

# Valley Water District

14501 Pioneer Way East, Puyallup, WA 98372  
Telephone: (253) 841-9698 / Fax: (253) 770-8959

May 1, 2000

Mr. Jim Ward  
Washington Utilities and  
Transportation Commission  
P. O. Box 47250  
Olympia, WA 98504-7250

RECEIVED  
REGISTRATION DEPARTMENT  
00 MAY -1 PM 2:33  
STATE OF WASH.  
UTIL. AND TRANSP.  
COMMISSION

Re: Country Water, Inc.-UW-00192 Sale and Transfer of Property

Dear Mr. Ward,

In response to your letter dated April 17, 2000 I am enclosing a full copy of the purchase and sale agreement between Virgil Fox (American Water) and Valley Water District for the acquisition of The Country Water System.

In answer to your second question, the District is in the process of annexing the Country Water System into the Valley Water District service area.

If you have any further questions, please call me at 253-841-9698.

Sincerely,



Betty Vance  
District Manager

*Handwritten initials*

Gave Jim  
a copy of.

**AGREEMENT FOR PURCHASE AND SALE  
OF ASSETS OF  
COUNTRY WATER, INC.**

**COPY**

**THIS AGREEMENT** is entered into by and among **COUNTRY WATER, INC.**, a Washington corporation ("**Seller**"), **VIRGIL FOX** ("**Fox**") and **VALLEY WATER DISTRICT**, a Washington municipal corporation ("**Purchaser**").

R E C I T A L S:

A. Seller owns a water system known as the Country Water System (the "**Water System**") located in the Puyallup, Washington area. The Water System includes certain real property the legal description of which is attached hereto, labeled as **Exhibit "A"**. Seller also owns certain personal and intangible property used in connection with the Water System.

B. Seller desires to sell to Purchaser and Purchaser desires to purchase from Seller certain of Seller's assets in accordance with the terms and conditions set forth below.

**NOW, THEREFORE**, for and in consideration of the mutual covenants and conditions contained herein, the parties hereto agree as follows:

1. **Sale of Assets.** Subject to the terms and conditions set forth in this Agreement, Seller hereby agrees to sell, transfer, convey, assign and deliver to Purchaser, and Purchaser hereby agrees to purchase from Seller certain of Seller's assets (collectively referred to herein as the "**Property**"), comprising and used in connection with the Country Water System ("**Water System**"), as more specifically described below:

1.1 **Real Property.** All right, title and interest of Seller in any real property used in connection with the Water System, whether improved or unimproved, including but not limited to the real property described on Exhibit A and Seller's rights under any easements, leases and franchises including, but not limited to, those legally described on Exhibit A.

1.2 **Fixtures.** All improvements now located or in the process of construction upon the real property being purchased by Purchaser, including but not limited to all wells, reservoirs, tanks, cisterns, pipes, lines, mains, pumps, pumping stations, meters and associated appurtenances, including but not limited to those listed in the **List of Fixtures** attached hereto, labeled as **Exhibit "B"**.

1.3 **Personal Property.** All water in the water system on the date of closing. All equipment and supplies used in the operation of the Water System, including but not limited to those listed in the **List of Personal Property** attached hereto, labeled as **Exhibit "C"**. All plans, specifications, drawings, maps, surveys and comprehensive plans showing the construction and/or location of any existing or proposed elements of the Water System, including but not limited to

those listed on Exhibit C. All reports of any type of inspection of all or any part of the Water System, including but not limited to those listed on Exhibit C. All records including but not limited to customer lists, billing records, operating statements, well logs, flow records, pump and reservoir records and manuals, any written operating instructions and all other written and/or recorded data relating to the operation of the Water System or its equipment, including but not limited to those listed on Exhibit C.

**1.4 Contract Rights and Intangibles.** All warranties or guarantees connected with the construction of all or part of the Water System, if any, including but not limited to those listed on the **List of Contract Rights and Intangibles** attached hereto, labeled as **Exhibit "D"**. All water rights, claims, title or interest, including but not limited to those listed on Exhibit D. All permits and rights under developer extension agreements, including but not limited to those listed on Exhibit D. All accounts receivable and rights under any existing contracts listed on Exhibit D.

**2. Liabilities.** Purchaser will assume only those liabilities listed on the **List of Assumed Liabilities** attached hereto, labeled **Exhibit "E,"** and will assume the risk of nonpayment of accounts receivable in existence on the date Purchaser takes possession of the Property. Purchaser is not assuming any other liabilities or obligations of Seller and the same shall continue to be the obligation of Seller.

**3. Purchase Price and Payment.**

**3.1** The Purchase Price for the Property shall be Four Hundred Twenty Thousand Dollars (\$420,000.00). The Purchase Price shall be paid by Purchaser to Seller as follows:

**3.1.1** The Purchaser will assume (or renegotiate) the five contracts listed on Exhibit E, with a total liability in the amount of approximately \$148,688.42.

