

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

IN THE MATTER OF the Joint Application of) REGULATORY DIVISION
Liberty Utilities Co., Liberty WWH, Inc.,)
Western Water Holdings, LLC, and Mountain) Docket No. D2014.12.99
Water Company for Approval of a Sale and)
Transfer of Stock)

**MOUNTAIN WATER’S AND WESTERN WATER’S RESPONSES TO THE
MONTANA CONSUMER COUNSEL’S DATA REQUESTS MCC-001 TO MCC-018**

Western Water Holdings, LLC (“Western Water”), Mountain Water Company (“Mountain Water”) provide the attached responses to MCC-001 through MCC-009. Liberty Utilities, Co. and Liberty WWH, Inc. will provide responses to MCC-010 through MCC-018.

Respectfully submitted this 4th day of May, 2015.

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**ATTORNEYS FOR MOUNTAIN WATER
COMPANY AND WESTERN WATER
HOLDINGS**

DATA REQUESTS

MCC-001: RE: City of Missoula's Offer
Witness: Robert Dove

In your testimony at page 7, lines 2 to 4, you state "Carlyle Infrastructure also conducted internal analysis and concluded that there would be a significant value degradation in our investment in Western Water if the City's offer was accepted." Please provide all analyses and related documents that you referred to in the above statement.

Objection:

Mountain Water and Western Water object to this request to the extent it seeks information not relevant to the subject matter of the instant proceeding, information not reasonably calculated to lead to the discovery of evidence admissible in the instant proceeding, confidential and proprietary information, and information protected by the attorney-work product and attorney-client privileges. Mountain Water and Western Water also object to this request to the extent it is repetitive or duplicative of other discovery provided.

Response to MCC-001:

See response to PSC-031(a) and (b).

MCC-002: RE: City of Missoula's Offer.
Witness: Robert Dove

In your testimony at page 7, lines 5 to 7, you state "...Carlyle Infrastructure rejected the offer because it did not reflect the full value of Mountain Water and because the offer would trigger other issues, including capital gains tax and a make-whole premium on Park Water's bond."

- a. Please explain in detail what other issues accepting the offer would have triggered.
- b. Please provide full details regarding the capital gains tax and make-whole premium issues that would be triggered by accepting the offer.
- c. Please provide all analyses of the full value of Mountain Water.

Objection:

Mountain Water and Western Water object to this request to the extent it seeks information not relevant to the subject matter of the instant proceeding, information not reasonably calculated to lead to the discovery of evidence admissible in the instant proceeding, confidential and proprietary information, and information protected by the attorney-work product and attorney-client privileges. Mountain Water and Western Water also object to this request to the extent it is repetitive or duplicative of other discovery provided.

Response to MCC-002:

- a. See response to MCC-001.
- b. See response to PSC-031(a).
- c. Mountain Water and Western Water specifically object to this request on the grounds it seeks information not relevant to the instant proceeding and not reasonably calculated to lead to the discovery of evidence admissible in the instant proceeding. This question is only relevant to the extent it is directed at the Letter Agreement between the City of Missoula, the Clark Fork Coalition, and Carlyle. During trial in the condemnation case, John Engen, Mayor of the City of Missoula, conceded that Carlyle complied with the requirements of the Letter Agreement. See WWH001097-WWH001099.

MCC-003: RE: Offers for Acquisition.
Witness: Robert Dove

In reference to your testimony at pages 9 and 10, please provide a list of the entities that submitted unsolicited interest and inquiries regarding Western Water's ownership in Park Water.

Objection:

Mountain Water and Western Water object to this request to the extent it seeks information not relevant to the subject matter of the instant proceeding, information not reasonably calculated to lead to the discovery of evidence admissible in the instant proceeding, confidential and proprietary information, and information protected by the attorney-work product and attorney-client privileges. Mountain Water and Western Water also object to this request to the extent it is repetitive or duplicative of other discovery provided.

Response to MCC-003:

See response to PSC-032(c). Algonquin/Liberty Utilities was not one of the entities that submitted unsolicited interest/inquiries regarding Western Water's ownership in Park Water.

MCC-004: RE: Offers for Acquisition.
Witness: Robert Dove

In reference to your testimony at page 10, line 10, please provide a list of the 13 respondents that submitted indication of interest during Phase 1 of the competitive auction process.

Objection:

Mountain Water and Western Water object to this request to the extent it seeks information not relevant to the subject matter of the instant proceeding, information not reasonably calculated to lead to the discovery of evidence admissible in the instant proceeding, or confidential and proprietary information. Mountain Water and Western Water also object to this request to the extent it is repetitive or duplicative of other discovery provided.

Response to MCC-004:

See response to PSC-027(d). All information regarding respondents/bidders other than the final, selected bidder is irrelevant to this proceeding.

MCC-005: RE: Phase 2 of the Competitive Auction Process.
Witness: Robert Dove

In reference to your testimony at page 10, lines 10 to 13, please provide the list of the 4 respondents that submitted binding proposals in Phase 2 of the competitive auction process, and a summary of the terms of each of these proposals (e.g., proposed purchase price, contingencies, conditions, etc.).

Objection:

Mountain Water and Western Water object to this request to the extent it seeks information not relevant to the subject matter of the instant proceeding, information not reasonably calculated to lead to the discovery of evidence admissible in the instant proceeding, or confidential or proprietary information. Mountain Water and Western Water also object to this request to the extent it is repetitive or duplicative of other discovery provided.

Response to MCC-005:

See response to PSC-027(d) and (e). The referenced testimony was only included to provide background on why the final bid was selected. All information regarding respondents/bidders other than the final, selected bidder is irrelevant to this proceeding.

MCC-006: RE: Financial Statements.
Witness: John Kappes

Please provide complete copies of all Mountain Water annual financial statements for each of the most recent five years, and financial statements for the first quarter of 2015 as soon as they become available.

Response to MCC-006:

See attached annual financial statements for 2010 through 2014, as submitted to the Montana Public Service Commission in Mountain Water's Annual Reports. See WWH001100-
WWH001109. Financial statements for the first quarter of 2015 will be provided when available.

MCC-007: RE: Capital Expenditures.
Witness: John Kappes

The table shown on page 5 of your testimony describes the actions taken to honor the commitments made by Carlyle Infrastructure in Docket No. D2011.1.8. One of the actions is: “Capital expenditure planning started at first of the year and all projects funded.” Please provide the detailed capital expenditure planning for the most recent five years, including 2015.

Objection:

Mountain Water and Western Water object to this request to the extent it seeks information not relevant to the subject matter of the instant proceeding and information not reasonably calculated to lead to the discovery of evidence admissible in the instant proceeding. Mountain Water and Western Water also object to this request to the extent it is repetitive or duplicative of other discovery provided.

Response to MCC-007:

See the Confidential Information Memorandum (WWH000799-WWH000898) provided in response to PSC-028(b) and Management Presentation (WWH001028-WWH001074) provided in response to PSC-029(b) for information on Mountain Water’s historical capital expenditures. Mountain Water’s most recent five-year capital budget (WWH001075-WWH001079) was provided in response to PSC-030.

MCC-008: RE: Long-Term Debt.
Witness: John Kappes

Please provide all details of the two \$15 million long term debt issues by Park Water in 2013 and 2014, as mentioned in the table at page 5 of your testimony describing the actions taken to honor the commitments made by Carlyle Infrastructure in Docket No. D2011.1.8.

Objection:

Mountain Water and Western Water objection to this request to the extent it seeks information not relevant to the instant proceeding and information not reasonably calculated to lead to the discovery of evidence admissible in the instant proceeding.

Response to MCC-008:

For the long-term debt issue in 2013, see the Thirteenth Supplemental Indenture (WWH000512-WWH000529), provided in response to PSC-022, and the attached Bond Purchase Agreement Dated as of June 4, 2013 (WWH001110-WWH001163). Information regarding bank account numbers and taxpayer identification numbers have been redacted on the basis of relevance. If the redacted information is found to be relevant, Mountain Water and Western Water reserve the right to seek a protective order for that information.

For the long-term debt issue in 2014, see the Fourteenth Supplemental Indenture (WWH000530-WWH000546), provided in response to PSC-022, and the Term Loan Agreement dated August 26, 2014 between Park Water Company and CoBank, ACB (WWH000619-WWH000653), provided in response to PSC-024(d).

MCC-009: RE: Capital Expenditures.
Witness: John Kappes

In your testimony at page 8, lines 4 to 6, you state “if anything, I believe Liberty Utilities will invest in and improve Mountain Water’s assets for the benefit of our customers.” Do you believe capital expenditure planning for Mountain Water will increase in comparison to Carlyle’s planned capital expenditures if the merger is approved? Please explain and provide all documentary and other support for your response.

Objection:

Mountain Water and Western Water object to this request on the grounds it relies on a false premise—Carlyle does not plan capital expenditures for Mountain Water. Mountain Water and Western Water also object to this request to the extent it seeks information not relevant to the subject matter of the instant proceeding and information not reasonably calculated to lead to the discovery of evidence admissible in the instant proceeding.

Response to MCC-009:

The question misrepresents the referenced testimony. The purpose of the testimony was to convey Mr. Kappes’ belief that Liberty Utilities will be a good owner of Mountain Water. Regarding capital expenditures under Liberty Utilities’ ownership, see response to PSC-030.

CERTIFICATE OF SERVICE

I hereby certify that on this, the 4th day of May, 2015, **MOUNTAIN WATER'S AND WESTERN WATER'S RESPONSES TO THE MONTANA CONSUMER COUNSEL'S DATA REQUESTS (MCC-001 to MCC-018)** were electronically filed with the Commission and served via U.S. mail and e-mail, unless otherwise noted, to the following:

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s/ Adele C. Lee

1 MONTANA FOURTH JUDICIAL DISTRICT COURT
 2 MISSOULA COUNTY

3 THE CITY OF MISSOULA, a Montana municipal corporation, 4 Plaintiff, 5 vs. 6 MOUNTAIN WATER COMPANY, a Montana corporation; and 7 CARLYLE INFRASTRUCTURE PARTNERS, LP, a Delaware 8 limited partnership, 9 Defendants. 10 and 11 THE EMPLOYEES OF MOUNTAIN WATER COMPANY, et al. 12 Interveners.	CASE NO. DV-14-352 Dept. No. 4
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13
 14 Taken at the Missoula County Courthouse
 15 Missoula, Montana
 16 Wednesday, March 18, 2015
 17 8:43 a.m. to 5:01 a.m.
 18 TRANSCRIPT OF PROCEEDINGS
 19 VOLUME 1
 20 Heard before the Honorable Karen S. Townsend
 21
 22
 23
 24 Reported by Julie M. Lake, RMR, RDR, CRR
 25 Martin-Lake & Associates, Inc.
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 MARTIN-LAKE & ASSOCIATES, INC.
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02:58:09 1 Q. What about the three that you said--

02:58:13 2 A. The top two, there's a fairly remarkable

02:58:17 3 disparity.

02:58:19 4 Q. How do they compare to people in private

02:58:20 5 industry, the top two you are talking about? Have

02:58:23 6 you done any analysis of that?

02:58:24 7 A. Not a great deal of analysis, no, sir.

02:58:26 8 Q. How would they compare to someone at

02:58:28 9 NorthWest Energy?

02:58:30 10 A. I don't know.

02:58:30 11 Q. How about Energy West in Great Falls?

02:58:32 12 A. I don't know.

02:58:34 13 Q. How about somebody here at Washington

02:58:36 14 Corporation who is an accountant or engineer, a

02:58:39 15 lawyer, how would they compare there?

02:58:41 16 A. I don't know.

02:58:45 17 Q. And so as in your First Amended Complaint

02:58:49 18 where you say you are going to take care of all of

02:58:52 19 us, in your opening remarks in response to

02:58:56 20 Mr. Schneider, you want to make us whole, the

02:58:58 21 bottom line is you cannot commit beyond five years

02:59:00 22 to any of these?

02:59:09 23 A. I'm sorry, was that a question?

02:59:12 24 Q. I'm sorry. Is that correct?

02:59:14 25 A. Oh, that's correct.

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02:59:16 1 Q. Thank you very much.

02:59:17 2 THE COURT: Thank you, Mr. Zadick.

02:59:21 3 Anyone else have some questions?

02:59:22 4 MR. CONNER: Just a few, Your Honor.

02:59:24 5 THE COURT: All right, Mr. Conner.

02:59:26 6 CROSS-EXAMINATION

02:59:27 7 BY MR. CONNER:

02:59:27 8 Q. Hello, Mayor.

02:59:50 9 A. Good afternoon.

03:00:03 10 MR. CONNER: Your Honor, we need to

03:00:04 11 switch over. Thank you.

03:00:07 12 Q. (By Mr. Conner) Mayor, you indicated on

03:00:15 13 your direct examination that in 2010 when Mr. Dove

03:00:18 14 and others came to your office to advise you of

03:00:21 15 the fact that Carlyle Infrastructure was acquiring

03:00:24 16 or had negotiated with Park Water to acquire the

03:00:27 17 stock of Park Water, you indicated that you had an

03:00:30 18 interest but you never had an opportunity to

03:00:32 19 purchase the system. Correct?

03:00:34 20 A. Correct.

03:00:36 21 Q. Isn't it true, sir, that you testified to

03:00:39 22 the PSC that it was an impossibility for the City

03:00:41 23 to acquire the system prior to the transaction

03:00:46 24 involving Park and Carlyle?

03:00:48 25 A. I believe so, yes, sir.

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03:00:50 1 Q. You never went to Sam Wheeler and asked

03:00:52 2 him if he would sell the system to the City during

03:00:58 3 your tenure as mayor; is that correct?

03:01:00 4 A. No, sir.

03:01:02 5 Q. That's correct? Yes?

03:01:03 6 A. I'm sorry. That's correct. Yes, sir.

03:01:05 7 Q. Okay. And even after the Carlyle

03:01:09 8 transaction with Park was announced, you didn't go

03:01:13 9 to Mr. Wheeler at that point and say, *Mr. Wheeler,*

03:01:17 10 *the City would like to try to buy this part of the*

03:01:19 11 *system from you, part of your business.* You never

03:01:23 12 approached him, did you?

03:01:24 13 A. I did not.

