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MEMORANDUM

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To: Docket Control
From: Ernest G. Johnson
Director
Utilities Division

Arizona Corporation Commission

2003 AUG -5 P 4: 16

DOCKETED

AZ CORP COMMISSION
DOCUMENT CONTROL

AUG 05 2003

Date: August 5, 2003

DOCKETED BY

Re: ADDENDUM TO STAFF REPORT- SANTA CRUZ WATER COMPANY AND PALO VERDE UTILITIES COMPANY- APPLICATIONS FOR EXTENSIONS OF ITS EXISTING CERTIFICATES OF CONVENIENCE AND NECESSITY FOR WATER AND WASTEWATER SERVICES (DOCKET NOS. W-03576A-03-0167 AND WS-03575A-03-0167)

Santa Cruz Water Company and Palo Verde Utilities Company ("The Utilities") originally received Commission authorization to operate as public service companies on September 17, 1999, as Arizona corporations controlled by Mr. Michael T. Reinbold. The securities of the corporations were held by an Arizona LLC also owned and controlled by Mr. Reinbold. Previously undisclosed to the Commission, while Mr. Reinbold's original application for authorization of the CC&Ns were pending approval, Mr. Reinbold became subject to civil litigation by the Oregon Public Employee's Retirement Board. On November 17, 1999, the Oregon court entered and amended money judgment against Mr. Reinbold in excess of \$61 million for actions arising from commercial fraud.

On April 13, 2003, Mr. Reinbold entered into a Pledge Agreement with the Oregon Public Employees' Retirement Board to secure the obligations of the Court's judgment, while the matter is under appeal. Mr. Reinbold provided the Oregon Public Employee's Retirement Board a security interest in the common stock of RHS Properties, Inc. and Reinbold Investments, LLC. According to the terms of the Pledge Agreement, Mr. Reinbold is required to obtain written approval from the Oregon Public Employee's Retirement Board prior to any transfer of any ownership interest in RHS Properties, Inc. and/or Reinbold Investments. In the event of default on the Pledge Agreement, the pledged assets can be sold and proceeds deposited until the outcome of Mr. Reinbold's appeal.

As previously discussed in the original Staff Report, on August 21, 2001, Mr. Reinbold provided notice to the Commission that the corporations with authorized CC&Ns had been merged into LLCs. The documents offered in support of the notice expressly refer to RHS Properties, Inc. as authorizing the merger of the utilities. On July 14, 2003, Mr. Reinbold further informed the Commission that ownership in the Utilities was subsequently transferred to Phoenix Capital Partners, LLC and Phoenix Utility Management, LLC.

Given that: the Amended Money Judgment is currently under appeal; Staff has an incomplete understanding of the true nature of Mr. Reinbold's ownership and control of two Arizona public service companies and if or how that ownership relates to Mr. Reinbold's

Staff Report Addendum

Docket Nos. W-03576A-03-0167 and WS-03575A-03-0167

Page 2

litigation and related stock pledge agreement in Oregon; and Staff has no current knowledge that would indicate Mr. Reinbold is non-compliant with the Oregon court as it relates to the pledge agreement, Staff affirms its recommendations as stated in the original Staff Report, docketed on June 30, 2003.

Staff believes it was important to request leave to provide this addendum to the original Staff Report. Staff believes the Commission would wish to make an informed decision on the appropriate effect Mr. Reinbold's Oregon litigation and the stock pledge agreement should have on the pending Applications. To that end, Staff believes that the Commission would appreciate updates on these issues from the Applicants.

For the Commission's convenience, Staff has attached a copy of the Amended Money Judgment, Order under taking an Appeal and the Pledge Agreement. Additionally, Staff has been in contact with the State of Oregon to receive certified copies of both the Amended Money Judgment and the Order Re-Undertaking an Appeal. However, given the matters are on Appeal, receipt of such has been slowed. When certified copies are received, Staff will docket them, unless directed otherwise by the assigned Administrative Law Judge. In the meantime, assistant counsel for the Attorney General's Office has provided the attached avowal that the copies attached here in are true and correct.

EGJ:JEF:lh

Attachments

SERVICE LIST FOR: SANTA CRUZ WATER COMPANY AND PALO VERDE UTILITIES
COMPANY
DOCKET NOS. W-03576A-03-0167 AND WS-03575A-03-0167

Jay Shapiro
FENNEMORE CRAIG
3003 N. Central Avenue, Suite 2600
Phoenix, Arizona 85012
Attorneys for Applicants

Brent D. Butcher
3975 S. Highland Drive, #6
Salt Lake City, Utah 84124

Kent A. Hogan
3799 E. Catamount Ridge Way
Sandy, Utah 84092

Clare H. Able
BURCH & CRACCHIOLO, P.A.
702 E. Osborn Raod
Phoenix, Arizona 85014
Attorneys for HAM Maricopa, LLC, Desert
Cedars Equities, LLC, and Land Solutions
Maricopa, LLC

Richard L. Sallquist
SALLQUIST & DRUMMOND, P.C.
2525 E. Arizona Biltmore Circle
Suite 117
Phoenix, Arizona 85016
Attorneys for Sonoran Utility Services, LLC

Mr. Earnest G. Johnson
Arizona Corporation Commission
Utilities Division
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Christopher C. Kempley
Arizona Corporation Commission
Legal Division
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief Administrative Law Judge
Arizona Corporation Commission
Hearing Division
1200 West Washington Street
Phoenix, Arizona 85007

MARKOWITZ, HERBOLD, GLADE & MEHLHAF, P. C.