**3.1.2** The Purchaser shall pay to Seller the sum of \$200,000 in cash at closing.

**3.1.3** The Purchaser shall execute a promissory note payable to Seller, with a principal in the amount of the balance due and owing, payable in equal installments over 5 years, at 9 percent per annum interest, in the form attached hereto as **Exhibit F**. The promissory note shall provide that the Purchaser may prepay the note at any time without prepayment penalty.

**3.2** In addition to the Purchase Price stated in paragraph 3.1, the Purchaser shall pay the Seller's legal and accounting expenses incurred in connection with the transaction contemplated in this Agreement, in an amount up to \$5000.00. The Seller shall provide documentation of such expenses to the Purchaser.

4. Title.

**4.1 Preliminary Title Report.** Not later than seven (7) business days from the Date of Mutual Acceptance of this Agreement, Purchaser shall obtain a current preliminary commitment for title insurance issued by First American Title Insurance Company in an amount satisfactory to the Purchaser, not to exceed the Purchase Price, showing the condition of Sellers's title to the Property.

**4.2 Review and Approval of Commitment.** If Purchaser has any objection to matters disclosed in the preliminary commitment ("Objectionable Conditions"), Purchaser shall give written notice of its objection to Seller within seven (7) business days after receiving the preliminary title commitment. Seller shall have five (5) days from delivery of Purchaser's notice to notify Purchaser in writing whether Seller can remove such Objectionable Conditions by Closing. If Seller does not notify Purchaser in writing within said five (5) day period that any of said Objectionable Conditions cannot be removed, Seller shall be deemed to have agreed that said Objectionable Conditions will be removed on Closing. If Seller notifies Purchaser in writing that any of said Objectionable Conditions cannot be removed, Purchaser shall have five (5) days thereafter within which to waive in writing the removal of such Objectionable Conditions or terminate this Agreement. If Purchaser does not notify Seller within said five (5) day period that Purchaser is terminating this Agreement, Purchaser shall be deemed to have waived the removal of such Objectionable Exceptions.

**4.3 Conveyance and Condition of Title.** The Property described in Paragraph 1.1 and 1.2 above shall be conveyed by Seller at Closing to Purchaser by statutory warranty deeds, in the forms attached hereto, labeled **Exhibit G**, free and clear of all liens, liabilities and encumbrances except for the matters disclosed in the preliminary title commitment described in Paragraph 4.2, above, to which Purchaser does not object. Monetary encumbrances to be discharged by Seller shall be paid from the Purchase Price at Closing. Except for the warranties of title set forth above, the Property described in Paragraph 1 shall be conveyed by Seller at Closing to Purchaser by bills of sale, certificates of title and warranty assignments, on an "as-is" basis.

**4.4 Title Insurance.** At Closing, Purchaser shall cause First American Title Insurance Company to deliver to Purchaser an ALTA standard coverage Owner's Form B-1970 title policy in an amount satisfactory to Purchaser, not to exceed the Purchase Price, insuring that fee simple absolute title to the real property legally described on Exhibit A is in Purchaser, subject only to exceptions or conditions, if any, acceptable to Purchaser pursuant to this Paragraph 4. Said title insurance policy shall also insure Purchaser against any mechanic and materialmen's liens against the Property.

**5. Contingencies.** All obligations of Purchaser under this Agreement are subject to the fulfillment on or before Closing of each of the contingencies set forth below. If any of the contingencies are not met in full or fail to occur before Closing, for any reason whatsoever,

Purchaser may, in Purchaser's sole option, either waive such contingencies and proceed with closing or terminate this Agreement and proceed to condemnation.

**5.1 Warranties.** The representations and warranties of Seller contained in this Agreement shall be true on the date of Closing as though they were made on the date of Closing.

**5.2 Customer List.** Seller shall have delivered to Purchaser a complete list of all Water System customers.

**5.3 Performance.** Seller shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by Seller before Closing.

**6. Closing.**

**6.1 Opening of Escrow.** Within five (5) days after the Date of Mutual Acceptance of this Agreement, the parties hereto shall deposit an executed counterpart of this Agreement with the escrow department of First American Title Insurance Company in Puyallup, Washington or such other escrow company designated by Purchaser ("Escrow Agent") for the purpose of closing the purchase and sale contemplated by this Agreement. Seller and Purchaser shall deposit with the Escrow Agent all instruments, documents and funds as may be appropriate to enable the Escrow Agent to complete the sale in accordance with the terms of this Agreement. In the event of a conflict between the provisions of this Agreement and any escrow instructions, the terms of this Agreement shall control. If this Agreement is terminated before Closing for any reason, the Parties shall share equally any escrow costs or fees.

**6.2 Closing Date.** The purchase and sale contemplated herein shall be closed by the Escrow Agent within thirty (30) days after the removal of all of the contingencies set forth in Paragraph 5, above, or on such earlier date as the parties hereto may agree. For purposes of this Agreement, "Closing Date" or "Closing" shall mean the date upon which all documents are delivered to the Escrow Agent for recordation, are recorded and all sums to be paid by Purchaser are available for disbursement to Seller.

