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NORTH BEACH PUBLIC DEVELOPMENT AUTHORITY
SPECIAL MEETING
September 5, 2005

The meeting was called to order at 6 PM.

Present: NBPDA Board Members Present:
R. D. Williams Tom Downer Ken Karch
Jim Hagen Brad Weatherby

Also Present:
Phil Leach Tom Frare

The minutes of the August 22 were discussed. After some corrections requested by Ken Karch, a motion was made by Ken Karch, seconded by Brad Weatherby to accept the minutes of August 22. Motion Carried. Jim Hagen pointed out that he was absent from the meeting of August 29. After deleting the sentence referencing the CNA Agent, motion made by Brad Weatherby, seconded by Ken Karch to accept the corrected minutes of August 29. Motion Carried.

RD reported that copies of the agreement signed by Pete and Bonnie Christoson were in the hands of the attorneys and the bankers. The document agrees to pay \$2.7 million for Pete's 90% share of stock. We will also assume the additional debt of \$162,000 for generators and pump station work. We will negotiate with the remaining 5 or 6 stockholders at a later date. We have 60 days to finalize this agreement.

Phil Leach gave a presentation on cash flows, showing the Historical Water Usage for Ocean Park Water for the year 2004. OPW gained 72 new accounts in 2004 and the estimate is that we would have 70 to 80 new accounts each year. Tom Frare stated that OPW is a very tight water system with probably less than 5% water loss. Phil stated that this report gives a very conservative view of projected revenues and we should have no problem meeting our debt service obligations.

Tom Frare reported that he had been working with Pacific County's Don Larson and it appeared that the county had moved the alignment of the storm sewer to the center of the street from Park across Vernon. We will have to place our line on the south side of the storm sewer line, as originally planned. Century Tel has a Fiber optic lines along the north right of way. We do not yet have any numbers for the cost of work. It may be necessary to have Pacific Water Company order pipe and adjust the purchase price of the PWC accordingly. Tom Downer felt that this work is a vital component and by working through PWC, the work can be done in a timely and less costly manner.

Motion by Jim Hagen, seconded by Tom Downer that we authorize the acceptance of the second PWTF Loan of \$1 million @ 0.5% interest. Motion Carried.

After discussion, motion by Jim Hagen, seconded by Tom Downer, to authorize creation of NBPDA Acquisitions LLC in order to acquire stock of Ocean Park Water Company and Pacific Water Company. Motion carried.

RD presented the Letter of Intent between NBPDA and Phillip and Virginia Leach to purchase PWC and OPWC stock. A discussion ensued regarding the potential cost for attorney fees for the entire project. RD stated the original estimate for all attorney fees was \$100,000. Jim Hagen cautioned that we should pay "reasonable" attorney fees. Brad questioned "What would be reasonable?" The amount for Phillip's attorney fees should not be open-ended. Brad also cautioned that if we approve a high amount, that we could end up paying more than we really should have. Motion made by Tom Downer, seconded by Brad Weatherby to authorize payment of Phillip Leach's attorney fees to acquire OPWC stock in conjunction with the Buy/Sell Agreement for the NBPDA to acquire both PWC and OPWC stock of not more than \$20,000. Motion carried.

RD read a letter from David Thompson advising that the PDA is a public entity and as such, no taxes, etc. would be due for the purchase or sale of the PWC and OPWC stock from Phillip Leach. We have 60 days to finalize OPWC purchase and 120 days to finalize the agreement with Phillip Leach.

The next meeting will be on Monday, September 19, 2005 at 6 PM.

Meeting adjourned at 7:15 PM.



R. D. Williams, President



Celsa Johnson, Secretary