ATTORNEYS AT LAW

SUITE 3000 PACWEST CENTER
1211 S.W. FIFTH AVENUE
PORTLAND, OREGON 97204-3730
FAX (503) 323-9105
(503) 295-3088
WWW.MARKOWITZHERBOLD.COM

LISA@MHGMLAW.COM

BARRIE J. HERBOLD
1949-2001

DAVID B. MARKOWITZ
WILLIAM N. MEHLHAF
DAVID W. MELVILLE
LYNN R. NAKAMOTO
EMILY M. NAZAROV
CHARLES J. PATERNOSTER
CHARESE A. ROHNY
KERRY J. SHEPHERD
LYNN R. STAFFORD

*ALSO MEMBER OF
THE WASHINGTON STATE BAR

JEFFREY M. BATCHELOR
PAUL BIERLY*
LEAH B. CRONN
JEFFREY M. EDELSON
PETER H. GLADE*
WHITNEY L. GRUBBS
KATHERINE R. HEEKIN*
CHRISTINE T. HERRICK
JENNIFER H. HOLCOMB
LISA A. KANER
MATTHEW A. LEVIN*

CYNDA L. HERBOLD
BUSINESS MANAGER

August 4, 2003

Via Facsimile and U.S. Mail

Lisa Vandenberg
Arizona Corporation Commission
Legal Division
1200 West Washington Street
Phoenix, AZ 85007

Re: Oregon Public Employees' Retirement Board v. Simat, Helliesen &
Eichner, et al.
Multnomah County Circuit Court Case No. 9610-08259

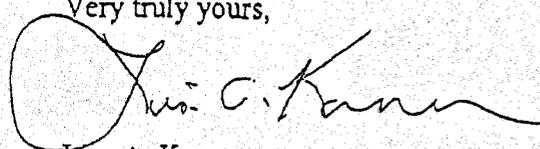
Dear Ms. Vandenberg:

You have faxed me copies of the Amended Money Judgment, Order Re Undertaking on Appeal, and Exhibit 1 to the Order Re Undertaking on Appeal (the Pledge Agreement) in the matter Oregon Public Employees' Retirement Board v. Simat, Helliesen & Eichner, Multnomah County Circuit Court No. 9610-08259, and asked me to confirm that they are true and correct copies. I have compared the documents in your possession to the originals, and I am able to confirm that the Amended Money Judgment is a true and correct copy of the original which is on file with the court. The Order Re Undertaking on Appeal is a true and correct copy of a conformed order that is on file with the court.

I am also enclosing with this letter a true and correct copy of the signed Pledge Agreement. Mr. Reinbold signed the Pledge Agreement on October 13, 2000.

I have ordered certified copies of both the Amended Money Judgment and the Order Re Undertaking on Appeal from the Court of Appeals and will provide these as soon as they become available.

Very truly yours,



Lisa A. Kaner
Special Assistant Attorney General

Enclosure
ORDJ58357

PLEDGE AGREEMENT

DATE: December 13, 2000

BETWEEN: Michael T. Reinbold (Pledgor)

AND: Oregon Public Employees' Retirement Board, as trustee, on behalf of the Oregon Public Employees' Retirement Fund (Secured Party)

RECITAL

Pledgor is a Judgment Debtor on the Amended Money Judgment entered in the matter of Oregon Public Employees' Retirement Board, as trustee, on behalf of the Oregon Public Employees' Retirement Fund v. Simat, Helliesen & Eichner, et al No. 9610-08259 ("litigation") on November 18, 1999. Pursuant to the Court's Order re Undertaking on Appeal, Pledgor shall pledge certain business interests until such time as the appellate judgment is issued and all appeals are completed and, in the event Plaintiff prevails on appeal, until such time as the Amended Money Judgment as to Pledgor Reinbold is satisfied. NOW THEREFORE, the parties agree as follows:

AGREEMENT

1. Grant of Security Interest

(a) Subject to the prior pledge to Tonkon Torp LLP, Pledgor grants to Secured Party a security interest in 1,000 shares of the common stock of RHS Properties, Inc. ("RHS") and all proceeds thereof.

(b) Pledgor grants to Secured Party a security interest in his membership interest in Reinbold Investments, LLC ("Reinbold Investments") and all proceeds thereof.

(c) In the event Pledgor uses the assets of RHS and/or Reinbold Investments to acquire an ownership interest in, or to form, any other companies, corporations, partnerships, joint ventures or other business entities, Pledgor will inform Secured Party and pledge the stock or other interest in such new entity in the manner described in this Agreement.

2. Obligation. This Pledge Agreement secures the obligations of Pledgor described in the certain Amended Money Judgment entered in the litigation on November 18, 1999.

3. Possession of Stock Certificate. Stock Certificate No. 1, evidencing all of Reinbold's shares of RHS, is in the possession of Tonkon Torp LLP.

4. Representations and Warranties of Pledgor. Pledgor represents and warrants to Secured Party that:

(a) Stock Ownership. Pledgor is the owner of the shares of RHS free and clear of liens, encumbrances, or other matters that might affect title to the shares with the exception of a Pledge and Security Agreement between Pledgor and Tonkon Torp LLP dated November 17, 1998.

Pledgor is the owner of a 100 percent interest in Reinbold Investments free and clear of all liens, encumbrances or other matters that might affect title.

(b) Capitalization. The authorized capital stock of RHS consists of 2 million shares of capital stock, having a par value of \$1 per share, of which 1,000 shares are outstanding, validly issued, fully paid, and nonassessable, all of which are owned by Pledgor.

(c) Capacity to Transfer Shares. Pledgor has previously pledged his shares in RHS to Tonkon Torp LLP.

5. Covenants of Pledgor. Pledgor agrees that with the exception of the pledge of RHS to Tonkon Torp LLP, he shall not allow or grant any other lien or security interest in RHS or Reinbold Investments, without the prior written consent of the Secured Party.