**6.3 Prorations.** Utilities constituting liens against the Property and taxes and assessments for the Property shall be prorated as of the Closing Date. Only the currently due installments of non-delinquent assessments made by Pierce County or a local improvement district shall be prorated as of the Closing Date. Subject to Purchaser performing all performing all of Purchaser's obligations under this Agreement, all payments for water received after the Closing Date shall be the property of Purchaser.

**6.4 Closing Costs.** Sellers shall pay one-half of the escrow fees. Purchaser shall pay the other one-half of the escrow fees, the fees for recording the conveyance instruments referred to in Paragraph 4.3, and the premium for the policy of title insurance required pursuant

to the terms of Paragraph 4.4. Purchaser shall pay all taxes resulting from the transaction contemplated in this Agreement.

**6.5 Possession.** Purchaser shall be entitled to possession of the Property and to commence operation of the Water System on the Closing Date.

**7. Representations and Warranties of Seller and Fox.** For and as additional inducement to Purchaser to purchase Seller's assets as described in this Agreement, Seller and Fox hereby represent and warrant to Purchaser as follows:

**7.1 Ownership of Shares.** Fox is the sole owner of all of the issued and outstanding shares of Seller and the only Director of Seller.

**7.2 Authority.** Seller is a Washington corporation in good standing and has the right, power and authority to enter into this Agreement, to execute all documents and instruments contemplated by this Agreement, to consummate this transaction and to perform all other obligations to be performed by Seller under the terms of this Agreement. The execution, delivery and performance of this Agreement and all agreements, documents and instruments contemplated hereby have been duly authorized by all necessary action on the part of Seller and the shareholders of Seller. Seller shall provide to Purchaser within five (5) days of Mutual Acceptance of this Agreement, certified copies of resolutions by the Board of Directors and shareholders of Seller authorizing this sale and the execution, acknowledgment, delivery and performance of this Agreement and all agreements, documents and instruments contemplated hereby.

**7.3 Title to Assets.** As of the date of this Agreement, Seller has good and marketable title to all of the Property described in Paragraph 1 and included in this transaction. None of the assets which are the subject matter of this Agreement are subject to any mortgage, pledge, lien, conditional sale, title redemption agreement, lease, encumbrance or other charge that will not be discharged at closing. Seller warrants that the Purchase Price will be sufficient to pay off all indebtedness and other encumbrances relating to the assets.

**7.4 Changed Conditions.** From the date of the financial statements provided by Seller to the date of this Agreement, there has been no change in the financial condition of Seller, except for such changes which may have occurred in the ordinary conduct of Seller's business, and without adverse effect upon the financial condition of Seller.

**7.5 Taxes.** All local, state and federal taxes, and tax returns and reports (including federal income taxes) to the date of this Agreement have been timely filed, paid or otherwise provided for.

**7.6 Liabilities.** Except as specifically stated in the financial statements provided by Seller, there are no other liabilities of Seller except such liabilities as may have arisen in the ordinary conduct of Seller's business from the date of said financial statements.

**7.7 Litigation and Legal Compliance.** Neither Seller nor Fox are engaged in or have been notified of any potential actions, suits, labor disputes, investigations or proceedings affecting Seller's properties or business. To the best of Seller's and Fox's knowledge, there is no reasonable basis for any such action, suit, labor dispute, investigation or proceeding. To the best of Seller's and Fox's knowledge, Seller's business has been, and is, operated in compliance with all applicable federal, state and local laws, rules, regulations and ordinances and all necessary licenses, permits and orders if any, with respect to such business have been obtained and are in effect. No written claim has been made by any governmental authority and delivered to Seller to the effect that the business conducted by Seller fails to comply, in any respect, with any law, rule, regulation or ordinance; or that a license, permit or order is necessary with respect thereto and without such license, permit order having been obtained promptly after receipt of notice of such claim. Seller is not operating under, subject to, or in default with respect to, any order, writ, injunction or decree of any court or federal, state, municipal or other governmental department, commission, board, agency or instrumentality.

**7.8 No Violation.** Neither the execution and delivery of this Agreement, the consummation of the transaction contemplated hereby, nor the performance by the Seller of, or compliance by the Seller with, any of the provisions of this Agreement will violate any provision of the Seller's Articles of Incorporation or Bylaws, and will not require any consent, approval, order or authorization of, or any registration, qualification, designation or filing with, or any permit from, or any notice to any federal, state or other governmental, regulatory or administrative authority, body or agency.

**7.9 Hazardous Materials.** To the knowledge of Seller and Fox, there are no Hazardous Materials on, under or about the Property. To the knowledge of Seller and Fox, no Hazardous Materials have at any time been used, generated, manufactured, stored, released, or disposed of on, under or about the Property. To the knowledge of Seller and Fox, the Property is not in violation of any Hazardous Materials Laws. There are no past, current or, to the knowledge of Seller, threatened Hazardous Materials Claims. No underground storage tank is now located on or, to the knowledge of Seller or Fox, has ever been located on or under the Real Property. For the purposes of this paragraph, "Hazardous Materials" includes, but is not limited to, any substance or material defined or designated as hazardous or toxic waste, hazardous or toxic material, a hazardous, toxic or radioactive substance, or other similar term, by any federal, state or local environmental statute, regulation or ordinance presently in effect (collectively, "Hazardous Material Laws"); provided, however, for the purposes of this paragraph, "Hazardous Materials" does not include asbestos/concrete water pipe and appurtenances, liquid chlorine, paint or solvents, whether or not such materials are so defined or designated. Purchaser acknowledges that it is aware of such materials and hereby assumes all responsibility therefor. For the purposes of this paragraph, Hazardous Materials Claims means any enforcement, cleanup, removal, remedial or other governmental or regulatory notices, actions, agreements or orders threatened, instituted or completed pursuant to any Hazardous Materials Laws, together with any and all claims made or threatened by any third party against Seller or the Property relating to damage, contribution, cost recovery compensation, loss or injury resulting from the presence, release or discharge of any Hazardous Materials.