03:01:26 14 Q. And ultimately you, on behalf of the

03:01:30 15 City, and 11 out of 12 City Council members found

03:01:35 16 that it was in the public interest for Carlyle to

03:01:37 17 acquire the system and supported that transaction.

03:01:40 18 Correct?

03:01:41 19 A. Correct.

03:01:44 20 Q. At that time you knew that Carlyle, I

03:01:47 21 think by your own testimony, was in the business

03:01:49 22 of buying assets, improving those assets and then

03:01:54 23 selling those assets. Correct?

03:01:56 24 A. Correct.

03:01:57 25 Q. And you expected at some point in time

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03:01:59 1 then you might have an opportunity to buy.

03:02:01 2 Correct?

03:02:02 3 A. Yes, sir.

03:02:02 4 Q. But at no point then during your

03:02:05 5 negotiations with Mr. Dove or anyone else at

03:02:09 6 Carlyle, in regard to this September agreement

03:02:14 7 that was entered, at no point did you tell Mr.

03:02:18 8 Dove that if Carlyle did not ultimately agree to

03:02:23 9 accept your offer that you may make for Mountain

03:02:28 10 Water under the terms of that agreement, that the

03:02:30 11 City would turn around and file condemnation?

03:02:33 12 A. I don't recall ever telling him that.

03:02:35 13 Q. You never threatened condemnation to him

03:02:37 14 at all, did you, sir?

03:02:38 15 A. Not that I recall.

03:02:39 16 Q. And you knew when you signed that

03:02:40 17 agreement that it wasn't a locked deal, didn't

03:02:43 18 you?

03:02:46 19 A. Correct.

03:02:47 20 Q. You knew that all that was required in

03:02:50 21 that agreement was that if you made an offer, that

03:02:55 22 Carlyle, or Mr. Dove speaking for Carlyle, would

03:03:00 23 consider that offer in good faith and either

03:03:04 24 reject it or accept it or make a counter, correct?

03:03:08 25 A. Correct.

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03:03:09 1 Q. There is nothing in that agreement that
 03:03:11 2 requires Carlyle to even make a counter, is there?
 03:03:15 3 A. No.
 03:03:16 4 Q. So as far as you are concerned, sir,
 03:03:19 5 based on those facts Carlyle didn't violate the
 03:03:22 6 September agreement, did it?
 03:03:23 7 A. Based on those documents Carlyle did not
 03:03:31 8 accept our offer.
 03:03:32 9 Q. Right.
 03:03:33 10 A. My long conversations with Mr. Dove was
 03:03:37 11 that the system would be for sale to the City of
 03:03:40 12 Missoula.
 03:03:40 13 Q. I understand that. But you made the
 03:03:42 14 offer. It was rejected, which was Carlyle's
 03:03:47 15 right. You said that, right?
 03:03:48 16 A. Correct.
 03:03:49 17 Q. So my question, sir: As far as you were
 03:03:51 18 concerned, that agreement was not violated, was
 03:03:54 19 it?
 03:03:54 20 A. No.
 03:03:55 21 Q. Thank you.
 03:03:59 22 You testified that you are CEO of a
 03:04:02 23 major—like a major corporation, correct?
 03:04:04 24 A. Yes, sir.
 03:04:05 25 Q. And you have a lot of assets that are
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03:04:09 1 under your supervision, correct?
 03:04:11 2 A. Yes, sir.
 03:04:13 3 Q. You don't have a customer service
 03:04:15 4 department, do you?
 03:04:17 5 A. We don't have a customer service
 03:04:19 6 department in a traditional corporate structure.
 03:04:23 7 We have citizen service managers. Within all of
 03:04:27 8 our departments we have folks who are trained to
 03:04:29 9 assist customers.
 03:04:30 10 Q. I believe I took Mr. Bender's deposition
 03:04:32 11 and I asked him about a—in some communities, in
 03:04:36 12 Chattanooga we have one. It's called a 311. Are
 03:04:39 13 you familiar with that?
 03:04:40 14 A. I am.
 03:04:40 15 Q. It's not like 911. It's 311.
 03:04:44 16 Isn't it true under a 311 system, that's
 03:04:46 17 a designated system where your citizens, any
 03:04:50 18 taxpayer or anybody, can call and register a
 03:04:53 19 complaint, ask about a bill, and be
 03:04:57 20 directed—their inquiries are then directed to a
 03:05:00 21 central operation, correct?
 03:05:01 22 A. Yes, sir.
 03:05:02 23 Q. You don't have that, do you?
 03:05:03 24 A. We have the equivalent of that in the
 03:05:05 25 form of the Mayor's office.
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03:05:06 1 Q. So you are the customer service
 03:05:08 2 department, correct?
 03:05:09 3 A. To a large degree we are. We
 03:05:11 4 have—within my office we have an employee who is
 03:05:13 5 called the citizens services manager. And her
 03:05:16 6 responsibility is to take those complaints,
 03:05:18 7 issues, concerns, and manage them on behalf of the
 03:05:21 8 City and the citizen.
 03:05:22 9 Q. One person?
 03:05:23 10 A. One person who is a liaison to many
 03:05:26 11 people who perform those tasks in terms of citizen
 03:05:29 12 service.
 03:05:32 13 Q. But you don't have a customer service
 03:05:34 14 department like Mountain Water does, do you?
 03:05:35 15 A. Not to my understanding.
 03:05:43 16 Q. You also indicated in discussions there
 03:05:45 17 with Mr. Zadick that, you know, *I may not be the*
 03:05:51 18 *mayor in five years*, right? Isn't that correct?
 03:05:53 19 A. Correct.
 03:05:56 20 Q. Isn't it true that the City Council
 03:05:58 21 members today may not be on City Council?
 03:06:01 22 A. Correct.
 03:06:02 23 Q. Every two years you are going to
 03:06:04 24 lose—potentially lose half of them, correct?
 03:06:05 25 A. Correct.
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03:06:07 1 Q. And your organizational structure for
 03:06:10 2 this water system, what you are proposing is you
 03:06:12 3 are the top dog, you are the CEO. Right?
 03:06:15 4 A. Yes, sir.
 03:06:16 5 Q. And then the City Council members are
 03:06:21 6 more or less your board of directors for this
 03:06:24 7 water system, correct?
 03:06:25 8 A. Yes, sir.
 03:06:27 9 Q. How much experience do you have running a
 03:06:30 10 water system, sir?
 03:06:31 11 A. I have none.
 03:06:33 12 Q. How much experience do any of your City
 03:06:35 13 Council members have in running a water system?
 03:06:37 14 A. None, to my knowledge.
 03:06:52 15 Q. Prior to—and I'm going back in time just
 03:06:54 16 a little bit, then we'll go forward.
 03:06:55 17 But prior to December 2010 when Mr. Dove
 03:07:00 18 came to your office and advised you of the
 03:07:04 19 transaction with Park Water, had the City taken
 03:07:08 20 any steps to determine the feasibility even of
 03:07:13 21 acquiring the water system up to that point?
 03:07:16 22 A. In fact, there had been a number of
 03:07:20 23 studies in that regard that predated my term as
 03:07:27 24 mayor. And, Mr. Conner, I would be hard pressed
 03:07:31 25 to give you dates and times, but folks around City
 MARTIN-LAKE & ASSOCIATES, INC.
 1-800-735-5498/406-543-6447

INCOME STATEMENT

Account Name	Current Year	Previous Year
GROSS REVENUE:		
Metered		
Residential	6,054,010	6,577,997
Commercial	4,123,233	4,234,303
Industrial	0	0
Other	1,713,441	1,835,126
Unmetered		
Residential	2,690,296	2,807,870
Commercial	176,732	181,635
Industrial	0	0
Fire Protection	185,871	187,472
Bulk Sales	0	0
Sale of Materials	0	0
Other	1,100,362	806,527
TOTAL GROSS REVENUE	16,043,945	16,630,930
Operation and Maintenance Expense	9,780,724	9,773,522
Depreciation Expense	2,174,168	2,106,631
Taxes Other Than Income	1,311,755	1,238,682
Income Taxes (A)	1,476,185	1,633,098
Deferred Federal Income Taxes	0	0
Amortized - Intangible Plant	40,258	40,258
Deferred State Income Taxes	0	0
TOTAL OPERATING EXPENSE	14,783,090	14,792,191
NET OPERATING INCOME (LOSS)	1,260,855	1,838,739
Other Income:		
Investment Tax Credits	0	0
Non-Operating Income	0	0
Interest Income	488,601	426,677
Allow. Funds Used - Construct.	12,897	12,947
Other Deductions:		
Non-Utility Expenses	578	578
Interest Expense	6,825	6,963
Miscellaneous Deductions	27,893	34,092
NET INCOME (LOSS)	1,727,057	2,236,730

(A) Excludes \$(58,150) of non-utility income tax benefit.

Source: Mountain Water Co. 2010 Annual Report to MPSC

COMPARATIVE BALANCE SHEET

ACCOUNT NAME	CURRENT YEAR	PREVIOUS YEAR
Assets:		
Utility Plant in Service (A), (B)	87,919,863	84,920,825
Accumulated Depreciation and Amortization	(25,366,255)	(23,541,683)
Net Utility Plant	62,553,608	61,379,142
Cash	104,632	93,660
Customer Account Receivable	821,180	845,856
Other Assets (Specify)-		
Non-Utility Property		
Less Acc. Depreciation		
Utility Plant Acquisition Adjustment	241,295	279,035
Land Held For Future Use	468,477	456,157
Materials and Supplies	409,140	428,326
Misc. & Prepays (B)	705,608	619,522
Misc. Deferred Debits	20,401	19,717
Deferred Employee Benefits	282,579	255,927
Regulatory Accounts	6,195,484	4,454,111
Open Accounts	(797,900)	(1,659,051)
Total Assets	71,004,504	67,172,402
Liabilities and Capital:		
Common Stock Issued	6,940,578	6,940,578
Preferred Stock Issued		
Other Paid in Capital	2,008,000	2,008,000
Retained Earnings	27,627,024	25,899,967
Proprietary Capital		
Total Capital	36,575,602	34,848,545
Long Term Debt	270,000	0
Accounts Payable	572,817	368,400
Notes Payable	63,700	0
Customer Deposits	1,347	1,327
Accrued Taxes	538,646	463,545
Other Liabilities (Specify)		
Interest Accrued	10,727	
Misc. Liabilities	573,740	592,014
Deferred Credits	3,888,407	3,262,491
Deferred Income Tax & ITC	8,178,703	7,901,882
Advances for Construction	17,502,130	17,647,898
Contributions in Aid of Construction	2,828,685	2,086,300
Total Liabilities and Capital	71,004,504	67,172,402
(A) Includes \$373,131 and \$431,040 of Construction in Progress for 2010 and 2009 respectively. (B) Balance excludes Intangible Plant which is included in Miscellaneous and Prepaid category in the amount of \$28,017 and \$30,535 for 2010 and 2009 respectively.		

Source: Mountain Water Co. 2011 Annual Report to MPSC

INCOME STATEMENT

Account Name	Current Year	Previous Year
GROSS REVENUE:		
Metered		
Residential	6,894,912	6,054,010
Commercial	4,570,235	4,123,233
Industrial	0	0
Other	1,984,384	1,713,441
Unmetered		
Residential	2,750,739	2,690,296
Commercial	189,483	176,732
Industrial	0	0
Fire Protection	212,746	185,871
Bulk Sales	0	0
Sale of Materials	0	0
Other	887,620	1,100,362
TOTAL GROSS REVENUE	17,490,119	16,043,945
Operation and Maintenance Expense	10,016,476	9,780,724
Depreciation Expense	2,303,431	2,174,168
Taxes Other Than Income	1,387,103	1,311,755
Income Taxes (A)	1,639,825	1,476,185
Deferred Federal Income Taxes	0	0
Amortized - Intangible Plant	40,258	40,258
Deferred State Income Taxes	0	0
TOTAL OPERATING EXPENSE	15,387,093	14,783,090
NET OPERATING INCOME (LOSS)	2,103,026	1,260,855
Other Income:		
Investment Tax Credits	0	0
Non-Operating Income	(1,941)	0
Interest Income	368,647	488,601
Allow. Funds Used - Construct.	13,187	12,897
Other Deductions:		
Non-Utility Expenses	578	578
Interest Expense	2,429	6,825
Miscellaneous Deductions	130,930	27,893
NET INCOME (LOSS)	2,348,982	1,727,057

(A) Excludes \$(34,946) of non-utility income tax benefit.

Source: Mountain Water Co. 2011 Annual Report to MPSC

COMPARATIVE BALANCE SHEET

ACCOUNT NAME	CURRENT YEAR	PREVIOUS YEAR
Assets:		
Utility Plant in Service (A), (B)	90,894,588	87,919,863
Accumulated Depreciation and Amortization	(27,401,047)	(25,366,255)
Net Utility Plant	63,493,541	62,553,608
Cash	64,150	104,632
Customer Account Receivable	812,327	821,180
Other Assets (Specify)- Non-Utility Property		
Less Acc. Depreciation		
Utility Plant Acquisition Adjustment	203,555	241,295
Land Held For Future Use	487,412	468,477
Materials and Supplies	461,583	409,140
Misc. & Prepaids	674,855	705,608
Misc. Deferred Debits	20,836	20,401
Deferred Employee Benefits	282,895	282,579
Regulatory Accounts	7,477,841	6,195,484
Open Accounts	1,689,945	(797,900)
Total Assets	75,668,940	71,004,504
Liabilities and Capital:		
Common Stock Issued	6,940,578	6,940,578
Preferred Stock Issued		
Other Paid in Capital	2,008,000	2,008,000
Retained Earnings	29,976,006	27,627,024
Proprietary Capital		
Total Capital	38,924,584	36,575,602
Long Term Debt	204,000	270,000
Accounts Payable	345,242	572,817
Notes Payable	66,000	63,700
Customer Deposits	4,628	1,347
Accrued Taxes	521,299	538,646
Other Liabilities (Specify)		
Interest Accrued	6,429	10,727
Misc. Liabilities	481,982	573,740
Deferred Credits	5,118,188	3,888,407
Deferred Income Tax & ITC	9,631,602	8,178,703
Advances for Construction	17,599,849	17,502,130
Contributions in Aid of Construction	2,765,137	2,828,685
Total Liabilities and Capital	75,668,940	71,004,504
	(0)	
<p>(A) Includes \$493,523 and \$373,131 of Construction in Progress for 2011 and 2010 respectively. (B) Balance excludes Intangible Plant which is included in Miscellaneous and Prepaid category in the amount of \$25,499 and \$28,017 for 2011 and 2010 respectively.</p>		

Source: Mountain Water Co. 2012 Annual Report to MPSC

INCOME STATEMENT

Account Name	Current Year	Previous Year
GROSS REVENUE:		
Metered		
Residential	7,530,779	6,894,912
Commercial	4,824,833	4,570,235
Industrial	0	0
Other	2,090,236	1,984,384
Unmetered		
Residential	2,655,873	2,750,739
Commercial	184,350	189,483
Industrial	0	0
Fire Protection	223,422	212,746
Bulk Sales	0	0
Sale of Materials	0	0
Other	711,895	887,620
TOTAL GROSS REVENUE	18,221,387	17,490,119
Operation and Maintenance Expense	9,885,527	10,016,476
Depreciation Expense	2,362,281	2,303,431
Taxes Other Than Income	1,413,042	1,387,103
Income Taxes (A)	1,945,931	1,639,825
Deferred Federal Income Taxes	0	0
Amortized - Intangible Plant	40,258	40,258
Deferred State Income Taxes	0	0
TOTAL OPERATING EXPENSE	15,647,039	15,387,093
NET OPERATING INCOME (LOSS)	2,574,348	2,103,026
Other Income:		
Investment Tax Credits	0	0
Non-Operating Income	0	(1,941)
Interest Income	434,425	368,647
Allow. Funds Used - Construct.	13,300	13,187
Other Deductions:		
Non-Utility Expenses	578	578
Interest Expense	4,267	2,429
Miscellaneous Deductions	42,357	130,930
NET INCOME (LOSS)	2,974,872	2,348,982

(A) Excludes \$(20,023) of non-utility income tax benefit.