6. Covenants of Pledgor with Respect to Business Interests. From the date of entry of the Court's Order re Undertaking on Appeal until such time as the appellate judgment is issued and all appeals are completed, or should plaintiff prevail on appeal, until such time as the Amended Money Judgment as to Defendant Reinbold is satisfied, absent prior written consent of Secured Party, Pledgor agrees not to cause RHS or Reinbold Investments to:

(a) Amend their respective Articles of Organization, Articles of Incorporation or Bylaws, or adopt a plan of liquidation or dissolution;

(b) Issue additional stock in RHS, or dilute his ownership interest in RHS and/or Reinbold Investments in any manner;

(c) Distribute to Reinbold more than the following specified sums collectively:

(1) Annual compensation in the form of salary, dividend distributions or other form of remuneration in a collective amount greater than \$200,000. For purposes of calculating compensation, ordinary business expenses paid for by RHS or Reinbold Investments shall not be considered imputed income to Reinbold;

(2) An additional \$21,000 in the year 2002 for the sole purpose of paying attorney fees and costs associated with the litigation in this matter and \$35,000 annually thereafter for the sole purpose of paying attorneys fees and costs associated with the litigation in this matter, including appeals, beginning as of January 2003;

(3) Sums needed for payment of income taxes related to any profits and earnings of RHS and Reinbold Investments in excess of \$200,000 per year.

(4) Funds needed for medical emergencies;

(5) Additional sums, if any, allowed by the Court upon application for modification of the Order re Undertaking On Appeal upon good cause shown.

(d) Create, incur, assume, or suffer to exist any obligation for borrowed money other than accounts payable and liabilities incurred in the ordinary course of RHS or Reinbold Investments' business from the date of this Agreement;

7. Voting Shares; Transfer of Interest

(a) As long as no Event of Default occurs, Pledgor shall be entitled to vote the shares of RHS.

(b) As long as the obligations secured by this Agreement remain outstanding, Pledgor will not transfer, whether by sale, gift or otherwise, any ownership interest in RHS and/or Reinbold Investments without Secured Party's prior written approval. Secured Party expressly acknowledges that Pledgor has entered into a prior pledge of the stock of RHS to Tonkon Torp LLP.

8. Events of Default A breach of or failure to perform any of the terms of this Agreement which has not been cured within 10 business days after written notice has been given of such breach or failure, including, without limitation, the representations and warranties contained in Section 4 and the covenants contained in Sections 5 and 6 of this Agreement shall constitute an Event of Default. Written notice of default shall be sent both by certified mail and regular mail and shall be deemed effective upon mailing.

9. Remedies upon Default Upon the occurrence of any Event of Default, Secured Party may, in Secured Party's sole discretion and with or without further notice to Pledgor and in addition to all rights and remedies at law or in equity or otherwise:

(a) Subject to the interests of Tonkon Torp LLP, exercise Secured Party's proxy rights with respect to all or a portion of the RHS shares. Pledgor agrees to deliver promptly to Tonkon Torp LLP; to be held in trust for Secured Pledgor, the proxy in the form requested by Secured Party.

(b) Sell or otherwise dispose of the Shares in accordance with Section 10 below.

(c) Sell or dispose of Reinbold Investments.

10. Sale upon Default Pledgor and Secured Party acknowledge and agree that the shares are restricted, unregistered stock and that both the RHS shares and the interest in Reinbold Investments are difficult to value and that no public market exists for the sale of such shares or interest. The parties further agree that the RHS shares are not subject to sale in a "recognized market" as that term is described in ORS 79.5040. Pledgor and Secured Party wish to agree to

reasonable standards for conducting a commercially reasonable sale of the shares and the interest in Reinbold Investments without limiting rights and remedies otherwise available to Pledgor. The parties agree that compliance with the following steps shall satisfy requirements of a commercially reasonable sale:

(a) The sale may be either a public or a private sale, at Secured Party's discretion, and it may be for all or any portion of the RBS shares and/or the interests in Reinbold Investments.

(b) Secured Party shall set a date for public sale of the shares or interest, or a date after which a private sale may occur, which date shall be not less than 30 days after the date notice of the sale is given to Pledgor, and shall send written notification to Pledgor in advance regarding the date and the time of the public sale, or the date after which a private sale may occur. In the event Secured Party elects to conduct a private sale, Secured Party shall give 10 days prior written notice sent certified and first class mail to Pledgor indicating the price at which Secured Party intends to sell at such private sale. Secured Party shall not sell at a price below the price contained in the written notice to Pledgor.

(c) Within a reasonable time upon request, Pledgor shall provide Secured Party with information requested by Secured Party for compliance with state or federal securities laws.

(d) At any sale of any of the shares or interest, Secured Party may restrict the prospective bidders or purchasers to persons or entities who, by certain representations made by them, would render registration of the sale under state or federal securities laws unnecessary.

11. Default Pending Appeal. Should an Event of Default occur leading to a sale of shares or interest pursuant to section 10 above, all proceeds from such sale shall be segregated and deposited into an interest-bearing account. Should Secured Party ultimately prevail on appeal, the Secured Party shall be entitled to receive all such sale proceeds and interest and such shall be applied against amounts owing under the Awarded Money Judgment. Should Pledgor ultimately prevail on appeal, Pledgor shall be entitled to receive all such sale proceeds and interest.

12. Unsuccessful Appeal. In the event Secured Party ultimately prevails on appeal, and at such time as the appellate mandate issues in favor of Secured Party and all appeals are completed, Secured Party shall be entitled immediately to exercise all rights and interests created under sections 9, 10, and 11 of this Pledge Agreement including but not limited to the "Remedies upon Default" regardless of whether a default has or has not occurred.

13. Miscellaneous.

Governing Law. Oregon law shall apply to the interpretation and enforcement of this Pledge Agreement.

