BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF APPROVING A CONTRACT INCREASE TO SUNFLOWER RECYCLING/PACIFIC BOTTLE REGENERATION TO COMPLETE THE WINE BOTTLE WASHING PROJECT FUNDED AS PART OF 1991-92 1% FOR RECYCLING PROGRAM	)	RESOLUTION NO. 92-1713 Introduced by Rena Cusma, Executive Officer

WHEREAS, The 1% for Recycling Program awarded a $77,700 grant to Sunflower Recycling Cooperative in the 1991-92 funding cycle to establish a wine bottle washing project; and

WHEREAS, The project was estimated to cost approximately $100,000 to build and Sunflower would provide the $22,300 balance of project costs as a partial match to the 1% For Recycling Program grant; and

WHEREAS, Metro entered into a contract with Sunflower in April, 1992 and Sunflower has proceeded with the project by purchasing the wine bottle washing machine, setting up collection and delivery routes, purchasing crates and totes, and making modifications at the recycling center to accommodate the wine bottle washing facility on-site; and

WHEREAS, Sunflower has determined that the on-site location is not suitable for the operation and has relocated the facility to an adjacent building; and

WHEREAS, Unforeseen project costs and increased costs as a result of foreign currency fluctuations and improvements and/or underestimates in the original proposal have caused the project to exceed the $100,000 estimated cost of implementation by approximately $62,000; and

WHEREAS, Sunflower has formed a separate company specifically for the wine bottle washing project to be called Pacific Bottle Regeneration and is now doing business as same for the purposes of this operation; and

WHEREAS, The 1% For Recycling Committee has reviewed and considered this request and recommends approval of the grant increase to be paid to Sunflower/Pacific Bottle Regeneration from unexpended 1% For Recycling Program funds carried over from previous years; and

WHEREAS, The 1% For Recycling Committee's recommendation was presented to the Executive Officer for consideration and was submitted to the Council Solid Waste Committee for review, concurrence, and recommendation to the Metro Council to approve; and

WHEREAS, The Council Solid Waste Committee has reviewed the request and recommends approval of the 1% For Recycling Committee's recommendation; now therefore, BE IT RESOLVED, that

1) The Metro Council recognizes that the wine bottle washing project has the potential to substantially further reduce and reuse in the region, and acknowledges that unforeseen project cost overruns have been incurred and it is therefore necessary to increase the funds available for the project in order to complete its implementation; and

2) Approves the recommendation that the contract with Sunflower/Pacific Bottle Regeneration be amended to increase the $77,700 contract amount by $36,490 for a contract total of $114,190 in order to cover actual project costs for the facility.

ADOPTED by the Council of the Metropolitan Service District this 24th day of November, 1992.

Jim Gardner

Jim Gardner, Presiding Officer

JM:ay
SW921713.RES
November 9, 1992

Exhibit A
Cash and Property

Partner	Capital Contribution	Value
1. PR	Bottle washing machine	$66,000.00
2. Patterson	$62,022.23 promissory note from Sunflower Recycling Coop to Patterson	$62,022.23
3. Patterson	Promissory note for $3,977.77	$ 3,977.77

ASSET CONTRIBUTIONS TO PBR

PR		
	bottle washer	66,000
PATTERSON		
	truck	10,093
	totes	1,800
	pallet jack	225
	2 hand trucks	250
	4 metal glass bins	1,000
	4 metal glass barrels	100
	misc tools (utility knives, ear guards...)	50
	lease deposit	3,400
	site improvements	8,355
	cash	13,978
	sorted bottles: 157,000 x $0.10 =	15,700
	unsorted bottles: 22,000 x $0.05 =	1,100

		56,051
	third party labor	3,174
	bottle washer shipping	6,775

		9,949
	grand total	66,000

PROMISSORY NOTE FROM SUNFLOWER RECYCLING COOP TO PATTERSON USE OF FUNDS

EQUIPMENT		
	bottle-washer	7,102.80
	shipping	6,775.35
	tote shipping	114
	truck	4,000
	signage	106.40
	paint	987.50
	registration	171.00
	pallet jack	175
	repair	47.10
	2 hand trucks	250
	4 bins	1,000
	4 metal barrels	100
	misc tools	50
		20,879.15
INVENTORY		3,722
WAGES		13,524.71
RENT		3,400
SITE IMPROVEMENT		
	general contractor	4,500
	plumbing	2,785.75
	concrete	78.10
	insulation	346.05
	permit & architect	645.25
		8,355.15
OVERHEAD		
	fax	20
	OLCC restaurant list	20
	postage	72.50
	Wine Press subscription	9
	fuel (through 8/92)	172.27
	truck repair	12
	insurance	
	truck	1,512.10
	liability	323.35
		2,141.22
CASH		10,000.00
		62,022.23

SOLID WASTE COMMITTEE REPORT

CONSIDERATION OF RESOLUTION NO. 92-1713, FOR THE PURPOSE OF APPROVING A CONTRACT INCREASE TO SUNFLOWER RECYCLING/PACIFIC BOTTLE REGENERATION TO COMPLETE THE WINE BOTTLE WASHING PROJECT FUNDED AS PART OF 1991-92 1% FOR RECYCLING PROGRAM

Date: November 18, 1992 Presented by: Councilor Buchanan

Committee Recommendation: At the November 17 meeting, the Committee voted unanimously to recommend Council adoption of Resolution No. 92-1713. Voting in favor: Councilors Buchanan, Hansen, McFarland, Van Bergen and Wyers.