**7.10 Representations and Warranties True at Closing.** The representations and warranties made by Seller herein shall be correct as of the Closing Date with the same force and effect as though such representations and warranties had been made as of the Closing Date, except to the extent that such representations and warranties shall be incorrect as of the Closing Date because of events or changes (which shall not, in the aggregate, have materially adversely affected the business, properties, operations or financial condition of Seller) occurring or arising after the date hereof in the ordinary course of Seller's business.

**8. Representations and Warranties of Purchaser.**

**8.1 Authority.** Purchaser is a Washington municipal corporation in good standing and has the right, power and authority to enter into this Agreement, to execute all documents and instruments contemplated by this Agreement, to consummate this transaction and to perform all other obligations to be performed by Purchaser under the terms of this Agreement. The execution, delivery and performance of this Agreement and all agreements, documents and instruments contemplated hereby have been duly authorized by all necessary action on the part of Purchaser.

**8.2 Representations and Warranties True at Closing.** The representations and warranties made by Purchaser herein shall be correct as of the Date of Closing with the same force and effect as though such representations and warranties had been made as of the Date of Closing.

**9. Conduct of Business Pending Closing.** Pending the closing of the sale contemplated by this Agreement, Seller covenants, represents and warrants as follows:

**9.1 Ordinary Course of Business.** The business of Seller will be conducted only in the ordinary course of business, and without adverse effect on any of the business or assets of Seller.

**9.2 Seller Actions.** Seller and Fox as shareholder and director will not vote for any merger liquidation or reorganization of Seller. Seller and Fox reserve the right to work toward the dissolution of Seller, which dissolution shall not occur before Closing.

**9.3 Agreements.** Seller shall not make nor agree to any changes in Seller's service agreements, leases or other contracts or agreements without the prior written approval of Purchaser. Purchaser may make or agree to such changes without the prior written approval of Seller after Purchaser has entered into possession of the Property.

**9.4 Contracts.** No contract or commitment will be entered into by or on behalf of Seller that is not terminable at will except for customer service agreements entered into in the ordinary course of Seller's business.



**9.5 Employees.** Purchaser may but shall not be required to hire any of Seller's employees.

**9.6 Maintenance.** Seller shall maintain and repair the Water System at Seller's sole expense until Purchaser enters into possession of said system, so that the Water System remains in the same condition that it was in on the Date of Mutual Acceptance of this Agreement. Purchaser shall maintain and repair the Water System at its sole expense from and after the date on which it enters into possession of said system.

**9.7 Notice of Sale.** Purchaser shall have sole responsibility for, and shall bear the full expense of, giving notice of the sale contemplated by this Agreement to the Water System's customers.

**9.8 Final Bills.** Within three (3) days before Closing, Seller shall prepare from meter readings a final billing for the water service provided by Seller to the customers of Seller to be assumed by Purchaser ("Final Bills"). Seller shall, at Seller's expense, but on behalf of and in the name of the Purchaser, have said Final Bills mailed to said customers upon Closing. Seller shall provide Purchaser with copies of said Final Bills and a breakdown of the aggregate billed amount showing the amount that has been due and owing for 60 days or less ("Current Billings") and the amount that has been due and owing for more than 60 days ("Delinquent Billings"). Purchaser shall pay to Seller one-half of the amount of the Current Billings and one-fourth of the amount of the Delinquent Billings within sixty (60) days after Closing. Purchaser shall pay to Seller the other one-half of the amount of the Current Billings and one-fourth of the amount of the Delinquent Billings within one hundred twenty (120) days after Closing. In consideration thereof, Seller shall assign to Purchaser all of its rights in such Final Bills.

**9.9 Damage to Fixtures or Personal Property.** If any of the fixtures identified on Exhibit "B" or any of the personal property identified on Exhibit "C" is damaged before Closing, Seller shall repair or replace the same of Seller's sole cost and expense.

**10. Indemnification.**

**10.1 Indemnification by Seller and Fox.** Seller and Fox hereby indemnify, defend and save Purchaser harmless from any and all claims, damages or other liabilities, whether absolute, contingent or merely alleged, including, but not limited to reasonable costs and attorney's fees, arising out of or relating to (a) the breach by Seller or Fox of the covenants, representations and warranties made by either of them in this Agreement or (b) any and all liabilities, claims or other obligations arising out of or relating to the business or operations of Seller before Purchaser enters into possession of the Water System, except for those specific liabilities to be assumed by Purchaser and specifically identified herein.