Notice. All notices to be given under this agreement to Pledgor shall be provided to:

Mr. Michael T. Reinbold
4641 East Caron Street
Phoenix, AZ 85028

With a copy to:

Mr. David S. Aman
Ms. Jeanne M. Chamberlain
Tonkon Torp LLP
Suite 1600
888 SW Fifth Avenue
Portland, OR 97204

All notices required to be given under this agreement to Secured Party shall be provided to:

Oregon Public Employees' Retirement Fund
Oregon State Treasury
Attn: W. Dan Smith, Director
Investment Division
350 Winter Street, N.E. #100
Salem, OR 97310-0840

With copies to:

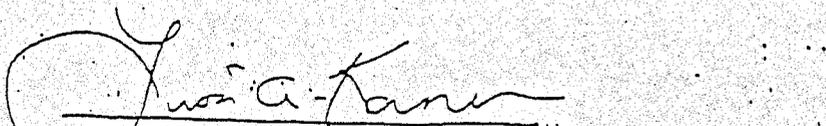
Attorney General State of Oregon
Attn: Peter Shepherd
Oregon Department of Justice
100 Justice Building
1162 Court Street NE
Salem, OR 97310

Markowitz, Herbold, Glade & Mehlhaf, P.C.
Attn: Lisa A. Kaner
Suite 3000
1211 SW Fifth Avenue
Portland, OR 97204-3730



Michael T. Reinbold
Pledgor

Oregon Public Employees' Retirement Board as trustee on behalf of
the Oregon Public Employees' Retirement Fund:


Special Assistant Attorney General
on behalf of OPERF

FILED
99 NOV 17 PM 3:58
FOR MULTNOMAH COUNTY

IN THE CIRCUIT COURT OF OREGON
FOR MULTNOMAH COUNTY

6 OREGON PUBLIC EMPLOYES'
7 RETIREMENT BOARD, as trustee, on
8 behalf of the OREGON PUBLIC
9 EMPLOYES' RETIREMENT FUND,

Plaintiff,

NO. 9610-08259

AMENDED MONEY JUDGMENT

10 SIMAT, HELLIESEN & EICHNER, a
11 Delaware corporation; PAMCORP
12 HOLDINGS, INC., an Oregon corporation;
13 PACIFIC AIRCRAFT MAINTENANCE
14 CORPORATION (aka PAMCORP), an
15 Oregon corporation; MICHAEL T.
16 REINBOLD; DAVID J. SIMON; and
17 KENNETH E. KELLEY;

Defendants.

18 SIMAT, HELLIESEN & EICHNER, a
19 Delaware corporation,

Defendant/
Third Party Plaintiff,

20 OREGON INVESTMENT COUNCIL;
21 OREGON DEPARTMENT OF
22 TREASURY; and OREGON
23 DEPARTMENT OF JUSTICE,

Third Party Defendants.

24 SIMAT, HELLIESEN & EICHNER, a
25 Delaware corporation,

Plaintiff,

Consolidated with
Case No. 9802-01053

26 THE PORT OF PORTLAND, a municipal
corporation,

Defendant

NOV 18 1999
IN REBORN BY...

1 This action came before the Court for trial on December 7, 1998 before the
2 undersigned judge.

3 Prior to trial, plaintiff Oregon Public Employees' Retirement Board, as trustee for the
4 Oregon Public Employees' Retirement Fund ("PERF"), defendant Simat Helliesen & Eichner
5 ("SH&E"), and third-party defendants Oregon Department of Treasury ("Treasury"), Oregon
6 Department Of Justice ("Justice"), and Oregon Investment Council ("OIC"), and the Port of
7 Portland ("Port") entered into a Settlement Agreement dated November 20, 1998.

8 Pursuant to that Settlement Agreement and prior to the entry of this judgment,
9 plaintiff and SH&E have presented evidence to the Court as to the circumstances of the
10 settlement. Based on the record and the evidence presented, the Court hereby FINDS that the
11 settlement between plaintiff and SH&E is reasonable.

12 The Court hereby APPROVES the Settlement Agreement.

13 Pursuant to that Settlement Agreement, stipulated notices of dismissal were filed and
14 judgments of dismissal were entered as follows:

- 15 1) Stipulated Notice of Dismissal Of Defendant Simat, Helliesen & Eichner and
16 Judgment of Dismissal disposing of all claims made by and against plaintiff and SH&E;
- 17 2) Stipulated Notice of Dismissal of Third-Party Claims and Judgment of Dismissal
18 disposing of all claims made by and against SH&E and third party defendants OIC, Treasury,
19 and Justice;
- 20 3) Stipulated Notice of Dismissal by SH&E and the Port and Judgment entered in the
21 consolidated case no. 9802-01053 and disposing of all claims made by and against SH&E
22 and the Port.

23 Prior to trial, the Court entered orders of default against Kenneth E. Kelley
24 ("Kelley"), Pacific Aircraft Maintenance Corporation ("Pamcorp") and Pamcorp Holdings,
25 Inc. It appears from the record that:
26

1 (a) The claims against defendant Pamcorp arise upon contract. The claim against
2 defendant Pamcorp Holdings, Inc. is to pierce the corporate veil to hold Pamcorp Holdings,
3 Inc. liable for the obligations and debts of Pamcorp;

4 (b) The claim against defendant Kelley is to pierce the corporate veil to hold
5 Kelley liable for the debts and obligations of Pamcorp and Pamcorp Holdings, Inc.;

6 (c) The amount sought is a sum certain or a sum which can by computation be
7 made certain;

8 (d) Summons was properly served on Pamcorp Holdings, Inc. and Pamcorp
9 pursuant to ORCP 7D and ORS Chapter 60, and Pamcorp Holdings, Inc. and Pamcorp failed
10 to appear;

11 (e) Summons was properly served on Kelley pursuant to ORCP 7D, and Kelley
12 failed to appear;

13 (f) Defendants Pamcorp Holdings, Inc., Pamcorp, and Kelley are not minors or
14 persons incapacitated or financially incapable as defined by ORS 125.005, or military
15 personnel;

16 (g) The Court has heard evidence and hereby determines that the amount due,
17 including costs and disbursements to which plaintiff is entitled pursuant to ORCP 68B
18 against Pamcorp, Pamcorp Holdings Inc., and Kelley, is \$34,518,000.

