form 8865 is used to report the information required under 26 USC 6038 (reporting with respect to controlled foreign partnerships), Section 6038B (reporting of transfers to foreign partnerships), or Section 6046A (reporting of acquisitions, dispositions, and changes in foreign partnership interest.)
- d. I filed federal Form 8886 – Reportable Transaction Disclosure Statement with the Internal Revenue Service. Yes No
Form 8886 is used to disclose information for each reportable transaction in which you participated.

Declaration - Under penalties of perjury, I, the undersigned officer of the corporation, declare that to the best of my knowledge and belief, this return and accompanying schedules are a true, correct, and complete return made in good faith for the income period stated above, pursuant to Montana corporation license tax law and regulations.

Signature of officer 		Date March 9, 2009
Print name of officer W. A. (Bill) Gallagher	Title Manager	Telephone number, ext. (406) 442-4747
Preparer's name	Firm's name	Date
Preparer's identification number		Telephone number

Check here to authorize the Montana Department of Revenue to discuss your return with the individual/preparer listed above.

Mail to: Montana Department of Revenue, PO Box 8021, Helena, MT 59604-8021

Computation of Montana Taxable Income and Net Amount Due

1. Taxable income reported on your federal return (line 28) (attach a copy of signed federal Form 1120) 1. -\$6,033.00

2. Additions:

2a. State, local, foreign and franchise taxes based on income (attach breakdown of your Form 1120, line 17) 2a. \$4,379.00

2b. Federal tax exempt interest 2b.

2c. Contributions used to compute qualified endowment credit 2c.

2d. Income/loss of foreign parent and foreign subsidiaries for worldwide combined filers 2d.

2e. Income/loss of unitary corporations not included in federal consolidated return 2e.

2f. Extraterritorial income exclusion 2f.

2g. Deemed dividends - Water's Edge filers only (attach Schedule WE) 2g.

2h. Income/loss of corporations incorporated in tax havens—Water's Edge filers only 2h.

2i. Federal capital loss carry-over utilized on federal return 2i.

2j. All of your other additions (attach a detailed breakdown) 2j.

Add lines 2a through 2j and enter the result. **This is the total of your additions** 2. \$4,379.00

3. Reductions:

3a. IRC Section 243 dividend received deduction 3a.

3b. Nonbusiness income (attach a detailed breakdown) 3b.

3c. Montana recycling deduction (attach Form RCYL) 3c.

3d. Income/loss of nonunitary corporations included in federal consolidated return 3d.

3e. Income/loss of 80/20 companies—Water's Edge filers only 3e.

3f. Capital loss incurred in current year (attach federal Schedule D) 3f.

3g. All of your other reductions (attach a detailed breakdown) 3g.

Add lines 3a through 3g and enter the result. **This is the total of your reductions** 3. \$0.00

4. Add lines 1 and 2, then subtract line 3 and enter the result. **This is your adjusted taxable income** 4. -\$1,654.00

5. Income apportioned to Montana (multiply line 4 X _____ % from Schedule K, line 5) and enter the result 5.

Combined filers must use the Schedule K-Combined included on page 7 of Form CLT-4.

6. Enter the income that you allocated directly to Montana (attach a detailed breakdown) 6. -\$1,654.00

7. Montana taxable income before net operating loss (add lines 5 and 6 or enter amount reported on line 4) 7. -\$1,654.00

If line 7 is a loss, do you wish to forego the net operating loss carry-back provision? Yes No

Note: If you have reported a loss on line 7 and have not checked either box, the loss has to be carried back first.

8. Enter your Montana net operating loss carried over to this period (attach a detailed schedule) 8. \$0.00

9. Subtract line 8 from line 7 and enter the result here. **This is your Montana taxable income** 9. -\$1,654.00

10. Multiply line 9 by 6.75% (or line 9 by 7% if you have a valid Water's Edge election). **This is your Montana tax liability** 10. \$50.00

Note: This amount cannot be less than the minimum tax liability of \$50.

Check this box if you are calculating your tax liability using the Alternative Tax method.

11. Payments:

11a. 2007 overpayment 11a.

11b. Tentative payment 11b.

11c. Quarterly estimated tax payments 11c.

11d. Montana mineral royalty tax withheld (attach Form(s) 1099) **NEW** 11d.

11e. All other payments. Describe _____ 11e.

11f. Previously issued refunds Describe _____ 11f. ()

Add lines 11a through 11f and enter the result. **This is the total of your payments** 11. \$0.00

12. Enter total credits (from Schedule C) 12. \$0.00

13. Add lines 11 and 12, then subtract from line 10 and enter result. **This is your tax due or <overpayment>** 13. \$50.00

14. Enter the amount of overpayment that you want to be applied to your 2009 estimated tax 14. \$0.00

15. Add lines 13 and 14; enter the result. **This is your net tax due or <overpayment>** 15. \$50.00

16. Enter interest on all the tax paid after the due date, calculated at 12% per year, on a daily basis 16. \$0.00

17. Enter estimated tax underpayment interest (attach Form CLT-4-UT) 17.

Check this box if you are using the annualized income or adjusted seasonal income method.

18. Penalty:

18a. Enter your late filing penalty (see instructions) 18a.

18b. Enter your late payment penalty (see instructions) 18b.

Add lines 18a and 18b; enter the result. **This is your total penalty** 18. \$0.00

19. Add lines 15 through 18; enter the result on line 19a or 19b below.

19a. If the result is positive, enter the amount due here. **This is your total amount due** 19a. \$50.00

Attach your remittance payable to Montana Department of Revenue or visit our website at mt.gov/revenue for electronic payment options.

19b. If the result is negative, enter the refund due here. **This is your total refund** 19b. ()

If you wish to use direct deposit for your refund, enter your bank routing and account numbers below.

RTN#

ACCT#

Checking
 Savings

1120

U.S. Corporation Income Tax Return

OMB No. 1545-0123

Form Department of the Treasury Internal Revenue Service

For calendar year 2009 or tax year beginning 01/01/2009, 2009, ending 12/31, 20 10

2009

See separate instructions.

A Check if: 1a Consolidated return, b Life/nonlife consolidated return, 2 Personal holding co., 3 Personal service corp., 4 Schedule M-3 attached. B Employer identification number 26-1333354. C Date incorporated 03/12/2007. D Total assets (see instructions) \$ 233,298. E Check if: (1) Initial return, (2) Final return, (3) Name change, (4) Address change.

Table with 11 rows (1a-11) for Income. 1a Gross receipts or sales 123086. 1c 123086. 11 Total income. Add lines 3 through 10. 11 123086.

Table with 18 rows (12-29) for Deductions. 12 Compensation of officers, 13 Salaries and wages, 14 Repairs and maintenance, 15 Bad debts, 16 Rents, 17 Taxes and licenses, 18 Interest, 19 Charitable contributions, 20 Depreciation from Form 4562, 21 Depletion, 22 Advertising, 23 Pension, profit-sharing, etc., plans, 24 Employee benefit programs, 25 Domestic production activities deduction, 26 Other deductions, 27 Total deductions. Add lines 12 through 26. 27 99444. 28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11. 28 23642. 29 Less: a Net operating loss deduction (see instructions) 29a 6033, b Special deductions (Schedule C, line 20) 29b. 29c 6033.

Table with 12 rows (30-36) for Tax, Refundable Credits, and Payments. 30 Taxable income. Subtract line 29c from line 28 (see instructions). 30 17609. 31 Total tax (Schedule J, line 10). 31 2641. 32a 2008 overpayment credited to 2009 32a 0. 32b 2009 estimated tax payments 32b 0. 32c 2009 refund applied for on Form 4466 32c 0. d Bal 32d 0. 32e 0. 32f 0. 32g 0. 32h 0. 33 Estimated tax penalty (see instructions). Check if Form 2220 is attached. 33 59. 34 Amount owed. If line 32h is smaller than the total of lines 31 and 33, enter amount owed. 34 2700. 35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid. 35. 36 Enter amount from line 35 you want: Credited to 2010 estimated tax, Refunded.

Sign Here. Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. Signature of officer, Date 2/19/2010, Title Manager.

Paid Preparer's Use Only. Preparer's signature, Date, Check if self-employed, Preparer's SSN or PTIN, Firm's name (or yours if self-employed), address, and ZIP code, EIN, Phone no.

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

9a Check all methods used for valuing closing inventory:

- (i) Cost
- (ii) Lower of cost or market
- (iii) Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods ▶

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 9d

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? Yes No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation Yes No

Schedule C Dividends and Special Deductions (see instructions)

	(a) Dividends received	(b) %	(c) Special deductions (a) × (b)
1 Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)		70	
2 Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)		80	
3 Dividends on debt-financed stock of domestic and foreign corporations		see instructions	
4 Dividends on certain preferred stock of less-than-20%-owned public utilities		42	
5 Dividends on certain preferred stock of 20%-or-more-owned public utilities		48	
6 Dividends from less-than-20%-owned foreign corporations and certain FSCs		70	
7 Dividends from 20%-or-more-owned foreign corporations and certain FSCs		80	
8 Dividends from wholly owned foreign subsidiaries		100	
9 Total. Add lines 1 through 8. See instructions for limitation			
10 Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11 Dividends from affiliated group members		100	
12 Dividends from certain FSCs		100	
13 Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12			
14 Income from controlled foreign corporations under subpart F (attach Form(s) 5471)			
15 Foreign dividend gross-up			
16 IC-DISC and former DISC dividends not included on lines 1, 2, or 3			
17 Other dividends			
18 Deduction for dividends paid on certain preferred stock of public utilities			
19 Total dividends. Add lines 1 through 17. Enter here and on page 1, line 4			
20 Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b			

Schedule E Compensation of Officers (see instructions for page 1, line 12)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
2	Total compensation of officers				
3	Compensation of officers claimed on Schedule A and elsewhere on return				
4	Subtract line 3 from line 2. Enter the result here and on page 1, line 12				

Schedule J Tax Computation (see instructions)

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120))	<input type="checkbox"/>		
2	Income tax. Check if a qualified personal service corporation (see instructions)	<input type="checkbox"/>	2	2641
3	Alternative minimum tax (attach Form 4626)		3	0
4	Add lines 2 and 3		4	2641
5a	Foreign tax credit (attach Form 1118)		5a	
b	Credit from Form 8834, line 29		5b	
c	General business credit (attach Form 3800)		5c	
d	Credit for prior year minimum tax (attach Form 8827)		5d	
e	Bond credits from Form 8912		5e	
6	Total credits. Add lines 5a through 5e		6	0
7	Subtract line 6 from line 4		7	2641
8	Personal holding company tax (attach Schedule PH (Form 1120))		8	0
9	Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Form 8902 <input type="checkbox"/> Other (attach schedule)		9	
10	Total tax. Add lines 7 through 9. Enter here and on page 1, line 31		10	2641

Schedule K Other Information (see instructions)

1	Check accounting method: a <input checked="" type="checkbox"/> Cash b <input type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶ _____	Yes	No
2	See the instructions and enter the:		
a	Business activity code no. ▶ _____ 221300		
b	Business activity ▶ <u>Water/Sewer Utility</u>		
c	Product or service ▶ <u>Water and Sewer Services</u>		
3	Is the corporation a subsidiary in an affiliated group or a parent-subsidary controlled group? If "Yes," enter name and EIN of the parent corporation ▶ _____		✓
4	At the end of the tax year:		
a	Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part I of Schedule G (Form 1120) (attach Schedule G)	✓	
b	Did any individual or estate own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes", complete Part II of Schedule G (Form 1120) (attach Schedule G)		✓
5	At the end of the tax year, did the corporation:	Yes	No
a	Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation not included on Form 851, Affiliations Schedule? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv).		✓

(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage Owned in Voting Stock

Schedule K *Continued*

b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv).

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Country of Organization	(iv) Maximum Percentage Owned in Profit, Loss, or Capital

6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.)
 If "Yes," file **Form 5452**, Corporate Report of Nondividend Distributions.
 If this is a consolidated return, answer here for the parent corporation and on Form 851 for each subsidiary.

7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of the corporation's stock entitled to vote or (b) the total value of all classes of the corporation's stock?
 For rules of attribution, see section 318. If "Yes," enter:

(i) Percentage owned ▶ _____ and (ii) Owner's country ▶ _____
 (c) The corporation may have to file **Form 5472**, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter the number of Forms 5472 attached ▶ _____

8 Check this box if the corporation issued publicly offered debt instruments with original issue discount
 If checked, the corporation may have to file **Form 8281**, Information Return for Publicly Offered Original Issue Discount Instruments.

9 Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$ _____

10 Enter the number of shareholders at the end of the tax year (if 100 or fewer) ▶ _____ 1

11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here
 If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3) must be attached or the election will not be valid.

12 Enter the available NOL carryover from prior tax years (do not reduce it by any deduction on line 29a.) ▶ \$ _____ 6033

13 Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000?

If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2 on page 5. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. ▶ \$ _____

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash				
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts	()		()	
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets				
b	Less accumulated depreciation	()		()	
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets (attach schedule)				
15	Total assets				
Liabilities and Shareholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach schedule)				
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach schedule)				
22	Capital stock: a Preferred stock				
	b Common stock				
23	Additional paid-in capital				
24	Retained earnings—Appropriated (attach schedule)				
25	Retained earnings—Unappropriated				
26	Adjustments to shareholders' equity (attach schedule)				
27	Less cost of treasury stock	()		()	
28	Total liabilities and shareholders' equity				

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return

Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more—see instructions

1	Net income (loss) per books		7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax per books			Tax-exempt interest \$	
3	Excess of capital losses over capital gains				
4	Income subject to tax not recorded on books this year (itemize):				
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
a	Depreciation \$		a	Depreciation \$	
b	Charitable contributions \$		b	Charitable contributions \$	
c	Travel and entertainment \$				
6	Add lines 1 through 5		9	Add lines 7 and 8	
			10	Income (page 1, line 28)—line 6 less line 9	

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year		5	Distributions: a Cash	
2	Net income (loss) per books			b Stock	
3	Other increases (itemize):			c Property	
			6	Other decreases (itemize):	
			7	Add lines 5 and 6	
4	Add lines 1, 2, and 3		8	Balance at end of year (line 4 less line 7)	

Form 1120 (2009)
Line 26 Other Deductions Schedule
AquaFlo, LLC EIN 26-1333354

Billing and Metering:	\$ 14,551.00
Management Expenses:	12,141.00
Professional Services & Gov't Fees:	22,405.00
Utilities:	18,299.00
Testing and Monitoring:	4,278.00
Office Expenses and Supplies:	1,330.00
Insurance:	<u>2,341.00</u>
TOTAL:	\$ 75,345.00

**Depreciation and Amortization
(Including Information on Listed Property)**

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.

▶ Attach to your tax return.

Name(s) shown on return AquaFlo, LLC	Business or activity to which this form relates Water/Sewer Utility	Identifying number 26-1333354
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Part I Election To Expense Certain Property Under Section 179
Note: If you have any listed property, complete Part V before you complete Part I.

1 Maximum amount. See the instructions for a higher limit for certain businesses	1	\$250,000
2 Total cost of section 179 property placed in service (see instructions)	2	
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	3	\$800,000
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	250,000
6		
(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7 Listed property. Enter the amount from line 29 7		
8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7		8 0
9 Tentative deduction. Enter the smaller of line 5 or line 8		9
10 Carryover of disallowed deduction from line 13 of your 2008 Form 4562		10
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)		11
12 Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11		12
13 Carryover of disallowed deduction to 2010. Add lines 9 and 10, less line 12 ▶		13

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15 Property subject to section 168(f)(1) election	15	
16 Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2009	17	9449
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input checked="" type="checkbox"/>	18	

Section B—Assets Placed in Service During 2009 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property		2520	5 Yrs.	HY	S/L	504
c 7-year property		11068	7 Yrs	HY	S/L	1581
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
			27.5 yrs.	MM	S/L	
i Non-residential real property			39 yrs.	MM	S/L	
				MM	S/L	

Section C—Assets Placed in Service During 2009 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	

Part IV Summary (See instructions.)

21 Listed property. Enter amount from line 28	21	
22 Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions	22	11534
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? Yes No **24b** If "Yes," is the evidence written? Yes No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)							25	
26 Property used more than 50% in a qualified business use:								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use:								
		%			E/L --			
		%			E/L --			
		%			E/L --			
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1							28	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1								29

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
	Yes	No										
30 Total business/investment miles driven during the year (do not include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.)		

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2009 tax year (see instructions):					
43 Amortization of costs that began before your 2009 tax year					43
44 Total. Add amounts in column (f). See the instructions for where to report					44

Department of the Treasury
Internal Revenue Service

▶ See separate instructions.
▶ Attach to the corporation's tax return.

Name
AquaFlo, LLC

Employer identification number
26-1333354

Note: Generally, the corporation is not required to file Form 2220 (see Part II below for exceptions) because the IRS will figure any penalty owed and bill the corporation. However, the corporation may still use Form 2220 to figure the penalty. If so, enter the amount from page 2, line 38 on the estimated tax penalty line of the corporation's income tax return, but do not attach Form 2220.

Part I Required Annual Payment

1	Total tax (see instructions)		1	2641
2a	Personal holding company tax (Schedule PH (Form 1120), line 26) included on line 1	2a		
b	Look-back interest included on line 1 under section 460(b)(2) for completed long-term contracts or section 167(g) for depreciation under the income forecast method	2b		
c	Credit for federal tax paid on fuels (see instructions)	2c		
d	Total. Add lines 2a through 2c	2d		2641
3	Subtract line 2d from line 1. If the result is less than \$500, do not complete or file this form. The corporation does not owe the penalty	3		2641
4	Enter the tax shown on the corporation's 2008 income tax return (see instructions). Caution: If the tax is zero or the tax year was for less than 12 months, skip this line and enter the amount from line 3 on line 5	4		0
5	Required annual payment. Enter the smaller of line 3 or line 4. If the corporation is required to skip line 4, enter the amount from line 3	5		2641

Part II Reasons for Filing— Check the boxes below that apply. If any boxes are checked, the corporation must file Form 2220 even if it does not owe a penalty (see instructions).

- 6 The corporation is using the adjusted seasonal installment method.
 7 The corporation is using the annualized income installment method.
 8 The corporation is a "large corporation" figuring its first required installment based on the prior year's tax.

Part III Figuring the Underpayment

	(a)	(b)	(c)	(d)
9	04/15/2009	06/15/2009	09/15/2009	12/15/2009
10	660	660	660	660
11	0	0	0	0
12		0	0	0
13		0	0	0
14		660	1320	1980
15	0	0	0	0
16		660	1320	
17	660	660	660	660
18	0	0	0	

Go to Part IV on page 2 to figure the penalty. Do not go to Part IV if there are no entries on line 17—no penalty is owed.

Part IV Figuring the Penalty

	(a)	(b)	(c)	(d)
19 Enter the date of payment or the 15th day of the 3rd month after the close of the tax year, whichever is earlier (see instructions). (Form 990-PF and Form 990-T filers: Use 5th month instead of 3rd month.)	19 03/15/2010	03/15/2010	03/15/2010	03/15/2010
20 Number of days from due date of installment on line 9 to the date shown on line 19	20 334	273	181	90
21 Number of days on line 20 after 4/15/2009 and before 7/1/2009	21 76	31	0	0
22 Underpayment on line 17 $\times \frac{\text{Number of days on line 21}}{365} \times 4\%$	22 \$ 5	\$ 2	\$ 0	\$ 0
23 Number of days on line 20 after 6/30/2009 and before 10/1/2009	23 92	77	15	0
24 Underpayment on line 17 $\times \frac{\text{Number of days on line 23}}{365} \times 4\%$	24 \$ 7	\$ 6	\$ 0	\$ 0
25 Number of days on line 20 after 9/30/2009 and before 1/1/2010	25 92	92	62	16
26 Underpayment on line 17 $\times \frac{\text{Number of days on line 25}}{365} \times 4\%$	26 \$ 7	\$ 7	\$ 4	\$ 1
27 Number of days on line 20 after 12/31/2009 and before 4/1/2010	27 75	75	75	75
28 Underpayment on line 17 $\times \frac{\text{Number of days on line 27}}{365} \times 4\%$	28 \$ 5	\$ 5	\$ 5	\$ 5
29 Number of days on line 20 after 3/31/2010 and before 7/1/2010	29 0	0	0	0
30 Underpayment on line 17 $\times \frac{\text{Number of days on line 29}}{365} \times *%$	30 \$ 0	\$ 0	\$ 0	\$ 0
31 Number of days on line 20 after 6/30/2010 and before 10/1/2010	31 0	0	0	0
32 Underpayment on line 17 $\times \frac{\text{Number of days on line 31}}{365} \times *%$	32 \$ 0	\$ 0	\$ 0	\$ 0
33 Number of days on line 20 after 9/30/2010 and before 1/1/2011	33 0	0	0	0
34 Underpayment on line 17 $\times \frac{\text{Number of days on line 33}}{365} \times *%$	34 \$ 0	\$ 0	\$ 0	\$ 0
35 Number of days on line 20 after 12/31/2010 and before 2/16/2011	35 0	0	0	0
36 Underpayment on line 17 $\times \frac{\text{Number of days on line 35}}{365} \times *%$	36 \$ 0	\$ 0	\$ 0	\$ 0
37 Add lines 22, 24, 26, 28, 30, 32, 34, and 36	37 \$ 24	\$ 20	\$ 9	\$ 6
38 Penalty. Add columns (a) through (d) of line 37. Enter the total here and on Form 1120, line 33; or the comparable line for other income tax returns.			38 \$	59

*Use the penalty interest rate for each calendar quarter, which the IRS will determine during the first month in the preceding quarter. These rates are published quarterly in an IRS News Release and in a revenue ruling in the Internal Revenue Bulletin. To obtain this information on the Internet, access the IRS website at www.irs.gov. You can also call 1-800-829-4933 to get interest rate information.

Schedule A Adjusted Seasonal Installment Method and Annualized Income Installment Method
(see instructions)

Form 1120S filers: For lines 1, 2, 3, and 21, below, "taxable income" refers to excess net passive income or the amount on which tax is imposed under section 1374(a), whichever applies.

Part I Adjusted Seasonal Installment Method (Caution: Use this method only if the base period percentage for any 6 consecutive months is at least 70%. See instructions.)

		(a)	(b)	(c)	(d)
		First 3 months	First 5 months	First 8 months	First 11 months
1	Enter taxable income for the following periods:				
a	Tax year beginning in 2006				
b	Tax year beginning in 2007				
c	Tax year beginning in 2008				
2	Enter taxable income for each period for the tax year beginning in 2009 (see instructions for the treatment of extraordinary items).				
3	Enter taxable income for the following periods:	First 4 months	First 6 months	First 9 months	Entire year
a	Tax year beginning in 2006				
b	Tax year beginning in 2007				
c	Tax year beginning in 2008				
4	Divide the amount in each column on line 1a by the amount in column (d) on line 3a				
5	Divide the amount in each column on line 1b by the amount in column (d) on line 3b				
6	Divide the amount in each column on line 1c by the amount in column (d) on line 3c				
7	Add lines 4 through 6				
8	Divide line 7 by 3.0				
9a	Divide line 2 by line 8				
b	Extraordinary items (see instructions)				
c	Add lines 9a and 9b				
10	Figure the tax on the amount on line 9c using the instructions for Form 1120, Schedule J, line 2 (or comparable line of corporation's return)				
11a	Divide the amount in columns (a) through (c) on line 3a by the amount in column (d) on line 3a				
b	Divide the amount in columns (a) through (c) on line 3b by the amount in column (d) on line 3b				
c	Divide the amount in columns (a) through (c) on line 3c by the amount in column (d) on line 3c				
12	Add lines 11a through 11c				
13	Divide line 12 by 3.0				
14	Multiply the amount in columns (a) through (c) of line 10 by columns (a) through (c) of line 13. In column (d), enter the amount from line 10, column (d)				
15	Enter any alternative minimum tax for each payment period (see instructions)				
16	Enter any other taxes for each payment period (see instructions)				
17	Add lines 14 through 16				
18	For each period, enter the same type of credits as allowed on Form 2220, lines 1 and 2c (see instructions)				
19	Total tax after credits. Subtract line 18 from line 17. If zero or less, enter -0-				

Part II Annualized Income Installment Method

		(a)	(b)	(c)	(d)
		First _____ months	First _____ months	First _____ months	First _____ months
20	Annualization periods (see instructions)	20			
21	Enter taxable income for each annualization period (see instructions for the treatment of extraordinary items)	21			
22	Annualization amounts (see instructions)	22			
23a	Annualized taxable income. Multiply line 21 by line 22	23a			
b	Extraordinary items (see instructions)	23b			
c	Add lines 23a and 23b	23c			
24	Figure the tax on the amount on line 23c using the instructions for Form 1120, Schedule J, line 2 (or comparable line of corporation's return)	24			
25	Enter any alternative minimum tax for each payment period (see instructions)	25			
26	Enter any other taxes for each payment period (see instructions)	26			
27	Total tax. Add lines 24 through 26	27			
28	For each period, enter the same type of credits as allowed on Form 2220, lines 1 and 2c (see instructions)	28			
29	Total tax after credits. Subtract line 28 from line 27. If zero or less, enter -0-	29			
30	Applicable percentage	30	25%	50%	75%
31	Multiply line 29 by line 30	31			

Part III Required Installments

		1st installment	2nd installment	3rd installment	4th installment
<i>Note: Complete lines 32 through 38 of one column before completing the next column.</i>					
32	If only Part I or Part II is completed, enter the amount in each column from line 19 or line 31. If both parts are completed, enter the smaller of the amounts in each column from line 19 or line 31	32			
33	Add the amounts in all preceding columns of line 32 (see instructions)	33			
34	Adjusted seasonal or annualized income installments. Subtract line 33 from line 32. If zero or less, enter -0-	34			
35	Enter 25% of line 5 on page 1 of Form 2220 in each column. <i>Note: "Large corporations," see the instructions for line 10 for the amounts to enter</i>	35			
36	Subtract line 38 of the preceding column from line 37 of the preceding column	36			
37	Add lines 35 and 36	37			
38	Required installments. Enter the smaller of line 34 or line 37 here and on page 1 of Form 2220, line 10 (see instructions)	38			

2009 Montana Corporation License Tax Return

C
Form CLT-4

Attach a copy of federal Form 1120 as filed with the Internal Revenue Service

For calendar year 2009 or tax year beginning (MM-DD) 1__ -1__ -09 and ending (MM-DD-YY) 12__ -31__ -9__

Check if applicable: <input type="checkbox"/> Initial Return <input type="checkbox"/> Final Return <input type="checkbox"/> Amended Return <input type="checkbox"/> Refund Return	Corporation Name		FEIN: <u>26-1333354</u>
	AquaFlo, LLC		Federal Business Code: <u>221300</u>
	Mailing Address		Incorporated in State of: <u>Montana</u>
	P.O. Box 1091		Date: <u>March 12, 2007</u>
City		State	Zip+4
Helena		MT	89624-1091
		Date Qualified in Montana: <u>03/12/2007</u>	

Check this box if you *do not* need the Montana corporation license tax return and instructions sent to you next year.

Part I - Filing Method.

1. Check this box if you are exempt from tax under the provision of Public Law 86-272.
If checked, Schedule K must be completed and attached to your tax return and skip questions 2 through 5 of this part.
2. Are you a member (parent or subsidiary) of a consolidated group for federal purposes? Yes No
3. Are you filing a combined return for Montana purposes? Yes No
If "Yes," enter the number of entities with Montana activity included in this tax return. _____
4. If you answered "Yes" to questions 2 or 3 above, then check one of the following filing methods and attach Schedule M:

a. Separate Company <input type="checkbox"/>	d. Domestic Combination <input type="checkbox"/>
b. Separate Accounting <input type="checkbox"/>	e. Limited Combination <input type="checkbox"/>
c. Worldwide Combination <input type="checkbox"/>	f. Water's Edge <input type="checkbox"/>

 (You must have a valid election and Schedule WE must be attached.)
5. If you answered "Yes" to questions 2 or 3 above, you must attach pages 1 through 4 of the parent's consolidated federal Form 1120 that you filed with the Internal Revenue Service, and enter:
 - a. U.S. parent's name as reported on federal tax return _____
 - b. U.S. parent's FEIN _____

Part II - Amended Return Only. Check all that apply.

- a. Federal Revenue Agent Report; a complete copy of this report must be attached
- b. NOL carryback/carryforward; year(s) of loss _____
- c. Apportionment factor changes; attach a statement explaining all adjustments in detail
- d. Amended federal tax return (Form 1120X); a complete copy of the federal Form 1120X must be attached
- e. Application and/or change in tax credit; type of credit being claimed _____
- f. Other; attach a statement explaining all adjustments in detail

Part III - General Questions. All questions must be answered.

- a. Describe in detail the nature and location(s) of your Montana activities (if necessary, provide the description on an additional page). Water/Sewer Utility, N. Hills Helena MT
- b. Is this your corporation's first Montana tax return? Yes No
If this corporation is a successor to your previously existing business, enter:
Name _____ and FEIN _____
- c. Is this your corporation's final Montana tax return? Yes No
If "Yes," indicate whether your corporation has:

<input type="checkbox"/> Withdrawn;	<input type="checkbox"/> Merged (please attach detailed statement);
<input type="checkbox"/> Dissolved (please attach detailed statement);	<input type="checkbox"/> Reorganized (please attach detailed statement).

 Date of withdrawal, dissolution, merger, or reorganization _____
If applicable, enter the successor's name _____ and FEIN _____
- d. For any tax period(s), has the Internal Revenue Service issued an official notice of change or correction that you have not filed with the Montana Department of Revenue? Yes No
If "Yes," indicate what period(s) _____
- e. Are any statute of limitation waivers currently in force that have been executed with the Internal Revenue Service? Yes No
If "Yes," which taxable year(s) is covered and what is the expiration date(s) of the waiver(s)? _____

Part III - continued

- f. Have you filed an amended federal tax return for any of the last five taxable periods? Yes No
If "Yes," for which years have you filed amended Montana returns? _____
 - g. Did an individual at the end of the taxable year own, directly or indirectly, 50% or more of the voting stock of this corporation? If "Yes," enter name _____ and % of ownership _____ Yes No
 - h. Did a partnership, corporation, estate or trust at the end of the taxable year own, directly or indirectly, 50% or more of the voting stock of this corporation? Yes No
If "Yes," enter name Aqua Sierra, LLC and % of ownership 100
 - i. If the answer to question (g) or (h) is "Yes," did the same individual, partnership, corporation, estate or trust at the end of the taxable year also own, directly or indirectly, 50% or more of the voting stock of another (brother-sister) corporation? Yes No
 - j. Did this corporation or any member of the consolidated group own, directly or indirectly, 50% or more of the outstanding voting stock of a domestic corporation that is not included in the consolidated group? Yes No
 - k. Did this corporation or any member of the consolidated group own, directly or indirectly, 50% or more of the outstanding voting stock of a foreign corporation? Yes No
 - l. Was your corporation owned 50% or more, directly or indirectly, by a corporation or entity that was organized or incorporated outside the U.S.? If "Yes," enter foreign entity's name _____ and % of ownership _____ Yes No
- If you answered "Yes" to any of the above questions (h) through (l), you will need to complete and attach Schedule M.**

Part IV - Reporting of Special Transactions.

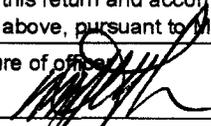
Check "Yes" if you filed any of the following forms with the Internal Revenue Service.
You will need to attach to your Montana tax return a complete copy of any of these applicable forms.

- a. **I filed federal Form 8918 – Material Advisor Disclosure Statement with the Internal Revenue Service.** Yes No
Form 8918 is required to be filed by material advisors to any reportable transactions.
- b. **I filed federal Form 8824 – Like-Kind Exchanges with the Internal Revenue Service.** Yes No
Check "Yes" if your like-kind exchange includes Montana property.
Form 8824 is used to report each exchange of business or investment property for property of a like-kind.
- c. **I filed federal Form 8865 – Return of U.S. Persons With Respect to Certain Foreign Partnerships with the Internal Revenue Service.** Yes No
Form 8865 is used to report the information required under 26 USC 6038 (reporting with respect to controlled foreign partnerships), Section 6038B (reporting of transfers to foreign partnerships), or Section 6046A (reporting of acquisitions, dispositions, and changes in foreign partnership interest.)
- d. **I filed federal Form 8886 – Reportable Transaction Disclosure Statement with the Internal Revenue Service.** Yes No
Form 8886 is used to disclose information for each reportable transaction in which you participated.

Please mail your completed Form CLT-4 to: Montana Department of Revenue PO Box 8021 Helena, MT 59604-8021	Paid preparer information. <i>Please print.</i>		
	Name		
	Address		
	Telephone number		
	Contact's name		
SSN, FEIN or PTIN	Date		

May the DOR discuss this return with your tax preparer? Yes No

Declaration - Under penalties of perjury, I, the undersigned officer of the corporation, declare that to the best of my knowledge and belief, this return and accompanying schedules are a true, correct, and complete return made in good faith for the income period stated above, pursuant to Montana corporation license tax law and regulations.

Signature of officer X 	Date <u>03/14/2010</u>	Telephone number <u>406 449 3777</u>
Print name of officer <u>W.A. Gallagher</u>	Title <u>MANAGER</u>	

Questions? Call us toll free at (866) 859-2254 (in Helena, 444-6900), or TDD (406) 444-2830 for hearing impaired.

Computation of Montana Taxable Income and Net Amount Due

1. Taxable income reported on your federal tax return (line 28) (attach a copy of signed federal Form 1120) 1.		\$23,642.00
Additions	2a. State, local, foreign and franchise taxes based on income (attach breakdown of your Form 1120, line 17)..... 2a.	\$358.00
	2b. Federal tax exempt interest..... 2b.	
	2c. Contributions used to compute qualified endowment credit..... 2c.	
	2d. Income/loss of foreign parent and foreign subsidiaries for worldwide combined filers..... 2d.	
	2e. Income/loss of unitary corporations not included in federal consolidated return..... 2e.	
	2f. Extraterritorial income exclusion..... 2f.	
	2g. Deemed dividends—Water's Edge filers only. (attach Schedule WE)..... 2g.	
	2h. Income/loss of corporations incorporated in tax havens—Water's Edge filers only..... 2h.	
	2i. Federal capital loss carry-over utilized on federal return..... 2i.	
	2j. All of your other additions (attach a detailed breakdown)..... 2j.	
Add lines 2a through 2j and enter the result. This is the total of your additions 2.		\$358.00
Reductions	3a. IRC Section 243 dividend received deduction..... 3a.	
	3b. Nonbusiness income (attach a detailed breakdown)..... 3b.	
	3c. Montana recycling deduction (attach Form RCYL)..... 3c.	
	3d. Income/loss of nonunitary corporations included in federal consolidated return..... 3d.	
	3e. Income/loss of 80/20 companies—Water's Edge filers only..... 3e.	
	3f. Capital loss incurred in current year (attach federal Schedule D)..... 3f.	
	3g. All of your other reductions (attach a detailed breakdown)..... 3g.	
Add lines 3a through 3g and enter the result. This is the total of your reductions 3.		\$0.00
4. Add lines 1 and 2, then subtract line 3 and enter the result. This is your adjusted taxable income 4.		\$24,000.00
5. Income apportioned to Montana (multiply line 4 X _____ % from Schedule K, line 5) and enter the result..... 5.		
Combined filers must use the Schedule K included on page 4 of Form CLT-4.		
6. Enter the income that you allocated directly to Montana (attach a detailed breakdown) 6.		\$24,000.00
7. Montana taxable income before net operating loss (add lines 5 and 6 or enter amount reported on line 4) 7.		\$24,000.00
If line 7 is a loss, do you wish to forego the net operating loss carry-back provision? <input type="checkbox"/> Yes <input type="checkbox"/> No		
Note: If you have reported a loss on line 7 and have not checked either box, the loss has to be carried back first.		
8. Enter your Montana net operating loss carried over to this period (attach a detailed schedule)..... 8.		\$1,654.00
9. Subtract line 8 from line 7 and enter the result here. This is your Montana taxable income 9.		\$22,346.00
10. Multiply line 9 by 6.75% (or line 9 by 7% if you have a valid Water's Edge election). This is your Montana tax liability. (This amount cannot be less than the minimum tax liability of \$50.)..... 10.		\$1,508.00
<input type="checkbox"/> Check this box if you are calculating your tax liability using the Alternative Tax method.		
Payments	11a. 2008 overpayment..... 11a.	
	11b. Tentative payment..... 11b.	
	11c. Quarterly estimated tax payments..... 11c.	
	11d. Montana mineral royalty tax withheld (attach Form(s) 1099) 11d.	
	11e. Montana tax withheld from pass-through entities (attach Form(s) PT-WH)..... 11e.	
	11f. All other payments. Describe..... 11f.	
	11g. Previously issued refunds. (Do not include any overpayments to 2010.)..... 11g.	
Add lines 11a through 11f and subtract line 11g; enter the result. This is the total of your payments 11.		\$0.00
12. Enter total credits (from Schedule C) 12.		\$0.00
13. Add lines 11 and 12, then subtract from line 10 and enter result. This is your tax due or overpayment 13.		\$1,508.00
14. Enter the amount of overpayment that you want to be applied to your 2010 estimated tax..... 14.		
15. Add lines 13 and 14; enter the result. This is your net tax due or overpayment 15.		\$1,508.00
16. Enter interest on all the tax paid after the due date, calculated at 12% per year, on a daily basis 16.		\$0.00
17. Enter estimated tax underpayment interest (attach Form CLT-4-UT)..... 17.		\$0.00
<input type="checkbox"/> Check this box if you are using the annualized income or adjusted seasonal income method.		
Penalty	18a. Enter your late filing penalty (see instructions)..... 18a.	\$0.00
	18b. Enter your late payment penalty (see instructions) 18b.	\$0.00
	Add lines 18a and 18b; enter the result. This is your total penalty 18.	
19. Add lines 15 through 18; enter the result on line 19a or 19b below.		
19a. If the result is positive, enter the amount due here. This is your total amount due 19a.		\$1,508.00
Attach your remittance payable to Montana Department of Revenue or visit our website at revenue.mt.gov for electronic payment options.		
19b. If the result is negative, enter the refund due here. This is your total refund 19b.		

For Direct Deposit of your refund, complete 1, 2, 3 and 4. Please see instructions on page 6.	1. RTN# <input style="width: 100%;" type="text"/>	2. ACCT# <input style="width: 100%;" type="text"/>	
	3. If using direct deposit, you are required to mark one box. <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
	4. Is this refund going to an account that is located outside of the United States or its territories? <input type="checkbox"/> Yes <input type="checkbox"/> No		

Schedule K - Apportionment Factors for Multi-State Taxpayers

Enter dollar values in columns A and B. Enter percentages in column C.