Source: Mountain Water Co. 2012 Annual Report to MPSC

COMPARATIVE BALANCE SHEET

ACCOUNT NAME	CURRENT YEAR	PREVIOUS YEAR
Assets:		
Utility Plant in Service (A), (B)	94,880,390	90,894,588
Accumulated Depreciation and Amortization	(29,237,295)	(27,401,047)
Net Utility Plant	65,643,095	63,493,541
Cash	126,319	84,150
Customer Account Receivable	816,298	812,327
Other Assets (Specify)-		
Non-Utility Property		
Less Acc. Depreciation		
Utility Plant Acquisition Adjustment	165,815	203,555
Land Held For Future Use	500,135	487,412
Materials and Supplies	464,430	461,583
Misc. & Prepaids	581,467	674,855
Misc. Deferred Debits	21,425	20,836
Deferred Employee Benefits	265,489	282,895
Regulatory Accounts	9,522,680	7,477,841
Open Accounts	2,265,737	1,689,945
Total Assets	80,372,891	75,668,940
Liabilities and Capital:		
Common Stock Issued	6,940,578	6,940,578
Preferred Stock Issued		
Other Paid in Capital	2,008,000	2,008,000
Retained Earnings	32,950,878	29,976,006
Proprietary Capital		
Total Capital	41,899,456	38,924,584
Long Term Debt	137,000	204,000
Accounts Payable	480,697	345,242
Notes Payable	67,000	66,000
Customer Deposits	49,009	4,628
Accrued Taxes	545,361	521,299
Other Liabilities (Specify)		
Interest Accrued	4,129	6,429
Misc. Liabilities	471,444	481,982
Deferred Credits	6,326,063	5,118,188
Deferred Income Tax & ITC	10,030,149	9,631,602
Advances for Construction	17,428,251	17,599,849
Contributions in Aid of Construction	2,934,333	2,765,137
Total Liabilities and Capital	80,372,891	75,668,940
<p>(A) Includes \$659,844 and \$493,523 of Construction in Progress for 2012 and 2011 respectively. (B) Balance excludes Intangible Plant which is included in Miscellaneous and Prepaid category in the amount of \$22,980 and \$25,499 for 2012 and 2011 respectively.</p>		

Source: Mountain Water Co. 2013 Annual Report to MPSC

INCOME STATEMENT

Account Name	Current Year	Previous Year
GROSS REVENUE:		
Metered		
Residential	7,646,201	7,530,779
Commercial	5,009,750	4,824,833
Industrial	0	0
Other	2,122,096	2,090,236
Unmetered		
Residential	2,534,365	2,655,873
Commercial	168,735	184,350
Industrial	0	0
Fire Protection	232,773	223,422
Bulk Sales	0	0
Sale of Materials	0	0
Other	845,043	711,895
TOTAL GROSS REVENUE	18,558,963	18,221,387
Operation and Maintenance Expense	9,708,367	9,885,527
Depreciation Expense	2,466,290	2,362,281
Taxes Other Than Income	1,489,477	1,413,042
Income Taxes (A)	2,493,782	1,945,931
Deferred Federal Income Taxes	0	0
Amortized - Intangible Plant	30,154	40,258
Deferred State Income Taxes	0	0
TOTAL OPERATING EXPENSE	16,188,070	15,647,039
NET OPERATING INCOME (LOSS)	2,370,893	2,574,348
Other Income:		
Investment Tax Credits	0	0
Non-Operating Income	0	0
Interest Income	469,564	434,425
Allow. Funds Used - Construct.	12,730	13,300
Other Deductions:		
Non-Utility Expenses	578	578
Interest Expense	6,384	4,267
Miscellaneous Deductions	89,441	42,357
NET INCOME (LOSS)	2,756,784	2,974,872

(A) Excludes \$(3,724) of non-utility income tax benefit.

Source: Mountain Water Co. 2013 Annual Report to MPSC

COMPARATIVE BALANCE SHEET

ACCOUNT NAME	CURRENT YEAR	PREVIOUS YEAR
Assets:		
Utility Plant in Service (A), (B)	100,198,822	94,880,390
Accumulated Depreciation and Amortization	(30,913,247)	(29,237,295)
Net Utility Plant	69,285,575	65,643,095
Cash	288,887	126,319
Customer Account Receivable (C)	1,586,091	1,357,141
Other Assets (Specify)-		
Non-Utility Property		
Less Acc. Depreciation		
Utility Plant Acquisition Adjustment	138,180	165,815
Land Held For Future Use	512,287	500,135
Materials and Supplies	459,986	464,430
Misc. & Prepaids	507,077	581,467
Misc. Deferred Debits	23,683	21,425
Deferred Employee Benefits	278,301	265,489
Regulatory Accounts	6,124,175	9,522,680
Open Accounts	4,036,863	2,265,737
Total Assets	83,241,105	80,913,734
Liabilities and Capital:		
Common Stock Issued	6,940,578	6,940,578
Preferred Stock Issued		
Other Paid in Capital	2,027,802	2,008,000
Retained Earnings (C)	36,032,168	33,275,384
Proprietary Capital		
Total Capital	45,000,548	42,223,962
Long Term Debt	69,000	137,000
Accounts Payable	1,002,768	480,697
Notes Payable	68,000	67,000
Customer Deposits	74,303	49,009
Accrued Taxes	588,948	545,361
Other Liabilities (Specify)		
Interest Accrued	3,336	4,129
Misc. Liabilities	437,281	471,444
Deferred Credits	3,388,333	6,326,063
Deferred Income Tax & ITC (C)	10,513,702	10,246,486
Advances for Construction	18,820,930	17,428,251
Contributions in Aid of Construction	3,273,956	2,934,333
Total Liabilities and Capital	83,241,105	80,913,734
<p>(A) Includes \$474,763 and \$659,844 of Construction in Progress for 2013 and 2012 respectively. (B) Balance excludes Intangible Plant which is included in Miscellaneous and Prepaid category in the amount of \$20,462 and \$22,980 for 2013 and 2012 respectively.</p>		

(C) 2012 retained earnings restated as follows, affecting accounts receivable and deferred income taxes:

As originally reported:	32,950,878	-
Reclass 2012 Unbilled Accounts Receivable	540,843	
Reclass deferred taxes on 2012 Unbilled Revenue	-216,337	
As restated	33,275,384	

Source: Mountain Water Co. 2014 Annual Report to

INCOME STATEMENT

Account Name	Current Year	Previous Year
GROSS REVENUE:		
Metered		
Residential	7,776,672	7,646,201
Commercial	5,065,029	5,009,750
Industrial	0	0
Other	2,163,876	2,122,096
Unmetered		
Residential	1,852,441	2,534,365
Commercial	155,455	168,735
Industrial	0	0
Fire Protection	244,410	232,773
Bulk Sales	0	0
Sale of Materials	0	0
Other	905,157	845,043
TOTAL GROSS REVENUE	18,163,040	18,558,963
Operation and Maintenance Expense	9,226,784	9,708,367
Depreciation Expense	2,693,313	2,466,290
Taxes Other Than Income	1,666,269	1,489,477
Income Taxes (A)	863,693	2,493,782
Deferred Federal Income Taxes	0	0
Amortized - Intangible Plant	30,154	30,154
Deferred State Income Taxes	0	0
TOTAL OPERATING EXPENSE	14,480,213	16,188,070
NET OPERATING INCOME (LOSS)	3,682,827	2,370,893
Investment Tax Credits	0	0
Non-Operating Income	0	0
Interest Income	367,745	469,564
Allow. Funds Used - Construct.	13,199	12,730
Other Deductions:		
Non-Utility Expenses	578	578
Interest Expense	7,329	6,384
Miscellaneous Deductions	3,009,222	89,441
NET INCOME (LOSS)	1,046,642	2,756,784

(A) Excludes \$(12,708) of non-utility income tax benefit.

Source: Mountain Water Co. 2014 Annual Report to

COMPARATIVE BALANCE SHEET

ACCOUNT NAME	CURRENT YEAR	PREVIOUS YEAR
Assets:		
Utility Plant in Service (A), (B)	105,202,414	100,198,822
Accumulated Depreciation and Amortization	(33,165,060)	(30,913,247)
Net Utility Plant	72,037,354	69,285,575
Cash	131,019	288,887
Customer Account Receivable (C)	1,544,414	1,586,091
Other Assets (Specify)-		
Non-Utility Property		
Less Acc. Depreciation		
Utility Plant Acquisition Adjustment	110,544	138,180
Land Held For Future Use	524,909	512,287
Materials and Supplies	426,617	459,986
Misc. & Prepaids	988,488	507,077
Misc. Deferred Debits	23,079	23,683
Deferred Employee Benefits	253,571	278,301
Regulatory Accounts	8,239,277	6,124,175
Open Accounts	5,907,196	4,036,863
Total Assets	90,186,468	83,241,105
Liabilities and Capital:		
Common Stock Issued	6,940,578	6,940,578
Preferred Stock Issued		
Other Paid in Capital	2,041,948	2,027,802
Retained Earnings	37,078,810	36,032,168
Proprietary Capital		
Total Capital	46,061,336	45,000,548
Long Term Debt	0	69,000
Accounts Payable	2,215,101	1,002,768
	69,000	68,000
Customer Deposits	74,329	74,303
Accrued Taxes	631,981	588,948
Other Liabilities (Specify)		
Interest Accrued	3,265	3,336
Misc. Liabilities	419,099	437,281
Deferred Credits	5,311,512	3,388,333
Deferred Income Tax & ITC	12,664,399	10,513,702
Advances for Construction	19,174,166	18,820,930
Contributions in Aid of Construction	3,562,280	3,273,956
Total Liabilities and Capital	90,186,468	83,241,105
(A) Includes \$1,311,556 and \$474,763 of Construction in Progress for 2014 and 2013, respectively.		
(B) Balance excludes Intangible Plant which is included in Miscellaneous and Prepaid category in the amount of \$17,944 and \$20,462 for 2014 and 2013, respectively.		

EXECUTION COPY

PARK WATER COMPANY

BOND PURCHASE AGREEMENT

Dated as of June 4, 2013

Re: \$15,000,000 First Mortgage Bonds, Series 4.53%
Due June 4, 2043

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ATTACHMENTS TO BOND PURCHASE AGREEMENT:

- Schedule I — Information Relating to Purchasers

- EXHIBIT A — Subsidiaries of Park Water Company
- EXHIBIT B — Schedule of Exceptions to Representation and Warranties
- EXHIBIT C — Form of Closing Opinion of Counsel to the Company
- EXHIBIT D — Form of Closing Opinion of Special Montana Counsel to the Company
- EXHIBIT E — Form of Closing Opinion of Special Counsel to the Purchasers
- EXHIBIT F — Real Property of the Company

PARK WATER COMPANY

BOND PURCHASE AGREEMENT

Re: \$15,000,000 First Mortgage Bonds, Series 4.53% Due June 4, 2043

THIS BOND PURCHASE AGREEMENT (this "*Agreement*") dated as of June 4, 2013, is by and among PARK WATER COMPANY, a California corporation (the "*Company*"), and the Purchasers named in Schedule I hereto (the "*Purchasers*").

RECITALS

WHEREAS, the Company executed and delivered to Security Pacific National Bank and D.R. McEachren, as trustees, its Indenture dated as of November 1, 1973 (hereinafter sometimes referred to as the "*Original Indenture*") and has executed and delivered to such trustees or successor trustees the following supplemental indentures thereto: (a) a First Supplemental Indenture dated as of September 12, 1979, (b) a Second Supplemental Indenture dated as of February 1, 1988, (c) a Third Supplemental Indenture dated as of January 15, 1991, (d) a Fourth Supplemental Indenture dated as of March 11, 1993, (e) a Fifth Supplemental Indenture dated as of May 20, 1993, (f) a Sixth Supplemental Indenture dated as of August 29, 1995, (g) a Seventh Supplemental Indenture dated as of June 1, 2000, (h) an Eighth Supplemental Indenture dated as of May 1, 2002, which restated in its entirety the Original Indenture and all amendments and supplements thereto prior to such Eighth Supplemental Indenture, (i) a Ninth Supplemental Indenture dated as of May 15, 2002, (j) a Tenth Supplemental Indenture dated as of January 27, 2006, (k) an Eleventh Supplemental Indenture dated as of October 6, 2008, (l) a Twelfth Supplemental Indenture dated as of October 6, 2008 and (m) a Thirteenth Supplemental Indenture dated June 4, 2013 (the "*Thirteenth Supplemental Indenture*") (which Original Indenture and any and all supplemental indentures thereto being sometimes collectively referred to as the "*Indenture*") for the purpose of securing bonds of the Company to be issued in series from time to time in the manner and subject to the conditions set forth in the Indenture;

WHEREAS, The Bank of New York Mellon Trust Company, N.A., is the successor trustee under the Indenture (hereinafter the "*Trustee*") to the Bank of New York Trust Company, N.A., which was the successor to BNY Western Trust Company which was the successor to Harris Trust Company of California, which was the successor to Bank of America National Trust and Savings Association, which succeeded Security Pacific National Bank and D.R. McEachren as the original trustees thereunder;

WHEREAS, the Purchasers desire to purchase and the Company desires to sell \$15,000,000 in aggregate principal amount of the Company's 4.53% First Mortgage Bonds due June 4, 2043 without coupons, authorized by the Indenture and to be issued under the Thirteenth Supplemental Indenture, on the terms and subject to the conditions set forth below;

WHEREAS, capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture;

NOW THEREFORE, in consideration of the foregoing premises and other good and lawful consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. BONDS; INDENTURE.