19 Prior to trial, the Court granted summary judgment in favor of defendants Reinbold
20 and Simon on that portion of plaintiff's Second Claim for Relief, Count Two, for shareholder
21 liability for the debts of Pamcorp and Pamcorp Holdings Inc. arising from
22 undercapitalization.

23 Prior to trial, plaintiff PERF and the remaining defendants Reinbold and Simon
24 waived their right to a jury trial and stipulated to a trial before this Court. Pursuant to that
25 waiver, stipulation and the order of the Court, the action was tried to the undersigned judge
26 beginning on December 7, 1998. Plaintiff PERF appeared by and through the Attorney

1 General for the State of Oregon and his Special Assistant Attorneys General David B.
2 Markowitz and Lisa A. Kaner. Defendant Reinbold appeared personally and by and through
3 his attorneys Jeanne M. Chamberlain and David S. Aman. Defendant Simon appeared
4 personally and by and through his attorney Joseph C. Arellano. Opening statements were
5 made on behalf of the respective parties, testimony and other evidence was introduced in
6 support of their respective cases, and the parties rested. Arguments were made to the Court
7 and having been duly advised on all matters of fact and law, the Court returned its decision
8 on December 24, 1998, as follows:

9 On plaintiff's Second Claim for Relief, Count One, for shareholder liability for the
10 debts of Pamcorp Holdings and Pamcorp against defendant Reinbold arising from milking
11 corporate assets, the Court found in favor of plaintiff for damages in the amount of
12 \$34,518,000.

13 On plaintiff's Second Claim for Relief, Count One, for shareholder liability for the
14 debts of Pamcorp Holdings and Pamcorp against defendant Simon arising from milking
15 corporate assets, the Court found in favor of defendant Simon.

16 On plaintiff's Second Claim for Relief, Count Two (in the alternative to Count One)
17 for shareholder liability for the debt of Pamcorp Holdings and Pamcorp against defendant
18 Reinbold arising from fraud, the Court found in favor of plaintiff for damages in the amount
19 of \$34,518,000.

20 On plaintiff's Second Claim for Relief, Count Two (in the alternative to Court One)
21 for shareholder liability for the debt of Pamcorp Holdings and Pamcorp against Simon
22 arising from fraud, the Court found in favor of Simon and against plaintiff.

23 On plaintiff's claims arising from fraud, the Court found that plaintiff established
24 actual reliance, that plaintiff's reliance was foolish, that it was unreasonable and unjustified,
25 that reliance is an element of fraud, but that reasonable reliance is not an element of fraud,
26 and therefore, on plaintiff's Third Claim for Relief for fraud against defendants Simon and

1 Reinbold, the Court found in favor of plaintiff for damages in the amount of \$61,701,719.
2 Plaintiff's damages for fraud on plaintiff's Third Claim for Relief are inclusive of plaintiff's
3 damages for piercing the corporate veil on plaintiff's Second Claim for Relief.

4 The matter now coming on for judgment, it is hereby ADJUDGED:

5 1. Plaintiff has judgment against defendant Pamcorp on plaintiff's *First Claim for*
6 *Relief of the Fifth Amended Complaint* (as originally pled in the *Sixth Claim for Relief of*
7 *plaintiff's Complaint*) for breach of contract in the amount of \$34,518,000, inclusive of
8 prejudgment interest;

9 2. Plaintiff has judgment against defendants Kelley and Pamcorp Holdings Inc. on
10 plaintiff's *Seventh Claim for Relief of plaintiff's Complaint* for piercing the corporate veil for
11 shareholder liability for the debts of Pamcorp Holdings and Pamcorp in the amount of
12 \$34,518,000, inclusive of prejudgment interest;

13 3. Plaintiff has judgment against defendant Reinbold on plaintiff's *Second Claim for*
14 *Relief, Count One, of the Fifth Amended Complaint*, for shareholder liability for the debts of
15 Pamcorp Holdings and Pamcorp arising from milking corporate assets in the amount of
16 \$34,518,000, inclusive of prejudgment interest;

17 4. Defendant Simon has judgment against plaintiff on plaintiff's *Second Claim for*
18 *Relief, Count One, of the Fifth Amended Complaint*, for shareholder liability for the debts of
19 Pamcorp Holdings and Pamcorp arising from milking corporate assets.

20 5. Plaintiff has judgment against defendant Reinbold on plaintiff's *Second Claim for*
21 *Relief, Count Two, of the Fifth Amended Complaint*, for shareholder liability for the debts of
22 Pamcorp Holdings and Pamcorp arising from fraud in the amount of \$34,518,000, inclusive
23 of prejudgment interest;

24 6. Defendant Simon has judgment against plaintiff on plaintiff's *Second Claim for*
25 *Relief, Count Two, of the Fifth Amended Complaint*, for shareholder liability for the debts of
26 Pamcorp Holdings and Pamcorp arising from fraud.

1 7. Defendants Reinbold and Simon have judgment against plaintiff on plaintiff's
2 *Second Claim for Relief, Count Two, of the Fifth Amended Complaint*, for shareholder
3 liability for the debts of Pamcorp Holdings and Pamcorp arising from undercapitalization;

4 8. Plaintiff has judgment against defendants Reinbold and Simon on plaintiff's *Third*
5 *Claim for Relief of the Fifth Amended Complaint* for fraud in the amount of \$61,701,719,
6 inclusive of prejudgment interest. Plaintiff's damages for fraud on plaintiff's *Third Claim for*
7 *Relief* are inclusive of plaintiff's damages for piercing the corporate veil on plaintiff's
8 *Second Claim for Relief*;

9 9. Defendants Reinbold and Simon have judgment against plaintiff on plaintiff's
10 *Fourth Claim for Relief of the Fifth Amended Complaint* for attorney fees;