A. Everywhere	B. Montana	C. Factor
---------------	------------	-----------

1. Property Factor: Enter average values for real and tangible personal property

1a. Land.....	1a.		
1b. Buildings.....	1b.		
1c. Machinery.....	1c.		
1d. Equipment.....	1d.		
1e. Furniture and fixtures.....	1e.		
1f. Leases and leased property.....	1f.		
1g. Inventories.....	1g.		
1h. Depletable assets.....	1h.		
1i. Supplies and other.....	1i.		
1j. Property of foreign subsidiaries included in combined unitary group.....	1j.		
1k. Property of unconsolidated subsidiaries included in combined unitary group.....	1k.		
1l. Property of pass-through entities included in combined unitary group.....	1l.		
1m. Multiply amount of rents by 8 and enter result.....	1m.		
Total Property Value - add lines 1a through 1m			

Take the total in column B and divide it by the total in column A. Multiply that result by 100 and enter the result. **This is your property factor**..... 1.

%

2. Payroll Factor:

2a. Compensation of officers.....	2a.		
2b. Salaries and wages.....	2b.		
Payroll included in:			
2c. Costs of goods sold.....	2c.		
2d. Other deductions.....	2d.		
2e. Payroll of foreign subsidiaries included in combined unitary group.....	2e.		
2f. Payroll of unconsolidated subsidiaries included in combined unitary group.....	2f.		
2g. Payroll of pass-through entities included in combined unitary group.....	2g.		
Total Payroll Value - add lines 2a through 2g			

Take the total in column B and divide it by the total in column A. Multiply that result by 100 and enter the result. **This is your payroll factor**..... 2.

%

3. Sales (Gross Receipts) Factor:

3a. Gross sales, less returns and allowances.....	3a.		
3b. Sales delivered or shipped to Montana purchasers:			
(1) Shipped from outside Montana.....	3b.(1)		
(2) Shipped from within Montana.....	3b.(2)		
3c. Sales shipped from Montana to:			
(1) United States government.....	3c.(1)		
(2) Purchasers in a state where the taxpayer is not taxable.....	3c.(2)		
3d. Sales other than sales of tangible personal property (i.e. service income).....	3d.		
3e. Net gains reported on federal Schedule D and federal Form 4797.....	3e.		
3f. Other gross receipts (rents, royalties, interest, etc.).....	3f.		
3g. Sales (receipts) of foreign subsidiaries included in combined unitary group.....	3g.		
3h. Sales (receipts) of unconsolidated subsidiaries included in combined unitary group.....	3h.		
3i. Sales (receipts) of pass-through entities included in combined unitary group.....	3i.		
3j. Less: All intercompany transactions.....	3j.		
Total Sales Value - add lines 3a through 3j.....			

Take the total in column B and divide it by the total in column A. Multiply that result by 100 and enter the result. **This is your sales factor**..... 3.

%

4. Add the percentages on lines 1, 2, and 3 in column C. **This is the sum of your factors**..... 4.

%

5. Divide the total percentage on line 4, column C, by the number of factors that can be included in the calculation. If there is a value in column A for a factor category (Property, Payroll, or Sales), the factor is included in the calculation (see instructions).

Enter the results here and also insert in Form CLT-4, page 3, line 5. **This is your apportionment factor**..... 5.

%

Schedule C - Tax Credits

Type of Credit	Column A Current Year Earned	Column B Total Available	Column C Current Year Applied
Nonrefundable Credits			
1. New/Expanded Industry Credit			
2. Montana Dependent Care Assistance Credit (attach Form DCAC)			
3. Montana College Contribution Credit (attach Form CC)			
4. Health Insurance for Uninsured Montanans Credit (attach Form HI)			
5. Montana Recycle Credit (attach Form RCYL)			
6. Alternative Energy Production Credit (attach Form AEPC)			
7. Contractor's Gross Receipts Tax Credit (attach supporting schedule)			
8. Alternative Fuel Credit (attach Form AFCR)			
9. Infrastructure Users Fee Credit (attach Form IUFC)			
10. Qualified Endowment Credit (attach Form QEC)			
11. Historical Buildings Preservation Credit (attach federal Form 3468)			
12. Increase Research and Development Activities Credit (attach Form RSCH)			
13. Mineral Exploration Incentive Credit (attach Forms MINE-CRED and MINE-CERT)			
14. Empowerment Zone Credit			
15. Biodiesel Blending and Storage Credit (attach Form BBSC)			
16. Oilseed Crushing and Biodiesel/Biolubricant Production Credit (attach Form OSC)			
17. Geothermal System Credit (attach Form ENRG-A)			
18. Add lines 1 through 17 and enter the result. This is your total nonrefundable credits.			
Refundable Credits			
19. Film Production Credit (attach Form FPC)			
20. Insure Montana Small Business Health Insurance Credit			
21. Temporary Emergency Lodging Credit (attach Form TELC)			
22. Add lines 19 through 21 and enter the result. This is your total refundable credits.			
Tax Credits Recapture			
23. Qualified Endowment Credit Recapture			
24. Historical Buildings Preservation Credit Recapture			
25. Film Production Credit Recapture			
26. Biodiesel Blending and Storage Credit Recapture			
27. Oilseed Crushing and Biodiesel/Biolubricant Production Credit Recapture			
28. Add lines 23 through 27 and enter the result. This is your total recapture of tax credits.			
29. Add totals of lines 18 and 22; then subtract line 28. Enter the result here. This is the total of your credits. Enter the total in column C on Form CLT-4, page 3, line 12.			

To receive these credits, you will have to attach this Schedule C and the applicable credit forms or other required information.

Form CLT-4
2009 Montana Corporation License Tax Return
Page 3, Line 2a
AquaFlo, LLC EIN 26-1333354

State, local, foreign and franchise taxes based on income:

2009 U.S. Corporation Income Tax Return - Form 1120
Line 17 - Taxes and licenses:

Montana Consumer Counsel:	\$ 72.00
Public Service Regulatory Fee:	236.00
2008 Montana State Income Tax:	50.00

Form CLT-4
2009 Montana Corporation License Tax Return
Page 3, Line 8
AquaFlo, LLC EIN 26-1333354

Montana net operating loss carried over to this period:

2008 Corporation License Tax Return - Form CLT-4
Page 3, Line 9 - 2008 Net Operating Loss: (\$ 1,654.00)

U.S. Corporation Income Tax Return
 For calendar year 2010 or tax year beginning Jan. 1, 2010, ending Dec. 31, 20 10
 ▶ See separate instructions.

A Check if: 1a Consolidated return (attach Form 851) <input type="checkbox"/> b Life/nonlife consolidated return <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (see instructions) <input type="checkbox"/> 4 Schedule M-3 attached <input type="checkbox"/>	Print or type	Name AquaFlo, LLC Number, street, and room or suite no. If a P.O. box, see instructions. P O Box 1091 City or town, state, and ZIP code Helena, MT 59624	B Employer identification number 26-1333354 C Date incorporated 3/12/2007 D Total assets (see instructions) \$ 233,298 00
E Check if: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change			

	Description			Amount	
Income	1a Gross receipts or sales			136,172	
	2 Cost of goods sold (Schedule A, line 8)				
	3 Gross profit. Subtract line 2 from line 1c				
	4 Dividends (Schedule C, line 19)				
	5 Interest				
	6 Gross rents				
	7 Gross royalties				
	8 Capital gain net income (attach Schedule D (Form 1120))				
	9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)				
	10 Other income (see instructions—attach schedule)				
	11 Total income. Add lines 3 through 10			136,172	
Deductions (See instructions for limitations on deductions.)	12 Compensation of officers (Schedule E, line 4)				
	13 Salaries and wages (less employment credits)				
	14 Repairs and maintenance			19,606	
	15 Bad debts				
	16 Rents				
	17 Taxes and licenses			4,380	
	18 Interest			3,067	
	19 Charitable contributions				
	20 Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return (attach Form 4562)			11,655	
	21 Depletion				
	22 Advertising			1,008	
	23 Pension, profit-sharing, etc., plans				
	24 Employee benefit programs				
	25 Domestic production activities deduction (attach Form 8903)				
	26 Other deductions (attach schedule)			83,149	
	27 Total deductions. Add lines 12 through 26			122,856	
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11.			13,316	
	29 Less: a Net operating loss deduction (see instructions)	29a			
b Special deductions (Schedule C, line 20)	29b				
29c					
30 Taxable income. Subtract line 29c from line 28 (see instructions)				13,316	
31 Total tax (Schedule J, line 10)				1,997	
Tax, Refundable Credits, and Payments	32a 2009 overpayment credited to 2010	32a			
	b 2010 estimated tax payments	32b			
	c 2010 refund applied for on Form 4466	32c			
	d 2010 refund applied for on Form 4466	32c			
	e Tax deposited with Form 7004	32e			
	f Credits: (1) Form 2439 (2) Form 4136	32f			
	g Refundable credits from Form 3800, line 19c, and Form 8827, line 8c	32g			
	32h				
	33 Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/>				46
	34 Amount owed. If line 32h is smaller than the total of lines 31 and 33, enter amount owed				2,043
35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid					
36 Enter amount from line 35 you want: Credited to 2011 estimated tax ▶ Refunded ▶					

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of officer	Date <u>10/29/2011</u>	Title Manager
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May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Paid Preparer Use Only	Print preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶	Firm's EIN ▶		Phone no.	
	Firm's address ▶				

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

9a Check all methods used for valuing closing inventory:

- (i) Cost
- (ii) Lower of cost or market
- (iii) Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO

9d

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation?

Yes No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation

Yes No

Schedule C Dividends and Special Deductions (see instructions)

	(a) Dividends received	(b) %	(c) Special deductions (a) × (b)
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)	70	
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)	80	
3	Dividends on debt-financed stock of domestic and foreign corporations	see instructions	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs	70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs	80	
8	Dividends from wholly owned foreign subsidiaries	100	
9	Total. Add lines 1 through 8. See instructions for limitation		
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958	100	
11	Dividends from affiliated group members	100	
12	Dividends from certain FSCs	100	
13	Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12		
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)		
15	Foreign dividend gross-up		
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3		
17	Other dividends		
18	Deduction for dividends paid on certain preferred stock of public utilities		
19	Total dividends. Add lines 1 through 17. Enter here and on page 1, line 4		
20	Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b		

Schedule E Compensation of Officers (see instructions for page 1, line 12)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

	(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
				(d) Common	(e) Preferred	
1			%	%	%	
			%	%	%	
			%	%	%	
			%	%	%	
			%	%	%	
2	Total compensation of officers					
3	Compensation of officers claimed on Schedule A and elsewhere on return					
4	Subtract line 3 from line 2. Enter the result here and on page 1, line 12					

Schedule J Tax Computation (see instructions)

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120))	<input type="checkbox"/>		
2	Income tax. Check if a qualified personal service corporation (see instructions)	<input type="checkbox"/>	2	1997
3	Alternative minimum tax (attach Form 4626)		3	
4	Add lines 2 and 3		4	
5a	Foreign tax credit (attach Form 1118)		5a	
b	Credit from Form 8834, line 29		5b	
c	General business credit (attach Form 3800)		5c	
d	Credit for prior year minimum tax (attach Form 8827)		5d	
e	Bond credits from Form 8912		5e	
6	Total credits. Add lines 5a through 5e		6	
7	Subtract line 6 from line 4		7	
8	Personal holding company tax (attach Schedule PH (Form 1120))		8	
9	Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Form 8902 <input type="checkbox"/> Other (attach schedule)		9	
10	Total tax. Add lines 7 through 9. Enter here and on page 1, line 31		10	1997

Schedule K Other Information (see instructions)

1	Check accounting method: a <input checked="" type="checkbox"/> Cash b <input type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶		Yes	No
2	See the instructions and enter the:			
a	Business activity code no. ▶	221300		
b	Business activity ▶	Water/sewer utility		
c	Product or service ▶	Water and sewer services		
3	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? If "Yes," enter name and EIN of the parent corporation ▶			✓
4	At the end of the tax year:			
a	Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part I of Schedule G (Form 1120) (attach Schedule G)		✓	
b	Did any individual or estate own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part II of Schedule G (Form 1120) (attach Schedule G)			✓
5	At the end of the tax year, did the corporation:			
a	Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation not included on Form 851, Affiliations Schedule? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv).			✓

(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage Owned in Voting Stock

Schedule K *Continued*

Yes	No
	✓

b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions
If "Yes," complete (i) through (iv).

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Country of Organization	(iv) Maximum Percentage Owned in Profit, Loss, or Capital

6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.)
If "Yes," file **Form 5452**, Corporate Report of Nondividend Distributions.
If this is a consolidated return, answer here for the parent corporation and on Form 851 for each subsidiary.

	✓
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7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of **(a)** the total voting power of all classes of the corporation's stock entitled to vote or **(b)** the total value of all classes of the corporation's stock?
For rules of attribution, see section 318. If "Yes," enter:
(i) Percentage owned ▶ _____ and **(ii)** Owner's country ▶ _____

	✓
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(c) The corporation may have to file **Form 5472**, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter the number of Forms 5472 attached ▶ _____

8 Check this box if the corporation issued publicly offered debt instruments with original issue discount ▶
If checked, the corporation may have to file **Form 8281**, Information Return for Publicly Offered Original Issue Discount Instruments.

9 Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$ _____

10 Enter the number of shareholders at the end of the tax year (if 100 or fewer) ▶ _____

11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here ▶
If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3) must be attached or the election will not be valid.

12 Enter the available NOL carryover from prior tax years (do not reduce it by any deduction on line 29a.) ▶ \$ _____

13 Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000?

	✓
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If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2 on page 5. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. ▶ \$ _____

14 Is the corporation required to file Schedule UTP (Form 1120), Uncertain Tax Position Statement (see instructions)?
If "Yes," complete and attach Schedule UTP.

	✓
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Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash				
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts	()		()	
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets				
b	Less accumulated depreciation	()		()	
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets (attach schedule)				
15	Total assets				
Liabilities and Shareholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach schedule)				
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach schedule)				
22	Capital stock: a Preferred stock				
	b Common stock				
23	Additional paid-in capital				
24	Retained earnings—Appropriated (attach schedule)				
25	Retained earnings—Unappropriated				
26	Adjustments to shareholders' equity (attach schedule)				
27	Less cost of treasury stock	()		()	
28	Total liabilities and shareholders' equity				

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return

Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more—see instructions

1	Net income (loss) per books		7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax per books			Tax-exempt interest \$ _____	
3	Excess of capital losses over capital gains			_____	
4	Income subject to tax not recorded on books this year (itemize): _____			_____	
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
a	Depreciation \$ _____		a	Depreciation \$ _____	
b	Charitable contributions \$ _____		b	Charitable contributions \$ _____	
c	Travel and entertainment \$ _____			_____	
6	Add lines 1 through 5		9	Add lines 7 and 8	
			10	Income (page 1, line 28)—line 6 less line 9	

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year		5	Distributions: a Cash	
2	Net income (loss) per books			b Stock	
3	Other increases (itemize): _____			c Property	
	_____		6	Other decreases (itemize): _____	
	_____		7	Add lines 5 and 6	
4	Add lines 1, 2, and 3		8	Balance at end of year (line 4 less line 7)	

Depreciation and Amortization
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

Name(s) shown on return AquaFlo, LLC	Business or activity to which this form relates Water/Sewer utility	Identifying number 26-1333354
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Part I Election To Expense Certain Property Under Section 179
Note: If you have any listed property, complete Part V before you complete Part I.

1 Maximum amount (see instructions)	1	
2 Total cost of section 179 property placed in service (see instructions)	2	
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	3	
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6 (a) Description of property	(b) Cost (business use only)	(c) Elected cost
7 Listed property. Enter the amount from line 29	7	
8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9 Tentative deduction. Enter the smaller of line 5 or line 8	9	
10 Carryover of disallowed deduction from line 13 of your 2009 Form 4562	10	
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	
12 Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13 Carryover of disallowed deduction to 2011. Add lines 9 and 10, less line 12 ▶	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15 Property subject to section 168(f)(1) election	15	
16 Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2010	17	11,534
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

Section B—Assets Placed in Service During 2010 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property		782	7 years	MY	HY	112
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
			27.5 yrs.	MM	S/L	
i Nonresidential real property			39 yrs.	MM	S/L	
				MM	S/L	

Section C—Assets Placed in Service During 2010 Tax Year Using the Alternative Depreciation System

20a Class life						
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	

Part IV Summary (See instructions.)

21 Listed property. Enter amount from line 28	21	
22 Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions	22	11,646
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V Listed Property (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? <input type="checkbox"/> Yes <input type="checkbox"/> No						24b If "Yes," is the evidence written? <input type="checkbox"/> Yes <input type="checkbox"/> No			
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost	
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions) .						25			
26 Property used more than 50% in a qualified business use:									
		%							
		%							
		%							
27 Property used 50% or less in a qualified business use:									
		%				S/L -			
		%				S/L -			
		%				S/L -			
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1 .						28			
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1							29		

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year (do not include commuting miles) .												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?	Yes	No										
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	Yes	No
38 Do you maintain a written policy statement that prohibits personal use of vehicles; except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.)		
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.		

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2010 tax year (see instructions):					
43 Amortization of costs that began before your 2010 tax year					43
44 Total. Add amounts in column (f). See the instructions for where to report					44

Form 1120 (2010)
Line 26 Other Deductions Schedule
AquaFlo, LLC EIN 26-1333354

Billing and Metering:	\$ 23,584.00
Management Expenses:	16,372.00
Professional Services & Gov't Fees:	19,696.00
Utilities:	15,528.00
Testing and Monitoring:	3,966.00
Office Expenses and Supplies:	1,440.00
Insurance:	<u>2,563.00</u>
TOTAL:	\$ 83,149.00

2010 Montana Corporation License Tax Return

Attach a copy of federal Form 1120 as filed with the Internal Revenue Service

For calendar year 2010 or tax year beginning 0 1 0 1 2 0 1 0 and ending 1 2 3 1 2 0 1 0

Name: AquaFlo, LLC; FEIN: 261333354; Mailing Address: P o Box 1091, Helena, MT 59624 1091; Federal Business Code/NAICS: 221300; State Incorporated in: M T on 03122007; Date Qualified in Montana: 03122007; MT Secretary of State ID: C 1 6 6 8 3 1

Check if:

- New address, Do not need Form CLT-4 sent next year, Initial Return, Final Return, Amended Return, Refund Return



Did you know? You have e-file options. revenue.mt.gov/efile

Part I - Filing Method.

- 1. Check this box if you are exempt from tax under the provision of Public Law 86-272. If checked, Schedule K must be completed and attached to your tax return and skip questions 2 through 5 of this part.
2. Are you a member (parent or subsidiary) of a consolidated group for federal purposes? Yes x No
3. Are you filing a combined return for Montana purposes? Yes x No
4. If you answered "Yes" to questions 2 or 3 above, then check one of the following filing methods and attach Schedule M:
a. Separate Company, b. Separate Accounting, c. Worldwide Combination, d. Domestic Combination, e. Limited Combination, f. Water's Edge
5. If you answered "Yes" to questions 2 or 3 above, you must attach pages 1 through 4 of the parent's consolidated federal Form 1120 that you filed with the Internal Revenue Service, and enter:
a. Ultimate U.S. parent's name as reported on federal tax return
b. Ultimate U.S. parent's FEIN

Part II - Amended Return Only. Check all that apply.

- a. Federal Revenue Agent Report; a complete copy of this report must be attached
b. NOL carryback/carryforward; year(s) of loss
c. Apportionment factor changes; attach a statement explaining all adjustments in detail
d. Amended federal tax return (Form 1120X); a complete copy of the federal Form 1120X must be attached
e. Application and/or change in tax credit; type of credit being claimed
f. Other; attach a statement explaining all adjustments in detail

Part III - General Questions. All questions must be answered.

- a. Describe in detail the nature and location(s) of your Montana activities (if necessary, provide the description on an additional page). Water/Sewer Utility, N. Hills Helena MT
b. Is this your corporation's first Montana tax return? Yes x No
If this corporation is a successor to a previously existing business, enter predecessor's: Name and FEIN



Part III - continued

- c. Is this your corporation's final Montana tax return? Yes * No
 If "Yes," please attach detailed statement and indicate whether your corporation has:
 Withdrawn Merged
 Dissolved Reorganized
 Date of withdrawal, dissolution, merger, or reorganization
 If applicable, enter the successor's name and FEIN
- d. For any tax period(s), has the Internal Revenue Service issued an official notice of change or correction that you have not filed with the Montana Department of Revenue? Yes * No
 If "Yes," indicate what period(s)
- e. Are any statute of limitation waivers currently in force that have been executed with the Internal Revenue Service? Yes * No
 If "Yes," which taxable year(s) is covered and what is the expiration date(s) of the waiver(s)?
- f. Have you filed an amended federal tax return for any of the last five taxable periods? Yes * No
 If "Yes," for which years have you filed amended Montana returns?
- g. Did an individual at the end of the taxable year own, directly or indirectly, 50% or more of the voting stock of this corporation? If "Yes," enter name and % of ownership Yes * No
- h. Did a partnership, corporation, estate or trust at the end of the taxable year own, directly or indirectly, 50% or more of the voting stock of this corporation? If "Yes," enter name Aqua Sierra, LLC and % of ownership 100% * Yes No
- i. If the answer to question (g) or (h) is "Yes," did the same individual, partnership, corporation, estate or trust at the end of the taxable year also own, directly or indirectly, 50% or more of the voting stock of another (brother-sister) corporation? Yes * No
- j. Did this corporation or any member of the consolidated group own, directly or indirectly, 50% or more of the outstanding voting stock of a domestic corporation that is not included in the consolidated group? Yes * No
- k. Did this corporation or any member of the consolidated group own, directly or indirectly, 50% or more of the outstanding voting stock of a foreign corporation? Yes * No
- l. Was your corporation owned 50% or more, directly or indirectly, by a corporation or entity that was organized or incorporated outside the U.S.? If "Yes," enter foreign entity's name and % of ownership Yes * No

If you answered "Yes" to any of the above questions (h) through (l), you will need to complete and attach Schedule M.

Part IV - Reporting of Special Transactions.

Check "Yes" if you filed any of the following forms with the Internal Revenue Service. You will need to attach to your Montana tax return a complete copy of any of these applicable forms.

- a. I filed federal Form 8918 – Material Advisor Disclosure Statement with the Internal Revenue Service. Yes * No
 Form 8918 is required to be filed by material advisors to any reportable transactions.
- b. I filed federal Form 8824 – Like-Kind Exchanges with the Internal Revenue Service. Yes * No
 Check "Yes" if your like-kind exchange includes Montana property.
 Form 8824 is used to report each exchange of business or investment property for property of a like-kind.
- c. I filed federal Form 8865 – Return of U.S. Persons With Respect to Certain Foreign Partnerships with the Internal Revenue Service. Yes * No
 Form 8865 is used to report the information required under 26 USC 6038 (reporting with respect to controlled foreign partnerships), Section 6038B (reporting of transfers to foreign partnerships), or Section 6046A (reporting of acquisitions, dispositions, and changes in foreign partnership interest.)
- d. I filed federal Form 8886 – Reportable Transaction Disclosure Statement with the Internal Revenue Service. Yes * No
 Form 8886 is used to disclose information for each reportable transaction in which you participated.

Questions? Call us toll free at (866) 859-2254 (in Helena, 444-6900), or TDD (406) 444-2830 for hearing impaired.





Computation of Montana Taxable Income and Net Amount Due

1. Taxable income reported on your federal tax return (line 28) (attach a copy of signed federal Form 1120) ...	1.	13316 00
2. Additions		
2a. State, local, foreign and franchise taxes based on income (attach breakdown of your Form 1120, line 17).....	2a.	1867 00
2b. Federal tax exempt interest.....	2b.	00
2c. Contributions used to compute qualified endowment credit.....	2c.	00
2d. Income/loss of foreign parent and foreign subsidiaries for worldwide combined filers.....	2d.	00
2e. Income/loss of unitary corporations not included in federal consolidated return.....	2e.	00
2f. Extraterritorial income exclusion.....	2f.	00
2g. Deemed dividends—Water's Edge filers only. (attach Schedule WE).....	2g.	00
2h. Income/loss of corporations incorporated in tax havens—Water's Edge filers only....	2h.	00
2i. Federal capital loss carry-over utilized on federal return.....	2i.	00
2j. All of your other additions (attach a detailed breakdown).....	2j.	00
Add lines 2a through 2j and enter the result. This is the total of your additions.	2.	1867 00
3. Reductions		
3a. IRC Section 243 dividend received deduction.....	3a.	00
3b. Nonbusiness income (attach a detailed breakdown).....	3b.	00
3c. Montana recycling deduction (attach Form RCYL).....	3c.	00
3d. Income/loss of nonunitary corporations included in federal consolidated return.....	3d.	00
3e. Income/loss of 80/20 companies—Water's Edge filers only.....	3e.	00
3f. Capital loss incurred in current year (attach federal Schedule D)	3f.	00
3g. All of your other reductions (attach a detailed breakdown)	3g.	00
Add lines 3a through 3g and enter the result. This is the total of your reductions.	3.	0 00
4. Add lines 1 and 2, then subtract line 3 and enter the result. This is your adjusted taxable income.	4.	15183 00
5. Income apportioned to Montana (multiply line 4 X % from Schedule K, line 5).....	5.	00
Combined filers must use the Schedule K included on page 5 of Form CLT-4.		
6. Enter the income that you allocated directly to Montana (attach a detailed breakdown)	6.	15,183 00
7. Montana taxable income before net operating loss (add lines 5 and 6 or enter amount reported on line 4) ..	7.	15183 00
If line 7 is a loss, do you wish to forego the net operating loss carry-back provision? Yes No		
Note: If you have reported a loss on line 7 and have not checked either box, the loss has to be carried back first.		
8. Enter your Montana net operating loss carried over to this period (attach a detailed schedule).....	8.	00
9. Subtract line 8 from line 7 and enter the result here. This is your Montana taxable income.	9.	15183 00
10. Multiply line 9 by 6.75% (or line 9 by 7% if you have a valid Water's Edge election). This is your Montana tax liability. (This amount cannot be less than the minimum tax liability of \$50.).....	10.	1025 00

Check this box if you are calculating your tax liability using the Alternative Tax method.



Computation of Montana Taxable Income and Net Amount Due (continued)

Table with 3 columns: Description, Amount, and Total. Rows include: 11. Your Montana tax liability from line 10 (1025 00), 12. Payments (12a-12g), 13. Enter total credits (0 00), 14. Add lines 12 and 13, then subtract from line 11 and enter result (1025 00), 15. Enter the amount of overpayment that you want to be applied to your 2011 estimated tax (00), 16. Add lines 14 and 15; enter the result (1025 00), 17. Enter interest on all the tax paid after the due date, calculated at 12% per year, on a daily basis (00), 18. Enter estimated tax underpayment interest (attach Form CLT-4-UT) (00).

Check this box if you are using the annualized income or adjusted seasonal income method.

19. Penalty

Table with 3 columns: Description, Amount, and Total. Rows include: 19a. Enter your late filing penalty (00), 19b. Enter your late payment penalty (00), 20a. If the result is positive, enter the amount due here (1025 00), 20b. If the result is negative, enter the refund due here (00).

For Direct Deposit of your refund, complete 1, 2, 3 and 4. Please see instructions on page 6

Form with fields: 1. RTN#, 2. ACCT#, 3. If using direct deposit, you are required to mark one box. (Checking, Savings), 4. Is this refund going to an account that is located outside of the United States or its territories? (Yes, No)

Please mail your completed Form CLT-4 to:

Montana Department of Revenue
PO Box 8021
Helena, MT 59604-8021

Name
Address
Telephone number
Contact's name
PTIN, SSN or FEIN

Paid preparer information. Please print.

May the DOR discuss this return with your tax preparer?
Yes No

Declaration - Under penalties of false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature of officer: [Signature] Date: 01/24/2011 Telephone number: 4064424747
Print name of officer: W. A. (Bill) Gallagher Title: Manager



Schedule K - Apportionment Factors for Multi-State Taxpayers

Enter dollar values in columns A and B. Enter percentages in column C.

	A. Everywhere	B. Montana	C. Factor
1. Property Factor: Enter average values for real and tangible personal property			
1a. Land.....	00		00
1b. Buildings.....	00		00
1c. Machinery.....	00		00
1d. Equipment.....	00		00
1e. Furniture and fixtures.....	00		00
1f. Leases and leased property.....	00		00
1g. Inventories.....	00		00
1h. Depletable assets.....	00		00
1i. Supplies and other.....	00		00
1j. Property of foreign subsidiaries included in combined unitary group.....	00		00
1k. Property of unconsolidated subsidiaries included in combined unitary group.....	00		00
1l. Property of pass-through entities included in combined unitary group.....	00		00
1m. Multiply amount of rents by 8 and enter result.....	00		00
Total Property Value - add lines 1a through 1m	00		00
Divide the total in column B by the total in column A. Multiply that result by 100 and enter the result.			
This is your property factor.			1.
2. Payroll Factor:			
2a. Compensation of officers.....	00		00
2b. Salaries and wages.....	00		00
Payroll included in:			
2c. Costs of goods sold.....	00		00
2d. Other deductions.....	00		00
2e. Payroll of foreign subsidiaries included in combined unitary group.....	00		00
2f. Payroll of unconsolidated subsidiaries included in combined unitary group.....	00		00
2g. Payroll of pass-through entities included in combined unitary group.....	00		00
Total Payroll Value - add lines 2a through 2g	00		00
Divide the total in column B by the total in column A. Multiply that result by 100 and enter the result.			
This is your payroll factor.			2.
3. Sales (Gross Receipts) Factor:			
3a. Gross sales, less returns and allowances.....	00		
3b. Sales delivered or shipped to Montana purchasers:			
(1) Shipped from outside Montana.....			00
(2) Shipped from within Montana.....			00
3c. Sales shipped from Montana to:			
(1) United States government.....			00
(2) Purchasers in a state where the taxpayer is not taxable.....			00
3d. Sales other than sales of tangible personal property (i.e. service income).....			00
3e. Net gains reported on federal Schedule D and federal Form 4797.....	00		00
3f. Other gross receipts (rents, royalties, interest, etc.).....	00		00
3g. Sales (receipts) of foreign subsidiaries included in combined unitary group.....	00		00
3h. Sales (receipts) of unconsolidated subsidiaries included in combined unitary group.....	00		00
3i. Sales (receipts) of pass-through entities included in combined unitary group.....	00		00
3j. Less: All intercompany transactions.....	00		00
Total Sales Value - add lines 3a through 3j	00		00
Divide the total in column B by the total in column A. Multiply that result by 100 and enter the result.			
This is your sales factor.			3.
4. Add the percentages on lines 1, 2, and 3 in column C. This is the sum of your factors.			
			4.
5. Divide the total percentage on line 4, column C, by the number of factors that can be included in the calculation. If there is a value in column A for a factor category (Property, Payroll, or Sales), the factor is included in the calculation (see instructions). Enter the results here and also on Form CLT-4, page 3, line 5. This is your apportionment factor			
			5.



Schedule C - Tax Credits

Type of Credit	Column A Current Year Earned	Column B Total Available	Column C Current Year Applied
Nonrefundable Credits			
1. New/Expanded Industry Credit	00	00	00
2. Montana Dependent Care Assistance Credit (attach Form DCAC)	00	00	00
3. Montana College Contribution Credit (attach Form CC)	00	00	00
4. Health Insurance for Uninsured Montanans Credit (attach Form HI)	00	00	00
5. Montana Recycle Credit (attach Form RCYL)	00	00	00
6. Alternative Energy Production Credit (attach Form AEPC)	00	00	00
7. Contractor's Gross Receipts Tax Credit (attach supporting schedule)	00	00	00
8. Alternative Fuel Credit (attach Form AFCR)	00	00	00
9. Infrastructure Users Fee Credit (attach Form IUFC)	00	00	00
10. Qualified Endowment Credit (attach Form QEC)	00	00	00
11. Historical Buildings Preservation Credit (attach federal Form 3468)	00	00	00
12. Increase Research and Development Activities Credit (attach Form RSCH)	00	00	00
13. Mineral and Coal Exploration Incentive Credit (attach Forms MINE-CRED and MINE-CERT)	00	00	00
14. Empowerment Zone Credit	00	00	00
15. Film Employment Production Credit – Nonrefundable (attach Form FPC)	00	00	00
16. Biodiesel Blending and Storage Credit (attach Form BBSC)	00	00	00
17. Oilseed Crushing and Biodiesel/Biolubricant Production Credit (attach Form OSC)	00	00	00
18. Geothermal System Credit (attach Form ENRG-A)	00	00	00
19. Add lines 1 through 18 and enter the result. This is your total nonrefundable credits.	00	00	00
Refundable Credits			
20. Film Employment Production Credit – Refundable (attach Form FPC)	00	00	00
21. Film Qualified Expenditures Credit (attach Form FPC)	00	00	00
22. Insure Montana Small Business Health Insurance Credit	00	00	00
23. Temporary Emergency Lodging Credit (attach Form TELC)	00	00	00
24. Add lines 20 through 23 and enter the result. This is your total refundable credits.	00	00	00
Tax Credits Recapture			
25. Qualified Endowment Credit Recapture			00
26. Historical Buildings Preservation Credit Recapture			00
27. Film Production Credit Recapture			00
28. Biodiesel Blending and Storage Credit Recapture			00
29. Oilseed Crushing and Biodiesel/Biolubricant Production Credit Recapture			00
30. Add lines 25 through 29 and enter the result. This is your total recapture of tax credits.			00
31. Add totals of lines 19 and 24; then subtract line 30. Enter the result here. This is the total of your credits. Enter the total in column C on Form CLT-4, page 4, line 13.	00	00	00

To receive these credits, you will have to attach this Schedule C and the applicable credit forms or other required information.



Schedule M - Affiliated Entities

Complete the schedules below if your corporation has an affiliated relationship with another business entity. Please note that both schedules must be completed if your corporation is a member of a U.S. consolidated group and has affiliated relationships with other business entities.

1. Members of a U.S. Consolidated Group

Please include your information in the following schedule for all members of your U.S. consolidated group. Attach a separate sheet if necessary.

A Federal Employer Identification Number	B Name of affiliate/subsidiary/parent corporation	C Percentage of ownership	D Included in this Montana unitary filing?		E Doing business in Montana?		F Check if filing Montana Form CLT-4 separate from this unitary filing
			Yes	No	Yes	No	

2. Affiliated Entities

Please include information in the following schedule for all business entities that are not included in the U.S. consolidated group; i.e. partnerships, limited liability companies, foreign subsidiaries owned greater than 50%, unconsolidated subsidiaries owned greater than 50%. Please include entities that are owned by your corporation and entities that are owned by all members of your U.S. consolidated group. Attach a separate sheet if necessary.

A Federal Employer Identification Number	B Name of entity	C Percentage of ownership	D Included in this Montana unitary filing?		E Doing business in Montana?		F Type of entity, i.e. foreign subsidiary, unconsolidated subsidiary, partnership, LLC, LLP
			Yes	No	Yes	No	
20-38883	Argonaut, LLC	100%	✓		✓		LLC



Schedule K-Combined for Montana Form CLT-4
Apportionment Factors for Combined Filers

Table with 3 columns: A (Everywhere Activity), B (Grand Total of Montana Columns), and C (Factor). Rows include Property Factor (1a-1q) and Payroll Factor (2a-2k).

* Please include the amounts in columns A and B on Schedule K.



Schedule K-Combined for Montana Form CLT-4 (continued)

Apportionment Factors for Combined Filers



A	Montana Separate Entity Activity	B	C
Everywhere Activity *		Grand Total of Montana Columns *	Factor

3. Sales Factor

- (3a) Gross sales, less returns and allowances
- (3b) Sales delivered or shipped to Montana purchasers:
 - (1) Shipped from outside Montana
 - (2) Shipped from within Montana
- (3c) Sales shipped from Montana to:
 - (1) United States government
 - (2) Purchasers in a state where the taxpayer is not taxable
- (3d) Sales other than sales of tangible personal property (i.e. service income)
- (3e) Net gains reported on federal Schedule D and federal Form 4797
- (3f) Other gross receipts (rents, royalties, interest, etc)
- (3g) Sales (receipts) of foreign subsidiaries included in combined unitary group
- (3h) Sales (receipts) of unconsolidated subsidiaries included in combined unitary group
- (3i) Sales (receipts) of pass-through entities included in combined unitary group
- (3j) Less: All intercompany transactions
- (3k) Total Montana sales (Add lines (3a) through (3j).)
- (3l) Total Everywhere sales (Enter in each column the total of lines (3a) through (3j) in the Everywhere column.)
- (3m) Separate entity Sales Factor (Divide line (3k) by line (3l) and multiply the result by 100.)
- (3n) Total Sales Factor (Add columns on line (3m).)

4. Sum of the Factors (Add lines (1p), (2j), and (3m) for each corporation.)

5. Apportionment Factor

- (5a) Separate entity Apportionment Factor (Divide line 4 by the number of factors that can be included in the calculation. See instructions on page 7.)
- (5b) Total Apportionment Factor (Add columns on line (5a). Enter here and on page 5, line 5 of the Schedule K.)

6. Montana Taxable Income

- (6a) Montana adjusted taxable income. (Enter the amount from CLT-4, page 3, line 4.)
- (6b) Income apportioned to Montana (In each column, multiply line (5a) by line (6a).)
- (6c) Income directly allocated to Montana
- (6d) Montana taxable income before net operating loss (In each column, add lines (6b) and (6c).)
- (6e) Montana net operating loss (NOL) carryover on a separate entity basis
Total NOL carryover (Add columns on line (6e). Enter this amount on line 8, page 3 of the CLT-4.)
- (6f) Montana taxable income (Subtract line (6e) from line (6d) and enter result.)
- (6g) Total Montana Taxable Income (Add all columns on line (6f) and enter result. This should equal line 9, page 3 of the CLT-4.)
- (6h) Montana tax liability (Multiply (6f) by 6.75% or 7% if you have a valid water's edge election.)
- (6i) Total Montana tax liability (Add all columns on line (6h) and enter the result. This should equal line 10, page 3 of the CLT-4.)

* Please include the amounts in columns A and B on Schedule K.

Form CLT-4
2010 Montana Corporation License Tax Return
Page 3, Line 2a
AquaFlo, LLC EIN 26-1333354

State, local, foreign and franchise taxes based on income:

2010 U.S. Corporation Income Tax Return - Form 1120
Line 17 - Taxes and licenses:

Montana Consumer Counsel:	\$ 38.00
Public Service Regulatory Fee:	321.00
2009 Montana State Income Tax:	1,508.00