The Company has authorized an issue of \$15,000,000 in aggregate principal amount of its 4.53% First Mortgage Bonds due June 4, 2043 (the "*Additional Bonds*"), which Additional Bonds are to be issued under, pursuant to and secured by the Thirteenth Supplemental Indenture. The Additional Bonds will be dated, will bear interest, will be payable and redeemable, and will contain such other terms and provisions as are provided in the Indenture.

SECTION 2. SALE AND PURCHASE OF ADDITIONAL BONDS.

Subject to the terms and conditions herein set forth, and in reliance upon the representations and warranties contained in Sections 4 and 7 hereof, the Purchasers hereby agree to purchase from the Company, and the Company hereby agrees to sell to the Purchasers, the Additional Bonds.

SECTION 3. CLOSING.

The closing (the "*Closing*") of the purchase and sale of the Additional Bonds shall take place at the offices of Chapman and Cutler LLP, 111 West Monroe St., Suite 1400, Chicago, Illinois 60603 on June 4, 2013 or such other date as shall be mutually agreed upon not later than June 5, 2013 (the "*Closing Date*").

SECTION 4. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

To induce each of the Purchasers to purchase the Additional Bonds, the Company represents and warrants:

Section 4.1. Corporate Organization and Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California. The Company does not engage in business in any other state. Santa Paula Water Works, Ltd. ("*Santa Paula*"), a California corporation, Apple Valley Ranchos Water Company ("*Apple Valley*"), a California corporation, and Mountain Water Company ("*Mountain*"), a Montana corporation are the only corporations in which the Company directly or indirectly owns fifty percent or more of such corporations' outstanding capital stock. Santa Paula and Apple Valley are corporations duly organized, validly existing and in good standing under the laws of the State of California. Mountain is a corporation duly organized, validly existing and in good standing under the laws of the State of Montana. Santa Paula and Apple Valley do not engage in business outside the State of California. Mountain does not engage in business outside the State of Montana. The Company has all requisite corporate power to own and operate its properties, to carry on its

business as it is now being conducted, to enter into the Thirteenth Supplemental Indenture and this Agreement, to issue the Additional Bonds, and to carry out the transactions contemplated thereby. Santa Paula, Apple Valley and Mountain (collectively referred to herein as the "Subsidiaries") have all requisite corporate power to own and operate their respective properties and to carry on their respective businesses as now being conducted. The Company and each of the Subsidiaries which operate as public utilities have received all necessary authorizations, if any, from the Public Utilities Commission of the State of California (the "PUC") and the Public Service Commission of the State of Montana (the "MPSC") to issue their respective outstanding capital stock and all authorizations from the PUC and the MPSC and except as set forth in Exhibit B hereto, all such franchises, licenses and certificates of convenience and necessity as may be needed to own each of their respective properties and to permit each of them to conduct the business in which it is presently engaged or proposes to engage.

Section 4.2. Financial Statements. The Company has heretofore submitted to the Purchasers (i) a consolidated balance sheet of the Company and its Subsidiaries at December 31, 2012 and consolidated statements of income and retained earnings and of cash flows of the Company for the year then ended, as certified by Peasley Aldinger & O'Bymachow, independent certified public accountants, and (ii) a consolidated balance sheet of the Company and its Subsidiaries (the "Balance Sheet") at March 31, 2013 (the "Balance Sheet Date") and consolidated statements of income and retained earnings and of cash flows of the Company for the three-month period then ended as prepared by the Company. Such financial statements have each been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods covered thereby, and in accordance with the PUC's Uniform Classification of Accounts for Water Corporations, and are correct and fairly represent the financial condition of the Company at the respective dates of such balance sheets, and the results of its operations and cash flows for the respective periods shown therein; *provided, however,* that the March 31, 2013 financial statements are subject to normal year-end adjustments. Since the Balance Sheet Date, there has been (i) no material change in the Company's financial condition, except in the ordinary course of business, and (ii) no material adverse change of any kind in the property, business, affairs or condition (financial or otherwise) of the Company.

Section 4.3. Litigation. There is no action, suit, proceeding or investigation at law or in equity or before or by any court, public board or body pending or, to the best of the Company's knowledge, threatened against or affecting the Company or any Subsidiary that would have a material adverse effect on the Company and its Subsidiaries taken as a whole, and neither the Company nor any Subsidiary, to the best of the Company's knowledge, is in default in respect of any order, writ, injunction or decree of any court or of any governmental department, commission, board, bureau, agency or other instrumentality. No local, state or federal taxes payable by or assessed against the Company, any Subsidiary or any of the properties of the Company or any Subsidiary are delinquent or are in default.

Section 4.4. Compliance with Other Agreements and Applicable Law. Neither the execution nor delivery of this Agreement, the Thirteenth Supplemental Indenture or the Additional Bonds, or payment of the Additional Bonds, nor the consummation of the transactions hereby or thereby contemplated, nor the fulfillment of the terms hereof or thereof,

conflicts with or results in any breach of or constitutes a default under any of the terms, conditions or provisions of (i) the Articles of Incorporation or Bylaws of the Company, as amended, (ii) any judgment, order or decree of any court or arbiter, of which the Company is a party, (iii) any contract, undertaking, indenture or other agreement or instrument to which the Company is a party or by which it is or its properties could be bound or (iv) any federal or California state law.

Section 4.5. Corporate Action. All corporate action on the part of the Company necessary for the authorization, execution, delivery and performance of this Agreement, the Thirteenth Supplemental Indenture and the Additional Bonds has been taken.

Section 4.6. Title to Properties. The Company and the Subsidiaries have good title to all of the real property used in their respective businesses (other than real property used or occupied under easements or leased from others, as to which it has the right of possession, and other than that which may be taken by condemnation) ("*Real Property*"), including real property of the Company described in Exhibit F. The Real Property, systems and franchises shall be referred to hereinafter as the "*Properties*." There are no taxes or assessments that have been assessed against the Properties or any portion thereof which are delinquent. No liens or encumbrances encumber the Properties or any portion thereof other than liens or encumbrances permitted by the Indenture. To the best of the Company's knowledge, there is no off-record lien, encumbrance or encroachment affecting any of the Properties. The Company is not aware of any encroachment of the Properties onto adjoining or adjacent properties or of any encroachment onto the Properties from adjoining or adjacent properties.

Section 4.7. Indebtedness. The Company and the Subsidiaries have no indebtedness as of the Balance Sheet Date except as disclosed on the Balance Sheet and except as has been incurred in the ordinary course of business since the Balance Sheet Date. Except as set forth in Exhibit B hereto, as of April 30, 2013, neither the Company nor any of the Subsidiaries was indebted to its shareholders or to its banks, and the aggregate accounts payable of the Company and the Subsidiaries were not in excess of \$3,301,000. No default or Event of Default has occurred and is continuing under the Indenture. Neither the Company nor any Subsidiary is in default in the payment of principal or interest on any indebtedness or is in default under any instrument or instruments or agreements under and subject to which any indebtedness has been issued, and no event has occurred and is continuing under the provisions of any such instrument or agreement which with the lapse of time or the giving of notice, or both, would constitute an Event of Default thereunder.

Section 4.8. Subsidiaries. Attached as Exhibit A hereto is a list as of the date hereof of all of the Subsidiaries of the Company.

Section 4.9. Commitments. The Company has no contracts outstanding of a nature different from those customarily made in the ordinary course of business by companies engaged in the public utility water or sanitation business. The Company is not a party to, nor is it in any manner obligated under, any material unusual or burdensome contracts, including any material, unusual or burdensome management contracts or arrangements.

Section 4.10. Income Taxes. All federal, state and local tax returns of the Company and its Subsidiaries required by law to be filed have been filed, and all federal, state and local taxes, assessments, fees and other governmental charges upon the Company, its Subsidiaries or upon any of their respective properties, income or franchises, which are shown to be due and payable have been paid. No controversy in respect of additional federal, state or local taxes is pending or, to the knowledge of the Company, threatened which would have a materially adverse effect upon the Company and its Subsidiaries, taken as a whole, if adversely determined. The provision for taxes for the Company and its Subsidiaries on the books of the Company is adequate for all open years.

Section 4.11. Private Offering. Neither the Company, directly or indirectly, nor any agent on its behalf has offered or will offer the Additional Bonds to, or has solicited or will solicit an offer to acquire the Additional Bonds or any similar security from, or has otherwise approached or negotiated or will approach or negotiate in respect of the Additional Bonds with, any person other than the Purchasers and not more than 5 other institutional investors, each of whom was offered all or a portion of the Additional Bonds only at a private sale for investment. Neither the Company, directly or indirectly, nor any agent on its behalf has offered or will offer the Additional Bonds or any similar security to, or has solicited or will solicit an offer to acquire the Additional Bonds or any similar security from, any person so as to require the issuance and sale of the Additional Bonds to be registered pursuant to Section 5 of the Securities Act of 1933, as amended, or to require that the Company qualify the Thirteenth Supplemental Indenture under the Trust Indenture Act of 1939, as amended.

Section 4.12. Governmental Approval. The Company is a “public utility” as defined in Section 216 of the California Public Utilities Code, as amended (the “Code”). Accordingly, its ability to issue the Additional Bonds and to encumber its assets to secure the Additional Bonds is conditioned upon obtaining an order from the PUC authorizing such issuance and encumbrance, pursuant to Sections 818 and 851, respectively, of the Code. The Company has received from the PUC an Opinion and Order, No. 13-02-007, dated February 13, 2013 (the “Opinion and Order”), authorizing such issuance and encumbrance, and has provided the Purchasers and the Trustee with a certified copy thereof. Aside from such Opinion and Order, there is no other order, certificate or approval of a commission, official or officials required by law to make the Additional Bonds valid, legal and binding obligations.

Section 4.13. Regulatory Compliance. The shares of stock of those Subsidiaries of the Company pledged as collateral under the Indenture are not margin stock (within the meaning of Regulation T of the Board of Governors of the Federal Reserve System), and the issuance of the Additional Bonds and the application of the proceeds therefrom by the Company do not and will not violate Regulation T, Regulation U or Regulation X of the Board of Governors of the Federal Reserve System.

Section 4.14. Not an Investment Company or Holding Company. The Company is not an “investment company” nor a company “controlled” by an “investment company” within the meanings of the Investment Company Act of 1940, as amended, or a “holding company” or an “affiliate” of a “holding company” or of a subsidiary of a “holding company” within the meanings of the Public Utility Holding Company Act of 2005.

Section 4.15. Perfection of Security Interest. The Indenture creates in favor of the Trustee, on behalf of the Purchasers, a security interest in certificates representing all of the issued and outstanding shares of stock of all Subsidiaries and the Trustee's continued possession of such certificates maintains a perfected first security interest in such shares of stock.

Section 4.16. Filing and Recordation. The Indenture and all financing statements (including any financing statements required to be filed under the provisions of the California Uniform Commercial Code) have been duly recorded and filed in such manner and in such place as is required by law to establish, preserve and protect the security interest thereby created on all collateral specifically or generally described in such documents as subject to such security interests and under the laws enforced, and it will not be necessary to rerecord any such documents.

Section 4.17. ERISA. The consummation of the transactions provided for in this Agreement and compliance by the Company with the provisions hereof and the Bonds issued hereunder will not involve any prohibited transaction within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*") or Section 4975 of the Internal Revenue Code of 1986, as amended (the "*Code*"). The representation by the Company to the Purchaser in the immediately preceding sentence is made in reliance upon and subject to the accuracy of such Purchaser's representation in Section 7.2 as to the sources of funds to be used to pay the purchase price of the Bonds to be purchased by the Purchaser. Each Plan of the Company complies in all material respects with all applicable statutes and governmental rules and regulations, and (a) no Reportable Event has occurred and is continuing with respect to any Plan, (b) neither the Company nor any ERISA Affiliate has withdrawn from any Plan or Multiemployer Plan or instituted steps to do so, and (c) no steps have been instituted to terminate any Plan. To the best knowledge of the Company, no condition exists or event or transaction has occurred in connection with any Plan which could result in the incurrence by the Company or any ERISA Affiliate of any material liability, fine or penalty. No Plan maintained by the Company or any ERISA Affiliate, nor any trust created thereunder, has failed to meet the minimum funding standards of Section 412 of the Code or Section 302 of ERISA nor, except as disclosed in the Company's financial statements for the year ended December 31, 2012, does the present value of all benefits vested under all Plans exceed, as of the last annual valuation date, the value of the assets of the Plans allocable to such vested benefits. Neither the Company nor any ERISA Affiliate has any contingent liability with respect to any post-retirement "welfare benefit plan" except as has been disclosed to the Purchasers in the Company's financial statements for the year ended December 31, 2012. As used in this Section 4.17, the terms "Plan," "Reportable Event," "Multiemployer Plan," "ERISA Affiliate" and "welfare benefit plan" shall have the respective meanings assigned to them in ERISA.