11 10. Plaintiff has judgment against defendants Reinbold and Simon on *Reinbold's and*
12 *Simon's counterclaims for attorney fees*;

13 11. All claims between plaintiff and SH&E and all claims between SH&E and third
14 party defendants OIC, Treasury, and Justice are dismissed with prejudice and without an
15 award of costs or attorney fees on any of the dismissed claims; and therefore,

16 That judgment be entered in favor of plaintiff and against defendants Pamcorp,
17 Pamcorp Holdings, Inc. and Kelley for \$34,518,000 inclusive of prejudgment interest; and

18 That judgment be entered in favor of plaintiff and against defendants Reinbold and
19 Simon for \$61,701,719, inclusive of prejudgment interest, as further detailed below:

20 MONEY JUDGMENT

21 1. Judgment Creditor: Public Employees' Retirement Board as trustee for the
22 Public Employees' Retirement Fund;

23 2. Judgment Creditor's Attorney: Attorney General for the State of Oregon;

24 ///
25 ///
26 ///

1 3. Judgment Debtor: Pamcorp Holding, Inc.;
2 Pacific Aircraft Maintenance Corporation (aka
3 Pamcorp); Michael T. Reinbold;
4 Kenneth E. Kelley, and
5 David J. Simon.

6 4. Amount of Judgment:
7 \$34,518,000 as against defendants Kenneth E. Kelley, Pamcorp Holdings, Inc.
8 and Pacific Aircraft Maintenance Corporation (aka Pamcorp);
9 \$61,701,719 as against defendants Reinbold and Simon, jointly and severally.

10 5. Interest Owed to Date of Judgment:
11 The above-described judgment includes prejudgment interest in the amount of
12 \$3,572,000 as against defendants Kenneth E. Kelley, Pamcorp Holdings, Inc. and Pacific
13 Aircraft Maintenance Corporation (aka Pamcorp);

14 The above-described judgment includes prejudgment interest in the amount of
15 \$4,698,000 as against defendants Reinbold and Simon, jointly and severally.

16 6. Post-Judgment Interest: Interest accrues at the rate of 9% per year on the
17 balance of \$30,946,000 in the amount of \$7,630.52 per day against Kenneth E. Kelley,
18 Pamcorp Holdings Inc. and Pamcorp from June 21, 1999, the date of entry of the original
19 judgment, until paid in full. Interest is simple interest.

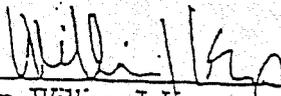
20 Interest accrues at the rate of 9% per year on the balance of \$57,003,719 in the
21 amount of \$14,055.71 per day against Reinbold and Simon from June 21, 1999, the date of
22 entry of the original judgment, until paid in full. Interest is simple interest.

23 7. Costs and Disbursements: The money judgment also includes an award of

24 ///
25 ///
26 ///

1 costs and disbursements. The amount of these items will be determined later pursuant to
2 ORCP 68C.

3 DATED this 17 day of Nov, 1999.

4
5
6 
7 _____
8 Hon. William J. Keys
9 Circuit Court Judge
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IN THE CIRCUIT COURT OF OREGON
FOR MULTNOMAH COUNTY

OREGON PUBLIC EMPLOYES'
RETIREMENT BOARD, as trustee, on
behalf of the OREGON PUBLIC
EMPLOYES' RETIREMENT FUND,

Plaintiff,

v.

SIMAT, HELLIESEN & EICHNER, a
Delaware corporation; PAMCORP
HOLDINGS, INC., an Oregon corporation;
PACIFIC AIRCRAFT MAINTENANCE
CORPORATION (aka PAMCORP), an
Oregon corporation; MICHAEL T.
REINBOLD; DAVID J. SIMON; and
KENNETH E. KELLEY;

Defendants.

SIMAT, HELLIESEN & EICHNER, a
Delaware corporation,

Defendant/
Third Party Plaintiff,

v.

OREGON INVESTMENT COUNCIL;
OREGON DEPARTMENT OF
TREASURY; and OREGON
DEPARTMENT OF JUSTICE,

Third Party Defendants.

SIMAT, HELLIESEN & EICHNER, a
Delaware corporation,

Plaintiff,

v.

THE PORT OF PORTLAND, a municipal
corporation,

Defendant.

NO. 9610-08259

ORDER RE: UNDERTAKING ON
APPEAL

Consolidated with
Case No. 9802-01053

1 Defendant Michael T. Reinbold moved the Court for an order setting the undertaking on
2 appeal at \$1,000 and staying enforcement of the judgment pending appeal. Plaintiff opposed the
3 motion. The Court ordered Mr. Reinbold to produce, for attorneys eyes only, sworn financial
4 statements.

5 Based on the record, and pursuant to ORS 19.130,

6 IT IS HEREBY ORDERED that execution and enforcement of the Amended Money
7 Judgment entered on November 18, 1999 shall be stayed as to defendant Michael T. Reinbold
8 until such time as the appellate judgment is issued and all appeals are completed, conditioned on
9 the following:

10 1. Defendant Reinbold shall pledge his interest in Reinbold Investments, L.L.C.
11 ("Reinbold Investments") as security for the Amended Money Judgment pursuant to the Pledge
12 Agreement attached as Exhibit 1;

13 2. Defendant Reinbold shall pledge his stock in RHS Properties, Inc ("RHS") as
14 security for the Amended Money Judgment pursuant to the Pledge Agreement attached as
15 Exhibit 1;

16 3. Absent written consent of Plaintiff, Defendant Reinbold shall not dilute his
17 interest in Reinbold Investments and/or RHS, except as provided herein:

18 4. If Defendant Reinbold uses the assets of RHS and/or Reinbold Investments to
19 acquire an ownership interest in, or form, any other companies, corporations, subsidiaries,
20 partnerships, joint ventures or other business entities, Defendant shall inform Plaintiff and pledge
21 the stock or other interest in such new entity in the manner described in the Pledge Agreement
22 attached as Exhibit 1.