**10.2 Indemnification by Purchaser.** Purchaser hereby indemnifies, defends and saves Seller and the Fox harmless from any and all claims, damages or other liabilities, whether absolute, contingent or merely alleged, including, but not limited to, reasonable costs and

attorney's fees, arising out of or relating to (a) the breach by Purchaser of the covenants, representations and warranties made by Purchaser in this Agreement, (b) the liabilities and obligations to be assumed by Purchaser at Closing and specifically identified herein or (c) any claims or other obligation arising out of or relating to the business or operation of the Water System after the date on which Purchaser enters into possession of said system.

11. **Miscellaneous.**

11.1 **Entire Agreement; Modification.** This Agreement constitutes the entire agreement among the parties hereto and supersedes all prior and contemporaneous agreements and understandings of the parties hereto with respect to the subject matter hereof. No supplement, modification or amendment of this Agreement shall be binding and enforceable unless executed in writing by the parties hereto.

11.2 **Waiver.** No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision hereof (whether different or similar), nor shall such waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party hereto making the waiver.

11.3 **Successors in Interest.** This Agreement shall be binding upon, inure to the benefit of, and be enforceable by and against the respective heirs, executors, administrators, personal representatives and successors of the parties hereto.

11.4 **Headings.** Headings contained in this Agreement are inserted only as a matter of convenience and in no way define, limit, extend or describe the scope of this Agreement or of any provision hereof.

11.5 **Governing Law; Jurisdiction.** This Agreement shall be construed in accordance with, and governed by, the laws of the State of Washington. Except with respect to an action commenced by a third party in another jurisdiction, the parties hereto agree that any legal suit, action or proceeding arising out of or relating to this Agreement shall be instituted in the Superior Court of Pierce County, State of Washington.

11.6 **Notices.** All notices required or permitted to be given hereunder shall be in writing and shall be sent U.S. Certified Mail, Return Receipt Requested, or by facsimile transmission, or by personal service addressed as set forth below:

**11.6.1** All notices to be given to Purchaser shall be addressed as follows:

Valley Water District  
Attn: Betty Vance  
14501 Pioneer Way East  
Puyallup, Washington 98372  
Fax No. (253)770-8959

**11.6.2** All notices to be given to Seller shall be addressed as follows:

Country Water, Inc.  
Attn: Virgil Fox  
921 - B - Middle Fork Road  
Onalaska, Washington 98570  
Fax No. (253) 978-5225

Either party hereto may, by written notice to the other, designate any other address for the giving of notices. All notices shall be deemed given on the day such notice is personally served or on the third day following the date such notice is mailed in accordance with this paragraph, or on the day of the confirmed facsimile transmission.

**11.7 Condemnation.** Seller and Purchaser acknowledge that this Agreement is being entered into in lieu of the exercise of the Purchaser's power of eminent domain to acquire the assets subject to this Agreement.

**11.8 Further Assurances.** Each party hereto will execute and deliver such further instruments and take such further action as may be required to carry out the intent and purpose of this Agreement.

**11.9 Counterparts and Duplicates.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**11.10 Severability.** The invalidity or unenforceability of any particular provision, or any part thereof, of this Agreement shall not affect the other provisions hereof, and all such other provisions shall remain in full force and effect as if such invalid or unenforceable provisions were omitted.

**11.11 Attorneys Fees and Costs.** In the event of any conflict, claim or dispute between the parties hereto arising out of or relating to the subject matter of this Agreement, whether or not such conflict, claim or dispute has its basis in law or in equity, the substantially prevailing party shall be entitled to receive from the non-prevailing party(ies) all reasonable costs and expenses of every sort whatsoever including, but not limited to, arbitrators' fees, mediation fees, deposition costs, expert witness fees, accounting expenses and actual attorneys fees incurred

or expended, whether or not arbitration or court proceedings are initiated, and including all such costs or expenses incurred or expended in arbitration, in trial, on appeal or in any bankruptcy or receivership proceeding.

**11.12 Survival.** The representations and warranties of the parties hereto contained in Paragraphs 7 and 8, above, shall survive the closing of the sale contemplated by this Agreement, shall not be merged into the conveyance instruments delivered at closing and shall continue in full force and effect.

**11.13 Recording.** This Agreement may not be recorded, but a memorandum thereof in the form attached hereto, labeled **Exhibit "H"** may be recorded by Purchaser in the Pierce County deed records.

**11.14 Time of the Essence.** Time is of the essence in connection with this Agreement.


**11.15 Default and Remedies.** In the event any party to this Agreement fails to perform or otherwise defaults on its duties and obligations hereunder, or breaches any of its representations or warranties contained in this Agreement, then the non-defaulting party shall have all of the rights and remedies available at law or in equity including, but not limited to, the right to specific performance.

**11.16 Incorporation by Reference.** All of the exhibits attached hereto are incorporated herein by this reference as if the same were set forth in full.

**11.17 Mutual Acceptance.** For purposes of this Agreement, mutual acceptance ("Date of Mutual Acceptance") shall occur on the date the last person of all parties has executed this Agreement.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement on the dates indicated below.

SELLER:  
COUNTRY WATER, INC., a Washington  
corporation

By   
Virgil Fox, President

Dated: December 27, 1999

  
VIRGIL FOX

Dated: December 27, 1999

PURCHASER:  
VALLEY WATER DISTRICT, a Washington  
municipal corporation

By Betsy Vance  
District Manager

Dated: January 4, 1999  
2000

## EXHIBIT A

### Legal Descriptions

#### Legal Descriptions for Fee Interests

1. All of Tract A, The Country Division I, according to the plat thereof recorded in Volume 51 of Plats at pages 21-26, records of Pierce County Auditor, Tacoma Washington. Together with all existing improvements either above or below ground.
2. All of Tract C, The Country Division 3, according to Plat thereof recorded in Volume 56 of Plats at pages 28-31, records of Pierce County Auditor, Tacoma, Washington. Together with all existing improvements either above or below ground.

#### Legal Descriptions for Easements

1. Easement granted by C. A. Parker and Associates to Country Water, Inc. dated September 12, 1988 in the following real property:

An easement for a water line with right of access to install and maintain said water line and related fixtures over, under and across the private road and utility easement denoted 163<sup>rd</sup> Avenue East as shown on Pierce County Large Lot Division No. 8307050326; all in Section 18, Township 18 North, Range 5 East, W.M. Pierce County Washington.

2. An easement granted by Gene Glenn and Rita Glenn to Country Water, Inc. dated August 8, 1986 in the following real property:

An easement for a water line with right of access to install and maintain said water line and related fixtures over, under and across a strip of land 10.00 feet wide lying adjacent to and Southerly and Easterly of the following described line:

Beginning at a point on the existing centerline of Jansky Road, said point bearing N 44° 51' 21" E, 418.57 feet from the Southwest corner of the Southwest quarter of the Southwest quarter of Section 8, Township 18 North, Range 5 East, W.M., using the bearing of the West line of said Subdivision of N 2° 43' 50" E, as a meridian;

Thence S 82° 08' 38" W, 111.19 feet; Thence S 72° 19' 01" W, 79.91 feet to the beginning of a curve to the left, the radius point of which bears S 17° 40' 59" E, 80.00 feet; Thence Southwesterly, along said curve, 55.37 feet; Thence S 32° 39' 37" W, 96.04 feet; Thence S 45° 24' 07" W, 123.54 feet; Thence S 67° 15' 35" W, to a point which is 10.00 feet North of the South line of the Southeast quarter of the Southeast quarter of Section 7, Township 18 North, Range 5 East, W.M.; Thence Westerly, 10.00 feet North of and parallel to said South line of the Southeast quarter of the Southeast quarter of Section 7, to the West line of said

subdivision,  
EXCEPT that portion lying within Jansky Road.

3. An easement granted by Leslie Sherman to Country Water, Inc. dated December 16, 1987 in the following real property:

An easement for a waterline with right of access to maintain said waterline and related fixtures over, under and across the private road and utility easement denoted as 162<sup>nd</sup> Avenue East as shown on Pierce County Large Lot Division No. 8307050326;

TOGETHER WITH an easement for a waterline with right of access to maintain said waterline and related fixtures over, under and across a strip of land 15.00 feet in width situated in Lots 5 and 6 and in Tract "A" of Pierce County Large Lot Division No. 8307050326, said easement having 7.50 feet of such width on each side of the following described centerline:

Commencing at the most Southerly corner of said Lot 6; Thence N 74\* 20' 59" E, along the line common to Lots 6 and 7 of said Large Lot Subdivision, a distance of 35.93 feet to the TRUE POINT OF BEGINNING; Thence N 16\* 43' 20" E, a distance of 96.11 feet; Thence N 08\* 42' 41" E, a distance of 479.34 feet; thence S 86\* 22' 16" E, a distance of 300.04 feet; Thence N 02\* 53' 02" W, a distance of 63.24 feet to a point on the North line of Section 18, Township 18 North, Range 5 East, W.M., said point lying S 89\* 15' 45" W, a distance of 1085.6 feet, more or less, from the Northeast corner of Section 18 and Terminus of this centerline.

All in Section 18, Township 18 North, Range 5 East, W.M., Pierce County, Washington.

4. An easement granted by Tomolla Associates to Country Water, Inc. dated September 21, 1987 in the following real property:

An easement for a waterline with right of access to install and maintain said waterline and related fixtures over, under and across the private road and utility easement denoted as 162<sup>nd</sup> Avenue East as shown on Pierce County Large Lot Division No. 8307050326;

TOGETHER WITH an easement for a waterline with right of access to install and maintain said waterline and related fixtures over, under and across a strip of land 15.00 feet in width situated in Lots 5 and 6 and in Tract "A" of Pierce County Large Lot Division No. 8307050326, said easement having 7.50 feet of such width on each side of the following described centerline:

Commencing at the most Southerly corner of said Lot 6; Thence N 74\* 20' 59" E, along the line common to Lots 6 and 7 of said Large Lot Subdivision, a distance of 35.93 feet to the TRUE POINT OF BEGINNING; Thence N 16\* 43' 20" E, a distance of 96.11 feet; Thence N 08\* 42' 41" E, a distance of 479.34 feet; thence S 86\* 22' 16" E, a distance of 300.04 feet; Thence N 02\* 53' 02" W, a distance of 63.24 feet to a point on the North line of Section 18, Township 18 North, Range 5 East, W.M., said point lying S 89\* 15' 45" W, a distance of 1085.6 feet, more or less, from the Northeast corner of Section 18 and Terminus of this centerline.

All in Section 18, Township 18 North, Range 5 East, W.M., Pierce County, Washington.  
ALSO TOGETHER WITH an easement for a waterline with right of access to install and maintain said waterline and related fixtures over, under and across a strip of land 15.00 feet in width, having 7.50 feet of such width on each side of the lot line common to Lots 9 and 10 of Pierce County Large Lot Division No. 8507010072;  
AND ALSO over, under and across all the private road and utility easements on said Pierce County Large Lot Division No. 8507010072.  
All in Section 8, Township 18 North, Range 5 East, W.M.

5. An easement granted by Marine Hills Company, Inc. to Country Water, Inc. dated May 3, 1978 in the following real property:

A perpetual right of way or easement for water lines with the necessary appurtenances through, over and across the following property:

A strip of land 74.00 feet in width (when measured radially and/or at right angles) lying 37.00 feet on each side of the following described centerline:

Beginning at the corner common to lots number 1 and 2 and the southerly margin of Country Drive East as said lots and road are shown and so designated on said Short Plat; thence South 30° 25' 58" West 144.93 feet; thence along the arc of a curve to the left having a radius of 100.00 feet through a central angle of 43° 16' 06", an arc distance of 75.52 feet; thence tangent to the preceding curve South 12° 50' 08" East 315.96 feet; thence along the arc of a curve to the right having a radius of 100.00 feet through a central angle of 16° 30' 05", an arc distance of 28.80 feet; thence tangent to the preceding curve South 03° 39' 57" West 1163.20 feet; thence along the arc of a curve to the left having a radius of 350.00 feet through a central angle of 95° 19' 24", an arc distance of 582.30 feet; thence North 88° 20' 34" East 396.50 feet; thence along the arc of a curve to the left having a radius of 380.00 feet through a central angle of 19° 16' 48", an arc distance of 127.87 feet; thence tangent to the preceding curve North 69° 03' 46" East 235.46 feet to the lot corner common to lots 1 and 9 and the West margin of said County Drive East as last said lots and road are shown and so designated on said Record of Survey and said common lot corner being the terminus of this centerline description.

The sidelines of this easement shall be so shortened or lengthened so as to terminate in said southerly and westerly margins of said Country Drive East.

6. An easement granted by Marine Hills Company, Inc. to Country Water, Inc. dated October 10, 1977 in the following real property:

A perpetual right of way or easement for water lines with the necessary appurtenances through, over and across the following property:

The Easterly 15 feet of Lot 23, The Country Division 1, according to the plat thereof recorded in Volume 51 of Plats at pages 21-26, records of Pierce County Auditor, Tacoma, Washington.



7. An easement granted by Marine Hills Company, Inc. to Country Water, Inc. dated October 10, 1977 in the following real property:

A perpetual right of way or easement for water lines with the necessary appurtenances through, over and across the following property:

The Northerly 15 feet of Lot 44, The Country Division 1, according to the plat thereof recorded in Volume 51 of Plats at pages 21-26, records of Pierce County Auditor, Tacoma, Washington.

8. An easement granted by Marine Hills Company, Inc. to Country Water, Inc. dated October 10, 1977 in the following real property:

A perpetual right of way or easement for water lines with the necessary appurtenances through, over and across the following property:

The Northerly 15 feet of Lot 18, along the common line between Lot 18 and 42, together with the westerly 10 feet of said Lot 18, The Country Division 1, according to the plat thereof recorded in Volume 51 of Plats, at pages 21-26, records of Pierce County Auditor, Tacoma, Washington.

9. An easement granted by Marine Hills Company, Inc. to Country Water, Inc. dated October 10, 1977 in the following real property:

A perpetual right of way or easement for water lines with the necessary appurtenances through, over and across the following property:

The Westerly 15 feet of Lot 43, The Country Division 1, according to the plat thereof recorded in Volume 51 of Plats, at pages 21-26, records of Pierce County Auditor, Tacoma, Washington.

10. An easement granted by Marine Hills Company, Inc. to Country Water, Inc. dated October 10, 1977 in the following real property:

A perpetual right of way or easement for water lines with the necessary appurtenances through, over and across the following property:

The Easterly 5 feet of Lot 19, The Country Division 1, according to the plat thereof recorded in Volume 51 of Plats, at pages 21-26, records of Pierce County Auditor, Tacoma, Washington.

#### Legal Description for Property Benefited by a Restrictive Covenant

1. All that real property situate in the County of Pierce, State of Washington, being a portion of the NW 1/4 of the NE 1/4 of Section 18, TWP 18 N, R 5 E, W.M., more particularly described as follows:  
Commencing at the NW corner of said NE 1/4 of said Section 18; thence along the north line

thereof N 89° 15' 45" E 151.00 feet to the NE corner of Lot 16, as said lot is shown and so designated on that certain Record of Survey entitled "The Country II", filed for record on March 24, 1978, in Volume 22 of surveys, at page 30, recording number 2130, records of said county, said northeast corner also being the true point of beginning; thence continuing along said north line N 89° 15' 45" E 150.06 feet; thence leaving said north line S 00° 55' 08" W 308.71 feet; thence S 29° 08' 01" W 107.32 feet to a point on a curve on the northerly right-of-way line of Country Drive East (a radial line through said point bears N 29° 08' 01" E); thence non-tangent to the preceding course along the arc of a curve to the left having a radius of 190.00 feet and a central angle of 31° 03' 37", an arc length of 103.00 feet to the southeast corner of said Lot 16; thence along the east line of said Lot 16 N 00° 55' 08" E 376.00 feet to the true point of beginning and containing 1.29 acres of land, more or less.

#### Legal Descriptions for Pierce County Franchise

The right, privilege and authority to construct, maintain, and operate a water pipeline for a water system in, under, along, and over the public roads and highways in the following property:

1. Section 18, Township 18 North, Range 5 East, W.M. - All areas in the said Section.
2. Section 19, Township 18 North, Range 5 East, W.M. - All areas in the North half of the said Section.

## **EXHIBIT B**

### List of Fixtures

1. Wells:
  - 1.1 Well No. 1 - installed 1972
  - 1.2 Well No. 2 - installed 1978
  - 1.3 Well No. 3 - installed 1986
  - 1.4 Well No. 4 - installed 1995
  - 1.5 Well No. 5 - installed 1995
  
2. Tanks:
  - 2.1 Tank No. 1 - installed 1973
  - 2.2 Tank No. 2 - installed 1978
  - 2.3 Tank No. 3 - installed 1994
  
3. Buildings with booster pumps:
  - 3.1 Building No. 1 - installed 1973
  - 3.2 Building No. 2 - installed 1978
  
4. Pipe
  - 4.1 6" Pipe - approximately 7,675 linear feet
  - 4.2 8" Pipe - approximately 24,975 linear feet
  - 4.3 10" Pipe - approximately 350 linear feet
  
5. Fire Hydrants - approximately 43 fire hydrants
  
6. PRV's - approximately 5 PRV's
  
7. Services - approximately 232 total authorized services
  
8. Meters - approximately 165 meters

## EXHIBIT C

### List of Personal Property

1. Water Bacteria Analysis Reports - 1996, 1997, 1998 and 1999
2. Country Water Comprehensive Plan
3. Country Water Customer List
4. Country Water Customer Account Balances Report
5. Water Well Reports
6. Water Quality Reports - 1999
7. Country Water Operating Permits
8. Country Water Annual Report
9. Country Water Consumption Reports - 1996, 1997, 1998 and 1999
10. As-Built Drawings
11. Maps depicting location of Country Water water lines and appurtenances
12. Country Water Production Reports - 1996, 1997, 1998 and 1999

## EXHIBIT D

### List of Contract Rights and Intangibles

1. Water Rights
  - 1.1 Certificate of Water Right, Certificate No. G2-26290 C, dated November 14, 1990
  - 1.2 Certificate of Water Right, Certificate No. G2-26920 C, dated August 5, 1988
  - 1.3 Permit to Appropriate Public Waters of the State of Washington, Permit No. G2-28727, dated February 13, 1996.
2. Country Water Accounts Receivable
3. Franchise granted by Pierce County, Washington

**EXHIBIT E**List of Assumed Liabilities

1. Promissory Note signed by Country Water, Inc., payable to Country Venture V, dated October 5, 1995, in the principal amount of \$50,000; said Promissory Note was purchased by Marine Hills Company, Inc. by Agreement to Transfer Promissory Note and an Assignment of Promissory Note, both dated April 22, 1996. The principal balance still due and owing as of December 20, 1999 is approximately \$21,086.80.
2. Promissory Note signed by Virgil R. Fox and Carol Ann Fox, payable to Norval H. Latimer, dated September 19, 1997, in the principal amount of \$89,705.15. The principal balance still due and owing as of December 20, 1999 is approximately \$85,502.39.
3. Promissory Note signed by Virgil R. Fox and Carol Ann Fox, payable to Marine Hills Company, Inc., dated September 19, 1997, in the principal amount of \$30,500. The principal balance still due and owing as of December 20, 1999 is approximately \$28,134.
4. Promissory Note signed by Country Water, Inc., payable to North Pacific Bank, dated February 7, 1995, in the principal amount of \$50,000. The principal balance due and owing on December 29, 1999 is approximately \$13,965.23.
5. Assignment of Water Rights, between Virgil R. Fox and Carol Ann Fox, and Marine Hills Company, Inc., dated September 19, 1997. The Promissory Note described in Item 3 above was given as payment for the Assignment of Water Rights.