Section 4.18. Foreign Assets Control Regulations, Etc. (a) Neither the Company nor any Controlled Entity is (i) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by the Office of Foreign Assets Control, United States Department of the Treasury ("*OFAC*") (an "*OFAC Listed Person*") (ii) an agent, department, or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, (x) any OFAC Listed Person or (y) any Person, entity, organization, foreign country or regime that is subject to any OFAC Sanctions Program, or (iii) otherwise

blocked, subject to sanctions under or engaged in any activity in violation of other United States economic sanctions, including but not limited to, the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Comprehensive Iran Sanctions, Accountability and Divestment Act (“*CISADA*”) or any similar law or regulation with respect to Iran or any other country, the Sudan Accountability and Divestment Act, any OFAC Sanctions Program, or any economic sanctions regulations administered and enforced by the United States or any enabling legislation or executive order relating to any of the foregoing (collectively, “*U.S. Economic Sanctions*”) (each OFAC Listed Person and each other Person, entity, organization and government of a country described in clause (i), clause (ii) or clause (iii), a “*Blocked Person*”). Neither the Company nor any Controlled Entity has been notified that its name appears or may in the future appear on a state list of Persons that engage in investment or other commercial activities in Iran or any other country that is subject to U.S. Economic Sanctions.

(b) No part of the proceeds from the sale of the Bonds hereunder constitutes or will constitute funds obtained on behalf of any Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (i) in connection with any investment in, or any transactions or dealings with, any Blocked Person, or (ii) otherwise in violation of U.S. Economic Sanctions.

(c) Neither the Company nor any Controlled Entity (i) has been found in violation of, charged with, or convicted of, money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes under the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act), the USA PATRIOT Act or any other United States law or regulation governing such activities (collectively, “*Anti-Money Laundering Laws*”) or any U.S. Economic Sanctions violations, (ii) to the Company’s actual knowledge after making due inquiry, is under investigation by any Governmental Authority for possible violation of Anti-Money Laundering Laws or any U.S. Economic Sanctions violations, (iii) has been assessed civil penalties under any Anti-Money Laundering Laws or any U.S. Economic Sanctions, or (iv) has had any of its funds seized or forfeited in an action under any Anti-Money Laundering Laws. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Subsidiary is and will continue to be in compliance with all applicable current and future Anti-Money Laundering Laws and U.S. Economic Sanctions.

(d) (1) Neither the Company nor any Controlled Entity (i) has been charged with, or convicted of bribery or any other anti-corruption related activity under any applicable law or regulation in a U.S. or any non-U.S. country or jurisdiction, including but not limited to, the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010 (collectively, “*Anti-Corruption Laws*”), (ii) to the Company’s actual knowledge after making due inquiry, is under investigation by any U.S. or non-U.S. Governmental Authority for possible violation of Anti-Corruption Laws, (iii) has been assessed civil or criminal penalties under any Anti-Corruption Laws or (iv) has been or is the target of sanctions imposed by the United Nations or the European Union;

(2) To the Company's actual knowledge after making due inquiry, neither the Company nor any Controlled Entity has, within the last five years, directly or indirectly offered, promised, given, paid or authorized the offer, promise, giving or payment of anything of value to a Governmental Official or a commercial counterparty for the purposes of: (i) influencing any act, decision or failure to act by such Government Official in his or her official capacity or such commercial counterparty, (ii) inducing a Governmental Official to do or omit to do any act in violation of the Governmental Official's lawful duty, or (iii) inducing a Governmental Official or a commercial counterparty to use his or her influence with a government or instrumentality to affect any act or decision of such government or entity; in each case in order to obtain, retain or direct business or to otherwise secure an improper advantage; and

(3) No part of the proceeds from the sale of the Bonds hereunder will be used, directly or indirectly, for any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Subsidiary is and will continue to be in compliance with all applicable current and future Anti-Corruption Laws.

(e) As used in this Section 4.18, the following terms have the respective meanings set forth below:

"Controlled Entity" means (i) any of the Subsidiaries of the Company and any of their or the Company's respective Controlled Affiliates and (ii) if the Company has a parent company, such parent company and its Controlled Affiliates. As used in this definition, *"Control"* means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Governmental Official" means any governmental official or employee, employee of any government-owned or government-controlled entity, political party, any official of a political party, candidate for political office, official of any public international organization or anyone else acting in an official capacity.

"OFAC Sanctions Program" means any economic or trade sanction that OFAC is responsible for administering and enforcing. A list of OFAC Sanctions Programs may be found at <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>.

"USA PATRIOT Act" means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

SECTION 5. CONDITIONS TO CLOSING.

The obligation of the Purchasers to purchase the Additional Bonds to be sold to them at the Closing is subject to the fulfillment, prior to or at the Closing, of the following conditions:

Section 5.1. Representations and Warranties. The representations and warranties of the Company in Section 4 shall be correct when made on the Closing Date.

Section 5.2. Performance; No Default. The Company shall have performed and complied with all agreements and conditions contained herein required to be performed or complied with by it prior to or at the Closing, and at the time of the Closing no Default or Event of Default will exist under the Indenture.

Section 5.3. Compliance Certificate. The Company shall have delivered to each Purchaser an Officers' Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 5.1 and 5.2 hereof have been fulfilled.

Section 5.4. Regulatory Approvals. The issue and sale of the Additional Bonds shall have been duly authorized by order of the PUC, such order shall be in full force and effect at the time of the Closing and all appeal periods applicable to such order shall have expired.

Section 5.5. Legal Opinions. Each Purchaser shall have received from Fulbright & Jaworski L.L.P. counsel for the Company, Garlington, Lohn and Robinson, special Montana counsel for the Company, and Chapman and Cutler LLP, special counsel for the Purchasers, their respective opinions, dated the Closing Date, substantially in the form of Exhibits C, D and E attached hereto.

Section 5.6. Compliance with the Indenture. The Company shall have performed and complied with all agreements and conditions contained in the Indenture which are required to be performed or complied with by the Company for the issuance of the Additional Bonds.

Section 5.7. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated hereby and all documents and instruments incident to such transactions shall be satisfactory in substance and form to the Purchasers and their special counsel, and the Purchasers and their special counsel shall have received all such counterpart originals or certified or other copies of such documents as they may reasonably request.

Section 5.8. Private Placement Number. Chapman and Cutler LLP shall have obtained from Standard & Poor's Corporation and provided to the Company a Private Placement Number for the Bonds.

Section 5.9. Payment of Special Counsel Fees. The Company shall have paid all reasonable fees and disbursements of Chapman and Cutler LLP as set forth in a statement from Chapman and Cutler LLP delivered to the Company prior to the Closing Date.

Section 5.10. Waiver of Conditions. If on the Closing Date the Company fails to tender to any Purchaser the Additional Bonds to be issued to such Purchaser, or, if the conditions specified in this Section 5 have not been fulfilled, the Purchasers may thereupon elect to be relieved of all further obligations under this Agreement. Without limiting the foregoing, if the conditions specified in this Section 5 have not been fulfilled, the Purchasers may waive compliance by the Company with any such condition to such extent as the Purchasers may in their sole discretion determine. Nothing in this Section 5.10 shall operate to relieve the Company of any of its obligations hereunder or to waive any of the Purchasers' rights against the Company.

SECTION 6. INDEMNIFICATION.

The Company hereby agrees to indemnify and hold the Purchasers harmless from, against and in respect of any and all loss, liability and expense (including reasonable attorneys' fees) arising from any misrepresentation or nonfulfillment of any undertaking on the part of the Company under this Agreement, or from any misrepresentation in, or omission from, this or any other instrument given, or to be given, to the Purchasers pursuant to this Agreement. The indemnification obligations of the Company under this Section 6 shall be capped at an amount equal to the aggregate amount of the Additional Bonds. The indemnification obligations of the Company under this Section 6 shall survive the execution and delivery of this Agreement, the delivery of the Additional Bonds to the Purchasers and the consummation of the transactions contemplated herein.

SECTION 7. REPRESENTATIONS OF THE PURCHASERS.

Section 7.1. Purchase for Investment. Each Purchaser represents that (a) it is an "accredited investor" within the meaning of Section 2(15) of the Securities Act of 1933, as amended; (b) all Additional Bonds purchased by such Purchaser under the terms of this Agreement will be purchased for such Purchaser's own account for investment and not with a view to distribution, and with no present intention of reselling or distributing such Additional Bonds, but subject, nevertheless, to any requirement of law that the disposition of such Purchaser's property shall at all times be and remain within its control; (c) it is an "admitted incorporated insurer" within the meaning of Section 1100.1 of the California Insurance Code; and (d) no part of the funds to be used by it to purchase the Additional Bonds constitutes assets allocated to any separate account maintained by it.

Section 7.2 Representations of the Purchasers as to Source of Funds. Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by such Purchaser to pay the purchase price of the Bonds to be purchased by such Purchaser hereunder:

- (a) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption ("PTE") 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the NAIC (the "NAIC Annual Statement")) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general

account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an "investment fund" (within the meaning of Part VI of PTE 84-14 (the "*QPAM Exemption*")) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part VI of the QPAM Exemption), no employee benefit plan's assets that are managed by the QPAM in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, represent more than 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM maintains an ownership interest in the Company that would cause the QPAM and the Company to be "related" within the meaning of Part VI(h) of the QPAM Exemption and (i) the identity of such QPAM and (ii) the names of any employee benefit plans whose assets in the investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization, represent 10% or more of the assets of such investment fund, have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a "plan(s)" (within the meaning of Part IV(h) of PTE 96-23 (the "*INHAM Exemption*")) managed by an "in-house asset manager" or "INHAM" (within the meaning of Part IV(a) of the INHAM Exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of "control" in Part IV(d)(3) of the INHAM Exemption) owns a 10% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee

benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 7.2, the terms “*employee benefit plan*,” “*governmental plan*,” and “*separate account*” shall have the respective meanings assigned to such terms in section 3 of ERISA.

SECTION 8. EXPENSES.

The Company shall pay all expenses in connection with the preparation of this Agreement and the Thirteenth Supplemental Indenture and the issuance and delivery of the Additional Bonds pursuant thereto. Whether or not the sale of the Additional Bonds as herein contemplated shall be completed, the Company shall reimburse the Purchasers at the Purchasers' request for any out-of-pocket expenses which the Purchasers may have incurred or shall incur relative to the proposed purchase of the Additional Bonds (including any cost or expense incident to the enforcement of any of the obligations of the Company hereunder or which may result from the issuance of the Additional Bonds) and to pay the reasonable fees and disbursements of Chapman and Cutler LLP for its services contemplated hereunder.

SECTION 9. USE OF PROCEEDS.

The Company agrees that the proceeds received upon the sale of the Additional Bonds as contemplated hereunder will be used only as described in the Opinion and Order.

SECTION 10. CONTINUATION STATEMENTS.

The Company will file from time to time such continuation statements or other documents with respect to any financing statements filed on the Closing Date as may be required by law in order to preserve and protect the security of the holders of the Additional Bonds and all rights of the Trustee under the Indenture.

SECTION 11. HOME OFFICE PAYMENT.

Notwithstanding anything to the contrary contained in the Indenture or the Additional Bonds, in the case of any Additional Bond owned by any of the Purchasers or its nominee or owned by any subsequent institutional holder which has given written notice to the Company

requesting that the provisions of this Section 11 shall apply, the Company will punctually pay when due the principal thereof, interest thereon and premium, if any, due with respect to said principal, without any presentment thereof, directly to a Purchaser, its nominee or to such subsequent institutional holder at the Purchaser's address or its nominee's address set forth in Schedule I hereto or such other address as a Purchaser, its nominee or such subsequent institutional holder may from time to time designate in writing to the Company or, if a Bank account with a United States Bank is designated for a Purchaser or its nominee on Schedule I hereto or in any written notice to the Company from a Purchaser, from its nominee or from any such subsequent institutional holder, the Company will make such payments in immediately available funds to such bank account, marked for attention as indicated, or in such other manner or to such other account in any United States Bank as a Purchaser, or its nominee or such subsequent institutional holder may from time to time direct in writing.

The holder of any Additional Bond to which this Section 11 applies agrees that upon payment in full of any Additional Bond such holder shall surrender such Additional Bond to the Trustee. Such holder further agrees that in the event it shall sell or transfer any Additional Bond (i) it will, prior to the delivery of such Additional Bond make a notation of the aggregate principal amount paid and redeemed on the Additional Bond to be so sold, transferred or otherwise disposed of or (ii) present such Additional Bond to the Trustee in exchange for a new Bond or Bonds of aggregate principal amount equal to the unpaid portion thereof.

SECTION 12. REPORTS AND RIGHTS OF INSPECTION.

The Company will keep, and will cause each Subsidiary to keep, proper books of record and account in which full and correct entries will be made of all dealings or transactions of, or in relation to, the business and affairs of the Company or such Subsidiary, in accordance with generally accepted accounting principles consistently applied (except for changes disclosed in the financial statements furnished pursuant to this Section 12 and concurred in by the independent public accountants referred to in Section 12 hereof), and will furnish to each institutional holder of the Bonds (in duplicate if so specified below or otherwise requested):

(a) *Quarterly Statements.* As soon as available and in any event within 60 days after the end of each quarterly fiscal period (except the last) of each fiscal year, copies of:

(1) a consolidated balance sheet of the Company and its Subsidiaries as of the close of such quarterly fiscal period, setting forth in comparative form the consolidated figures for the fiscal year then most recently ended,

(2) a consolidated statement of income of the Company and its Subsidiaries for such quarterly fiscal period and for the portion of the fiscal year ending with such quarterly fiscal period, in each case setting forth in comparative form the consolidated figures for the corresponding periods of the preceding fiscal year, and

(3) a consolidated statement of cash flows of the Company and its Subsidiaries for the portion of the fiscal year ending with such quarterly fiscal period, setting forth in comparative form the consolidated figures for the corresponding period of the preceding fiscal year,

all in reasonable detail, prepared and certified by an authorized financial officer of the Company as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments;

(b) *Annual Statements.* As soon as available and in any event within 120 days after the close of each fiscal year of the Company, copies of:

(1) a consolidated and consolidating balance sheet of the Company and its Subsidiaries as of the close of such fiscal year, and

(2) consolidated and consolidating statements of income, common shareholders' equity and cash flows of the Company and its Subsidiaries for such fiscal year,

in each case setting forth in comparative form the comparable figures for the preceding fiscal year, all in reasonable detail and accompanied by a report thereon of Peasley Aldinger & O'Bymachow or another firm of independent public accountants selected by the Company and reasonably acceptable to the holders of a majority of the Additional Bonds to the effect that the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its Subsidiaries as of the end of the fiscal year being reported on and the consolidated results of the operations and cash flows for said year in conformity with generally accepted accounting principles and that the examination of such accountants in connection with such financial statements has been conducted in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as said accountants deemed necessary in the circumstances;

(c) *Audit Reports.* Promptly upon receipt thereof, one copy of each interim or special audit made by independent accountants of the books of the Company or any Subsidiary;

(d) *Other Reports.* Promptly upon their becoming available copies of any orders in any proceedings to which the Company or any of its Subsidiaries is a party, issued by any governmental agency, Federal or state, having jurisdiction over the Company or any of its Subsidiaries which in the opinion of the Company is likely to have a material adverse effect on the financial condition of the Company and its Subsidiaries taken as a whole;

(e) *Officer's Certificates.* Within the periods provided in paragraphs (a) and (b) above, a certificate of an authorized financial officer of the Company stating that such

officer has reviewed the provisions of the Indenture and stating whether there existed as of the date of such financial statements and whether, to the best of such officer's knowledge, there exists on the date of the certificate or existed at any time during the period covered by such financial statements any Default or Event of Default under the Indenture and, if any such condition or event exists on the date of the certificate, specifying the nature and period of existence thereof and the action the Company is taking and proposes to take with respect thereto;

(f) *Accountant's Certificates.* Within the period provided in paragraph (b) above, a certificate of the accountants who render an opinion with respect to such financial statements, stating that they have reviewed the Indenture and stating further whether, in making their audit, anything has come to the attention of such accountants which would indicate that any Default or Event of Default exists under any of the terms or provisions of the Indenture insofar as any such terms or provisions pertain to or involve accounting matters or determinations, and if such accountants shall have become aware of any such condition or event, specifying the nature and period of existence thereof; and

(g) *Requested Information.* With reasonable promptness, such other data and information as such institutional holder of the Additional Bonds may reasonably request.

Without limiting the foregoing, the Company will permit each institutional holder of the Additional Bonds (or such persons as such institutional holder may designate), to visit and inspect, under the Company's guidance, any of the properties of the Company or any Subsidiary, to examine all of their books of account, records, reports and other papers, to make copies and extracts therefrom and to discuss their respective affairs, finances and accounts with their respective officers, employees, and independent public accountants all at such reasonable times and as often as may be reasonably requested. The Company shall not be required to pay or reimburse any holder for expenses which such holder may incur in connection with any such visitation or inspection, except that if such visitation or inspection is made during any period when a Default or an Event of Default under the Indenture shall have occurred and be continuing, the Company agrees to reimburse such holder for all such reasonable expenses promptly upon demand.

SECTION 13. GENERAL.

(a) All covenants, agreements, representations and warranties made by the Company herein and in any and all certificates delivered pursuant hereto shall survive the execution and delivery of this Agreement and the Thirteenth Supplemental Indenture and the delivery of the Additional Bonds hereunder.

(b) All communications provided for hereunder shall be in writing and, if to a Purchaser, delivered or mailed by certified mail, postage prepaid, addressed to the Purchaser at the address shown on Schedule I hereto, and if to the Company, delivered or mailed by certified mail, postage prepaid, addressed to the Company, to the attention of the Chief Financial Officer, at 9750 Washburn Road, Downey, California 90241.

(c) In case any one or more of the covenants, warranties or other provisions contained in this Agreement is or are invalid or unenforceable in any respect, the validity and enforceability of the remaining covenants, warranties and provisions herein contained shall be in no way affected, prejudiced or disturbed thereby.

(d) This Agreement may be simultaneously executed and delivered in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute but one and the same instrument.

(e) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto.

(f) This Agreement constitutes the entire agreement between the parties hereto and may not be changed or modified except in a writing signed by all parties.

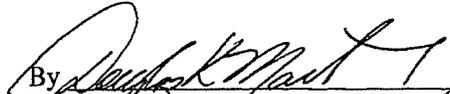
(g) This Agreement shall be governed and construed in accordance with the internal laws of the State of California and without regard to the conflict of law provisions of such state.

Park Water Company

Bond Purchase Agreement

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

PARK WATER COMPANY

By 
Name: Douglas K. Martinet
Title: Sr. V.P./C.F.O.

Park Water Company

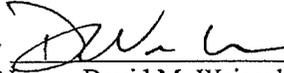
Bond Purchase Agreement

PACIFIC LIFE INSURANCE COMPANY

By *Diane W. Dales*
Name: Diane W. Dales
Title: Assistant Vice President

By *Peter S. Fick*
Name: Peter S. Fick
Title: Assistant Secretary

AMERICAN UNITED LIFE INSURANCE COMPANY

By 
Name: David M. Weisenburger
Title: VP, Fixed Income Securities

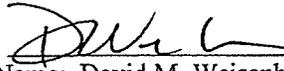
THE STATE LIFE INSURANCE COMPANY

By: American United Life Insurance Company
Its: Agent

By 
Name: David M. Weisenburger
Title: VP, Fixed Income Securities

PIONEER MUTUAL LIFE INSURANCE COMPANY

By: American United Life Insurance Company
Its: Agent

By 
Name: David M. Weisenburger
Title: VP, Fixed Income Securities

ACKNOWLEDGEMENT AND CONSENT

The undersigned hereby acknowledges receipt of an executed copy of this Agreement and consents to the payment provisions contained in §11 hereof.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: *Cristina Pitta*
Authorized Signatory

INFORMATION RELATING TO PURCHASERS

NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF BONDS TO BE PURCHASED
PACIFIC LIFE INSURANCE COMPANY	\$5,000,000
700 Newport Center Drive	\$1,000,000
Newport Beach, California 92660-6397	\$1,000,000
Attention: IM – Credit Analysis	\$500,000
Fax Number: (949) 219-5406	

Payments

All payments of principal and interest on or in respect of the Bonds to be by bank wire transfer of Federal or other immediately available funds to:

Mellon Trust of New England

[REDACTED]
[REDACTED]

Attention: MBS Income CC: 1253

[REDACTED] [REDACTED]

Regarding: Park Water Company, \$15,000,000 First Mortgage Bonds, Series 4.53%
Due June 4, 2043, PPN 70090* AN4

Notices

All notices and communications to be addressed as first provided above, except notices with respect to payments and written confirmation of each such payment, to be addressed:

Mellon Trust
Attention: Pacific Life Accounting Team
One Mellon Bank Center
Room 0930
Pittsburgh, PA 15259

and

Pacific Life Insurance Company
Attention: IM – Cash Team
700 Newport Center Drive
Newport Beach, CA 92660-6397
Fax Number: (949) 718-5845

Name of Nominee in which Bonds are to be issued: Mac & Co., as nominee for Pacific Life Insurance Company

SCHEDULE I
(to Bond Purchase Agreement)



Deliver Bonds to:

Mellon Securities Trust Company
One Wall Street
3rd Floor-Receive Window C
New York, NY 10286
Attention: Robert Ferraro (212) 635-1299
A/C Name: General Account
A/C #: PLCF18101302

NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF BONDS TO BE PURCHASED
AMERICAN UNITED LIFE INSURANCE COMPANY Attention: Michael Bullock, Securities Department One American Square, Suite 305W Post Office Box 368 Indianapolis, IN 46206	\$5,500,000

Payments

Park Water Company shall make payment of principal and interest on the Bond(s) in immediately available funds by wire transfer to the following bank account:

American United Life Insurance Company
Bank of New York

Account Name: American United Life Insurance Company

P & I Breakdown: _____

Ref: Park Water Company, \$15,000,000 First Mortgage Bonds, Series 4.53% Due June 4, 2043, PPN 70090* AN4

Payments should contain sufficient information to identify the breakdown of principal and interest and should identify the full description of the bond and the payment date.

Notices

All notices and communications, including notices with respect to payments and written confirmation of each such payment, to be addressed as first provided above.

Name of Nominee in which Bonds are to be issued: None

Deliver Bonds to:

**Bank of New York
One Wall Street, 3rd Floor
New York, NY 10286
Re: American United Life Insurance Company, Account # 186683
Attn: Anthony Saviano/Window A
cc: Michele Morris/NYC Physical Desk on all correspondence**

NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF BONDS TO BE PURCHASED
THE STATE LIFE INSURANCE COMPANY c/o American United Life Insurance Company Attention: Michael Bullock, Securities Department One American Square, Suite 305W Post Office Box 368 Indianapolis, IN 46206	\$1,000,000

Payments

Park Water Company shall make payment of principal and interest on the Bond(s) in immediately available funds by wire transfer to the following bank account:

The State Life Insurance Company
Bank of New York



Account Name: The State Life Insurance Company



P & I Breakdown: _____

Ref: Park Water Company, \$15,000,000 First Mortgage Bonds, Series 4.53% Due
June 4, 2043, PPN 70090* AN4

Payments should contain sufficient information to identify the breakdown of principal and interest and should identify the full description of the bond and the payment date.

Notices

All notices and communications, including notices with respect to payments and written confirmation of each such payment, to be addressed as first provided above.

Name of Nominee in which Bonds are to be issued: None



Deliver Bonds to:

Bank of New York
One Wall Street, 3rd Floor
New York, NY 10286
Re: The State Life Insurance Company, c/o American United Life Insurance Company,
Account # 343761
Attn: Anthony Saviano/Window A
cc: Michele Morris/NYC Physical Desk on all correspondence

NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF BONDS TO BE PURCHASED
PIONEER MUTUAL LIFE INSURANCE COMPANY c/o American United Life Insurance Company Attention: Michael Bullock, Securities Department One American Square, Suite 305W Post Office Box 368 Indianapolis, IN 46206	\$1,000,000

Payments

Park Water Company shall make payment of principal and interest on the Bond(s) in immediately available funds by wire transfer to the following bank account:

Pioneer Mutual Life Insurance Company
Bank of New York



Account Name: Pioneer Mutual Life Insurance Company

Account #: 186709

P & I Breakdown: _____

Ref: Park Water Company, \$15,000,000 First Mortgage Bonds, Series 4.53% Due June 4, 2043, PPN 70090* AN4

Payments should contain sufficient information to identify the breakdown of principal and interest and should identify the full description of the bond and the payment date.

Notices

All notices and communications, including notices with respect to payments and written confirmation of each such payment, to be addressed as first provided above.

Name of Nominee in which Bonds are to be issued: None



Deliver Bonds to:

**Bank of New York
One Wall Street, 3rd Floor
New York, NY 10286
Re: Pioneer Mutual Life Insurance Company, c/o American United Life Insurance
Company, Account # 186709
Attn: Anthony Saviano/Window A
cc: Michele Morris/NYC Physical Desk on all correspondence**

SUBSIDIARIES OF PARK WATER COMPANY

NAME	JURISDICTION OF INCORPORATION
Apple Valley Ranchos Water Company	California
Santa Paula Water Works, Ltd.	California
Mountain Water Company	Montana

EXHIBIT A
(to Bond Purchase Agreement)

SCHEDULE OF EXCEPTIONS TO REPRESENTATIONS AND WARRANTIES

Section 4.1. Corporate Organization and Authority.

The Company and its Subsidiaries have 69,000+ service connections. 62 are within the borders of the City of Artesia, CA (the "City"). The Company's franchise with the City expired on November 30, 2011. The City's process for renewing the franchise agreement has taken longer than expected. The Company continues to provide utility service to those its customers in the City, however, as if its franchise agreement had not lapsed. The Company has been advised that the City is reviewing comments from the Company and other franchisees, regarding proposed changes to the form of the City's standard franchise agreement. The City has not indicated when it will complete its review.

Section 4.7. Indebtedness.

1. The indebtedness of the Company and its Subsidiaries to the Company's banks was \$5,400,000, as of April 30, 2013.

FORM OF CLOSING OPINION OF COUNSEL TO THE COMPANY

[See Attached]

EXHIBIT C
(to Bond Purchase Agreement)

WWH001144

NORTON ROSE FULBRIGHT

Fulbright & Jaworski LLP
555 South Flower Street
Forty-First Floor
Los Angeles, California 90071
United States

Tel +1 213 892 9200
Fax +1 213 892 9494

nortonrosefulbright.com

June 4, 2013

The Bank of New York Mellon Trust Company, N.A.
700 South Flower Street, Suite 500
Los Angeles, California 90017

Ladies and Gentlemen:

We have acted as special counsel to Park Water Company, a California corporation and California public utility (the "Company"), in connection with the transactions contemplated by the Bond Purchase Agreement, dated June 4, 2013 (the "Bond Purchase Agreement"), among the Company and the purchasers named on Schedule I attached thereto (the "Purchasers"), and acknowledged by you, The Bank of New York Mellon Trust Company, N.A., a national banking association, as trustee (the "Trustee"), and the negotiation and preparation of that certain Thirteenth Supplemental Indenture, dated as of June 4, 2013 (the "Thirteenth Supplemental Indenture"), between the Company and you. The Thirteenth Supplemental Indenture amends and supplements the Company's Indenture, dated November 1, 1973 (the "Original Indenture"), as previously amended, supplemented and restated through its Twelfth Supplemental Indenture, dated October 6, 2008. The Original Indenture and all supplemental indentures thereto, including the Thirteenth Supplemental Indenture, are hereinafter collectively referred to as the "Indenture". This opinion is being delivered to you in your capacity as Trustee. All capitalized terms shall have the same meaning as set forth in the Bond Purchase Agreement unless the context indicates otherwise.

The Thirteenth Supplemental Indenture provides, among other things, for the creation of the Company's 4.53% First Mortgage Bonds due June 4, 2043 in the aggregate principal amount of \$15,000,000 (the "Additional Bonds"). In our capacity as special counsel to the Company in connection with the foregoing transaction, we have examined originals, or copies identified to our satisfaction as being true copies, of such records, documents and other instruments which in our judgment are necessary or appropriate to enable us to provide the opinions expressed below. These records, documents and instruments included the following:

- (a) The Indenture;
- (b) The Additional Bonds;

Fulbright & Jaworski LLP is a limited liability partnership registered under the laws of Texas.

Fulbright & Jaworski LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP, Norton Rose Fulbright South Africa (incorporated as Deneys Reitz, Inc.), each of which is a separate legal entity, are members of Norton Rose Fulbright Verein, a Swiss Verein. Details of each entity, with certain regulatory information, are at nortonrosefulbright.com. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients.

WWH001145

(c) The Bond Purchase Agreement (together with the Thirteenth Supplemental Indenture and the Additional Bonds, hereinafter collectively referred to as the "Bond Documents");

(d) The Articles of Incorporation of the Company, as amended to date, certified by the California Secretary of State;

(e) The Bylaws of the Company, as amended to date, certified by the Secretary of the Company;

(f) All records of proceedings and actions of the Board of Directors of the Company relating to the Bond Documents and the transactions contemplated thereby, certified by the Secretary of the Company; and

(g) The "Opinion and Order," as defined hereafter.

In addition, we have made such investigation and inquiry as we have deemed relevant as a basis for our opinions hereinafter set forth (the "Opinions"), including having examined certificates of public officials, officers of the Company, and originals or copies otherwise identified to our satisfaction of certain corporate documents and records.

In expressing our Opinions set forth herein, we have assumed (a) the legal capacity of all natural persons, (b) the genuineness of all signatures, other than those of the Company, (c) the authority of the persons signing each of the Bond Documents on behalf of the parties thereto, other than the Company, (d) the validity, binding effect and enforceability of each of the Bond Documents against each of the parties thereto, other than the Company, (e) the compliance of each party to the Bond Documents, other than the Company, with all legal requirements pertaining to its status as such status relates to its rights to enforce the Bond Documents against the Company, (f) the authenticity of all original documents examined by us, and (g) the conformity to original authentic documents of all documents submitted to us as copies. We have assumed that, other than the Bond Documents and the Indenture, there are no instruments or agreements which would expand or otherwise modify the respective rights and obligations of you as Trustee, the Purchasers of the Additional Bonds, or the Company as set forth in the Bond Documents, or which would have an effect on our Opinions. As to questions of fact material to our Opinions, we have, to the extent we deemed appropriate, relied upon the representations set forth in the Bond Documents, and upon certificates and assurances of public officials and officers and other representatives of the Company.

As used herein, the following terms shall have the following meanings, unless the context otherwise requires:

A. "Bankruptcy Code" means the United States Bankruptcy Code, 11 U.S.C. Section 101, et seq., as amended.

B. "Code" means the Uniform Commercial Code as currently in effect in the State of California.

C. "Collateral" means all real property and personal property identified in the Indenture in respect of which provision is made by the Indenture for a lien or security interest.

D. "Fixtures" means those items of Collateral which constitute "fixtures" (as defined in the Code) in which a security interest may be perfected by the filing of a financing statement in the State of California.

E. "Subject Collateral" means that portion of the Collateral (other than "fixtures" as defined in the Code) as to which a security interest may be created under Division 9 of the Code.

Based upon and subject to the foregoing, and in reliance thereon, and subject to the exceptions, limitations, qualifications and assumptions stated herein, we are of the opinion that:

1. The Company is a corporation, validly existing and in good standing under the laws of the State of California. The Company has the corporate power to carry on its business as currently being conducted, to issue and sell the Additional Bonds, and to execute and deliver and to perform its obligations under the Bond Documents.

2. The Thirteenth Supplemental Indenture is sufficient to create the Additional Bonds pursuant to Section 4.01 of Article Four of the Indenture. The Additional Bonds are being validly issued pursuant to Section 4.01 of Article Four of the Indenture and, accordingly, are secured by and entitled to the benefits of the Indenture equally and ratably with all other bonds issued and to be issued thereunder. The Thirteenth Supplemental Indenture has been duly and validly recorded in the Official Records of the County of Los Angeles, California and no action is required as a result of the issuance of the Additional Bonds to assure the continued validity and enforceability of any existing valid and enforceable security interest or lien created by the Indenture.

3. The Company has received from the Public Utilities Commission of the State of California an Opinion and Order, dated February 13, 2013, authorizing the issuance of the Additional Bonds (the "Opinion and Order"). The Opinion and Order are not subject to appeal. Except for the Opinion and Order, no consent, approval or authorization of, or filing, registration or qualification is required with, any State of California or United States government or regulatory authority or body under any statute or regulation of the State of California or the United States in connection with or as a condition to the issuance, sale, and delivery of the Additional Bonds. Based in part on the representations made by the Company and the Purchasers in the Bond Purchase Agreement, it is not necessary in connection with the initial sale of the Additional Bonds to the Purchasers under the circumstances contemplated by the Bond Purchase Agreement and the Indenture to register the Additional Bonds under the Securities Act of 1933, as amended, or to qualify the Indenture under the Trust Indenture Act of 1939, as amended.

4. Each of the Bond Documents has been duly authorized by all necessary action on the part of the Company, has been duly executed and delivered by the Company and each of the

Bond Documents constitutes the legal, valid and binding agreement of the Company enforceable in accordance with its terms.

5. Execution of the Thirteenth Supplemental Indenture is authorized or permitted by, and conforms to, the applicable terms of Article Nine of the Indenture.

6. The Thirteenth Supplemental Indenture and the Additional Bonds conform to the requirements of the Indenture and all conditions precedent specified in the Indenture relating to the Additional Bonds have been complied with. The Additional Bonds may be lawfully authenticated and delivered under the Indenture.

Our Opinions are also subject to the following exceptions, limitations, qualifications and assumptions:

(a) We have assumed for purposes of our Opinions that:

(i) the Trustee is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation; that the Trustee is duly qualified and in good standing (including having paid all applicable franchise taxes) in the State of California; that the Trustee is duly qualified to engage in the transaction covered by these Opinions; that the Bond Documents have been duly authorized, executed and delivered by the Trustee and the Purchasers to the extent required, and constitute legal, valid and binding obligations of the Trustee and the Purchasers, enforceable against the Trustee and the Purchasers in accordance with their respective terms; that the Trustee and the Purchasers have the requisite power and authority to perform their respective obligations under the Bond Documents and that the Trustee has complied with all applicable regulatory and administrative statutes, regulations, orders, rulings and the like governing or applicable to it or to its execution, delivery and performance of the Bond Documents or the consummation of the transactions contemplated thereby. We have assumed that the Trustee, the Purchasers and any other party to any of the Bond Documents (except for the Company) will enforce each of the Bond Documents in compliance with the provisions thereof and all requirements of applicable law. We have assumed that the Trustee is, and will continue to be, the duly appointed trustee under the Indenture, with all requisite power to act as such.

(ii) except for the Bond Documents, there are no instruments or agreements between the Trustee and the Purchasers, and the Company, or between the Trustee and the Purchasers, and others, which would expand or otherwise modify the respective rights and obligations of the Trustee, the Purchasers and the Company as set forth in the Bond Documents in a way that would have an effect on our Opinions.

(iii) the Company has sufficient rights in the Collateral, and the description of the Collateral is sufficient, in order for the liens and security interests granted by the Company under the Indenture to attach thereto, value has been given for such liens and security interests, and no agreement to which the Trustee is a party exists which postpones attachment of the Trustee's security interest.

(iv) the Indenture has been duly and validly recorded, indexed, filed and rendered in the land records of the county in which the real properties covered by the Indenture are located and that any financing statements will be or have been duly and validly filed with the California Secretary of State.

(b) Our Opinions expressed in the first sentence of numbered Paragraph 1 above are based on certificates of recent date of public officials, and such Opinions are limited to the dates of such certificates.

(c) Our Opinions are subject to and may be limited by (i) bankruptcy, insolvency, reorganization, fraudulent transfer, fraudulent conveyance, moratorium and similar laws affecting creditors' rights, (ii) general principles of equity, including, without limitation, concepts of materiality, reasonableness, public policy, good faith and fair dealing, and the possible unavailability of specific performance, injunctive relief or other equitable remedies, some or all of which may be applied or not applied in the discretion of the courts, regardless of whether considered in a proceeding in equity or at law, and (iii) the fact that certain provisions of the Bond Documents may be unenforceable, but subject to the other exceptions, qualifications, limitations and assumptions set forth herein, there exist, in the Bond Documents or pursuant to applicable law, legally adequate remedies to realize the substantive principal legal benefits intended to be provided by the Bond Documents (except for the economic consequences of procedural or other delays).

(d) Our Opinions expressed in numbered Paragraph 3 above as to statutes and regulations are limited to statutes and regulations of the State of California and the United States that a lawyer in the State of California exercising customary professional diligence would reasonably recognize to be directly applicable to the Company or to the transaction with respect to which these Opinions are being rendered. Furthermore, we express no opinion with respect to compliance with local or municipal law, antitrust, environmental, land use, securities (except as set forth in numbered Paragraph 8 above), tax, pension, employee benefit, insolvency, fraudulent transfer or investment company laws or regulations, nor compliance by the Company's Board of Directors or shareholders with their fiduciary duties.

(e) We express no opinion as to the validity or enforceability of any provisions of the Bond Documents that:

(i) require a borrower to provide hazard insurance coverage against risks in an amount exceeding the replacement value of any improvements to real property;

(ii) impose requirements respecting impound accounts in conflict with applicable law;

(iii) provide for the application of insurance or condemnation proceeds to reduce indebtedness;

(iv) contain a waiver of any party's statutory right to reinstate a secured obligation by paying the delinquent amounts of the fully accelerated debt at any time prior to the time provided by statute;

(v) conflict with any laws governing foreclosure and disposition procedures regarding any Collateral or conflict with any limitations on attorneys' or trustees' fees;

(vi) indemnify any party against its own negligence or willful misconduct or otherwise provide for indemnities which may be limited on statutory or public policy grounds;

(vii) select any jurisdiction's laws to govern any of the Bond Documents;

(viii) provide for penalties, liquidated damages, acceleration of future amounts due (other than principal) without appropriate discount to present value, late charges, prepayment charges and increased interest rates upon default;

(ix) provide that time is of the essence;

(x) provide for the confession of judgment;

(xi) provide that all remedies are cumulative;

(xii) contain a waiver or limitation of (i) broadly or vaguely stated rights, (ii) the benefits of statutory, regulatory or constitutional rights (including the right to trial by jury), unless and to the extent the statute, regulation or constitution explicitly allows waiver, (iii) unknown future rights and defenses, (iv) rights to damages, and (v) rights or defenses that may be against public policy;

(xiii) attempt to change or waive rules of evidence or fix the method or quantum of proof to be applied in litigation or similar proceedings;

(xiv) select the forum for the resolution of any disputes or provide for a consent to the jurisdiction of any jurisdiction (either as to personal jurisdiction or subject matter jurisdiction); or

(xv) appoint one party as an attorney-in-fact for an adverse party.

(f) We express no opinion as to the validity or enforceability of any provisions of the Bond Documents that conflict with the real property anti-deficiency, fair value and one form of action provisions of California law. With respect to the foregoing qualification, you should be aware of the following provisions of California law:

(i) Section 726 of the California Code of Civil Procedure provides that any action to recover on a debt or other right secured by a mortgage or a deed of trust on real property must comply with the requirements of that Section, which requirements relate to

and specify the procedures for the sale of encumbered property, the application of proceeds, the rendition in certain cases of a deficiency judgment, and other related matters. We advise you that in such an action or proceeding, the debtor may require the creditor to exhaust all of its security before a personal judgment may be obtained against the debtor for a deficiency. We also advise you that failure to comply with the provisions of Section 726 (including an attempt to exercise a right to set off with respect to any funds of Borrower that may be deposited with you from time to time and with respect to which you do not hold a perfected security interest) may result in the loss of the lien of the Indenture on the real property Collateral. *See, e.g., Walker v. Community Bank*, 10 Cal. 3d 729, 111 Cal. Rptr. 897 (1974); *Security Pacific Nat'l Bank v. Wozab*, 51 Cal. 3d 991, 275 Cal. Rptr. 201 (1990). For example, in *Security Pacific Nat'l Bank v. Wozab, supra*, the lender was held to have lost its lien on real property security by exercising a right of setoff with respect to funds of the borrower deposited with the lender and as to which the lender did not have a security interest;

(ii) Section 580d of the California Code of Civil Procedure provides that no deficiency judgment shall be rendered upon a note secured by a deed of trust or mortgage on real property after sale of the real property under the power of sale contained in such deed of trust or mortgage;

(iii) Section 2924c of the California Civil Code provides that whenever the maturity of an obligation secured by a deed of trust or mortgage on real property is accelerated by reason of a default in the payment of interest or in the payment of any installment of principal or other sums secured thereby, or by reason of failure of the trustor or mortgagor to pay taxes, assessments, or insurance premiums, the trustor or mortgagor and certain other specified persons have the right, to be exercised at any time within the reinstatement period described in such section, to cure such default by paying the entire amount then due (including certain reasonable costs and expenses incurred in enforcing such obligations but excluding any principal amount that would not then be due had no default occurred) and thereby cure the default and reinstate such deed of trust or mortgage and the obligations secured thereby to the same effect as if no acceleration had occurred. If the power of sale in the deed of trust or mortgage is not to be exercised, such reinstatement right may be exercised at any time prior to entry of the decree of foreclosure;

(iv) Section 726.5 of the California Code of Civil Procedure authorizes, under certain circumstances, a real estate-secured commercial lender to waive its lien against a parcel of "environmentally impaired" security (as therein defined) and sue the borrower without foreclosing on the real property collateral for the loan; and

(v) Section 736 of the California Code of Civil Procedure permits a lender, under certain circumstances, to sue for breach of contract relating to any "environmental provisions" (as therein defined) concerning real property security without foreclosing on the real property security or in an action brought following foreclosure, whether judicial or non-judicial.

(g) In connection with our Opinion expressed in numbered Paragraph 4 above, we express no opinion as to whether the Indenture has been given for fair consideration or reasonably equivalent value.

(h) We express no opinion as to the legality, validity, binding effect or enforceability of any provisions in the Indenture that purport (i) to permit any person to sell or otherwise dispose of any Collateral subject thereto except in compliance with the California Civil Code, the California Code of Civil Procedure, applicable laws of the United States and other applicable state and local laws, or (ii) to limit the standards imposed on the Trustee under any provision of the Indenture for the care of Collateral in the Trustee's possession.

(i) To the extent that the Bond Documents provide for the payment of attorneys' fees in litigation, under California law, such attorneys' fees must be reasonable (as determined pursuant to Section 1717 of the California Civil Code) and may be granted only to the prevailing party, and such provisions are deemed to extend to both parties, notwithstanding that such provisions by their express terms benefit only one party.

(j) Requirements in the Bond Documents specifying that provisions thereof may only be waived in writing may not be binding or enforceable to the extent that a non-executory oral agreement has been created modifying any provision of the Bond Documents or an implied agreement-by-trade practice or course-of-conduct has been created allowing a waiver.

(k) Except as expressly set forth in numbered Paragraph 2, we express no opinion herein as to the creation, validity, attachment, or enforceability of any lien or security interest. We express no opinion herein as to the perfection or priority of any lien or security interest.

(l) Our Opinions as to the creation and enforceability of security interests are subject to the following:

(i) We note that the effectiveness, validity or perfection of the security interests in the Subject Collateral may be lost, impaired or adversely affected as to such property, or portions thereof, that (a) become "commingled goods" (as defined in Section 9336 of the Code), (b) are goods purchased by a buyer in the ordinary course of business under Section 9320 of the Code or by a buyer other than in the ordinary course of business under Section 9323(d) of the Code or are goods leased, or general intangibles licensed, in the ordinary course of business under Section 9321 of the Code, (c) are chattel paper, instruments, documents, securities, financial assets or security entitlements with respect to which a purchaser is entitled to take free of security interests under Section 9330 or Section 9331 of the Code, or (d) are goods in which certain purchasers are entitled to take free of security interests under Section 9337 of the Code. We further note that the security interest in any portion of the Subject Collateral will be lost to the extent that you authorize the sale, exchange or other disposition of that portion of such collateral free of such security interest and that any sale or use of all or any part of the Subject Collateral upon retention, foreclosure or other disposition thereof will need to

comply with all applicable requirements of state and federal laws at the time of such retention, foreclosure or disposition.

(ii) We express no opinion as to the ability of the Trustee, as a secured party, to become the owner of, or transfer or assume, any of the rights and duties of the Company as a party to any contract or agreement under which the Company's rights, obligations or duties are not freely or unconditionally assignable or transferable, except to the extent that such restrictions on assignability or transferability are rendered ineffective pursuant to Sections 9406 through 9409 of the Code. We note that Section 9408(d) of the Code imposes restrictions on the effectiveness of the security interest in a "general intangible" (as defined in the Code) that contains terms that prohibit, restrict or require the consent to the assignment or transfer of, or creation, attachment or perfection of a security interest in, such general intangible. In addition, we note that the rights and benefits of the Trustee, as a secured party, are in all relevant respects at least subject to the nature, extent and type of rights, restrictions, limitations, agreements and the like as to which the Company granting such security interest may be subject.

(iii) The rights of the Company to create a security interest in any accounts consisting of claims against any government or governmental agency (including, without limitation, the United States or any state thereof or any agency or department thereof or of any state) may be limited by the Federal Assignment of Claims Act or similar state or local statute.

(iv) Section 552 of the Bankruptcy Code may affect the validity of liens and security interests intended to be created by the Bond Documents with respect to proceeds realized and property acquired after the commencement of a case under the Bankruptcy Code.

(v) Section 9604 of the Code provides that, in instances in which a creditor holds a security interest and lien on both real and personal property, a creditor may proceed non-judicially against such real property in accordance with real property law or non-judicially against such personal property in accordance with the Code or proceed judicially or non-judicially as to both in a unified sale in accordance with real property law. Where a creditor holds a security interest in both real and personal property, California law requires a creditor to realize against the secured property of the debtor prior to realizing against the unsecured property of the debtor.

(vi) The perfection of any security interest in proceeds is limited, and our Opinions are so limited, to the extent set forth in Section 9315 of the Code.

(vii) Our assumption that no part of the Subject Collateral consists of "as-extracted collateral" or "timber to be cut", each within the meaning of Section 9501(a) of the Code, or "farm products" as defined in Section 9102(a) of the Code.

(m) We have assumed that the Indenture has been duly and validly recorded and indexed in the Official Records of the County of Los Angeles, California, which we understand

The Bank of New York Mellon Trust Company, N.A.
June 4, 2013
Page 10

to be the only county in which the real properties and fixtures described in the Indenture are located, and that all taxes, filing fees and other fees and charges in connection therewith have been properly paid.

The laws covered by our Opinions are limited to the internal laws of the State of California and the federal laws of the United States.

Our Opinions expressed herein are for the sole benefit of, and may only be relied upon by, you in your capacity as Trustee for the Purchasers of the Additional Bonds and any successor Trustee under the Indenture in connection with the transactions contemplated by the Bond Documents. Our Opinion letter may not be used or relied upon by you or any such successor trustee for any other purpose or in any other capacity whatsoever, or by any other person for any purpose whatsoever, without in each instance our prior written consent.

Very truly yours,

Fulbright & Jaworski LLP

**FORM OF CLOSING OPINION OF SPECIAL MONTANA
COUNSEL TO THE COMPANY**

[See Attached]

**EXHIBIT D
(to Bond Purchase Agreement)**

garlington|lohn|robinson



350 Ryman Street
P.O. Box 7909
Missoula, Montana 59807-7909
(406) 523-2500
Fax (406) 523-2595
www.garlington.com

J. C. Garlington
1908 – 1995

Sherman V. Lohn
1921 – 2007

R.H. "Ty" Robinson
(Retired)

Stephen R. Brown
Gary B. Chumrau
Randall J. Colbert
Lawrence F. Daly
Kathleen L. DeSoto
Megan L. Dishong
Candace C. Fetscher
Charles E. Hansberry
Gregory L. Hanson
Elizabeth L. Hausbeck
Malin Stearns Johnson
Jenny M. Jourdonnais
Isaac M. Kantor
Bradley J. Luck
Robert C. Lukes

Kathryn S. Mahe
Alan F. McCormick
Kristina K. McMullin
Charles E. McNeil
Anita Harper Poe
Larry E. Riley
Jeffrey M. Roth
Susan P. Roy
Robert E. Sheridan
Brian J. Smith
Jeffrey B. Smith
Peter J. Stokstad
Christopher B. Swartley
Kevin A. Twidwell
William T. Wagner

June 4, 2013

Pacific Life Insurance Company

700 Newport Center Drive
Newport Beach, California 92660-6397
Attention: IM – Credit Analysis

American United Life Insurance Company

Attention: Michael Bullock, Securities Department
One American Square, Suite 305W
Post Office Box 368
Indianapolis, IN 46206

The State Life Insurance Company

c/o American United Life Insurance Company
Attention: Michael Bullock, Securities Department
One American Square, Suite 305W
Post Office Box 368
Indianapolis, IN 46206

Pioneer Mutual Life Insurance Company

c/o American United Life Insurance Company
Attention: Michael Bullock, Securities Department
One American Square, Suite 305W
Post Office Box 368
Indianapolis, IN 46206

**RE: Closing Opinion Letter for Park Water Company \$15,000,000 of First
Mortgage Bonds, Series 4.53%, Due June 4, 2043**

Dear Ladies and Gentlemen:

As counsel for Mountain Water Company ("MWC"), the undersigned is generally familiar with the legal status of such company and its relationship with Park Water Company ("PWC").

MWC is a Montana corporation, validly existing and in good standing under the laws of Montana, and is conducting business in Montana with proper authority. MWC is not required to be licensed or

RE: Closing Opinion Letter for Park Water Company \$15,000,000 of First
Mortgage Bonds, Series 4.53%, Due June 4, 2043

June 4, 2013

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qualified in any other jurisdiction. All of MWC's issued and outstanding shares of capital stock have been duly issued, are fully paid and non-assessable, and are owned by PWC.

If you have any questions or need further information, please contact the undersigned.

Very truly yours,

GARLINGTON, LOHN & ROBINSON, PLLP

William T. Wagner

WTW:kbb

c: Park Water Company

Mountain Water Company

**FORM OF CLOSING OPINION OF SPECIAL COUNSEL
TO THE PURCHASERS**

[See Attached]

EXHIBIT E
(to Bond Purchase Agreement)

June 4, 2013

To the Purchasers named on
Schedule I hereto

Re: \$15,000,000 First Mortgage Bonds, Series 4.53%
Due June 4, 2043
of
PARK WATER COMPANY

Ladies and Gentlemen:

We have acted as your special counsel in connection with the purchase of the above-captioned Bonds (the "*Additional Bonds*") of Park Water Company, a California corporation (the "*Company*") pursuant to a Bond Purchase Agreement dated as of June 4, 2013 (the "*Bond Purchase Agreement*"), between the Company and you. The Additional Bonds are issued under the Indenture, dated as of November 1, 1973 (the "*Original Indenture*"), as amended and supplemented by the thirteen supplemental indentures, first through thirteen, including the Eighth Supplemental Indenture dated as of May 1, 2002 (the "*Eighth Supplemental Indenture*"), the Ninth Supplemental Indenture dated as of May 15, 2002 (the "*Ninth Supplemental Indenture*"), the Tenth Supplemental Indenture dated as of January 27, 2006 (the "*Tenth Supplemental Indenture*"), the Eleventh Supplemental Indenture dated as of October 6, 2008, (the "*Eleventh Supplemental Indenture*"), the Twelfth Supplemental Indenture dated as of October 6, 2008 (the "*Twelfth Supplemental Indenture*") and a Thirteenth Supplemental Indenture dated June 4, 2013 (the "*Thirteen Supplemental Indenture*," together with the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture, the Twelfth Supplemental Indenture and the Thirteenth Supplemental Indenture, the "*Indenture*"), between the Company and The Bank of New York Mellon Trust Company, N.A., a national banking association (the "*Trustee*") (as successor trustee to the Bank of New York Trust Company, N.A. which succeeded BNY Western Trust Company which succeeded Harris Trust Company of California which succeeded Bank of America National Trust and Savings Association which succeeded Security Pacific National Bank, as corporate trustee, and D.R. McEachren, as individual trustee).

We have examined the Indenture, the Bond Purchase Agreement, the Additional Bonds delivered to you on the date hereof, such charter documents, corporate records, certificates of public officials and of officers of the Company and such other documents and showings and related matters of law as we have deemed necessary to enable us to give the opinion hereinafter set forth.

Chapman and Cutler LLP

June 4, 2013

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We believe that the opinion of Fulbright & Jaworski LLP counsel to the Company dated as of the date hereof, is satisfactory in scope and form and that you are justified in relying thereon. Our opinion as to matters referred to in paragraph 1 below is based solely upon the examination of the Articles of Incorporation certified by, and a Good Standing Certificate of the Company from the Secretary of State of the State of California and the By-Laws of the Company.

Based upon the foregoing, we are of the opinion that:

(1) The Company is a corporation validly existing and in good standing under the laws of the state of California, has the corporate power and the corporate authority to carry on the business in which it is engaged and to issue and sell the Additional Bonds.

(2) The Bond Purchase Agreement has been duly authorized by all necessary corporate action on the part of the Company, has been duly executed and delivered by the Company and constitutes the legal, valid and binding contract of the Company enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance or similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

(3) The Additional Bonds have been duly authorized by all necessary corporate action on the part of the Company, have been duly executed by the Company and authenticated by the Trustee and delivered and constitute the legal, valid and binding obligations of the Company, enforceable in accordance with their terms, and are secured by and entitled to the benefits of the Indenture equally and ratably with all other bonds issued and to be issued thereunder, subject to bankruptcy, insolvency, fraudulent conveyance or similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

(4) The offering, sale and delivery of the Additional Bonds, under the circumstances contemplated by the Bond Purchase Agreement, constitutes an exempt transaction under the Securities Act of 1933, as amended, and under the Trust Indenture Act of 1939, as amended, and does not require registration of the Additional Bonds or qualification of the Indenture, respectively, thereunder.

Chapman and Cutler LLP

June 4, 2013

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In giving the foregoing opinions, we have relied with your permission upon (a) the opinions of Fulbright & Jaworski LLP (i) dated as of the date hereof, (ii) dated as of October 6, 2008, (iii) dated as of January 27, 2006, (iv) dated as of May 30, 2002 and (v) dated as of May 16, 2002 as to the filing and recording of the Indenture, the authorization, execution, delivery and validity of the Indenture and all other matters governed by the laws of the State of California and (b) the Certificate of the Company as to the title of the Company to its properties.

To the extent that we have relied on the opinion of Fulbright & Jaworski LLP any applicable conditions, assumptions, qualifications and exceptions set forth in said opinion are incorporated in this opinion as though set forth in full herein.

Respectfully submitted,

ADYager:ALOlshansky

Chapman and Cutler LLP

SCHEDULE I

Pacific Life Insurance Company
700 Newport Center Drive
Newport Beach, California 92660-6397

American United Life Insurance Company
One American Square, Suite 305W
Post Office Box 368
Indianapolis, IN 46206

The State Life Insurance Company
c/o American United Life Insurance Company
One American Square, Suite 305W
Post Office Box 368
Indianapolis, IN 46206

Pioneer Mutual Life Insurance Company
c/o American United Life Insurance Company
One American Square, Suite 305W
Post Office Box 368
Indianapolis, IN 46206

REAL PROPERTY OF THE COMPANY

	Assessor's Parcel Number	Street Address (if applicable)
1.	6134 004 019	
2.	6143 001 017	
3.	Intentionally Omitted	
4.	6144 017 032	
5.	6149 014 012	
6.	6186 019 014	12535 Harris Avenue, Lynwood, CA
7.	6262 020 015	
8.	6274 011 015	9939 Lindale Street, Bellflower, CA
9.	6280 018 016	
10.	6283 020 020	9744 Washburn Road, Downey, CA
11.	8900 763 674	
12.	7301 022 040	2501 East Greenleaf Boulevard, Compton, CA
13.	8021 023 029	
14.	8052 002 056	13902 Halcourt Avenue, Norwalk, CA
15.	8073 024 033	14629 Funston Avenue, Norwalk, CA
16.	8079 006 004	11526 Excelsior Drive, Norwalk, CA
17.	8082 013 001	15401 Bloomfield Avenue, Norwalk, CA
18.	8082 020 021	12214 Alondra Boulevard, Norwalk, CA
19.	6181 020 017	
20.	6186 043 017	
21.	6275 009 021	10431 Faywood Street, Bellflower, CA
22.	6278 008 001	
23.	7302 014 019	
24.	8054 016 020	11950 Foster Road, Norwalk, CA
25.	8049 030 009	
26.	8049 030 011	12902 Fairford Avenue, Norwalk, CA
27.	8049 030 015	

EXHIBIT F
(to Bond Purchase Agreement)