23 5. From the date of entry of this Order until such time as the appellate judgment is
24 issued, Reinbold shall withdraw no more than the following specific sums from RHS and
25 Reinbold Investments:

1 a. Annual compensation in the form of salary, dividend distributions or
2 otherwise in the amount of \$200,000. For purposes of calculating compensation,
3 ordinary business expenses paid for by RHS or Reinbold Investments shall not be
4 considered imputed income to Reinbold;

5 b. \$21,000 in the year 2002 for the sole purpose of paying attorney fees and
6 costs associated with the litigation in this matter and \$35,000 annually thereafter for the
7 sole purpose of paying attorneys fees and costs associated with the litigation in this
8 matter beginning as of January 2003;

9 c. Sums needed for payment of income taxes related to profits and earnings
10 in excess of \$200,000 per year. If sums in excess of the \$200,000 are used to pay taxes
11 on profits and earnings for RHS, then the security interest of Tonkon Torp LLP in RHS
12 shall be reduced in relationship to Plaintiff's security interest in RHS by those amounts
13 used to pay taxes;

14 d. Funds needed for medical emergencies;

15 e. Additional sums, if any, pursuant to prior written consent of the Plaintiff
16 or as allowed by the Court upon application for modification of this Order upon good
17 cause shown;

18 6. Except as specified in paragraph 5 above, Defendant Reinbold shall not dispose of
19 any profits or income from his business interests, absent prior written consent of the Plaintiff or
20 order of this Court upon good cause shown.

21 IT IS SO ORDERED

22 DATED this 13th day of April, 2000:

23
24 /s/
25 Hon. William J. Keys
26 Circuit Court Judge

PLEDGE AGREEMENT

DATE: _____, 2000

BETWEEN: Michael T. Reinbold
(“Pledgor”)

AND: Oregon Public Employees' Retirement Board, as trustee, on behalf of the
Oregon Public Employees' Retirement Fund (“Secured Party”)

RECITAL

Pledgor is a Judgment Debtor on the Amended Money Judgment entered in the matter of Oregon Public Employees' Retirement Board, as trustee, on behalf of the Oregon Public Employees' Retirement Fund v. Simat, Helliesen & Eichner, et. al. No. 9610-08259 (“litigation”) on November 18, 1999. Pursuant to the Court's Order re Undertaking on Appeal, Pledgor shall pledge certain business interests until such time as the appellate judgment is issued and all appeals are completed and, in the event Plaintiff prevails on appeal, until such time as the Amended Money Judgment as to Pledgor Reinbold is satisfied. NOW THEREFORE, the parties agree as follows:

AGREEMENT

1. Grant of Security Interest.

(a) Subject to the prior pledge to Tonkon Torp LLP, Pledgor grants to Secured Party a security interest in 1,000 shares of the common stock of RHS Properties, Inc. (“RHS”) and all proceeds thereof.

(b) Pledgor grants to Secured Party a security interest in his membership interest in Reinbold Investments, LLC (“Reinbold Investments”) and all proceeds thereof.

(c) In the event Pledgor uses the assets of RHS and/or Reinbold Investments to acquire an ownership interest in, or to form, any other companies, corporations, partnerships, joint ventures or other business entities, Pledgor will inform Secured Party and pledge the stock or other interest in such new entity in the manner described in this Agreement.

2. Obligation: This Pledge Agreement secures the obligations of Pledgor described in the certain Amended Money Judgment entered in the litigation on November 18, 1999.

3. Possession of Stock Certificate. Stock Certificate No. 1, evidencing all of Reinbold's shares of RHS, is in the possession of Tonkon Torp LLP.

4. Representations and Warranties of Pledgor. Pledgor represents and warrants to Secured Party that:

(a) Stock Ownership. Pledgor is the owner of the shares of RHS free and clear of liens, encumbrances, or other matters that might affect title to the shares with the exception of a Pledge and Security Agreement between Pledgor and Tonkon Torp LLP dated November 17, 1998.

Pledgor is the owner of a 100 percent interest in Reinbold Investments free and clear of all liens, encumbrances or other matters that might affect title.

(b) Capitalization. The authorized capital stock of RHS consists of 2 million shares of capital stock, having a par value of \$1 per share, of which 1,000 shares are outstanding, validly issued, fully paid, and nonassessable, all of which are owned by Pledgor.

(c) Capacity to Transfer Shares. Pledgor has previously pledged his shares in RHS to Tonkon Torp LLP.

5. Covenants of Pledgor. Pledgor agrees that with the exception of the pledge of RHS to Tonkon Torp LLP, he shall not allow or grant any other lien or security interest in RHS or Reinbold Investments without the prior written consent of the Secured Party.

6. Covenants of Pledgor with Respect to Business Interests. From the date of entry of the Court's Order re Undertaking on Appeal until such time as the appellate judgment is issued and all appeals are completed, or should plaintiff prevail on appeal, until such time as the Amended Money Judgment as to Defendant Reinbold is satisfied, absent prior written consent of Secured Party, Pledgor agrees not to cause RHS or Reinbold Investments to:

(a) Amend their respective Articles of Organization, Articles of Incorporation or Bylaws, or adopt a plan of liquidation or dissolution;

(b) Issue additional stock in RHS, or dilute his ownership interest in RHS and/or Reinbold Investments in any manner;

(c) Distribute to Reinbold more than the following specified sums collectively:

(1) Annual compensation in the form of salary, dividend distributions or other form of remuneration in a collective amount greater than \$200,000. For purposes of calculating compensation, ordinary business expenses paid for by RHS or Reinbold Investments shall not be considered imputed income to Reinbold;

(2) An additional \$21,000 in the year 2002 for the sole purpose of paying attorney fees and costs associated with the litigation in this matter and \$35,000 annually thereafter for the sole purpose of paying attorneys fees and costs associated with the litigation in this matter, including appeals, beginning as of January 2003;

(3) Sums needed for payment of income taxes related to any profits and earnings of RHS and Reinbold Investments in excess of \$200,000 per year.