Committee Issues/Discussion: Sunflower Recycling received a $77,700 grant from the 1% program to aid in establishing a recycling program for green wine bottles. The bulk of the funding was for the purchase of bottle washing equipment and a truck to collect the bottles. The remainder was to be used for the development of a bottle collection system and the renovation of facilities to be used for the project.

Sunflower has encountered a number of unforeseen problems including currency fluctuations that affected the cost of the bottle washing equipment and the need to obtain and renovate an additional building to house the project. As a result, Sunflower has requested an additional $36,490 to complete the project. Sunflower originally estimated its contribution to the project to be about $20,000, but has actually spent about $50,000 to date. Data provided to the committee indicates that Sunflower will begin selling its recycled bottles to local vintners shortly.

At the hearing, Judith Mandt, Solid Waste Staff, and Del Seitzinger of the 1% Committee reviewed the history of the committee's consideration of Sunflower's request for additional funds. They noted that the committee made numerous requests for additional information and that Sunflower readily responded. They also noted the the principals in the project had now invested a significant amount of their own money in it.

Seitzinger noted that Metro's additional support for the project is a "win-win" situation. First, it will reduce disposal costs for major users of wine, such as restaurants. Second, it will help remove a major recyclable item from the waste stream. And, third it will reduce vintners costs for obtaining new bottles for their products.

Councilor McFarland asked if the additional funding was available from existing resources. Mandt responded that two projects that had been funded will not be completed and therefore the money allocated to them would not be spent. In addition, the program had a small contingency amount that had been set aside. The additional funding for Sunflower would come from these sources.

Councilor Hansen asked whether, as part of the original proposal, restaurants or vintners would contribute to the cost of establishing the program. Mandt noted that there was no monetary contribution due to uncertainties about the success of the project. She noted that restaurants that are now participating in the program are taking the time to source separate their green wine bottles. She noted that it is now projected that the program may be profitable within six months to one year.

Councilor Hansen expressed some concern that, by granting this request, all of the additional funding currently available would be used. She noted that other current grantees may have similar financial problems and may have desired the opportunity to apply for additional funding. Mandt responded by noting the potential value of the Sunflower project and that it would likely fail if additional funding were not provided.

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 92-1713 FOR THE PURPOSE OF APPROVING A CONTRACT INCREASE TO SUNFLOWER RECYCLING/PACIFIC BOTTLE REGENERATION TO COMPLETE THE WINE BOTTLE WASHING PROJECT FUNDED AS PART OF 1991-92 1% FOR RECYCLING PROGRAM

Date: November 9, 1992 | Presented By: Judith Mandt

PROPOSED ACTION:

To increase the contract of Sunflower Recycling Coop, doing business as Pacific Bottle Regeneration by $36,490 to complete wine bottle washing facility as part of 1991-92 1% For Recycling Program.

BACKGROUND:

Last year the 1% For Recycling Program granted $77,700 to Sunflower Recycling in southeast Portland to establish a wine bottle washing operation that would wash wine bottles consumed in the region and redistribute them to local vintners for reuse. The project was chosen as a marketing and waste reduction project because of its high potential to reduce the region's cullet stockpile and create demand for reuse. It was expected to cost a total of $95,000 to $100,000. Sunflower would provide the $17,300 to $22,300 the balance of funds as partial match.

When the committee selected this project, Sunflower representatives advised that the project cost estimate for the machine had increased since the proposal was submitted, and requested additional funds. Currency fluctuations of the U.S. dollar to the Austrian shilling increased the cost of the machine by about $6,000 more than anticipated. Since the Sunflower proposal was very conservative, there was no room for cost-overruns. The committee noted the information, but declined to increase the grant because it would be unfair to other proposers to change the amount of this proposal unless the same was offered to all. They said they preferred to wait for definite costs incurred, but would consider a request at a later date if justified. Reflecting this decision and the need for a prudent reserve for the program, the committee set aside a contingency of $5,750 this year.

The project commenced immediately after executing a contract in April. The required deposit of $60,000 for the Klinger bottle washing machine to be fabricated in Austria was placed in a controlled account for staged dispersals, and Sunflower accepted delivery of the machine in September. During the summer months, Sunflower began to build the collection route, purchase crates and totes, and make modifications at the recycling coop to house the operation in the northwest portion of the property. In early September, they determined that the on-site building would not be suitable for the operation. Space in a vacant building on S.E. Gladstone, adjacent to the recycling center, was found to substitute for the on-site facility. At the same time, Sunflower made the decision to form a separate company for this operation to be called Pacific Bottle Regeneration (Attachment D). Alexander Patterson, project manager, and Pacific Regeneration, Inc., a subsidiary of Sunflower, form a partnership. The work force and management of the wine bottle reuse project remain the same.

PRESENT STATUS

As anticipated by Metro, Sunflower has borne a portion of the cost of the project directly. The Cooperative has invested approximately $50,000 in the project to date. This is more than double the amount they originally expected to invest. A number of factors contributed to this. The actual project cost was seriously underestimated. The international currency fluctuation ultimately resulted in a cost increase of about $6,500. Payment of some $6,800 for shipping and U.S. Customs was not contemplated. Costs related to equipment and supplies acquisition were also higher than estimated. Alterations to the new building including plumbing, electrical, heating, other site preparation, and purchase of a used forklift also increase the project costs. Originally expected to cost no more than $100,000, in actuality the project will run closer to $162,000 (Attachment A).

Sunflower is requesting an additional grant of $36,490 from Metro to pay for increased project associated costs. The breakdown of additional funds request in Attachment B shows the added costs for equipment, supplies, and site preparation for which financial assistance is needed. The 1% For Recycling Committee has reviewed and discussed this request as part of their agenda at three separate meetings. Sunflower representatives have been requested to bring detailed and revised information, including a proforma for the first year of operation (Attachment C) and were interviewed twice by the committee prior to its decision. At its October 21 meeting, the committee unanimously approved a recommendation to provide the additional funds.

There are funds available in the 1% for Recycling Program budget to cover this increase. The contingency reserve of $5,750 alone would be insufficient, however, two projects funded in two past funding cycles will not be done because of problems incurred in start-up. Due to the lateness of the decision not to continue them, the funds were carried over from the previous year and could be used for this purpose.

Babyland Diaper Service: Received a $28,050 grant in 1990-91, expended $700 before determining it was not feasible, $27,350 balance remains.
This project was to fund search and purchase of a reusable cloth bag to deliver and pick-up diapers to replace the disposable plastic bags currently used. The contractor experimented with 7 different bags but found none acceptable to customers. Fading caused by industrial strength detergents and unremovable stains in the fabric were primary factors. Customer confidence was critical and their concerns, even offset by the environmental ethic, could not be overcome with any bag fabric that was tested.

The contract, which would have expired in August, 1992, had been carried over in this fiscal year and funds are unearmarked at this time.

Gale & Associates: Received a $10,000 grant in 1991-92; no funds were expended. *Recycling By-the-Book was a project funded to collect and recycle books at school libraries in Washington County. It was to have been a collaborative project of Gale & Associates and Lakeside Reclamation, a recycling business. After the grant award was made, Lakeside Reclamation made the decision not to proceed with the project. Gale & Associates made sincere attempts to continue on with the project, but after six months, there was no contract and the project was deemed to be unfeasible at this time.*

Total Available from these two projects:	$37,350
Total Sunflower/Pacific Bottle Regeneration Request:	**$36,490**

The committee gave serious and lengthy consideration to this request. The project is viewed as having potential to effect substantial waste reduction in the region. The removal and reuse of two million wine bottles per year is achievable and realistic, if sufficient capital is invested now. Sunflower is seen as having made a firm commitment to the project and much hard work has gone into it. The cost increases that affect this project are deemed as a lack of knowledge of the actual dimensions of this project and largely beyond their control. The committee feels that the project would be significantly impaired if the requested increase in funds is not made, and recommends that the full amount of Sunflower/Pacific Bottle Regeneration's request of $36,490 be funded.

EXECUTIVE OFFICER'S RECOMMENDATION

The Executive Officer recommends approval of Resolution No. 92-1713 to approve the grant increase requested by Sunflower/Pacific Bottle Regeneration, thus amending the contract by $36,490.

JM:ay
1%\WINEINCR.RPT
November 9, 1992

CHANGE ORDER NO. 1
METRO CONTRACT NO. 902373

PROJECT:	Wine bottle washing 1% project
METRO POC:	Judith Mandt, Solid Waste Administration Manager
CONTRACTOR POC:	Alexander Patterson, John Garofalo
COMPLETION DATE:	June 30, 1993

This agreement is entered into between the Metropolitan Service District (Metro) and Sunflower Recycling Cooperative, hereinafter called "Contractor," pursuant to the 1% for Recycling Grant Contract, dated April 1, 1992.

1. Metro and Contractor agree that cost of services provided by Contractor are greater than originally estimated by the parties, and that Contractor shall continue to provide the services until June 30, 1993.

2. Metro agrees to pay the Contractor the sum of $36,490 for the above described services. Metro shall pay the Contractor within 30 days of completion of services and receipt of an approved billing from the Contractor.

3. The maximum compensation which Metro shall be obligated to pay the Contractor pursuant to this Change Order shall be $36,490.

4. Pursuant to Article XIII of the contract between the parties, Metro consents to the assignment of this contract from Sunflower Recycling Cooperative to Pacific Bottle Regeneration, which is an Oregon general partnership comprised of Alexander C. Patterson and Pacific Regeneration, Inc., a subsidiary of Sunflower Recycling Cooperative.

5. Except as modified herein, all other terms and conditions of the original agreement and previous change orders (if any) remain in full force and effect.

SUNFLOWER RECYCLING COOPERATIVE	METROPOLITAN SERVICE DISTRICT
Signature	Signature
Print name, title	Print name, title
Date	Date

ALEXANDER C. PATTERSON

Signature

Print name, title

Date

PACIFIC REGENERATION, INC.

Signature

Print name, title

Date

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ATTACHMENT A
Breakdown of Total Costs (actual and estimate)

Inventory		$ 2,279
		4,500
Wages	Labor	
	April	720
	May	1,989
	June	2,888
	July	3,830
	August	4,800
	September-November	15,000
	Training	1,000
Equipment		
	Washer	61,000
		7,080
	Shipping And Customs	6,780
	Truck	9,000
	Paint and Sign	1,587
	Registration	171
	Totes	1,800
	Delivery	626
	Pallet Jack	225
	Used Fork Lift	800
Supplies		
	Boxes And Dividers	15,000
	Pallet Wrap, Tape, Etc.	3,000
Rent		
	April - October	6,000
	Down Payment &November (new location)	3,400
Overhead		
	OLCC List of Licensed Restaurants	20
	Postage	72
	Subscription to Wine Press	9
	Truck Operation	1,250
Site Preparation		
	Plumbing	1,525
	Electricity	930
	Walls	4,000
	Oil Burner	375
	Finishing	1,000
TOTAL		**$162,656**

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ATTACHMENT B

BREAKDOWN OF METRO'S CONTRIBUTION

METRO'S CONTRIBUTION TO DATE

WAGES	LABOR	3,120.00
	TRAINING	1,000.00
EQUIPMENT		
	BOTTLE-WASHER	61,000.00
	TOTES	1,800.00
	TOTE TRANSPORT	626.00
	TRUCK	5,000.00
	SIGNAGE (PROMO)	500.00
LEASEHOLD IMPROVEMENTS		569.00
OVERHEAD		200.00
TOTAL		73,815.00

Of the $77,700 grant, $3,885 remains unpaid. *

BREAKDOWN OF ADDITIONAL FUNDS REQUESTED

EQUIPMENT		
	FINAL PAYMENT ON BOTTLE-WASHER	7,080
	SHIPPING BOTTLE-WASHER	6,780
	FORKLIFT	800
SUPPLIES		
	CASE BOXES AND DIVIDERS	15,000
SITE PREP		
	FRAMING & WALL HANGING	4,000
	OIL BURNER HOOK-UP	375
	PLUMBING	1,525
	ELECTRICAL HOOK-UP	930
TOTAL		36,490

* Metro's 5% retainage for this contract

ATTACHMENT C

WINE BOTTLE PROGRA
FIRST YEAR PROJECT
FOR THE YEAR ENDINER 30,1993

	SEP	OCT	NOV	DEC	JAN	FEB
# CASES SOLD	0	0	4,500	5,000	5,500	6,000
(CASH PROJECTIONS)						
BAL FWD	4,800	6,085	9	1,528	7,931	12,646
CASH SALES[1]		0	855	950	1,045	1,140
NET 30			0	10,260	11,400	12,540
NET 60				0	5,130	5,700
NET 90					0	855
TOTAL RECEIPTS	0	0	855	11,210	17,575	20,235
LOANS/GRANTS	10,000	10,000	28,000	10,000	3,000	
CASH AVAILABLE	14,800	16,085	28,864	22,738	28,506	32,881
PURCHASES:						
BOTTLES	500	1,300	1,400	1,600	1,800	2,000
BOXES	0	0	5,000	2,200	2,200	2,200
DIVIDERS			10,000[9]			
LABOR:[2]	0	2,000	4,000	4,000	4,400	4,800
SUPPLIES	0	0	450	500	550	600
ADMIN	800	500	500	500	500	500
TRANSPORTATION[3]	0	0	900	1,000	1,100	1,200
EQUIP USAGE	0	0	675	750	825	900
MARKETING	0	0	111	1,457	2,285	2,631
FIXED COSTS:						
RENT[4]	3,400	0	300	1,200	1,200	2,250
INSURANCE	0	275	550	550	550	550
MISC	0	450	450	450	450	450
OTHER COSTS:						
SHIPPING[5]	3,820					
SITE IMPV	195	3,251[6]	2,000[10]			2,000
EQUIP		7,800[7]	1,000			
PROF FEES		500[8]				
INCENTIVE BONUSUS	0	0		600		
TOTAL EXPENDITURES	8,715	16,076	27,336	14,807	15,860	20,081
ENDING BALANCE	6,085	9	1,528	7,931	12,646	12,800

WINE BOTTLE PROGRA
FIRST YEAR PROJECT
FOR THE YEAR ENDIN

	SEP	TOTALS
# CASES SOLD	9,500	77,000
(CASH PROJECTIONS)		
BAL FWD	12,365	
CASH SALES	1,805	14,630
NET 30	20,520	153,900
NET 60	9,690	66,690
NET 90	1,520	9,500
	-----	-----
TOTAL RECEIPTS	33,535	244,720
LOANS/GRANTS		61,000
CASH AVAILABLE	45,900	
PURCHASES:		
BOTTLES	3,800	29,900
BOXES	4,400	35,800
DIVIDERS		30,000
LABOR:	7,800	64,600
SUPPLIES	950	7,700
ADMIN	750	8,300
TRANSPORTATION	1,900	15,400
EQUIP USAGE	1,425	11,550
MARKETING	4,360	31,814
FIXED COSTS:		
RENT	2,250	24,100
INSURANCE	550	6,325
MISC	450	5,400
OTHER COSTS:		
SHIPPING		3,820
SITE IMPV		7,446
EQUIP		8,800
PROF FEES		500
INCENTIVE BONUSUS	600	2,400
	-----	-----
TOTAL EXPENDITURES	29,235	293,855
	-----	-----
ENDING BALANCE	16,665	11,865
	=====	=====

WINE BOTTLE PROGRA
FIRST YEAR PROJECT
FOR THE YEAR ENDIN

	MAR	APR	MAY	JUNE	JULY	AUG
# CASES SOLD	6,500	7,000	7,500	8,000	8,500	9,000
(CASH PROJECTIONS)						
BAL FWD	12,800	15,083	7,443	10,532	13,798	17,143
CASH SALES	1,235	1,330	1,425	1,520	1,615	1,710
NET 30	13,680	14,820	15,960	17,100	18,240	19,380
NET 60	6,270	6,840	7,410	7,980	8,550	9,120
NET 90	950	1,045	1,140	1,235	1,330	1,425
	-----	-----	-----	-----	-----	-----
TOTAL RECEIPTS	22,135	24,035	25,935	27,835	29,735	31,635
LOANS/GRANTS						
CASH AVAILABLE	34,935	39,118	33,378	38,367	43,533	48,778
PURCHASES:						
BOTTLES	2,300	2,500	2,800	3,050	3,300	3,550
BOXES	2,200	3,300	3,300	3,300	4,400	3,300
DIVIDERS		10,000				10,000
LABOR:	5,200	5,600	6,000	6,400	7,000	7,400
SUPPLIES	650	700	750	800	850	900
ADMIN	500	750	750	750	750	750
TRANSPORTATION	1,300	1,400	1,500	1,600	1,700	1,800
EQUIP USAGE	975	1,050	1,125	1,200	1,275	1,350
MARKETING	2,878	3,125	3,372	3,619	3,866	4,113
FIXED COSTS:						
RENT	2,250	2,250	2,250	2,250	2,250	2,250
INSURANCE	550	550	550	550	550	550
MISC	450	450	450	450	450	450
OTHER COSTS:						
SHIPPING						
SITE IMPV						
EQUIP						
PROF FEES						
INCENTIVE BONUSUS	600			600		
	-----	-----	-----	-----	-----	-----
TOTAL EXPENDITURES	19,853	31,675	22,847	24,569	26,391	36,413
	-----	-----	-----	-----	-----	-----
ENDING BALANCE	15,083	7,443	10,532	13,798	17,143	12,365
	=====	=====	=====	=====	=====	=====

WINE BOTTLE PROGRAM
FIRST YEAR PROJECTIONS
FOR THE SIXTEEN MONTHS ENDI

	PER CASE
# CASES SOLD	
INCOME	3.80
EXPENSES:	
BOTTLE PURCHASES	0.36
BOXES/DIVIDERS	0.70
LABOR:	
SORTING	0.60
WASHING	0.24
SUPPLIES	0.10
ADMIN	0.05
TRANSPORTATION	0.20
EQUIP USAGE	0.15
MARKETING	0.45

FOOTNOTES TO CASH PROJECTION

1. Estimate of rate of payment for cases sold based on Pixner's experience.

2. Labor includes sorting, washing and related production costs. Through November costs include additional labor for site set-up. September and one half of October labor costs paid by Sunflower with revenues outside of wine bottle reuse budget.

3. Transportation is delivery of washed bottles. Calculation of estimated delivery costs: average of 200 miles/delivery, 5 hours. $40.00 truck operation + $50.00 labor = $90.00/delivery of 480 cases = $0.187/case. Call it $0.20/case to be safe. We expect that we will usually be bringing back bottles from winery tasting rooms when we make deliveries, thus lowering the actual costs.

4. First and last month's payment on lease. October represents an early occupation of part of the premises. Following rent costs are per signed lease agreement.

5. Final payment for shipping bottle washing machine.

6. Plumbing, wiring, and heater hook-up of machine.

7. $7,000 final payment on machine; $800 for forklift.

8. To pay lawyer for writing the joint venture contract.

9. Dividers bought in bulk quantities.

10. Purchase of tanks for soaking problem bottles.

ATTACHMENT D

PARTNERSHIP AGREEMENT

DATED AS OF: October 15, 1992

BETWEEN: ALEXANDER PATTERSON
("Patterson")
2202 SE Brooklyn
Portland, OR 97202

AND: PACIFIC REGENERATION, INC.
an Oregon corporation
("PR")
2345 SE Gladstone
Portland, OR 97202

Patterson and PR (the "parties") desire to become partners and to form a general partnership under the laws of the State of Oregon for the purposes and on the terms and conditions stated in this Agreement.

SECTION 1. FORMATION OF PARTNERSHIP

1.1 Partnership. The parties (hereinafter referred to collectively as the "partners" and referred to in their individual capacities as a "partner" hereby form a general partnership (hereinafter referred to as the "partnership") pursuant to the Oregon Uniform Partnership Law, Chapter 68 of the Oregon Revised Statutes, for the purposes and on the terms and conditions stated in this Agreement.

1.2 Name. The name of the partnership shall be Pacific Bottle Regeneration. The parties will register this name with the Corporation Division of the Oregon Secretary of State.

1.3 Principal Place of Business. The partnership's principal place of business shall be at 2501 SE Gladstone, Portland, Oregon 97202. The principal place of business may change from time to time and other places of business may be established by actions taken in accordance with the provisions of this Agreement that govern management of the partnership's business and affairs.

1.4 Term. The partnership shall begin as of the date of this Agreement and shall continue until the partnership decides on its termination, unless it has been dissolved or terminated earlier under this Agreement.

1.5 Purpose. The sole purpose of the partnership is to engage in the business of owning and operating a bottle reuse and washing facility and to do all things related to, incidental to, or in furtherance of that business.

SECTION 2. CAPITAL CONTRIBUTIONS

2.1 Initial Contributions.

2.1.1 Cash and Property. The partnership's initial capital shall consist of the amounts in cash and property shown in Exhibit A to this Agreement. That exhibit sets forth the capital contributions to be made by the respective partners, the nature of their respective contributions and, for contributions consisting of property, the amounts that the partners agree are the market values of the respective items. Each partner shall pay in full or convey his or its contribution to the partnership upon execution of this Agreement.

2.1.2 Tax Treatment of Property. Notwithstanding other provisions of this Agreement, in computing each partner's share of the partnership's federal and state taxable income, if the agreed market value of any of the property items differs from the tax basis of the property, the depreciation expense and gain or loss on any disposition of that item shall be allocated among the partners. The allocation shall be such that the tax treatment of the partners, excluding the partner who contributed the item, will be the same as if the contributing partner had given an amount in cash equal to the agreed market value of the item, and the partnership had then purchased it for that amount.

2.2 Failure to Make Initial Contribution. If any partner fails to pay or convey his or its initial contribution to the partnership's capital at the time and in the form and amount required by this Agreement, the partnership shall immediately dissolve. Each partner who has paid or conveyed all or any portion of his or its initial contribution to the partnership's capital shall be entitled to a return of the funds and properties he or it contributed.

2.3 Additional Capital. Whenever it is determined by the managing partner that the partnership's capital is presently or is likely to become insufficient for the conduct of its business, the managing partner may, by written notice to all partners, call for additional contributions to capital. These contributions shall be payable in cash no later than the date specified in the notice, or no sooner than 30 days after the notice is given. Each partner shall be liable to the partnership for the partner's share of the aggregate contributions duly called for under this paragraph. Each partner's share shall be in proportion to his or its share of the partnership's profits, but no partner, in any fiscal year, shall be required in the event of such call to contribute more than 10 percent of the credit balance in the capital account as of the end of the immediately preceding fiscal year, reduced by any contribution to the partnership's capital made by him or it since the end of that fiscal year. In the event the contribution is not paid the partner shall also pay the partnership interest thereon from the date due until paid at the rate of 9 percent per annum. If payment is not made within six months from the due date, the non-paying partner's right to vote on partnership matters shall be suspended until payment is made and votes shall be calculated as if the non-paying partner's capital account did not exist. If payment is not made within 12 months from the due date, the other partners may on a pro rata basis contribute the required amount without interest and receive a corresponding credit in the contributing partner's capital account.

2.4 Voluntary Contributions. No partner may make any voluntary contribution of capital to the partnership without the consent of the managing partner.

2.5 Withdrawal of Capital. No partner may withdraw capital from the partnership without the consent of those partners holding 55 percent of the interest of the partners in the partnership.

2.6 No Interest on Capital Contributions. No partner shall be entitled to receive any interest on his or its capital contribution. If the partner is entitled to a repayment of his or its contribution, the partner shall also be entitled to interest on it at the rate of 9 percent per annum from the date when repayment should have been made.

2.7 Future Loans. No partner shall lend or advance money to or for the partnership's benefit without the approval of the managing partner.

If any partner, with the requisite consent of the managing partner, lends any money to the partnership in addition to his or its contribution to its capital, the loan shall be a debt of the partnership to that partner. The liability shall not be regarded as an increase of the lending partner's capital and it shall not entitle him or it to any increased share of the partnership's profits.

SECTION 3. ALLOCATION OF PROFITS AND LOSSES

3.1 General Allocation. The partnership's profits and losses shall be shared in proportion to the partners' capital accounts.

3.2 Circumstances for Reallocation. Patterson and PR recognize that the equipment and truck ("Equipment") contributed by PR to the partnership may be subject to encumbrances, including without limitation, a security interest held by Cascadia Fund securing approximately $31,000. The Equipment is contributed to the partnership subject to these encumbrances. PR will continue to be liable for all payments on the Equipment. If it becomes necessary or desirable for the partnership or Patterson to make any payment relating to the Equipment because of any non-payment thereof by PR, then the partnership or Patterson may make such payment and assume the remaining obligations thereunder. In such event, the amount paid and assumed by Patterson and one-half of the amount paid and assumed by the partnership shall be considered to be a purchase by Patterson of a portion of PR's capital account and partnership interest and the allocation of profits and losses thereafter shall be adjusted in proportion to the total of capital contributions made by the parties. As an illustration, if the partnership pays $30,000 or Patterson pays $15,000 and the capital contributions of each party made to that date totaled $80,000 each, then Patterson would be allocated a capital account of $95,000, PR would be allocated a capital account of $65,000, and 59.4 percent of the partnership's profits and losses would be allocated to Patterson and 40.6 percent of the partnership's profits and losses would be allocated to PR.

SECTION 4. DISTRIBUTIONS

4.1 Discretionary Distributions. The managing partner shall review periodically the financial condition of the partnership to determine whether any cash is held which is in excess of the amounts reasonably needed in the business of the partners. The partnership shall distribute such cash to the partners upon approval of the partners holding a majority interest in the capital of the partnership. Any cash distributions made pursuant to this section shall be allocated among the partners in accordance with their interests in profits and losses.

4.2 Mandatory Distributions. Within 90 days after the end of the fiscal year of the partnership there shall be distributed in cash to the partners, in proportion to their respective shares in the partnership's profits, amounts equal to 50 percent of the partnership's net profit for that fiscal year computed under this Agreement provided that the remaining 50 percent equals at least 100 percent of the partnership's short-term liabilities outstanding at the close of the prior fiscal year.

4.3 Drawing Accounts. Each partner during any fiscal year shall be entitled to draw against profits such amounts as shall from time to time be agreed on by the managing partner, but such amounts shall never exceed one-half of the profits each quarter. These amounts shall be charged to the partners' drawing accounts as they are drawn.

4.4 Excessive Withdrawals. Notwithstanding the provisions of this Agreement governing drawing accounts of partners, to the extent any partner's withdrawals under those provisions during any fiscal year of the partnership exceed his or its distributable share in the partnership's profits, the excess shall be regarded as a loan from the partnership that he or it is obligated to repay within 30 days after the end of that fiscal year, with interest on the unpaid balance at the rate of 9 percent per annum from the end of that fiscal year to the date of repayment.

4.5 Overall Limit on Distributions. The aggregate amounts distributed to the partners from the partnership's profits shall not, however, exceed the amount of cash available for distribution, taking into account the partnership's reasonable working capital needs as determined by the managing partner.

SECTION 5. ACCOUNTING

5.1 Fiscal Year. The fiscal year of the partnership shall be one ending on December 31 of each year.

5.2 Accounting Method. The partnership books shall be kept on the accrual basis.

5.3 Capital Accounts. An individual capital account shall be maintained for each partner and his or its initial capital contribution in cash or property shall be credited to that account. No additional share of profits or losses shall inure to any partner because of changes or fluctuations in his or its capital account except as provided in Section 3.2.

5.4 Determination of Profit and Loss. The partnership's net profit or net loss for each fiscal year shall be determined as soon as practicable after the close of that fiscal year in accordance with the accounting principles employed in the preparation of the federal income tax return filed by the partnership for that year, but without any special provisions for tax-exempt or partially taxable income. By March 15 of each year, the partnership shall complete its tax return and provide each partner with all requisite tax information to allow each partner to complete the partner's tax return.

SECTION 6. RECORDS AND REPORTS

6.1 Partnership Books. Proper and complete books of account of the partnership business shall be kept at the partnership's principal place of business and shall be open to inspection by any of the partners or their accredited representatives at any reasonable time during business hours. The accounting records shall be maintained in accordance with generally accepted bookkeeping practices for this type of business.

6.2 Annual Report. Within 120 days after the end of each fiscal year of the partnership, the partnership shall furnish to each partner an annual report. This report shall consist of at least

(a) a copy of the partnership's federal income tax returns for that fiscal year;

(b) supporting profit and loss statements;

(c) a balance sheet showing the partnership's financial position as of the end of that fiscal year; and

(d) any additional information that the partners may require for the preparation of their individual federal and state income tax returns.

6.3 Operating Budget. At least 30 days prior to the end of each fiscal year the partnership shall furnish each partner with a proposed operating budget for the next fiscal year. The managing partner shall attempt to obtain the partners' agreement to the proposed operating budget, but in the absence of such agreement, the managing partner may adopt the budget unless restricted by Section 7.2.

SECTION 7. MANAGEMENT

7.1 Control. The managing partner shall be Alexander Patterson. He shall have control over the business of the partnership and assume direction of its business operations. The managing partner shall consult and confer as far as practicable with the nonmanaging partners, but the power of decision shall be vested in him. The powers and duties of the managing partner shall include control over the partnership's books and records and the hiring of any independent certified public accountants he deems necessary for this purpose. Except as otherwise expressly provided in this Agreement, all things to be done by the partnership shall be done under the managing partner's control and supervision. The managing partner shall be entitled to reimbursement monthly, on the submission of an itemized account, of any sums he shall have expended for the benefit of the partnership's business. On the managing partner's death, resignation, sale of his partnership interest, or other disability, a successor managing partner shall be selected by a majority in capital interest of the partners.

7.2 Acts Requiring Majority Consent. The following acts may be done only with the consent of the partners or partners holding 55 percent of the interest of the partners in the partnership:

(a) approving the operating budget if the total amount of the fixed cost budget and administrative budget therein exceeds 15 percent of the partnership's revenue for the prior fiscal year or if the partnership had a net operating loss during the prior fiscal year (see Exhibit B for the 1993 approved operating budget);

(b) changing the business purpose of the partnership;

(c) borrowing in excess of $10,000 in the partnership's name;

(d) purchasing any piece of equipment with capital costs in excess of $10,000, or incurring annual aggregate capital costs in excess of an amount equal to 50 percent multiplied by the net profit for the prior fiscal year;

(e) transferring, hypothecating, compromising or releasing any partnership claim in excess of $2,000 except on payment in full;

(f) selling, leasing or hypothecating any partnership property or entering into any contract for any such purpose, other than in the ordinary course of the partnership's business and other than any hypothecation of partnership property to secure a debt resulting from any transaction permitted under (b);

(g) knowingly suffering or causing anything to be done whereby partnership property having a value in excess of $10,000 may be seized or attached or taken in execution, or its ownership or possession otherwise endangered; and

(h) termination of the partnership.

7.3 Withdrawal of Funds. All partnership funds shall be deposited in the partnership's name and shall be subject to withdrawal only on the signature of the managing partner.

7.4 Outside Activities. Any partner may be engaged in one or more businesses, other than the business of the partnership, but only to the extent that this activity does not compete or materially interfere with the business of the partnership and does not conflict with the obligations of that partner under this Agreement. Neither the partnership nor any other partner shall have any right to any income or profit derived by a partner from any business activity permitted under this section.

7.5 Salaries. The managing partner shall be entitled to a monthly salary of not less than $1,000 or such other greater amount that may from time to time be determined by the consent of the partners holding 55 percent of the interest of the partners in the partnership. This salary shall be treated as a partnership expense in determining its profits or losses.

7.6 Removal of Managing Partner. The managing partner may be removed upon (a) the consent of the partners holding 55 percent of the interest of the partners in the partnership or (b) the other partners establishing that the managing partner has consistently and negligently mismanaged the partnership in a manner to cause the partnership substantial harm or that he has managed the partnership in a manner which has provided him with substantial benefits not reasonably due him as a partner or as a manager.

SECTION 8. CHANGES IN MEMBERSHIP

8.1 New Partners. A new partner may be admitted to the partnership as of the beginning of any fiscal year of the partnership, but only with the written approval of all the partners. Each new partner shall be admitted only if he or it shall have executed this Agreement and an appropriate supplement to it, in which the new partner agrees to be bound by the terms and provisions of this Agreement as they may be modified by that supplement. Admission of a new partner shall not cause dissolution of the partnership.

8.2 Interest of New Partner. A newly admitted partner's capital contribution and share of the partnership's profits and losses shall be set forth in the written consents of the partners consenting to the admission of the new partner.

8.3 Partner's Death, Disability or Voluntary Withdrawal. The partnership shall dissolve and terminate on any partner's death, permanent physical or mental disability, or voluntary withdrawal from the partnership.

8.4 Bankruptcy. Any partner shall cease to be a partner and shall have no interest in common with the remaining partners in the partnership or its properties if:

(a) he or it files a voluntary petition in bankruptcy, is adjudicated a debtor in a bankruptcy proceeding, becomes insolvent, makes an assignment of his or its partnership interest or substantially all of his or its assets for the benefit of creditors, or applies for or consents to the appointment of a receiver or trustee with respect to any substantial part of his or its assets, or if

(b) a receiver or trustee is appointed or an attachment or execution levied with respect to any substantial part of the partner's assets or the partner's partnership interest and the appointment is not vacated or the attachment or execution is not released within 60 days, or if

(c) a charging order is issued against a partner's interest in the partnership and is not released or satisfied within 60 days.

From the date that a partner ceases to be a partner, he or it shall be considered in equity as a vendor to the partnership of his or its share of the partnership's assets at a price equal to the credit balance of his or its capital account at that date as increased by his or its share of any partnership net profit and decreased by his or its share of any partnership net loss not yet reflected in the capital account. That amount shall be considered a debt due owed by the partnership to that partner or his or its assignee or trustee, and all necessary deeds and other documents shall be executed for the vesting of the partner's share in the partnership. The debt due plus interest thereon at the rate of 9 percent per annum shall be amortized and paid over a three year period by monthly payments.

8.5 Limited Transferability. A partner may transfer all or part of his or its interest in the partnership only as follows:

(1) to the partnership or to any other partner;

(2) by succession or testamentary disposition on his death;

(3) by a gift to his spouse or children, or to a trustee for his spouse or children or both;

(4) to a corporation if, immediately following the transfer, the partner making the transfer owns at least 75 percent of that corporation's voting shares; or

(5) to any person after the partner making the transfer has first offered the other partners their rights of first refusal in accordance with the provisions of this Agreement dealing with those rights of first refusal.

8.6 Right of First Refusal. If any partner receives an offer, whether solicited by him or it, from a person not then a partner, to purchase all or any portion of his or its interest in the partnership and if the partner receiving the offer is willing to accept it, he or it shall give written notice of the amount and terms of the offer, the identity of the proposed transferee and his or its willingness to accept the offer to each of the other partners. The other partners shall have the option, within 60 days after that notice is given, to purchase the designated interest or designated portion of the interest of the partner giving notice on the same terms as those contained in the offer. The other partners may exercise this option jointly or individually. If more than one partner exercises the option individually, the partner giving notice may choose whose exercise of the option he or it shall accept.

SECTION 9. DISSOLUTION

On any dissolution of the partnership under this Agreement or applicable law, except as otherwise provided in this Agreement, the continuing operation of the partnership's business shall be confined to those activities reasonably necessary to wind up the partnership's affairs, discharge its obligations and preserve and distribute its assets.

SECTION 10. MISCELLANEOUS

10.1 Indemnification. Each partner shall indemnify and hold harmless the partnership and each of the other partners from any and all expense and liability resulting from or arising out of any negligence or misconduct on his or its part to the extent that the amount exceeds the applicable insurance carried by the partnership.

10.2 Amendments. This Agreement may be amended at any time and from time to time, but any amendment must be in writing and signed by each person who is then a partner.

10.3 Notices. Any written notice to any of the partners required or permitted under this Agreement shall be deemed to have been duly given on the date of service if served personally on the party to whom notice is to be given, or the third day after mailing if mailed to the party to whom notice is to be given, by first class or air mail, postage prepaid and addressed to the addressee at the address stated above, or at the most recent address, specified by written notice, given to the sender by the addressee under this provision. Notices to the partnership shall be similarly given and addressed to it at its principal place of business.

10.4 Counterparts. The parties may execute this Agreement in two counterparts, each of which will be considered an original, but both of which together will constitute the same instrument.

10.5 Governing Law. This Agreement is executed and intended to be performed in the State of Oregon, and the laws of that state shall govern its interpretation and effect.

10.6 Successors. This Agreement shall be binding on and inure to the benefit of the respective successors, assigns and personal representatives of the parties, except to the extent of any contrary provision in this Agreement.

10.7 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the rest of the Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

10.8 Entire Agreement. This instrument contains the entire agreement of the parties relating to the rights granted and obligations assumed in this instrument. Any oral representations or modifications concerning this instrument shall be of no force or effect unless contained in a subsequent written modification signed by the party to be charged.

IN WITNESS WHEREOF, the partners have executed this Agreement as of the date first shown above.

Alexander Patterson

ALEXANDER PATTERSON

PACIFIC REGENERATION, INC.

Timothy J. Kress

By: TIMOTHY J KRESS

Its: President