(4) Funds needed for medical emergencies;

(5) Additional sums, if any, allowed by the Court upon application for modification of the Order re Undertaking On Appeal upon good cause shown.

(d) Create, incur, assume, or suffer to exist any obligation for borrowed money other than accounts payable and liabilities incurred in the ordinary course of RHS' or Reinbold Investments' business from the date of this Agreement;

7. Voting Shares; Transfer of Interest

(a) As long as no Event of Default occurs, Pledgor shall be entitled to vote the shares of RHS.

(b) As long as the obligations secured by this Agreement remain outstanding, Pledgor will not transfer, whether by sale, gift or otherwise, any ownership interest in RHS and/or Reinbold Investments without Secured Party's prior written approval. Secured Party expressly acknowledges that Pledgor has entered into a prior pledge of the stock of RHS to Tonkon Torp LLP.

8. Events of Default A breach of or failure to perform any of the terms of this Agreement which has not been cured within 10 business days after written notice has been given of such breach or failure, including, without limitation, the representations and warranties contained in Section 4 and the covenants contained in Sections 5 and 6 of this Agreement shall constitute an Event of Default. Written notice of default shall be sent both by certified mail and regular mail and shall be deemed effective upon mailing.

9. Remedies upon Default Upon the occurrence of any Event of Default, Secured Party may, in Secured Party's sole discretion and with or without further notice to Pledgor and in addition to all rights and remedies at law or in equity or otherwise:

(a) Subject to the interests of Tonkon Torp LLP, exercise Secured Party's proxy rights with respect to all or a portion of the RHS shares. Pledgor agrees to deliver promptly to Tonkon Torp LLP, to be held in trust for Secured Pledgor, the proxy in the form requested by Secured Party.

(b) Sell or otherwise dispose of the Shares in accordance with Section 10 below.

(c) Sell or dispose of Reinbold Investments.

10. Sale upon Default Pledgor and Secured Party acknowledge and agree that the shares are restricted, unregistered stock and that both the RHS shares and the interest in Reinbold Investments are difficult to value and that no public market exists for the sale of such shares or interest. The parties further agree that the RHS shares are not subject to sale in a "recognized market" as that term is described in ORS 79.5040. Pledgor and Secured Party wish to agree to

reasonable standards for conducting a commercially reasonable sale of the shares and the interest in Reinbold Investments without limiting rights and remedies otherwise available to Pledgor. The parties agree that compliance with the following steps shall satisfy requirements of a commercially reasonable sale:

(a) The sale may be either a public or a private sale, at Secured Party's discretion, and it may be for all or any portion of the RHS shares and/or the interests in Reinbold Investments.

(b) Secured Party shall set a date for public sale of the shares or interest, or a date after which a private sale may occur, which date shall be not less than 30 days after the date notice of the sale is given to Pledgor, and shall send written notification to Pledgor in advance regarding the date and the time of the public sale, or the date after which a private sale may occur. In the event Secured Party elects to conduct a private sale, Secured Party shall give 10 days prior written notice sent certified and first class mail to Pledgor indicating the price at which Secured Party intends to sell at such private sale. Secured Party shall not sell at a price below the price contained in the written notice to Pledgor.

(c) Within a reasonable time upon request, Pledgor shall provide Secured Party with information requested by Secured Party for compliance with state or federal securities laws.

(d) At any sale of any of the shares or interest, Secured Party may restrict the prospective bidders or purchasers to persons or entities who, by certain representations made by them, would render registration of the sale under state or federal securities laws unnecessary.

11. Default Pending Appeal. Should an Event of Default occur leading to a sale of shares or interest pursuant to section 10 above, all proceeds from such sale shall be segregated and deposited into an interest bearing account. Should Secured Party ultimately prevail on appeal, the Secured Party shall be entitled to receive all such sale proceeds and interest and such shall be applied against amounts owing under the Amended Money Judgment. Should Pledgor ultimately prevail on appeal, Pledgor shall be entitled to receive all such sale proceeds and interest.

12. Unsuccessful Appeal. In the event Secured Party ultimately prevails on appeal, and at such time as the appellate mandate issues in favor of Secured Party and all appeals are completed, Secured Party shall be entitled immediately to exercise all rights and interests created under sections 9, 10, and 11 of this Pledge Agreement including but not limited to the "Remedies upon Default" regardless of whether a default has or has not occurred.

13. Miscellaneous.

Governing Law. Oregon law shall apply to the interpretation and enforcement of this Pledge Agreement.

Notice. All notices to be given under this agreement to Pledgor shall be provided to:

Mr. Michael T. Reinbold
4641 East Caron Street
Phoenix, AZ 85028

With a copy to: Mr. David S. Aman
Ms. Jeanne M. Chamberlain
Tonkon Torp LLP
Suite 1600
888 SW Fifth Avenue
Portland, OR 97204

All notices required to be given under this agreement to Secured Party shall be provided to:

Oregon Public Employees' Retirement Fund
Oregon State Treasury
Attn: W. Dan Smith, Director
Investment Division
350 Winter Street, N.E. #100
Salem, OR 97310-0840

With copies to:

Attorney General State of Oregon
Attn: Peter Shepherd
Oregon Department of Justice
100 Justice Building
1162 Court Street NE
Salem, OR 97310

Markowitz, Herbold, Glade & Mehlhaf, P.C.
Attn: Lisa A. Kaner
Suite 3000
1211 SW Fifth Avenue
Portland, OR 97204-3730

Michael T. Reinbold
Pledgor

Oregon Public Employees' Retirement Board as trustee on behalf of
the Oregon Public Employees' Retirement Fund:
