

**Solmar Water System, Inc.**  
**PO Box 1989**  
**Sequim WA 98382**  
**360-683-7191**

WW-111573-AT

David Danner  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
Olympia, WA 98504-7250

RE: Solmar Water System, Inc. - Sale and Transfer of all stockholder shares to Katie O'Claire and Tracy Devose

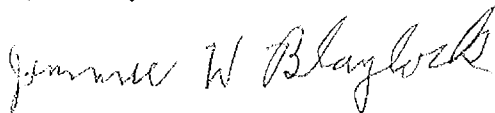
Dear Secretary:

Enclosed you will find the joint application of the above-referenced sale and transfer application to include:

1. Application for transfer (with exhibits),
2. New Tariff Adopting existing rates and prices,
3. Signed copy of Instrument of Transfer,
4. Income Statement, Balance Sheet, Asset Listing & Depreciation Schedule, and Summary of Solmar Water System securities,
5. Copy of customer notice telling them of sale and transfer of water system.

If you have any question, please call me at 360-683-7191.

Sincerely



Jimmie W. Blaylock

Attachments

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
COMMISSION

In the Matter of the Application for	)	
the Sale and Transfer of all 500	)	
shares of Solmar Water System, Inc.	)	DOCKET _____
From	)	
Jimmie W. & Aloma Blaylock	)	
To	)	APPLICATION FOR SALE
Katie M. O'Claire & Tracy L. Devose	)	AND TRANSFER OF
	)	ASSETS AND TARIFF
	)	ADOPTION
	)	

.....

**BACKGROUND**

1        Application is hereby made to the Washington Utilities and Transportation  
Commission for an Order authorizing the transfer of property under the  
provisions of chapter 80.12 RCW and chapter 480-143 WAC.

**INTRODUCTION**

2        Solmar Water System, Inc. is a Washington corporation formed to act as a  
utility service company and is located in Sequim. The Solmar Water System,  
Inc. property consists of wells, pumps, transmission mains, reservoirs, well  
field and reservoir land, hydrants, distribution mains, meters, and  
appurtenances to serve the customers.

3        The water system is currently operating under a green operating permit issued  
by the Washington State Department of Health and has no outstanding orders  
or letters directing action.

4        As a result of this sale and transfer of Solmar Water System, Inc. shares from  
Jimmie W. and Aloma Blaylock to Katie M. O'Claire and Tracy L. Devose, the  
new shareholders will maintain Solmar Water System, Inc.'s water rates  
currently in effect and will be re-adopting the tariff of Solmar Water System,  
Inc.

**EXHIBITS**

- 5 Pursuant to WAC 480-143-120 and WAC 480-143-130, please find attached the following exhibits:
- 6 Exhibit 1 – Instrument of Transfer. (Agreement on the Sale of Stock)
- 7 Exhibit 2 – Solmar Water System, Inc. Income Statement, Balance Sheet, Asset Listing, Depreciation Schedule, and Summary of outstanding securities.
- 8 Exhibit 4 – Adoption of Tariff Notice.
- 9 Exhibit 5 – Customer notice of sale and transfer of water system(s).

**METHOD OF FINANCE**

- 10 The purchase price for 100% of the outstanding common stock is \$275,000.00, payable by monthly payments until paid.

**TRANSFER IS IN THE PUBLIC INTEREST**

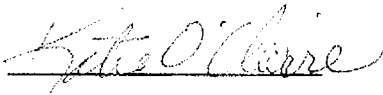
- 11 The benefits of this acquisition of these water system shares include expanded financial resources, in-house engineering, and water quality staff to provide all aspects of water system repair and operations. The shareholders of Solmar Water System, Inc. no longer desire to own and operate public water system. Customers were notified of the sale and transfer along with their most recent billings. The proposed tariff adoption bears an effective date of September 15, 2011. This date is to coincide with company billing periods and allows a mutually agreed closing date. For accounting purposes the bookkeeping records should be considered transferred and effective on that date.
- 12 The current staff of Solmar Water System, Inc. has been retained to continue operations and maintenance of the water system under the leadership of Katie M. O’Claire and Tracy L. Devose

- 13 As a result of the sale and transfer of Solmar Water System, Inc. shares, the water rates and service charges will not change. Katie M. O'Claire and Tracy L. Devose will re-adopt the full tariff of Solmar Water System, Inc., without change at any rate or charge contained therein as occasioned by this transfer.

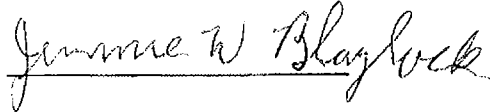
**PRAYER**

- 14 Based on the foregoing, the Applicants request approval of their application respectfully submitted this 16<sup>th</sup> day of August 2011.

Katie M. O'Claire



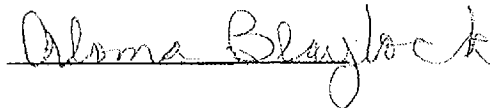
Jimmie W. Blaylock



Tracy L. Devose



Aloma Blaylock



FORM OF VERIFICATION FOR APPLICATION

STATE OF WASHINGTON

County of \_\_\_\_\_

Jimmie W. Blaylock, being first duly sworn, deposes and says that he is the President of Solmar Water System, Inc., the applicant in the proceeding entitled above, that he has read the foregoing application and knows the contents thereof; that the same is true of his own knowledge, except as to matter which are therein stated on information or belief, and as to those matters he believes them to be true.

\_\_\_\_\_  
Jimmie W. Blaylock, President

Subscribed and sworn to before me the \_\_\_\_\_ day of August, 2011

\_\_\_\_\_  
Notary Public in and for the State of Washington, residing  
At \_\_\_\_\_.

Adoption Notice

ADOPTION OF TARIFFS, ETC.

Solmar Water System, Inc.

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Hereby re-adopts and ratifies in every respect, all tariffs, rules, notices, concurrences, provisions, authorities, powers of attorney or whatsoever other instruments previously filed with the Washington Utilities and Transportation Commission by Solmar Water System, Inc or its predecessors prior to September 15, 2011, the date on which all of the common stock was transferred to shareholders Katie M. O'Claire and Tracy L. Devose. By this notice, it also re-adopts and ratifies all supplements or amendments to any of the above tariffs, etc., which have heretofore been filed with the Washington Utilities and Transportation Commission or its predecessors.

This adoption notice relates only to the following water systems:

Solmar Water System DOH WFI# 81315J

Tariff Revision Adopted:

WNU - 2

Transfer Authorized

By Order No. \_\_\_\_\_

Tariff Pages Adopted

1-21

Issued July 6, 2001 Effective September 1, 2001

Issued by Solmar Water System, Inc.

By Katie M. O'Claire and Tracy L. Devose

Address PO Box 1989, Sequim WA 98382

## AGREEMENT ON THE SALE OF STOCK

AGREEMENT made and entered into this \_\_\_ day of \_\_\_\_\_, 2011, by and between J. W. Blaylock and Aloma Blaylock, husband and wife, hereinafter called "Seller" and Solmar Water Systems, Inc., a Washington corporation, hereinafter called the "Company", and Katie M. O'Claire, a single woman, and Tracy L. Devose a married woman as her separate estate, hereinafter called "Purchaser". This transaction is effective as of September 1, 2011.

### I. STOCK

The Seller agrees to sell and the Purchaser agrees to purchase Certificate No. 2 representing 500 shares of the Company, representing all of the issued and outstanding shares of the Company.

### II. PURCHASE PRICE

2.1 The purchase price for the stock shall be Two Hundred Seventy-five Thousand and No/100 Dollars (\$275,000.00) payable as follows:

2.1.1 Cash payment due at the time of closing in the amount of Forty-one Thousand Two Hundred Fifty and No/100 Dollars (\$41,250.00) which is Fifteen percent (15%) of the purchase price.

2.1.2 A Promissory Note in the amount of Two Hundred Thirty-three Thousand Seven Hundred Fifty and No/100 Dollars (\$233,750.00), with interest accruing at Five percent (5%) per annum. The Note shall be in the form as attached hereto as **Exhibit A**, and shall be delivered to Seller at closing. ✓

### III. CLOSING DOCUMENTS

All documents and agreements that shall be a part of closing, the terms of which are incorporated herein by reference, and are herein collectively referred to as the "Closing Documents" are as follows:

- a. Promissory Note
- b. Stock Pledge
- c. Guarantee
- d. Security Agreement
- e. Deed of Trust

#### IV. GUARANTEE AND COLLATERAL

4.1 To secure all debts owed, the Purchaser shall execute and deliver to Seller a Stock Pledge Agreement, in the form attached hereto as **Exhibit B**, pledging all of their stock in the Company as collateral for the debt owed.

4.2 As further security, the Company shall guarantee Purchaser's performance under this agreement, and all of the Closing Documents, according to a Guarantee Agreement in the form attached hereto as **Exhibit C**. Along with the Guarantee, the Company shall pledge its assets as follows:

4.2.1 The Company pledges those assets as listed in the Security Agreement according to the terms of the Agreement in the form attached hereto as **Exhibit D**; and

4.2.2 The Company pledges its real estate and shall execute a Deed of Trust in the form attached hereto as **Exhibit E**.

#### V. COMPANY CASH FLOW

5.1 All known obligations, of whatever nature, of the Company shall be paid when due and in the normal course of the Company's business. There will be reoccurring debts (e.g., utilities) which will be timely paid by the Purchaser after closing. Purchaser also acknowledges the long term debt for the Company's Ford F150 pick-up truck, and agrees that the Company will continue to make payments for such vehicle as they come due.

5.2 As of Seller's execution of this Agreement, Seller has allowed cash to accumulate with the Company in the regular course of the Company's business. Seller shall not withdraw any cash or assets from the company; EXCEPT, at the time of Closing, Seller shall be owed wages for time worked. Purchaser agrees to promptly make payment to Seller of Seller's wages on the regular date of payment.

5.3 Any and all accounts receivable due at, before, or after the time of closing, that are not paid, shall remain with the Company and Seller shall have no claim to said uncollected funds.

#### VI. ASSETS OF COMPANY

The Company holds free and clear of any lien all assets set out on **Schedule A** including but not limited to all tangible personal property of the corporation such as vehicles, equipment and office furnishings and supplies; the goodwill; the business name Solmar Water Systems, Inc. supplies, inventories, tools, and authority from all required local, state, and federal agencies.



VII. WARRANTIES AS TO CONDITION OF THE COMPANY  
AND THE INFORMATION PROVIDED

7.1 Purchaser acknowledges that Seller has provided Purchaser with sufficient information and documentation in order to become aware of all material aspects of the Company, its business, and their purchase of the Company, in all due diligence. Purchaser acknowledges that Purchaser has had the opportunity to request additional documentation and records from the Seller regarding the Company and its business, and that in all aspects Seller has been forthright and responsive to their requests. Purchaser relies entirely upon their own due diligence in this transaction and not any assertions or claims of the Seller.

7.2 The Seller warrants that to the best of their knowledge, after making reasonable inquiry, that the information provided to the Purchaser is accurate, true, and complete.

7.3 The Seller further warrants as follows:

- a. That the Company is properly organized and is in existence at the time of the closing.
- b. That the Company has paid or provided for the payment of all of its taxes and fees.
- c. That the Company is not in violation of any law or regulatory requirement.
- d. That no claims have been made against the Company that will not be disclosed in writing prior to closing.
- e. That the Company has not violated any of the requirements, laws and regulations for the moving and storage of hazardous or toxic wastes.
- f. That the Company has good title to all of its assets free and clear of any lien except as otherwise disclosed.
- g. The Company has all necessary permits and authority to operate the business.

All of the above warranties will survive the closing of this Agreement.

7.4 The Purchaser warrants as follows:

- a. That the Purchaser has disclosed to the Seller any and all material fact regarding their ability to perform any and all of their duties under this Agreement or any of the Closing Documents.
- b. That the Purchaser is authorized and able to enter into this Agreement, and all of the Closing Documents.
- c. That the Purchaser is capable of operating the business in a profitable manner.
- d. That by entering into this Agreement, and proceeding through closing, the Purchaser is not in violation of any law, or in breach of any agreement with a third party.

- e. That at all times Purchaser shall cause the Company to employ an individual fully licensed and qualified to operate a water system of the size and kind operated by the Company.
- f. That Purchaser shall cause the Company to make timely payment on the purchase loan for the Company's F-150 pick-up truck according to the terms set out in Article IX below.

All of the above warranties will survive the closing of this Agreement.

#### VIII. HOLD HARMLESS

8.1 The Seller agrees to hold the Purchaser and the Company harmless from any and all claims of whatever nature which have not been paid or provided for by the Company from any act, occurrence, or omission which took place prior to September 1, 2011.

8.2 The Purchaser agrees to hold the Seller harmless from any and all claims of whatever nature which are the result of any act, occurrence, or omission which takes place on or after September 1, 2011.

#### IX. SPECIFIC DEBTS OWED

The Company owns a 2008, Ford F-150 with the VIN of 1FIRF12W58KE06756. The debt incurred by the Company in the purchase of this vehicle was personally guaranteed by the Seller. In order to Guarantee continued payment on the debt, the parties specifically agree as follows:

9.1 Purchaser shall cause any and all debts owed on the vehicle to be paid promptly when due, or refinance the vehicle to remove the Seller's personal guarantee.

9.2 Purchaser shall cause the vehicle to be insured against damage or loss in an amount, at minimum, to pay any and all remaining debt on the vehicle for as long as the debt is owed.

9.3 Purchasers shall indemnify, defend, and hold the Seller harmless for any and all claims that may arise from the debt owed on the vehicle or from the vehicle itself.

#### X. NON-COMPETE AGREEMENT

Seller agrees that, from and after the date of closing of this Agreement, they will not, unless acting as an Independent Contractor to Purchaser, or with prior consent of Purchaser, directly or indirectly own, manage, operate, join, control, or participate in or be connected with, as an officer, employee, partner, or otherwise, any public water business for a period of two (2) years from the last date of said independent contracting with the Company hereof, in an area within Western Washington, nor shall they in any manner, directly or indirectly, engage or otherwise become interested in any phase of such business in competition with Purchaser within

said period within said region. Seller acknowledges the remedy at law for breach of the foregoing covenant will be inadequate, and that Purchaser shall, in addition to all other remedies available at law or in equity, be entitled to injunctive relief.

## XI. CONSULTATION SERVICES

Seller agrees to make themselves reasonably available to the Company for consultation services as an Independent Contractor. Seller shall do such work under such terms and conditions as may be agreed by the parties, and would otherwise be reasonable within the market for work of the kind. Seller agrees to remain reasonably available for a period of two (2) years.

## XII. CLOSING

12.1 The date of closing shall be within five (5) business days after approval of the sale by the Washington Utilities and Transportation Commission. (UTC) and shall take place at the Platt Irwin Law Firm's office at 403 S. Peabody, Port Angeles, Washington. Both parties shall cooperate fully to promptly submit an application for approval, and will promptly provide any and all information and documents requested by the UTC. Closing is contingent upon approval of financing from First Federal on terms acceptable to Purchaser.

12.2 The Seller shall endorse in blank Stock Certificate No. 2 representing 500 shares and appoint Patrick Irwin as agent for transfer of the certificate. Seller shall deliver the Stock Certificate to the office of Patrick Irwin along with the corporate book and all governing documents. The corporate minutes shall be up to date as of the last annual meeting of shareholders.

12.3 Purchaser shall deliver to the office of Patrick Irwin all of the Closing Documents, properly executed, at or before the date of closing.

12.4 On the date of closing, Patrick Irwin shall release Stock Certificate No. 2 and the corporate book to the Purchaser upon confirmation that Patrick Irwin is in possession of the Closing Documents, properly executed, and Seller has received the initial cash payment as required under Section 2.1.1 above. Purchaser may make the cash payment directly to Seller, or may deliver payment to the Platt Irwin Law Firm in trust for the Seller.

## XIII. DISPUTE RESOLUTION BY MANDATORY ARBITRATION

The arbitrator's fees shall be paid by the individuals or corporation whom the arbitrator determines was the unsuccessful party.

All parties agree that any dispute that arises out of the interpretation, performance, enforcement, or any other aspect of this Agreement, shall be resolved by submitting the same to binding arbitration which shall proceed in accordance with RCW 7.04A (Washington Uniform Arbitration Act) in Clallam County, Washington, and judgment on the

award rendered by the arbitrator may be entered in the Superior Court of Washington for Clallam County.

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

SOLMAR WATER SYSTEMS, INC.

By: Jimmie W Blaylock  
J.W. Blaylock, President

Katie O'Claire  
KATIE M. O'CLAIRE

Tracy L. DeVose  
TRACY L. DEVOSE

PROMISSORY NOTE

Port Angeles, Washington  
September 1, 2011

\$233,750.00

FOR VALUE RECEIVED, KATIE M. O'CLAIRE, a single woman, and TRACY L. DEVOSE, a married woman as her separate estate, promise to pay to J.W. BLAYLOCK and ALOMA BLAYLOCK, husband and wife, or order, at 620 S. "M" Street, Port Angeles, Washington, 98363, the sum of **Two Hundred Thirty-three Thousand Seven Hundred Fifty and No/100 Dollars (\$233,750.00)** with interest from September 1, 2011, on unpaid principal at the rate of **five percent (5%)** per annum; principal and interest payable in installments of **Two Thousand Four Hundred Seventy-nine and 28/100 Dollars (\$2479.28)** per month payable on the 15th day of each month, beginning on the 15<sup>th</sup> day of October, 2011, and continuing until said principal and interest have been paid, but in no event later than September of 2021.

The payor of this Note may prepay this Note in part or in whole without penalty.

There shall be a late payment penalty of \$200.00 plus interest on the amount of the then due payment at the rate of 12% per annum if the payment is five (5) business days late.

This note shall bear interest at the rate of twelve percent (12%) per annum after maturity or after failure to pay any payments as above specified. If this note shall be placed in the hands of an attorney for collection, or if suit shall be brought to collect any of the principal or interest of this note, we promise to pay, in addition to costs, such sum as a court may adjudge reasonable as attorney's fee.

Each payment shall be credited first on interest then due and the remainder on principal; and interest shall thereupon cease upon the principal so credited. Should default be made in payment of any installment when due, the whole sum of principal and interest shall become immediately due at the option of the holder of this note.

Principal and interest payable in lawful money of the United States.

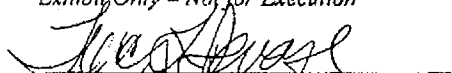
This note is secured by the stock and assets of company which stock is secured by a Security Agreement - General Pledge of even date, together with a Deed of Trust.

This Note is subject to the terms and conditions of that certain Agreement on the Sale of Stock dated the 16 day of August, 2011.

*Exhibit Only - Not for Execution*

  
KATIE M. O'CLAIRE

*Exhibit Only - Not for Execution*

  
TRACY L. DEVOSE



## SECURITY AGREEMENT - GENERAL PLEDGE

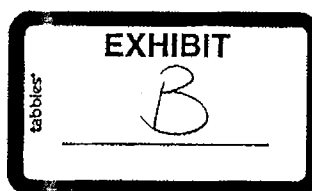
THE UNDERSIGNED, KATIE M. O'CLAIRE, a single woman, and TRACY L. DEVOSE, a married woman as her separate estate (hereinafter jointly called "Debtor"), hereby grants to J.W. BLAYLOCK and ALOMA BLAYLOCK, husband and wife (hereinafter called "Secured Party"), a security interest in the following described property, together with all proceeds thereof, to wit:

Certificate No. 2 representing 500 shares of  
stock of SOLMAR WATER SYSTEMS, INC.

This security is given to secure the payment and performance of all indebtedness and obligations of the Debtor to Secured Party presently existing and hereafter arising, direct or indirect and interest thereon, including, but not limited to Promissory Note of \$233,750.00, bearing date of September 1, 2011.

DEBTOR HEREBY REPRESENTS, COVENANTS, AND AGREES WITH SECURED PARTY AS FOLLOWS:

1. Handling of Collateral. The Secured Party shall not be required, except at its option, to realize upon any collateral, collect the principal, interest or dividends thereon, exercise any rights or options of the Debtor pertaining thereof, make presentment, demand, protest, or give notice of protest, non-acceptance or non-payment, to keep the collateral insured, nor to do any other thing for the protection, enforcement or collection of such collateral rights of other parties; and under no circumstances shall the Secured Party be in any way responsible for failure to act in such behalf; nor shall it be in any way responsible for any negligent act or default of any of its collecting agents or correspondents. It is further agreed that the Secured Party may extend or consent to the extension of the time of payment or maturity of any collateral. The



Secured Party is authorized to transfer to itself or to any other person all or any of said collateral, power of attorney, or other documents delivered to it. Upon request the Debtor will execute all such instruments including financing statements as may be reasonably required to carry out the provisions of this Agreement.

2. Agreement as to Release of Collateral, etc. The obligation of the Debtor hereunder shall not be affected by the release or substitution of any collateral or by the release of or any renewals or extensions of time to, any party to any instrument, obligation or liability secured hereby or to which the Debtor is a party. The Secured Party shall not be bound to resort to or exhaust its recourse or to take any action against other parties or other collateral. The Debtor hereby waives presentment, demand, protest, notice of protest, and notice of non-acceptance or non-payment with respect to any indebtedness, obligation or liability secured hereby.

3. Ownership and Liens. Debtor is of legal age and owns the collateral which is free and clear of all security interests and encumbrances of every nature (except as noted herein). Debtor will not create or permit the existence of any lien or security interest other than that hereby created on the collateral without the written consent of Secured Party.

4. Taxes. Debtor will pay before delinquency all taxes or other governmental charges levied against the collateral and will pay any tax which may be levied on any obligation secured hereby.

5. Continuing Agreement. This instrument shall be a continuing agreement and shall irrevocably apply to all dealings and transactions heretofore or hereafter had with the Secured Party unless the Debtor and the Secured Party shall otherwise expressly agree in writing signed by the Debtor and the Secured Party.

6. Sale and Assignment. Without the prior written consent of Secured Party, Debtor will not sell or lease the collateral or any interest therein. The Secured Party may assign or transfer the whole or any part of the indebtedness, obligation or liability of the Debtor, and may transfer therewith as collateral security the whole or any part of the collateral herein mentioned; and all obligations, rights, powers and privileges herein provided shall inure to the benefit of the assignee and shall bind the heirs, executors, administrators, successors or assigns of the parties hereto, as the case may be.

7. Expenses Incurred by Secured Party. Secured Party is not required to, but may at its option, pay any tax, assessment, insurance premium, expense, repair or other charges payable by Debtor, and any filing or recording fees, and any amount so paid, with interest thereon at 12% per annum or the maximum rate permitted by law, if higher, from date of payment until repaid shall be secured hereby and shall be repayable by Debtor on demand. The rights granted by this paragraph are not a waiver of any rights of Secured Party arising from breach of any of the covenants hereby by Debtor.

The Debtor agrees to repay to the Secured Party upon demand all reasonable sums which the Secured Party may expend or incur in enforcing, collecting, conserving or protecting any collateral and all such sums shall be secured hereby.

8. Waivers. This Security Agreement shall not be qualified or supplemented by course of dealing. No waiver or modification by Secured Party of any of the terms or conditions hereof shall be effective unless in writing signed by the Secured Party. No waiver or indulgence by Secured Party as to any required performance by Debtor shall constitute a waiver as to any subsequent required performance or other obligations of Debtor hereunder.

9. Default. Time is of the essence in this Security Agreement, and in any of the following events, hereinafter called "Events of Default", to wit:

- (a) Any failure to pay when due the full amount of any payment charges which are or may be secured hereby; or
- (b) Any failure to perform as required by any covenant or agreement herein; or
- (c) The falsity of any representation by Debtor herein or in any credit application or financial statement given by Debtor to Secured Party as a basis for any extension of credit secured herein; or
- (d) If the collateral should be seized or levied upon under any legal or governmental process against Debtor or against the property; or
- (e) If Debtor becomes insolvent or is the subject of a petition in bankruptcy, either voluntary or involuntary, or in any other proceeding under the Federal Bankruptcy laws; or makes an assignment for the benefit of creditors; or if Debtor is named in or the collateral is subjected to a suit for



the appointment of a receiver; or

- (f) The secured Party deems itself insecure.

Then, and in any of such events of default, the entire amount of indebtedness secured hereby shall then or at any time thereafter at the option of Secured Party become due, and Secured Party shall have the right to pursue the remedies provided herein.

10. Remedies. In the event of a default hereunder, Secured Party shall have all remedies provided by law, and without limiting the generality of the foregoing, shall be entitled as follows:

- (a) Debtor agrees that a period of ten (10) days from the time notice is sent, by first class mail or otherwise, shall be a reasonable period of notification of a sale or other disposition of the collateral; and
- (b) Debtor agrees that any notice or other communication by Secured Party to Debtor shall be sent to the mailing address of the Debtor stated herein or most recently given by Debtor to Secured Party in writing; and
- (c) Debtor agrees to pay on demand the amount of all expenses reasonably incurred by Secured Party in protecting or realizing on the collateral. In the event that this Security Agreement or any obligation secured by it is referred to an attorney for protecting or defending the priority of Secured Party's interest or for collection or realization procedures, Debtor agrees to pay a reasonable attorney's fees, including fees incurred in both trial and appellate courts, or fees incurred without suit, and expenses of title search and all court costs and costs of public officials. The sums agreed to be paid in this sub-paragraph shall be secured hereby; and
- (d) If Secured Party disposes of the collateral, Debtor agrees to pay any deficiency remaining after application of the net proceeds to any indebtedness secured hereby.

11. This Security Agreement and the indebtedness hereby secured are subject to the laws of the State of Washington and are to be construed in accordance therewith.

12. Negative Covenants. The Debtor and Solmar Water Systems, Inc. (hereinafter

called the "Company"), agree that the Company will not, without the prior written consent of Secured Party, which consent shall not be unreasonably withheld,

- (a) sell its assets, including real property assets, except in the ordinary course of business;
  - (b) borrow in excess of \$150,000 against its assets;
  - (c) issue any additional stock;
  - (d) become surety for the obligations of another;
  - (e) guarantee the debts of another;
  - (f) change the general character of its business;
  - (g) begin a new business venture;
  - (h) make loans to any person except in the ordinary course of business;
  - (i) declare or pay any dividend;
  - (j) liquidate or reorganize.
13. The Debtor and the Company agree that the Debtor shall:
- (a) Provide the Secured Party with a financial statement of the operation of Debtor's business operations on a quarterly basis;
  - (b) Pay all taxes when the same become due;
  - (c) Maintain liability insurance with the coverage and in the amount of not less than \$1,000,000 single limits; and
  - (d) Maintain the corporate existence of the Company.

Signed this 16 day of August, 2011.

DEBTOR:

*Exhibit Only - Not for Execution*

Katie M. O'Claire

KATIE M. O'CLAIRE

Mailing Address:

PO Box 1989

Sequim WA 98382

*Exhibit Only - Not for Execution*

Tracy L. Devose

TRACY L. DEVOSE

Mailing Address:

PO Box 1989

Sequim WA 98382

CORPORATE GUARANTEE OF AGREEMENT  
ON THE SALE OF STOCK

For good and valuable consideration Solmar Water Systems, Inc. "Guarantor" absolutely and unconditionally guarantees the performance of Katie M. O'Claire and Tracy L. Devose in that certain Agreement on the Sale of Stock and Note dated the 1st day of September, 2011, between Katie M. O'Claire and Tracy L. Devose as purchaser, and J.W. Blaylock and Aloma Blaylock as Seller. That upon Notice of Default in any detail of the performance by Katie M. O'Claire, the Guarantor will perform the obligation without delay.

Guarantor shall pay all of J.W. Blaylock and Aloma Blaylock's expenses incurred in any efforts to enforce any terms of the Agreement or Note. Said expenses shall include, without limitation, attorney fees and costs.

SOLMAR WATER SYSTEMS, INC.

*Exhibit Only – Not for Execution*

By: Katie O'Claire  
Katie M. O'Claire, President



AFTER RECORDING MAIL TO:

Patrick M. Irwin  
PLATT IRWIN LAW FIRM  
403 S. Peabody  
Port Angeles, WA 98362

## DEED OF TRUST

*(For use in the state of Washington only)*

Grantor: SOLMAR WATER SYSTEMS, INC., a Washington corporation  
Grantee: BLAYLOCK, J.W. and Aloma – husband and wife  
Trustee: CLALLAM TITLE COMPANY, a Washington corporation  
Abbrev. Legal Desc.: PTN SE1/4 SW1/4 S17 T30N R4W; LOT 4 EAST SP V7 P59  
Full Legal: See Exhibit A  
Tax Parcel No.: 043017 340100; 043017 249080

THIS DEED OF TRUST, made this 1st day of September, 2011, between SOLMAR WATER SYSTEMS, INC., as GRANTOR, whose address is PO Box 1989, Sequim WA 98382, CLALLAM TITLE COMPANY, as TRUSTEE, whose address is 204 S. Lincoln, Port Angeles, WA 98362 and J.W. BLAYLOCK and ALOMA BLAYLOCK, husband and wife, as BENEFICIARY, whose address is 620 South "M" Street, Port Angeles, WA 98363.

WITNESSETH: Grantor hereby bargains, sells, and conveys to Trustee in trust, with power of sale, the following described real property in CLALLAM COUNTY, Washington:

See Exhibit A attached hereto and incorporated herein by reference

together with the fixtures attached thereto, which real property is not used principally for agricultural purposes, together with all the tenements, hereditaments, and appurtenances now or hereafter belonging or in any way appertaining, and the rents, issues, and profits thereof.

This Deed of Trust is for the purpose of securing performance of each agreement of Grantor contained in this Deed of Trust, and payment of the sum of Two Hundred Thirty-three Thousand Seven Hundred Fifty and No/100 Dollars (\$233,750.00) with interest, in accordance with the terms of a promissory note of even date herewith, payable to Beneficiary or order, and made by Grantor(s), and all renewals, modifications, and extensions thereof, and also such further sums as may be advanced or loaned by Beneficiary to Grantor(s), or any of Grantor(s)' successors or assigns, together with interest thereon at such rate as shall be agreed upon.

**DUE DATE:** The entire balance of the promissory note secured by this Deed of Trust, together with any and all interest accrued thereon, shall be due and payable in full on September 1, 2021.



To protect the security of this Deed of Trust, Grantor covenants and agrees:

1. To keep the property in good condition and repair; to permit no waste thereof; to complete any building, structure, or improvement being built or about to be built thereon; to restore promptly any building, structure, or improvement thereon which may be damaged or destroyed; and to comply with all laws, ordinances, regulations, covenants, conditions, and restrictions affecting the property.
2. To pay before delinquent all lawful taxes and assessments upon the property; to keep the property free and clear of all other charges, liens, or encumbrances impairing the security of this Deed of Trust.
3. To keep all buildings now or hereafter erected on the property described herein continuously insured against loss by fire or other hazards in an amount not less than the total debt secured by this Deed of Trust. All policies shall be held by the Beneficiary, and be in such companies as the Beneficiary may approve and have loss payable first to the Beneficiary, as its interest may appear, and then to the Grantor(s). The amount collected under any insurance policy may be applied upon any indebtedness secured by this Deed of Trust in such order as the Beneficiary shall determine. Such application by the Beneficiary shall not cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of the Grantor(s) in insurance policies then in force shall pass to the purchaser at the foreclosure sale.
4. To defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of title search and attorney's fees in a reasonable amount, in any such action or proceeding, and in any suit brought by Beneficiary to foreclose this Deed of Trust.
5. To pay all costs, fees, and expenses in connection with this Deed of Trust, including the expenses of the Trustee incurred in enforcing the obligation secured hereby and Trustee's and attorney's fees actually incurred, as provided by statute.
6. Should Grantor(s) fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances, or other charges against the property hereinabove described, Beneficiary may pay the same, and the amount so paid, with interest at the rate set forth in the note secured hereby, shall be added to and become a part of the debt secured in this Deed of Trust.
7. DUE ON SALE: (OPTIONAL - *Not applicable unless initialed by Grantor and Beneficiary*). The property described in this security instrument may not be sold or transferred without the Beneficiary's consent. Upon breach of this provision, Beneficiary may declare all sums due under the note and Deed of Trust immediately due and payable, unless prohibited by applicable law.

Grantor (initials) \_\_\_\_\_ Beneficiary (initials) \_\_\_\_\_

IT IS MUTUALLY AGREED THAT:

1. In the event any portion of the property is taken or damaged in an eminent domain proceeding, the entire amount of the award or such portion as may be necessary to fully satisfy the obligation secured by this Deed of Trust shall be paid to Beneficiary to be applied to said obligation.
2. By accepting payment of any sum secured by this Deed of Trust after its due date, Beneficiary does not waive its right to require prompt payment when due of all other sums so secured or to declare default for failure to so pay.
3. The Trustee shall reconvey all or any part of the property covered by this Deed of Trust to the person entitled thereto, on written request of the Grantor(s) and the Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiary or the person entitled thereto.
4. Upon default by Grantor(s) in the payment of any indebtedness secured by this Deed of Trust or in the performance of any agreement contained in this Deed of Trust, all sums secured hereby shall immediately become due and payable at the option of the Beneficiary subject to any cure period provided in the note

secured by this Deed of Trust. In such event and upon written request of Beneficiary, Trustee shall sell the trust property, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (1) to the expense of the sale, including a reasonable Trustee's fee and attorney's fee; (2) to the obligation secured by this Deed of Trust; and (3) the surplus, if any, shall be distributed to the persons entitled thereto.

5. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser all right, title and interest in the real and personal property which Grantor(s) had or had the power to convey at the time of the execution of this Deed of Trust, and such as Grantor(s) may have acquired thereafter. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchaser and encumbrancers for value.

6. The power of sale conferred by this Deed of Trust and by the Deed of Trust Act of the State of Washington is not an exclusive remedy; Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage.

7. In the event of the absence, death, incapacity, disability, or resignation of Trustee, or at the discretion of the Beneficiary, Beneficiary may appoint in writing a successor trustee, and upon the recording of such appointment in the mortgage records of the county in which this Deed of Trust is recorded, the successor trustee shall be vested with all powers of the original trustee. The trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of an action or proceeding in which Grantor(s), Trustee, or Beneficiary shall be a party unless such action or proceeding is brought by the Trustee.

8. This Deed of Trust applies to, inures to the benefit of, and is binding not only on the parties hereto, but on his/her/their heirs, devisees, legatees, administrators, executors, and assigns. The term Beneficiary shall mean the holder and owner of the note secured hereby, whether or not named as Beneficiary herein.

9. ADDITIONAL TERMS AND CONDITIONS: (check one)

a.  None

b.  As set forth on the attached "Exhibit \_\_\_\_\_" which is incorporated by this reference.

(Note: If neither a nor b is checked, then option "a" applies)

SOLMAR WATER SYSTEMS, INC.

*Exhibit Only – Not for Execution*

By: \_\_\_\_\_

Its:

STATE OF WASHINGTON )  
 ) ss.  
County of Clallam )

I certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledge it as the President of Solmar Water Systems, Inc., to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: \_\_\_\_\_, 2011.

\_\_\_\_\_  
NOTARY PUBLIC in and for the state of  
Washington, residing at \_\_\_\_\_  
My appointment expires: \_\_\_\_\_

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REQUEST FOR FULL RECONVEYANCE

*Do not record - To be used only when note has been paid*

TO: TRUSTEE

The undersigned is the legal owner and holder of the note and all other indebtedness secured by the within Deed of Trust. Said note, together with all other indebtedness secured by said Deed of Trust, has been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note above mentioned, and all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you thereunder.

Dated: 8/16/2011

J W Blaylock  
J.W. Blaylock

Aloma Blaylock  
Aloma Blaylock

[Chattel Mortgage Type Instrument. Do Not Use for Inventory or Retail Sale Transactions on Consumer Goods]

**SECURITY AGREEMENT- EQUIPMENT, FARM EQUIPMENT, FIXTURES, OR CONSUMER GOODS**

THE UNDERSIGNED SOLMAR WATER SYSTEMS, INC. (hereinafter called "Debtor") hereby grants to J.W. BLAYLOCK and ALOMA BLAYLOCK, husband and wife, (hereinafter called "Secured Party"), a security interest in the following described property; together with all increases therein, all added and substituted parts and equipment, tools, parts, accessories, supplies and improvements therefor, together with all proceeds of all such property, to-wit:

All equipment, inventory, accounts receivable owned now or after acquired and specifically those assets listed in Schedule A attached hereto.

All of said property is hereinafter referred to as the "Property" and it is located in Clallam County, Washington.

This Security Agreement is given to secure the payment and performance of all indebtedness and obligations of Debtor to Secured Party presently existing and hereafter arising, direct or indirect, and interest thereon. Regardless of the adequacy of any security which the Secured Party may at any time hold hereunder, and regardless of the adequacy of any other security which Secured Party may obtain at any of its offices from Debtor in connection with any other transactions, any deposits or other moneys owing from Secured Party at any of its offices to Debtor shall (as collateral in the possession of Secured Party) constitute additional security for, and may be set off against, obligations secured hereby even though said obligations may not then be due. When more than one person is the Debtor they shall be jointly and severally liable.

DEBTOR HEREBY REPRESENTS, COVENANTS AND AGREES WITH SECURED PARTY AS FOLLOWS:

**1. Use of Property - Residence of Debtor.** Debtor agrees to comply with any governmental regulation affecting the use of the property and will not waste, injure nor destroy the property, nor use nor permit the use of the property in any unlawful manner. Debtor represents and agrees that the primary use of the property is and will be as checked here:

- Personal, family or household purposes
- Business use
- Farming use

The Debtor resides in the county set forth below, unless some other county is indicated here:  
\_\_\_\_\_ County, Washington

**2. Fixtures.** If any of the property is to be or has been attached to real estate, the description of the real estate is as follows: See Exhibit A, attached hereto, located in Clallam County, Washington.





- 3. Ownership and Liens.** Debtor is over 18 years of age and owns the property and the same is free and clear of all security interests and encumbrances of every nature. Debtor will not create nor permit the existence of any lien or security interest other than that created hereby on the property without the written consent of Secured Party. Any certificate of title now or hereafter existing on any of the property will be delivered to Secured Party and will recite the interest of Secured Party.
- 4. Taxes.** Debtor will pay before delinquency all taxes or other governmental charges levied against the property and will pay any tax which may be levied on any obligation secured hereby.
- 5. Repairs and Inspection.** Debtor will keep the property in good repair. Secured Party may inspect the property at reasonable times and intervals and may for this purpose enter the premises upon which the property is located.
- 6. Insurance.** Debtor will keep the property continuously insured by an insurer approved by Secured Party against fire, theft and other hazards designated at any time by Secured Party, in an amount equal to the full insurable value thereof or to all sums secured hereby, with such form of loss payable clause as designated by and in favor of Secured Party, and will deliver the policies and receipts showing payment of premiums to the Secured Party. In the event of loss, Secured Party shall have full power to collect any and all insurance upon the property and to apply the same at its option to any obligation secured hereby, whether or not matured, or to the restoration or repair of the property. Secured Party shall have no liability whatsoever for any loss that may occur by reason of the omission or lack of coverage of any such insurance.
- 7. Removal or Sale.** Without the prior written consent of Secured Party, Debtor will not remove the property from the State of Washington, and Debtor will not sell nor lease the property or any interest therein.
- 8. Expenses Incurred by Secured Party.** Secured Party is not required to, but may at its option, pay any tax, assessment, insurance premium, expense, repair or other charges payable by Debtor, and any filing or recording fees, and any amount so paid, with interest thereon at the maximum rate permitted by law from date of payment until repaid shall be secured hereby and shall be repayable by Debtor on demand. The rights granted by this paragraph are not a waiver of any other rights of Secured Party arising from breach of any of the covenants hereof by Debtor.
- 9. Waivers.** This Security Agreement shall not be qualified or supplemented by course of dealing. No waiver or modification by Secured Party of any of the terms or conditions hereof shall be effective unless in writing signed by Secured Party. No waiver nor indulgence by Secured Party as to any required performance by Debtor shall constitute a waiver as to any subsequent required performance or other obligations of Debtor hereunder. Debtor hereby waives any counter claims or defense hereunder against any assignee for value.
- 10. Default.** Time is of the essence in this Security Agreement, and in any of the following events, hereinafter called "Events of Default", to-wit:

  - (a) Any failure to pay when due the full amount of any payment of principal, interest, taxes, insurance premiums or other charges which are or may be secured hereby; or
  - (b) Any failure to perform as required by any covenant or agreement herein; or
  - (c) The falsity of any representation by Debtor herein or in any credit application or financial statement given by Debtor to Secured Party as a basis for any extension of credit secured hereby; or
  - (d) If the property should be seized or levied upon under any legal or governmental process against Debtor or against the property; or
  - (e) If Debtor becomes insolvent or is the subject of a petition in bankruptcy, either voluntary or involuntary, or in any other proceeding under the federal bankruptcy laws; or makes an assignment for the benefit of creditors; or if Debtor is named in or the property is subjected to a suit for the appointment of a receiver; or
  - (f) Loss, substantial damage to, or destruction of any portion of the property; or

- (g) Entry of any judgment against Debtor; or
- (h) Dissolution or liquidation of Debtor; or
- (i) The Secured Party deems itself insecure.

Then and in any of such events of default, the entire amount of indebtedness secured hereby shall then or at any time thereafter, at the option of Secured Party, become immediately due and payable without notice or demand, and Secured Party shall have an immediate right to pursue the remedies set forth in this Security Agreement.

**11. Remedies.** In the event of a default hereunder, Secured Party shall have all remedies provided by law; and without limiting the generality of the foregoing, shall be entitled as follows:

- (a) Debtor agrees to put Secured Party in possession of the property on demand; and
- (b) Secured Party is authorized to enter any premises where the property is situated and take possession of said property without notice or demand and without legal proceedings; and
- (c) At the request of Secured Party, Debtor will assemble the property and make it available to Secured Party at a place designated by Secured Party which is reasonably convenient to both parties; and
- (d) Debtor agrees that a period of five (5) days from the time notice is sent, by first class mail or otherwise, shall be a reasonable period of notification of a sale or other disposition of the property; and
- (e) Debtor agrees that any notice or other communication by Secured Party to Debtor shall be sent to the mailing address of the Debtor stated herein; and
- (f) Debtor agrees to pay on demand the amount of all expenses reasonably incurred by Secured Party in protecting or realizing on the property. In the event that this Security Agreement or any obligation secured by it is referred to an attorney for protecting or defending the priority of Secured Party's interest or for collection or realization procedures, Debtor agrees to pay a reasonable attorney's fee, including fees incurred in both trial and appellate courts, or fees incurred without suit, and expenses of title search and all court costs and costs of public officials. The sums agreed to be paid in this subparagraph shall be secured hereby; and
- (g) If Secured Party disposes of the property, Debtor agrees to pay any deficiency remaining after application of the net proceeds to any indebtedness secured hereby.

Signed this 16 day of August, 2011.

DEBTOR:

SOLMAR WATER SYSTEM, INC.

*Exhibit Only - Not for Execution*

By Katie M. O'Claire  
Katie M. O'Claire, President

Debtor's Mailing Address:

PO Box 1989  
Sequim WA 98382  
Clallam County, Washington

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08/09/11

Accrual Basis

## SOLMAR WATER SYSTEM INC.

## Balance Sheet

As of June 30, 2011

Jun 30, 11

<b>ASSETS</b>	
Current Assets	
Checking/Savings	
135 · CASH IN SAVINGS	3.86
Total Checking/Savings	3.86
Accounts Receivable	
1200 · Accounts Receivable	3,231.20
Total Accounts Receivable	3,231.20
Other Current Assets	
142 · EMPLOYEE ADVANCES	500.00
1499 · Undeposited Funds	-865.04
160 · RECOVERABLE F.I.T.	-1,776.00
141 · CUSTOMER A/R	24,855.01
Total Other Current Assets	22,713.97
Total Current Assets	25,949.03
Fixed Assets	
101 · UTILITY PLANT	38,246.89
Total Fixed Assets	38,246.89
<b>TOTAL ASSETS</b>	<b>64,195.92</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Credit Cards	
210 · CREDIT CARD - CAPITAL ONE	-901.41
Total Credit Cards	-901.41
Other Current Liabilities	
230 · CUSTOMER DEPOSITS	498.00
143 · OFFICER'S ADVANCES	-69,500.00
2200 · Sales Tax Payable	34,441.99
215 · FEDERAL INCOME TAX PAYABLE	-1,829.00
231 · ACCOUNTS PAYABLE	-6,641.78
236 · ACCRUED TAXES	
239 · SUI PAYABLE	-0.02
241 · L&I PAYABLE	377.91
Total 236 · ACCRUED TAXES	377.89
Total Other Current Liabilities	-42,652.90
Total Current Liabilities	-43,554.31
Long Term Liabilities	
226 · LONG TERM DEBT - FORD CREDIT	-14,145.84
220 · NOTE PAYABLE-BLAYLOCK	-2,464.68
224 · NOTE PAYABLE - EAST	-57,101.98
225 · LONG TERM DEBT BOA	-11,155.68
271 · CONTR IN AID OF CONST	425.00
272 · ACCUM. AMORT. - CIAC	-1,448.00
Total Long Term Liabilities	-85,891.18
Total Liabilities	-129,445.49
Equity	
320 · RETAINED EARNINGS	27,574.62
Net Income	4,803.23
Total Equity	32,377.85
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>-97,067.64</b>

Pat

## SOLMAR WATER SYSTEM INC.

## Profit &amp; Loss by Class

January through December 2010

	Utility	TOTAL
Ordinary Income/Expense		
Income		
400 · OPERATING REVENUES	98,128.32	98,128.32
418 · HOOKUP FEE	3,375.00	3,375.00
419 · INTEREST & DIV. INCOME	1.86	1.86
422 · OTHER INCOME	33.41	33.41
Total Income	101,538.59	101,538.59
Gross Profit	101,538.59	101,538.59
Expense		
401 · OPERATING EXPENSES		
603 · SALARIES - OFFICERS	14,260.00	14,260.00
615 · PURCHASED POWER	4,173.49	4,173.49
618 · CHEMICALS & TESTING	983.00	983.00
620 · MATERIALS & SUPPLIES	1,141.37	1,141.37
631 · ENGINEERING	1,592.50	1,592.50
632 · ACCOUNTING	855.00	855.00
635 · REPAIRS & MAINTENANCE	3,830.73	3,830.73
650 · TRANSPORTATION EXPENSE	2,556.05	2,556.05
655 · INSURANCE EXPENSE	2,005.25	2,005.25
665 · REGULATORY COMMISSION EXP	143.84	143.84
601 · WAGES - EMPLOYEES	24,947.57	24,947.57
675 · MISCELLANEOUS EXPENSES		
675-01 · LICENSES & FEES	718.00	718.00
675-02 · TELEPHONE	3,305.07	3,305.07
675-03 · BANK CHARGES	179.10	179.10
04 · DUES & SUBSCRIPTIONS	817.46	817.46
05 · CONVENTIONS & MEETINGS	239.57	239.57
06 · OFFICE SUPPLIES	1,076.03	1,076.03
07 · POSTAGE	610.40	610.40
08 · BILLING	679.51	679.51
675 · MISCELLANEOUS EXPENSES - Other	23.67	23.67
Total 675 · MISCELLANEOUS EXPENSES	7,648.81	7,648.81
Total 401 · OPERATING EXPENSES	64,137.61	64,137.61
403 · DEPRECIATION EXPENSE	14,393.00	14,393.00
406 · AMORTIZATION EXPENSE	-738.00	-738.00
407 · Employee Benefits (Medical insurance)	3,953.50	3,953.50
408 · TAXES OTHER THAN INCOME		
01 · PAYROLL TAXES		
0001 · FUI	63.62	63.62
0002 · FICA - SS	2,430.90	2,430.90
0003 · MEDICARE	568.56	568.56
0004 · SUI	183.70	183.70
0005 · EAF	5.79	5.79
0006 · L&I	543.20	543.20
Total 01 · PAYROLL TAXES	3,795.77	3,795.77
02 · BUSINESS TAXES	5,640.82	5,640.82
03 · PROPERTY TAXES	1,981.12	1,981.12
Total 408 · TAXES OTHER THAN INCOME	11,417.71	11,417.71
Total Expense	93,163.82	93,163.82
Net Ordinary Income	8,374.77	8,374.77

**SOLMAR WATER SYSTEM INC.**  
**Balance Sheet**  
 As of December 31, 2010

	Dec 31, 10
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
135 · CASH IN SAVINGS	3.86
Total Checking/Savings	3.86
Accounts Receivable	
1200 · Accounts Receivable	3,131.47
Total Accounts Receivable	3,131.47
Other Current Assets	
142 · EMPLOYEE ADVANCES	500.00
1499 · Undeposited Funds	-865.04
160 · RECOVERABLE F.I.T.	-1,776.00
141 · CUSTOMER A/R	24,855.01
Total Other Current Assets	22,713.97
Total Current Assets	25,849.30
Fixed Assets	
101 · UTILITY PLANT	37,896.89
Total Fixed Assets	37,896.89
<b>TOTAL ASSETS</b>	<b><u>63,746.19</u></b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Credit Cards	
210 · CREDIT CARD - CAPITAL ONE	-901.41
Total Credit Cards	-901.41
Other Current Liabilities	
230 · CUSTOMER DEPOSITS	505.00
143 · OFFICER'S ADVANCES	-69,500.00
2200 · Sales Tax Payable	30,653.07
215 · FEDERAL INCOME TAX PAYABLE	-1,829.00
231 · ACCOUNTS PAYABLE	-6,641.78
236 · ACCRUED TAXES	
239 · SUI PAYABLE	-0.02
241 · L&I PAYABLE	454.68
Total 236 · ACCRUED TAXES	454.66
Total Other Current Liabilities	-46,358.05
Total Current Liabilities	-47,259.46
Long Term Liabilities	
226 · LONG TERM DEBT - FORD CREDIT	-11,791.38
220 · NOTE PAYABLE-BLAYLOCK	3,608.79
224 · NOTE PAYABLE - EAST	-57,101.98
225 · LONG TERM DEBT BOA	-11,155.68
271 · CONTR IN AID OF CONST	425.00
272 · ACCUM. AMORT. - CIAC	-1,448.00
Total Long Term Liabilities	-77,463.25
Total Liabilities	-124,722.71
Equity	
320 · RETAINED EARNINGS	21,158.73
Net Income	6,415.89
Total Equity	27,574.62
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>-97,148.09</u></b>

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08/09/11  
Accrual Basis

SOLMAR WATER SYSTEM INC.  
Profit & Loss by Class  
January through December 2010

	Utility	TOTAL
Other Income/Expense		
Other Expense		
430 · PENALTIES	32.01	32.01
409 · FEDERAL INCOME TAX	764.00	764.00
427 · INTEREST EXPENSE	1,162.87	1,162.87
Total Other Expense	1,958.88	1,958.88
Net Other Income	-1,958.88	-1,958.88
Net Income	<u>6,415.89</u>	<u>6,415.89</u>

## SOLMAR WATER SYSTEM INC.

## Profit &amp; Loss by Class

January through June 2011

	Utility	TOTAL
Ordinary Income/Expense		
Income		
400 · OPERATING REVENUES	47,869.32	47,869.32
419 · INTEREST & DIV. INCOME	0.31	0.31
421 · NONUTILITY INCOME	92.00	92.00
Total Income	47,961.63	47,961.63
Gross Profit	47,961.63	47,961.63
Expense		
401 · OPERATING EXPENSES		
603 · SALARIES - OFFICERS	8,740.00	8,740.00
615 · PURCHASED POWER	2,587.72	2,587.72
618 · CHEMICALS & TESTING	315.00	315.00
620 · MATERIALS & SUPPLIES	589.95	589.95
632 · ACCOUNTING	975.00	975.00
635 · REPAIRS & MAINTENANCE	574.13	574.13
650 · TRANSPORTATION EXPENSE	1,213.64	1,213.64
655 · INSURANCE EXPENSE	1,000.17	1,000.17
665 · REGULATORY COMMISSION EXP	153.07	153.07
601 · WAGES - EMPLOYEES	12,409.00	12,409.00
675 · MISCELLANEOUS EXPENSES		
675-01 · LICENSES & FEES	56.00	56.00
675-02 · TELEPHONE	2,291.11	2,291.11
675-03 · BANK CHARGES	35.00	35.00
04 · DUES & SUBSCRIPTIONS	288.00	288.00
05 · CONVENTIONS & MEETINGS	354.29	354.29
06 · OFFICE SUPPLIES	740.81	740.81
07 · POSTAGE	291.32	291.32
08 · BILLING	602.97	602.97
675 · MISCELLANEOUS EXPENSES - Other	132.60	132.60
Total 675 · MISCELLANEOUS EXPENSES	4,792.10	4,792.10
401 · OPERATING EXPENSES - Other	-120.00	-120.00
Total 401 · OPERATING EXPENSES	33,229.78	33,229.78
407 · Employee Benefits (Medical insurance)	2,367.00	2,367.00
408 · TAXES OTHER THAN INCOME		
01 · PAYROLL TAXES		
0001 · FUI	62.42	62.42
0002 · FICA - SS	1,311.26	1,311.26
0003 · MEDICARE	306.70	306.70
0004 · SUI	55.46	55.46
0005 · EAF	3.74	3.74
0006 · L&I	413.15	413.15
Total 01 · PAYROLL TAXES	2,152.73	2,152.73
02 · BUSINESS TAXES	3,788.92	3,788.92
03 · PROPERTY TAXES	1,089.76	1,089.76
100 · MISC TAX & FEE	36.35	36.35
Total 408 · TAXES OTHER THAN INCOME	7,067.76	7,067.76
Total Expense	42,664.54	42,664.54
Net Ordinary Income	5,297.09	5,297.09
Other Income/Expense		
Other Expense		
409 · FEDERAL INCOME TAX	89.00	89.00
427 · INTEREST EXPENSE	404.86	404.86
Total Other Expense	493.86	493.86
Net Other Income	-493.86	-493.86
Net Income	4,803.23	4,803.23

# Detail Report

12/31/2010 SOLMAR WATER SYSTEM INC XXXXXXXXXX

Item No	Description of Property <small>***** indicates DISPOSED</small>	Date Placed in Service	Activity	Asset Code	Bus. Use %	Cost or Other Basis	Sec. 179 Deduction	Credit	Special Allowance	Salvage Value	Recovery Basis	AMT Type	Recovery Period (years)	Met
						284,231	17,108	0	6,990	0	260,133			
04	LAND & LAND RIGHTS	11/1/1986	1120	N-1	100.00%	32,000	0	0	0	0	32,000		100	200
06	PUMP CONTROLS	11/1/1986	1120	R-5	100.00%	15,000	0	0	0	0	15,000		20	SL/C
09	PUMPS	10/14/1996	1120	F-10	100.00%	5,221	400	0	0	0	4,821		10	SL/C
10	RESERVOIRS & STANDPIPI	11/1/1986	1120	R-5	100.00%	35,000	0	0	0	0	35,000		30	SL/C
11	TRANSMISSION & DIST MA	11/1/1986	1120	R-5	100.00%	72,785	0	0	0	0	72,785		30	SL/C
12	METERS & INSTALLATION	1/1/1990	1120	R-5	100.00%	5,882	0	0	0	0	5,882		20	SL/C
13	METERS & INSTALLATION	3/29/1996	1120	R-2	100.00%	1,562	0	0	0	0	1,562		15	SL/C
14	METERS & INSTALLATION	7/1/1996	1120	R-2	100.00%	173	0	0	0	0	173		15	SL/C
16	FIVE YEAR WATER PLAN	10/31/1995	1120	F-5	100.00%	3,000	0	0	0	0	3,000		5	SL/C
17	FIVE YEAR WATER PLAN	2/28/1996	1120	F-5	100.00%	2,001	0	0	0	0	2,001		5	SL/C
19	METERS & INSTALLATION	4/3/1997	1120	R-2	100.00%	143	0	0	0	0	143		15	SL/C
20	PUMP HOUSE	4/9/1997	1120	R-5	100.00%	5,684	0	0	0	0	5,684		20	SL/C
21	PUMP HOUSE IMPROVEME	7/29/1997	1120	R-5	100.00%	450	0	0	0	0	450		20	SL/C
22	METERS & INSTALLATION	6/19/1997	1120	R-5	100.00%	534	0	0	0	0	534		20	SL/C
23	ELECTRICAL PANEL	7/8/1997	1120	R-4	100.00%	1,537	0	0	0	0	1,537		20	SL/C
28	WATER SYSTEM IMPROVE	2/6/2000	1120	F-10	100.00%	5,507	5,507	0	0	0	0		20	SL/C
29	FAMILIAN METER AND PAR	4/3/2000	1120	F-10	100.00%	439	439	0	0	0	0		10	200L
30	OFFICE FURNITURE AND EC	8/31/2000	1120	F-11	100.00%	722	722	0	0	0	0		7	200L
31	RESERVOIR LEVEL INDICA	2/12/2001	1120	F-10	100.00%	1,082	1,082	0	0	0	0		7	200L
32	FAMILIAN METER & PARTS	7/1/2001	1120	F-10	100.00%	274	274	0	0	0	0		7	200L
33	FAMILIAN METER AND PAR	7/30/2001	1120	F-10	100.00%	822	822	0	0	0	0		7	200L
34	FAMILIAN METER AND PAR	7/31/2001	1120	F-10	100.00%	445	445	0	0	0	0		7	200L
35	CAMERA	11/16/2001	1120	F-11	100.00%	430	430	0	0	0	0		7	200L
36	BOOSTER PUMP STATION	7/1/2002	1120	R-5	100.00%	13,440	0	0	4,032	0	9,408		25	SL/GI
37	NEW PUMP	9/20/2002	1120	F-6	100.00%	504	0	0	96	0	223		5	200D
38	PRINTER/COPYER	1/27/2003	1120	F-6	100.00%	185	0	0	0	0	0		5	200D
39	COMPUTER SYS.	12/3/2004	1120	F-5	100.00%	2,220	2,220	0	0	0	0		5	200D
41	NEW PUMP/INSTALL	6/17/2005	1120	F-10	100.00%	1,167	1,167	0	0	0	0		5	200D
42	NEW WELL	7/9/2005	1120	F-10	100.00%	3,415	3,415	0	0	0	0		7	200D
43	RESOVOIR FENCE	11/5/2007	1120	R-3	100.00%	14,187	0	0	0	0	0		7	200D
44	FORD F150 PICKUP	5/30/2008	1120	R-2	100.00%	2,461	0	0	0	0	14,187		25	150D
45	TRUCK CANOPY	12/23/2008	1120	V-4	100.00%	24,218	0	0	0	0	2,461		15	150D
46	BERKLEY 25 HP PUMP	12/23/2008	1120	V-4	100.00%	1,332	0	0	0	0	24,218		5	200D
47	SOLMAR LAND	9/30/2008	1120	F-10	100.00%	10,449	0	0	0	0	1,332		5	200D
48	METERS & INSTALLATION	10/20/2010	1120	N-1	100.00%	17,198	0	0	0	0	10,449		7	200D
49	COMPUTER SYSTEM	10/10/2010	1120	R-2	100.00%	1,107	0	0	1,107	0	0		15	150D
50	QUICKBOOKS PRO	6/17/2010	1120	F-5	100.00%	1,090	0	0	1,090	0	0		5	200D
51	MICROSOFT WINDOWS 7	11/3/2010	1120	F-1	100.00%	170	0	0	85	0	85		3	SL
52	MICROSOFT OFFICE PRO 2	11/19/2010	1120	F-1	100.00%	440	0	0	140	0	0		3	SL
	SubTotals					284,231	17,108	0	6,990	0	260,133			
	Less: Disposed Assets				(0)	(0)	(0)	(0)	(0)	(0)	(0)			
	Ending Totals				284,231	17,108	0	6,990	0	260,133				

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Solmar Water System, Inc.  
PO Box 1989  
Sequim WA 98382  
360-683-7191

August 31, 2011

**IMPORTANT NOTICE**

Solmar Water System, Inc. has requested permission from the Washington Utilities and Transportation Commission (Commission) for the transfer of ownership and operation of the Solmar Water System, Inc. from Jimmie W Blaylock to Kate O'Claire and Tracy Devose. This transfer is contingent upon approval by the Commission. The proposed effective date of this transfer, if approved, would be September 16, 2011.

Kate and Tracy are sisters, born and raised in the Port Angeles area and have owned and operated rental and farmland together for many years. Kate is a licensed civil engineer in the State of Washington and will assist with the day to day operations of the water system with the existing staff, Del and Sandy. Tracy is a registered nurse (RN) in the State of Washington. At this time, Tracy's involvement will be limited except for general company oversight and major decisions. In the near future, we will also be opening an office in the Carlsborg area to better serve all of our customers.

If you have any questions about how this sale may affect you, please call the company at 360-683-7191.

If you have questions about the transfer process of the water system you may contact the Commission at the following address:

Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
Olympia, WA 98504-7250  
1-888-333-9882 or [comments@wutc.wa.gov](mailto:comments@wutc.wa.gov)

If you would like to comment on this proposal, it is important for you to do so now. Comments must be submitted in writing or presented at the commission's open meeting to be considered as part of the formal record. The commission encourages your written comments, in either favor of or opposition to, regarding this proposal. All open meeting are held in Olympia, WA. If you would like to be added to the commission's mailing list to be notified of the open meeting date please call the toll-free number listed above and leave your name, complete mailing address and the company's 1300 S. Evergreen Park Drive SW Olympia, WA 98504-7250

To Jim Ward, WUTC      Fax 360-586-1150  
From Solmar Water System, Inc Fax 360-452-5883  
August 24, 2011  
Regarding Application for transfer

I don't have copies of all the information you referred to in your note to Ms. O'Claire. Most of our records have applied the IRS and standard accounting that vary from the UTC requirements. However, all balance sheets do balance.

Balance sheet for 12/31/2010 part 1B coordinates numbers to annual report. Correct balance sheet for June 30 is also attached. Sales tax payable for December 31 2010 was 386.72, and on June 30 2011 was \$1,044.28.

The WUTC depreciation schedule is attached (3 pages). I am sorry that the IRS schedule was sent by mistake. The amortization schedule (2 pages) is also enclosed.

A complete Profit and Loss is attached for 12/31/2010 and year-to-date through June 30 2011. Since non-utility is not regulated, the previous income statement did not include that portion. Both are 2 pages.

A copy of revised customer notice is attached. It was mailed August 18, 2011.

I am faxing these items today, and will mail them tomorrow.

*Aloma Blaylock*  
Aloma Blaylock  
Solmar Water System Inc.

RECEIVED  
RECORDS MANAGEMENT  
2011 AUG 25 AM 11:08  
STATE OF WASH.  
UTIL. AND TRANS.  
COMMISSION

*Total 14 pages*

9:36 AM  
08/19/11  
Accrual Basis

1A

**SOLMAR WATER SYSTEM INC.**  
**Balance Sheet**  
As of December 31, 2010

	Dec 31, 10
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
131 · SEA1ST CHECKING	6,268.20
135 · CASH IN SAVINGS	1,992.82
<b>Total Checking/Savings</b>	8,261.02
Accounts Receivable	
1200 · Accounts Receivable	7,614.49
<b>Total Accounts Receivable</b>	7,614.49
Other Current Assets	
160 · RECOVERABLE F.I.T.	293.00
141 · CUSTOMER A/R	13,184.24
<b>Total Other Current Assets</b>	13,477.24
<b>Total Current Assets</b>	29,352.75
<b>Fixed Assets</b>	
101 · UTILITY PLANT	291,524.09
108 · ACCUM. DEPRECIATION	-169,195.00
<b>Total Fixed Assets</b>	122,329.09
<b>TOTAL ASSETS</b>	<b>151,681.84</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Other Current Liabilities	
230 · CUSTOMER DEPOSITS	1,992.82
2200 · Sales Tax Payable	386.72
231 · ACCOUNTS PAYABLE	2,216.55
236 · ACCRUED TAXES	
239 · SUI PAYABLE	62.57
241 · L&I PAYABLE	605.57
238 · FWH & FICA PAYABLE	1,740.04
<b>Total 236 · ACCRUED TAXES</b>	2,408.18
<b>Total Other Current Liabilities</b>	7,004.27
<b>Total Current Liabilities</b>	7,004.27
<b>Long Term Liabilities</b>	
226 · LONG TERM DEBT - FORD CREDIT	11,753.22
220 · NOTE PAYABLE-BLAYLOCK	17,781.29
271 · CONTR IN AID OF CONST	14,765.00
272 · ACCUM. AMORT. - CIAC	-9,972.00
<b>Total Long Term Liabilities</b>	34,327.51
<b>Total Liabilities</b>	41,331.78
<b>Equity</b>	
201 · CAPITAL STOCK ISSUED	500.00
211 · OTHER PAID IN CAPITAL	1,500.00
320 · RETAINED EARNINGS	102,601.85
Net Income	5,748.21
<b>Total Equity</b>	110,350.06
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>151,681.84</b>

**SOLMAR WATER SYSTEM INC.**  
**Balance Sheet**  
As of December 31, 2010

Dec 31, 10

**ASSETS**

**Current Assets**

**Checking/Savings**

131 · SEA1ST CHECKING 6,268.20  
135 · CASH IN SAVINGS 1,992.82

Total Checking/Savings 8,261.02 7

**Accounts Receivable**

1200 · Accounts Receivable 7,614.49

Total Accounts Receivable 7,614.49

**Other Current Assets**

160 · RECOVERABLE F.I.T. 293.00  
141 · CUSTOMER A/R 13,184.24

Total Other Current Assets 13,477.24

Total Current Assets 29,352.75

**Fixed Assets**

101 · UTILITY PLANT 291,524.09  
108 · ACCUM. DEPRECIATION -169,195.00

Total Fixed Assets 122,329.09

**TOTAL ASSETS** 151,681.84 10

**LIABILITIES & EQUITY**

**Liabilities**

**Current Liabilities**

**Other Current Liabilities**

230 · CUSTOMER DEPOSITS 1,992.82  
2200 · Sales Tax Payable 386.72  
231 · ACCOUNTS PAYABLE 2,216.55  
236 · ACCRUED TAXES  
239 · SUI PAYABLE 62.57  
241 · L&I PAYABLE 605.57  
238 · FWH & FICA PAYABLE 1,740.04

Total 236 · ACCRUED TAXES 2,408.18

Total Other Current Liabilities 7,004.27 17

Total Current Liabilities 7,004.27

**Long Term Liabilities**

226 · LONG TERM DEBT - FORD CREDIT 11,753.22 16  
220 · NOTE PAYABLE-BLAYLOCK 17,781.29 18  
271 · CONTR IN AID OF CONST 14,765.00 19  
272 · ACCUM. AMORT. - CIAC -9,972.00 20

Total Long Term Liabilities 34,327.51

Total Liabilities 41,331.78 22

**Equity**

201 · CAPITAL STOCK ISSUED 500.00 11  
211 · OTHER PAID IN CAPITAL 1,500.00 12  
320 · RETAINED EARNINGS 102,601.85  
Net Income 5,748.21 13 108,350.

Total Equity 110,350.06 15

**TOTAL LIABILITIES & EQUITY** 151,681.84 23

Line 10 = Line 23

12

**SOLMAR WATER SYSTEM INC.**  
**Balance Sheet**  
 As of June 30, 2011

	Jun 30, 11
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
131 · SEA1ST CHECKING	3,883.08
135 · CASH IN SAVINGS	1,873.13
<b>Total Checking/Savings</b>	<b>5,756.21</b>
<b>Accounts Receivable</b>	
1200 · Accounts Receivable	549.24
<b>Total Accounts Receivable</b>	<b>549.24</b>
<b>Other Current Assets</b>	
1499 · Undeposited Funds	557.00
160 · RECOVERABLE F.I.T.	293.00
141 · CUSTOMER A/R	13,184.24
<b>Total Other Current Assets</b>	<b>14,034.24</b>
<b>Total Current Assets</b>	<b>20,339.69</b>
<b>Fixed Assets</b>	
101 · UTILITY PLANT	291,874.09
108 · ACCUM. DEPRECIATION	-169,195.00
<b>Total Fixed Assets</b>	<b>122,679.09</b>
<b>TOTAL ASSETS</b>	<b>143,018.78</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Other Current Liabilities</b>	
230 · CUSTOMER DEPOSITS	2,105.82
2200 · Sales Tax Payable	1,044.28
231 · ACCOUNTS PAYABLE	2,216.55
236 · ACCRUED TAXES	
239 · SUI PAYABLE	98.09
241 · L&I PAYABLE	654.41
238 · FWH & FICA PAYABLE	2,610.76
237 · FUI PAYABLE	4.93
<b>Total 236 · ACCRUED TAXES</b>	<b>3,368.19</b>
<b>Total Other Current Liabilities</b>	<b>8,734.84</b>
<b>Total Current Liabilities</b>	<b>8,734.84</b>
<b>Long Term Liabilities</b>	
226 · LONG TERM DEBT - FORD CREDIT	9,398.76
220 · NOTE PAYABLE-BLAYLOCK	11,707.82
271 · CONTR IN AID OF CONST	14,765.00
272 · ACCUM. AMORT. - CIAC	-9,972.00
<b>Total Long Term Liabilities</b>	<b>25,899.58</b>
<b>Total Liabilities</b>	<b>34,634.42</b>
<b>Equity</b>	
201 · CAPITAL STOCK ISSUED	500.00
211 · OTHER PAID IN CAPITAL	1,500.00
320 · RETAINED EARNINGS	108,350.06
Net Income	-1,965.70
<b>Total Equity</b>	<b>108,384.36</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>143,018.78</b>

Solmar Water System, Inc.  
WUTC Depreciation Schedule  
Year Ended 12/31/2010

Number	Description	Date in Service	Method	Life	Cost	12/31/96		12/31/97		12/31/98		12/31/99		12/31/00		12/31/01		12/31/02	
						Accum Depr	Depr	Accum Depr	Depr	Accum Depr	Depr	Accum Depr	Depr	Accum Depr	Depr	Accum Depr	Depr		
30301	Land & Land Rights	11/01/86	None	20	32,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30302	Central Shop Pump House	04/09/97	S/L	20	5,684	-	142	142	284	426	284	710	284	994	284	1,278	284	1,562	
30303	Pump House Improvements	07/29/97	S/L	20	450	-	11	11	22	33	23	56	23	79	23	102	23	125	
30304	Water System Improvements	02/06/00	S/L	10	5,507	-	0	-	0	-	0	-	459	459	551	1,010	551	1,561	
30305	Booster Pump Station	07/01/02	S/L	20	13,440	-	-	-	-	-	-	-	-	-	-	-	-	280	
30306	New Pump Station	06/17/05	S/L	20	2,959	-	-	-	-	-	-	-	-	-	-	-	-	-	
30307	Reservoir Fence	11/05/07	S/L	15	2,461	-	-	-	-	-	-	-	-	-	-	-	-	-	
30308	Solmar Land	09/30/08	None	20	17,198	-	-	-	-	-	-	-	-	-	-	-	-	-	
31002	Electrical Panel	07/08/97	S/L	20	1,537	-	38	38	77	115	77	192	77	269	77	346	77	423	
31003	Electrical - New Well	08/19/05	S/L	20	456	-	-	-	-	-	-	-	-	-	-	-	-	-	
31101	Pump Controls	11/01/86	S/L	20	15,000	8,250	750	9,000	750	9,750	750	10,500	750	11,250	750	12,000	750	12,750	
31104	Pumps	10/14/96	S/L	10	5,221	131	522	653	522	1,175	522	1,697	522	2,219	522	2,741	522	3,263	
31106	New Pump	09/20/02	S/L	5	504	-	-	-	-	-	-	-	-	-	-	-	-	-	
31107	Berkley 25 HP Pump	12/23/08	S/L	5	10,449	-	-	-	-	-	-	-	-	-	-	-	-	-	
32001	New Well	07/09/05	S/L	20	14,187	-	-	-	-	-	-	-	-	-	-	-	-	-	
33001	Reservoirs & Standpipes	11/01/86	S/L	30	35,000	12,837	1,167	14,004	1,167	15,171	1,167	16,338	1,167	17,505	1,167	18,672	1,167	19,839	
33002	Reservoir Level Indicator	02/12/01	S/L	10	1,082	-	0	-	0	-	0	-	0	-	0	-	0	-	
33101	Transmission & Dist. Main	11/01/86	S/L	30	72,785	26,686	2,426	29,112	2,426	31,538	2,426	33,964	2,426	36,390	2,426	38,816	2,426	41,242	
33401	Meter Installations	01/01/90	S/L	20	5,882	1,916	294	2,210	294	2,504	294	2,798	294	3,092	294	3,386	294	3,680	
33402	Meter Installations	03/29/96	S/L	20	1,562	59	78	137	78	215	78	293	78	371	78	449	78	527	
33403	Meter Installations	07/01/96	S/L	20	173	4	9	13	9	22	9	31	9	40	9	49	9	58	
33404	Meter Installations	04/03/97	S/L	15	143	-	5	5	10	15	10	25	10	35	10	45	10	55	
33405	Meter Installations	06/19/97	S/L	20	534	-	13	13	27	40	27	67	27	94	27	121	27	148	
33406	2 Meter Installations	10/20/10	S/L	20	1,107	-	-	-	-	-	-	-	-	-	-	-	-	-	
33406	Familian Meter & Parts	04/03/00	S/L	7	439	-	0	-	0	-	0	-	42	42	105	42	168		
33407	Familian Meter & Parts	07/11/01	S/L	7	274	-	0	-	0	-	0	-	0	-	16	16	39		
33408	Familian Meter & Parts	07/30/01	S/L	7	822	-	0	-	0	-	0	-	0	-	49	49	117		
33409	Familian Meter & Parts	07/31/01	S/L	7	445	-	0	-	0	-	0	-	0	-	26	26	64		
33901	Five Year Water Plan	12/31/94	None	5	3,675	-	0	-	0	-	0	-	0	-	0	-	0	-	
33902	Five Year Water Plan	10/31/95	S/L	5	3,000	700	600	1,300	600	1,900	600	2,500	600	3,000	600	3,000	600	3,000	
33903	Five Year Water Plan	02/28/96	S/L	5	2,001	334	400	734	400	1,134	400	1,534	400	1,934	400	2,001	400	2,001	
34002	Office Furniture & Equipment	08/31/00	S/L	7	722	-	0	-	0	-	0	-	34	34	103	34	137	103	
34003	Camera	11/16/01	S/L	7	430	-	0	-	0	-	0	-	0	-	5	5	5	61	
34004	Copier/Printer	01/27/03	S/L	5	2,220	-	-	-	-	-	-	-	-	-	-	-	-	-	
34005	Computer System	12/03/04	S/L	5	1,167	-	-	-	-	-	-	-	-	-	-	-	-	-	
34006	Computer System	10/10/10	S/L	5	1,090	-	-	-	-	-	-	-	-	-	-	-	-	-	
34008	Quickbooks Pro Software	06/17/10	S/L	3	170	-	-	-	-	-	-	-	-	-	-	-	-	-	
34009	Microsoft Windows 7 Professional	11/03/10	S/L	3	140	-	-	-	-	-	-	-	-	-	-	-	-	-	
34010	Microsoft Office Professional 2007	11/19/10	S/L	3	440	-	-	-	-	-	-	-	-	-	-	-	-	-	
34007	2008 Ford F150 Pickup Truck	05/30/08	S/L	5	27,836	-	-	-	-	-	-	-	-	-	-	-	-	-	
34007	Truck Canopy	12/23/08	S/L	5	1,332	-	-	-	-	-	-	-	-	-	-	-	-	-	
					291,524	50,917	6,455	57,372	6,666	64,038	6,667	70,705	7,103	77,808	6,637	84,445	7,078	91,523	

Solmar Water System, Inc.  
WUTC Depreciation Schedule  
Year Ended 12/31/2010

Number	Description	Date in Service	Method	Life	Cost	Depreciation 12/31/03	Accumulated Depreciation 12/31/03	Depreciation 12/31/04	Accumulated Depreciation 12/31/04	Depreciation 12/31/05	Accumulated Depreciation 12/31/05
30301	Land & Land Rights	11/01/86	None		32,000						
30302	Central Shop Pump House	04/09/97	S/L	20	5,684	284	1,846	284	2,130	284	2,414
30303	Pump House Improvements	07/29/97	S/L	20	450	23	148	23	171	23	194
30304	Water System Improvements	02/06/00	S/L	10	5,507	551	2,112	551	2,663	551	3,214
30305	Booster Pump Station	07/01/02	S/L	20	13,440	672	952	672	1,624	672	2,296
30306	New Pump Station	06/17/05	S/L	20	2,959	0		0		74	74
30307	Reservoir Fence	11/05/07	S/L	15	2,461					0	
30308	Solmar Land	09/30/08	None		17,198						
31002	Electrical Panel	07/08/97	S/L	20	1,537	77	500	77	577	77	654
31003	Electrical - New Well	08/19/05	S/L	20	456					8	8
31101	Pump Controls	11/01/85	S/L	20	15,000	750	13,500	750	14,250	750	15,000
31104	Pumps	10/14/96	S/L	10	5,221	522	3,785	522	4,307	522	4,829
31106	New Pump	09/20/02	S/L	5	504	101	126	101	227	101	328
31107	Berkley 25 HP Pump	12/23/03	S/L	5	10,449					101	101
32001	New Well	07/09/05	S/L	20	14,187					295	295
33001	Reservoirs & Standpipes	11/01/86	S/L	30	35,000	1,167	21,006	1,167	22,173	1,167	23,340
33002	Reservoir Level Indicator	02/12/01	S/L	10	1,082	108	306	108	414	108	522
33101	Transmission & Dist Main	11/01/86	S/L	30	72,785	2,426	43,668	2,426	46,094	2,426	48,520
33401	Meter Installations	01/01/90	S/L	20	5,882	294	3,974	294	4,268	294	4,562
33402	Meter Installations	03/29/96	S/L	20	1,662	78	605	78	683	78	761
33403	Meter Installations	07/01/96	S/L	20	173	9	67	9	76	9	85
33404	Meter Installations	04/03/97	S/L	15	143	10	65	10	75	10	85
33405	Meter Installations	06/19/97	S/L	20	534	27	175	27	202	27	229
33406	2 Meter Installations	10/20/10	S/L	20	1,107						
33406	Familian Meter & Parts	04/03/00	S/L	7	439	63	231	63	294	63	357
33407	Familian Meter & Parts	07/11/01	S/L	7	274	39	94	39	133	39	172
33408	Familian Meter & Parts	07/30/01	S/L	7	822	117	283	117	400	117	517
33409	Familian Meter & Parts	07/31/01	S/L	7	445	64	154	64	218	64	282
33901	Five Year Water Plan	12/31/94	None	5	3,675	0		0		0	
33902	Five Year Water Plan	10/31/95	S/L	5	3,000	0	3,000	0	3,000	0	3,000
33903	Five Year Water Plan	02/28/96	S/L	5	2,001	0	2,001	0	2,001	0	2,001
34002	Office Furniture & Equipment	08/31/00	S/L	7	722	103	343	103	446	103	549
34003	Camera	11/16/01	S/L	7	430	61	127	61	188	61	249
34004	Copier/Printer	01/27/03	S/L	5	2,220	407	407	444	851	444	1,295
34005	Computer System	12/03/04	S/L	5	1,167			19	19	19	38
34006	Computer System	10/10/10	S/L	5	1,090						
34008	Quickbooks Pro Software	06/17/10	S/L	3	170						
34009	Microsoft Windows 7 Professional	11/03/10	S/L	3	140						
34010	Microsoft Office Professional 2007	11/19/10	S/L	3	440						
34007	2006 Ford F150 Pickup Truck	05/30/08	S/L	5	27,836						
34007	Truck Canopy	12/23/08	S/L	5	1,332						
					291,524	7,953	99,476	8,008	107,485	8,386	115,871

**Solmar Water System, Inc.**  
**WUTC Depreciation Schedule**  
**Year Ended 12/31/2010**

Number	Description	Date in Service	Method	Life	Cost	12/31/06		12/31/07		12/31/08		12/31/09		12/31/10	
						Depr	Accum	Depr	Accum	Depr	Accum	Depr	Accum	Depr	Accum
30301	Land & Land Rights	11/01/86	None	20	32,000	-	-	-	-	-	-	-	-	-	-
30302	Central Shop Pump House	04/09/97	S/L	20	5,684	284	2,698	284	2,982	284	3,266	284	3,550	284	3,834
30303	Pump House Improvements	07/29/97	S/L	20	450	23	217	23	240	23	263	23	286	23	309
30304	Water System Improvements	02/06/00	S/L	10	5,507	551	3,765	551	4,316	551	4,867	551	5,418	89	5,507
30305	Booster Pump Station	07/01/02	S/L	20	13,440	672	2,968	672	3,640	672	4,312	672	4,984	672	5,656
30306	New Pump Station	06/17/05	S/L	20	2,959	148	222	148	370	148	518	148	666	148	814
30307	Reservoir Fence	11/05/07	S/L	15	2,461	0	-	164	164	164	328	164	492	164	656
30308	Solmar Land	09/30/08	None	17,198	-	-	-	-	-	-	-	-	-	-	-
31002	Electrical Panel	07/08/97	S/L	20	1,537	77	731	77	808	77	885	77	962	77	1,039
31003	Electrical - New Well	08/19/05	S/L	20	456	23	31	23	54	23	77	23	100	23	123
31101	Pump Controls	11/01/86	S/L	20	15,000	0	15,000	0	15,000	0	15,000	0	15,000	0	15,000
31104	Pumps	10/14/96	S/L	10	5,221	392	5,221	0	5,221	0	5,221	0	5,221	0	5,221
31106	New Pump	09/20/02	S/L	5	504	101	429	75	504	0	504	0	504	0	504
31107	Berkley 25 HP Pump	12/23/08	S/L	5	10,449	101	429	75	504	0	504	0	504	0	504
32001	New Well	07/09/05	S/L	20	14,187	709	1,004	709	1,713	709	2,422	709	3,131	709	3,840
33001	Reservoirs & Standpipes	11/01/86	S/L	30	35,000	1,167	24,507	1,167	25,674	1,167	26,841	1,167	28,008	1,167	29,175
33002	Reservoir Level Indicator	02/12/01	S/L	10	1,082	108	630	108	738	108	846	108	954	108	1,062
33101	Transmission & Dist. Main	11/01/86	S/L	30	72,785	2,426	50,946	2,426	53,372	2,426	55,798	2,426	58,224	2,426	60,650
33401	Meter Installations	01/01/80	S/L	20	5,882	294	4,856	294	5,150	294	5,444	294	5,738	144	5,882
33402	Meter Installations	03/29/96	S/L	20	1,562	78	839	78	917	78	995	78	1,073	78	1,151
33403	Meter Installations	07/01/96	S/L	20	173	9	94	9	103	9	112	9	121	9	130
33404	Meter Installations	04/03/97	S/L	15	143	10	95	10	105	10	115	10	125	10	135
33405	Meter Installations	06/19/97	S/L	20	534	27	256	27	283	27	310	27	337	27	364
33406	2 Meter Installations	10/20/10	S/L	20	1,107	63	420	19	439	0	439	0	439	0	439
33406	Familian Meter & Parts	04/03/00	S/L	7	439	63	211	39	250	24	274	0	274	0	274
33407	Familian Meter & Parts	07/11/01	S/L	7	274	39	634	117	751	71	822	0	822	0	822
33408	Familian Meter & Parts	07/30/01	S/L	7	822	117	634	117	751	71	822	0	822	0	822
33409	Familian Meter & Parts	07/31/01	S/L	7	445	64	346	64	410	35	445	0	445	0	445
33901	Five Year Water Plan	12/31/94	None	5	3,675	0	-	0	-	0	-	0	-	0	-
33902	Five Year Water Plan	10/31/95	S/L	5	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000
33903	Five Year Water Plan	02/28/96	S/L	5	2,001	0	2,001	0	2,001	0	2,001	0	2,001	0	2,001
34002	Office Furniture & Equipment	08/31/00	S/L	7	722	103	652	70	722	0	722	0	722	0	722
34003	Camera	11/16/01	S/L	5	430	61	310	61	371	59	430	0	430	0	430
34004	Copier/Printer	01/27/03	S/L	5	2,220	444	1,739	444	2,183	37	2,220	0	2,220	0	2,220
34005	Computer System	12/03/04	S/L	5	1,167	233	271	233	504	233	737	233	970	197	1,167
34006	Computer System	10/10/10	S/L	5	1,090	-	-	-	-	-	-	-	-	-	-
34008	Quickbooks Pro Software	06/17/10	S/L	3	170	-	-	-	-	-	-	-	-	-	-
34009	Microsoft Office Professional 2007	11/03/10	S/L	3	140	-	-	-	-	-	-	-	-	-	-
34010	Microsoft Office Professional 2007	11/19/10	S/L	3	440	-	-	-	-	-	-	-	-	-	-
34007	2008 Ford F150 Pickup Truck	05/30/08	S/L	5	27,836	-	-	-	-	464	464	5,567	6,031	5,567	11,598
34007	Truck Canopy	12/23/08	S/L	5	1,332	-	-	-	-	22	22	266	288	266	554
					291,524	8,223	124,094	7,892	131,986	7,889	139,875	14,926	154,801	14,393	169,194



Solmar Water System, Inc.  
WUTC Amortization of CIAC  
Year Ended 12/31/10

Number	Description	Date in Service	Method	Life	Cost	12/31/96		12/31/97		12/31/98		12/31/99		12/31/00		12/31/00	
						Amort	Accum	Amort	Accum	Amort	Accum	Amort	Accum	Amort	Accum	Amort	Accum
33901	Hookup Fees	01/01/94	S/L	20	4,280	12/31/96	642	214	856	214	1,070	214	1,284	214	1,498		
33902	Hookup Fees	10/01/95	S/L	20	640		40	32	72	32	104	32	136	32	168		
33903	Hookup Fees	01/20/96	S/L	20	320		15	16	31	16	47	16	63	16	79		
33904	Hookup Fees	07/02/97	S/L	20	960		0	24	24	48	72	48	120	48	168		
33905	Hookup Fees	04/29/98	S/L	20	5,000		0	0	0	167	167	250	417	250	667		
33906	Hookup Fees	10/27/98	S/L	20	320		0	0	0	4	4	16	20	16	36		
33907	Hookup Fees	02/02/00	S/L	20	320		0	0	0	0	0	0	0	0	13		13
33908	Hookup Fees	04/07/00	S/L	20	2,500		0	0	0	0	0	0	0	0	83		83
33909	Hookup Fees	04/11/03	S/L	20	425		0	0	0	0	0	0	0	0	0		0
					14,765		697	286	983	480	1,463	576	2,039	673	2,712		

Solmar Water System, Inc.  
WUTC Amortization of CIAC  
Year Ended 12/31/10

Number	Description	Date in Service	Method	Life	Cos	12/31/01		12/31/01		12/31/02		12/31/03		12/31/04		12/31/05		12/31/05	
						Amort	Accum	Amort	Accum	Amort	Accum	Amort	Accum	Amort	Accum	Amort	Accum	Amort	Accum
33901	Hookup Fees	01/01/94	S/L	20	4,280	12/31/01	214	1,712	214	1,926	214	2,140	214	2,354	214	2,568			
33902	Hookup Fees	10/01/95	S/L	20	640		32	200	32	232	32	264	32	296	32	328			
33903	Hookup Fees	01/20/96	S/L	20	320		16	95	16	111	16	127	16	143	16	159			
33904	Hookup Fees	07/02/97	S/L	20	960		48	216	48	264	48	312	48	360	48	408			
33905	Hookup Fees	04/29/98	S/L	20	5,000		250	917	250	1,167	250	1,417	250	1,667	250	1,917			
33906	Hookup Fees	10/27/98	S/L	20	320		16	52	16	68	16	84	16	100	16	116			
33907	Hookup Fees	02/02/00	S/L	20	320		13	27	16	43	16	59	16	75	16	91			
33908	Hookup Fees	04/07/00	S/L	20	2,500		83	167	125	292	125	417	125	542	125	667			
33909	Hookup Fees	04/11/03	S/L	20	425		0	0	0	0	14	14	14	28	14	42			
					14,765		673	3,385	717	4,102	731	4,833	731	5,564	731	6,295			

**Solmar Water System, Inc.**  
**WUTC Amortization of CIAC**  
**Year Ended 12/31/10**

Number	Description	Date in Service	Method	Life	Cost	12/31/06		12/31/07		12/31/08		12/31/09		12/31/10	
						Amort	Accum Amort	Amort	Accum Amort	Amort	Accum Amort	Amort	Accum Amort	Amort	Accum Amort
33901	Hookup Fees	01/01/94	S/L	20	4,280	214	2,782	214	2,996	214	3,210	214	3,424		
33902	Hookup Fees	10/01/95	S/L	20	640	32	360	32	392	32	424	32	456		
33903	Hookup Fees	01/20/96	S/L	20	320	16	175	16	191	16	207	16	223		
33904	Hookup Fees	07/02/97	S/L	20	960	48	456	48	504	48	552	48	600		
33905	Hookup Fees	04/29/98	S/L	20	5,000	250	2,167	250	2,417	250	2,667	250	2,917		
33906	Hookup Fees	10/27/98	S/L	20	320	16	132	16	148	16	164	16	180		
33907	Hookup Fees	02/02/00	S/L	20	320	16	107	16	123	16	139	16	155		
33908	Hookup Fees	04/07/00	S/L	20	2,500	125	792	125	917	125	1,042	125	1,167		
33909	Hookup Fees	04/11/03	S/L	20	425	14	56	14	70	21	91	21	112		
					14,765	731	7,026	731	7,757	738	8,495	738	9,233		

Number	Description	Date in Service	Method	Life	Cost	12/31/10		12/31/10	
						Amort	Accum Amort	Amort	Accum Amort
33901	Hookup Fees	01/01/94	S/L	20	4,280	214	2,782	214	3,638
33902	Hookup Fees	10/01/95	S/L	20	640	32	360	32	488
33903	Hookup Fees	01/20/96	S/L	20	320	16	175	16	239
33904	Hookup Fees	07/02/97	S/L	20	960	48	456	48	648
33905	Hookup Fees	04/29/98	S/L	20	5,000	250	2,167	250	3,167
33906	Hookup Fees	10/27/98	S/L	20	320	16	132	16	196
33907	Hookup Fees	02/02/00	S/L	20	320	16	107	16	171
33908	Hookup Fees	04/07/00	S/L	20	2,500	125	792	125	1,292
33909	Hookup Fees	04/11/03	S/L	20	425	21	56	21	133
					14,765	738	7,757	738	9,971

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 Accrual Basis

**SOLMAR WATER SYSTEM INC.**  
**Profit & Loss by Class**  
 January through December 2010

	Non-Utility	Utility	Unclassifi...	TOTAL
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
400 · OPERATING REVENUES	0.00	98,128.32	0.00	98,128.32
418 · HOOKUP FEE	0.00	3,375.00	0.00	3,375.00
419 · INTEREST & DIV. INCOME	0.00	1.86	0.00	1.86
421 · NONUTILITY INCOME	92,218.13	0.00	0.00	92,218.13
422 · OTHER INCOME	187.00	33.41	0.00	220.41
<b>Total Income</b>	<b>92,405.13</b>	<b>101,538.59</b>	<b>0.00</b>	<b>193,943.72</b>
<b>Gross Profit</b>	<b>92,405.13</b>	<b>101,538.59</b>	<b>0.00</b>	<b>193,943.72</b>
<b>Expense</b>				
401 · OPERATING EXPENSES				
603 · SALARIES - OFFICERS	18,860.00	14,260.00	0.00	33,120.00
615 · PURCHASED POWER	537.84	4,173.49	0.00	4,711.33
618 · CHEMICALS & TESTING	537.84	983.00	0.00	1,520.84
620 · MATERIALS & SUPPLIES	1,986.33	1,141.37	0.00	3,127.70
631 · ENGINEERING	285.00	1,592.50	0.00	1,877.50
632 · ACCOUNTING	200.00	855.00	0.00	1,055.00
635 · REPAIRS & MAINTENANCE	4,662.14	3,830.73	0.00	8,492.87
650 · TRANSPORTATION EXPENSE	2,147.71	2,556.05	0.00	4,703.76
655 · INSURANCE EXPENSE	0.00	2,005.25	0.00	2,005.25
665 · REGULATORY COMMISSION EXP	0.00	143.84	0.00	143.84
601 · WAGES - EMPLOYEES	49,724.97	24,947.57	0.00	74,672.54
675 · MISCELLANEOUS EXPENSES				
675-01 · LICENSES & FEES	244.00	718.00	0.00	962.00
675-02 · TELEPHONE	952.73	3,305.07	0.00	4,257.80
675-03 · BANK CHARGES	0.00	179.10	0.00	179.10
04 · DUES & SUBSCRIPTIONS	55.00	817.46	0.00	872.46
05 · CONVENTIONS & MEETINGS	180.00	239.57	0.00	419.57
06 · OFFICE SUPPLIES	498.85	1,076.03	0.00	1,574.88
07 · POSTAGE	240.50	610.40	0.00	850.90
08 · BILLING	169.01	679.51	0.00	848.52
675 · MISCELLANEOUS EXPENSES - Other	41.08	23.67	0.00	64.75
<b>Total 675 · MISCELLANEOUS EXPENSES</b>	<b>2,381.17</b>	<b>7,648.81</b>	<b>0.00</b>	<b>10,029.98</b>
<b>Total 401 · OPERATING EXPENSES</b>	<b>81,323.00</b>	<b>64,137.61</b>	<b>0.00</b>	<b>145,460.61</b>
403 · DEPRECIATION EXPENSE	0.00	14,393.00	0.00	14,393.00
406 · AMORTIZATION EXPENSE	0.00	-738.00	0.00	-738.00
407 · Employee Benefits (Medical insurance)	3,953.50	3,953.50	0.00	7,907.00
408 · TAXES OTHER THAN INCOME				
01 · PAYROLL TAXES				
0001 · FUI	104.67	63.62	0.00	168.29
0002 · FICA - SS	4,252.24	2,430.90	0.00	6,683.14
0003 · MEDICARE	994.43	568.56	0.00	1,562.99
0004 · SUI	400.63	183.70	0.00	584.33
0005 · EAF	12.68	5.79	0.00	18.47
0006 · L&I	1,267.48	543.20	0.00	1,810.68
<b>Total 01 · PAYROLL TAXES</b>	<b>7,032.13</b>	<b>3,795.77</b>	<b>0.00</b>	<b>10,827.90</b>
02 · BUSINESS TAXES	764.18	5,640.82	0.00	6,405.00
03 · PROPERTY TAXES	0.00	1,981.12	0.00	1,981.12
<b>Total 408 · TAXES OTHER THAN INCOME</b>	<b>7,796.31</b>	<b>11,417.71</b>	<b>0.00</b>	<b>19,214.02</b>
<b>Total Expense</b>	<b>93,072.81</b>	<b>93,163.82</b>	<b>0.00</b>	<b>186,236.63</b>
<b>Net Ordinary Income</b>	<b>-667.68</b>	<b>8,374.77</b>	<b>0.00</b>	<b>7,707.09</b>

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Accrual Basis

**SOLMAR WATER SYSTEM INC.**  
**Profit & Loss by Class**  
January through December 2010

	<u>Non-Utility</u>	<u>Utility</u>	<u>Unclassifi...</u>	<u>TOTAL</u>
Other Income/Expense				
Other Expense				
430 · PENALTIES	0.00	32.01	0.00	32.01
409 · FEDERAL INCOME TAX	0.00	764.00	0.00	764.00
427 · INTEREST EXPENSE	0.00	1,162.87	0.00	1,162.87
Total Other Expense	0.00	1,958.88	0.00	1,958.88
Net Other Income	0.00	-1,958.88	0.00	-1,958.88
Net Income	<u>-667.68</u>	<u>6,415.89</u>	<u>0.00</u>	<u>5,748.21</u>

**SOLMAR WATER SYSTEM INC.**  
**Profit & Loss by Class**  
January through June 2011

	Non-Utility	Utility	Un...	TOTAL
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
400 · OPERATING REVENUES	0.00	47,869.32	0.00	47,869.32
419 · INTEREST & DIV. INCOME	0.00	0.31	0.00	0.31
421 · NONUTILITY INCOME	40,431.45	92.00	0.00	40,523.45
422 · OTHER INCOME	120.00	0.00	0.00	120.00
<b>Total Income</b>	<b>40,551.45</b>	<b>47,961.63</b>	<b>0.00</b>	<b>88,513.08</b>
<b>Gross Profit</b>				
	40,551.45	47,961.63	0.00	88,513.08
<b>Expense</b>				
401 · OPERATING EXPENSES	9,660.00	8,740.00	0.00	18,400.00
603 · SALARIES - OFFICERS	0.00	2,587.72	0.00	2,587.72
615 · PURCHASED POWER	624.14	315.00	0.00	939.14
618 · CHEMICALS & TESTING	277.42	1,062.54	0.00	1,339.96
620 · MATERIALS & SUPPLIES	285.00	0.00	0.00	285.00
631 · ENGINEERING	200.00	975.00	0.00	1,175.00
632 · ACCOUNTING	857.79	1,238.78	0.00	2,096.57
635 · REPAIRS & MAINTENANCE	1,656.60	1,413.64	0.00	3,070.24
650 · TRANSPORTATION EXPENSE	0.00	1,000.17	0.00	1,000.17
655 · INSURANCE EXPENSE	0.00	153.07	0.00	153.07
665 · REGULATORY COMMISSION EXP	25,319.00	12,409.00	0.00	37,728.00
601 · WAGES - EMPLOYEES	140.00	56.00	0.00	196.00
675 · MISCELLANEOUS EXPENSES	0.00	2,291.11	0.00	2,291.11
675-01 · LICENSES & FEES	0.00	35.00	0.00	35.00
675-02 · TELEPHONE	0.00	288.00	0.00	288.00
675-03 · BANK CHARGES	0.00	498.38	0.00	498.38
04 · DUES & SUBSCRIPTIONS	0.00	740.81	0.00	740.81
05 · CONVENTIONS & MEETINGS	309.66	291.32	0.00	600.98
06 · OFFICE SUPPLIES	0.00	602.97	0.00	602.97
07 · POSTAGE	0.00	132.60	0.00	132.60
08 · BILLING	449.66	4,936.19	0.00	5,385.85
675 · MISCELLANEOUS EXPENSES...	0.00	-120.00	0.00	-120.00
401 · OPERATING EXPENSES - Other	0.00	-120.00	0.00	-120.00
<b>Total 401 · OPERATING EXPENSES</b>	<b>39,329.61</b>	<b>34,711.11</b>	<b>0.00</b>	<b>74,040.72</b>
407 · Employee Benefits (Medical insuran...	1,183.50	3,550.50	0.00	4,734.00

**SOLMAR WATER SYSTEM INC.**  
**Profit & Loss by Class**  
January through June 2011

	Non-Utility	Utility	Un...	TOTAL
<b>408 · TAXES OTHER THAN INCOME</b>				
<b>01 · PAYROLL TAXES</b>				
0001 · FUI	105.58	62.42	0.00	168.00
0002 · FICA - SS	2,168.68	1,311.26	0.00	3,479.94
0003 · MEDICARE	507.16	306.70	0.00	813.86
0004 · SUI	129.40	55.46	0.00	184.86
0005 · EAF	7.58	3.74	0.00	11.32
0006 · L&I	738.23	291.84	0.00	1,030.07
<b>Total 01 · PAYROLL TAXES</b>	<b>3,656.63</b>	<b>2,031.42</b>	<b>0.00</b>	<b>5,688.05</b>
<b>02 · BUSINESS TAXES</b>				
03 · PROPERTY TAXES	607.12	3,788.92	0.00	4,396.04
100 · MISC TAX & FEE	0.00	1,089.76	0.00	1,089.76
<b>Total 02 · BUSINESS TAXES</b>	<b>607.12</b>	<b>4,878.68</b>	<b>0.00</b>	<b>5,485.80</b>
<b>03 · PROPERTY TAXES</b>				
<b>100 · MISC TAX &amp; FEE</b>				
<b>Total 408 · TAXES OTHER THAN INCOME</b>	<b>4,263.75</b>	<b>6,946.45</b>	<b>0.00</b>	<b>11,210.20</b>
<b>Total Expense</b>	<b>44,776.86</b>	<b>45,208.06</b>	<b>0.00</b>	<b>89,984.92</b>
<b>Net Ordinary Income</b>	<b>-4,225.41</b>	<b>2,753.57</b>	<b>0.00</b>	<b>-1,471.84</b>
<b>Other Income/Expense</b>				
<b>Other Expense</b>				
409 · FEDERAL INCOME TAX	0.00	89.00	0.00	89.00
427 · INTEREST EXPENSE	0.00	404.86	0.00	404.86
<b>Total Other Expense</b>	<b>0.00</b>	<b>493.86</b>	<b>0.00</b>	<b>493.86</b>
<b>Net Other Income</b>	<b>0.00</b>	<b>-493.86</b>	<b>0.00</b>	<b>-493.86</b>
<b>Net Income</b>	<b>-4,225.41</b>	<b>2,259.71</b>	<b>0.00</b>	<b>-1,965.70</b>

Solmar Water System, Inc.  
PO Box 1989  
Sequim WA 98382  
360-683-7191

August 18, 2011

**IMPORTANT NOTICE**

Solmar Water System, Inc. has requested permission from the Washington Utilities and Transportation Commission (Commission) for the transfer of ownership and operation of the Solmar Water System, Inc. from Jimmie W Blaylock to Kate O'Claire and Tracy Devose. This transfer is contingent upon approval by the Commission. The proposed effective date of this transfer, if approved, would be September 28, 2011.

Kate and Tracy are sisters, born and raised in the Port Angeles area and have owned and operated rental and farm land together for many years. Kate is a licensed civil engineer in the State of Washington and will assist with the day to day operations of the water system with the existing staff, Del and Sandy. Tracy is a registered nurse (RN) in the State of Washington. At this time, Tracy's involvement will be limited except for general company oversight and major decisions. In the near future, we will also be opening an office in the Carlsborg area to better serve all of our customers.

If you have any questions about how this sale may affect you, please call the company at 360-683-7191.

If you have questions about the transfer process of your water system you may contact the Commission at the following address:

Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
Olympia, WA 98504-7250  
1-888-333-9882 or [comments@wutc.wa.gov](mailto:comments@wutc.wa.gov)

If you would like to comment on this proposal, it is important for you to do so now. Comments must be submitted in writing or presented at the commission's open meeting to be considered as part of the formal record. The commission encourages your written comments, in either favor of or opposition to, regarding this proposal. All open meeting are held in Olympia, WA. If you would like to be added to the commission's mailing list to be notified of the open meeting date please call the toll-free number listed above and leave your name, complete mailing address and the company's name. 1300 S. Evergreen Park Drive SW Olympia, WA 98504-7250

To Jim Ward, WUTC Fax 360-586-1150  
From Solmar Water System, Inc Fax 360-452-5883  
August 24, 2011  
Regarding Application for transfer

I don't have copies of all the information you referred to in your note to Ms. O'Claire. Most of our records have applied the IRS and standard accounting that vary from the UTC requirements. However, all balance sheets do balance.

Balance sheet for 12/31/2010 part 1B coordinates numbers to annual report. Correct balance sheet for June 30 is also attached. Sales tax payable for December 31 2010 was 386.72, and on June 30 2011 was \$1,044.28.

The WUTC depreciation schedule is attached (3 pages). I am sorry that the IRS schedule was sent by mistake. The amortization schedule (2 pages) is also enclosed.

A complete Profit and Loss is attached for 12/31/2010 and year-to-date through June 30 2011. Since non-utility is not regulated, the previous income statement did not include that portion. Both are 2 pages.

A copy of revised customer notice is attached. It was mailed August 18, 2011.

I am faxing these items today, and will mail them tomorrow.

*Aloma Blaylock*  
Aloma Blaylock  
Solmar Water System Inc.

RECEIVED  
OPERATIONS MANAGEMENT  
2011 AUG 24 PM 2:52  
STATE OF WASH  
UTIL. AND TRANS  
COMMISSION

*Total 14 pages*



1 A

9:36 AM

08/19/11

Accrual Basis

**SOLMAR WATER SYSTEM INC.**  
**Balance Sheet**  
 As of December 31, 2010

	Dec 31, 10
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
131 · SEA1ST CHECKING	6,268.20
135 · CASH IN SAVINGS	1,992.82
<b>Total Checking/Savings</b>	<b>8,261.02</b>
Accounts Receivable	
1200 · Accounts Receivable	7,614.49
<b>Total Accounts Receivable</b>	<b>7,614.49</b>
Other Current Assets	
160 · RECOVERABLE F.I.T.	293.00
141 · CUSTOMER A/R	13,184.24
<b>Total Other Current Assets</b>	<b>13,477.24</b>
<b>Total Current Assets</b>	<b>29,352.75</b>
<b>Fixed Assets</b>	
101 · UTILITY PLANT	291,524.09
108 · ACCUM. DEPRECIATION	-169,195.00
<b>Total Fixed Assets</b>	<b>122,329.09</b>
<b>TOTAL ASSETS</b>	<b>151,681.84</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Other Current Liabilities	
230 · CUSTOMER DEPOSITS	1,992.82
2200 · Sales Tax Payable	386.72
231 · ACCOUNTS PAYABLE	2,216.55
236 · ACCRUED TAXES	
239 · SUI PAYABLE	62.57
241 · L&I PAYABLE	605.57
238 · FWH & FICA PAYABLE	1,740.04
<b>Total 236 · ACCRUED TAXES</b>	<b>2,408.18</b>
<b>Total Other Current Liabilities</b>	<b>7,004.27</b>
<b>Total Current Liabilities</b>	<b>7,004.27</b>
<b>Long Term Liabilities</b>	
226 · LONG TERM DEBT - FORD CREDIT	11,753.22
220 · NOTE PAYABLE-BLAYLOCK	17,781.29
271 · CONTR IN AID OF CONST	14,765.00
272 · ACCUM. AMORT. - CIAC	-9,972.00
<b>Total Long Term Liabilities</b>	<b>34,327.51</b>
<b>Total Liabilities</b>	<b>41,331.78</b>
<b>Equity</b>	
201 · CAPITAL STOCK ISSUED	500.00
211 · OTHER PAID IN CAPITAL	1,500.00
320 · RETAINED EARNINGS	102,601.85
Net Income	5,748.21
<b>Total Equity</b>	<b>110,350.06</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>151,681.84</b>

B

9:36 AM  
08/19/11  
Accrual Basis

### SOLMAR WATER SYSTEM INC. Balance Sheet As of December 31, 2010

Dec 31, 10

**ASSETS**

Current Assets

Checking/Savings

131 · SEA1ST CHECKING 6,268.20

135 · CASH IN SAVINGS 1,992.82

Total Checking/Savings 8,261.02 7

Accounts Receivable

1200 · Accounts Receivable 7,614.49

Total Accounts Receivable 7,614.49

Other Current Assets

160 · RECOVERABLE F.I.T. 293.00

141 · CUSTOMER A/R 13,184.24

Total Other Current Assets 13,477.24

Total Current Assets 29,352.75

Fixed Assets

101 · UTILITY PLANT 291,524.09 1

108 · ACCUM. DEPRECIATION -169,195.00 2

Total Fixed Assets 122,329.09

**TOTAL ASSETS** 151,681.84 10

**LIABILITIES & EQUITY**

Liabilities

Current Liabilities

Other Current Liabilities

230 · CUSTOMER DEPOSITS 1,992.82

2200 · Sales Tax Payable 386.72

231 · ACCOUNTS PAYABLE 2,216.55

236 · ACCRUED TAXES

239 · SUI PAYABLE 62.57

241 · L&I PAYABLE 605.57

238 · FWH & FICA PAYABLE 1,740.04

Total 236 · ACCRUED TAXES 2,408.18

Total Other Current Liabilities 7,004.27 17

Total Current Liabilities 7,004.27

Long Term Liabilities

226 · LONG TERM DEBT - FORD CREDIT 11,753.22 16

220 · NOTE PAYABLE-BLAYLOCK 17,781.29 18

271 · CONTR IN AID OF CONST 14,765.00 19

272 · ACCUM. AMORT. - CIAC -9,972.00 20

Total Long Term Liabilities 34,327.51

Total Liabilities 41,331.78 22

Equity

201 · CAPITAL STOCK ISSUED 500.00 11

211 · OTHER PAID IN CAPITAL 1,500.00 12

320 · RETAINED EARNINGS 102,601.85

Net Income 5,748.21

Total Equity 110,350.06 15

**TOTAL LIABILITIES & EQUITY** 151,681.84 23

20,799 = 8

= 13 108,350.

Line 10 = Line 23

12

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08/19/11  
Accrual Basis

**SOLMAR WATER SYSTEM INC.**  
**Balance Sheet**  
**As of June 30, 2011**

	Jun 30, 11
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
131 · SEA1ST CHECKING	3,883.08
136 · CASH IN SAVINGS	1,873.13
<b>Total Checking/Savings</b>	<b>5,756.21</b>
Accounts Receivable	
1200 · Accounts Receivable	549.24
<b>Total Accounts Receivable</b>	<b>549.24</b>
<b>Other Current Assets</b>	
1499 · Undeposited Funds	557.00
160 · RECOVERABLE F.I.T.	293.00
141 · CUSTOMER A/R	13,184.24
<b>Total Other Current Assets</b>	<b>14,034.24</b>
<b>Total Current Assets</b>	<b>20,339.69</b>
<b>Fixed Assets</b>	
101 · UTILITY PLANT	291,874.09
108 · ACCUM. DEPRECIATION	-169,195.00
<b>Total Fixed Assets</b>	<b>122,679.09</b>
<b>TOTAL ASSETS</b>	<b>143,018.78</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Other Current Liabilities	
230 · CUSTOMER DEPOSITS	2,105.82
2200 · Sales Tax Payable	1,044.28
231 · ACCOUNTS PAYABLE	2,216.55
236 · ACCRUED TAXES	
239 · SUI PAYABLE	98.09
241 · L&I PAYABLE	654.41
238 · FWH & FICA PAYABLE	2,610.76
237 · FUI PAYABLE	4.93
<b>Total 236 · ACCRUED TAXES</b>	<b>3,368.19</b>
<b>Total Other Current Liabilities</b>	<b>8,734.84</b>
<b>Total Current Liabilities</b>	<b>8,734.84</b>
<b>Long Term Liabilities</b>	
226 · LONG TERM DEBT - FORD CREDIT	9,398.76
220 · NOTE PAYABLE-BLAYLOCK	11,707.82
271 · CONTR IN AID OF CONST	14,765.00
272 · ACCUM. AMORT. - CIAC	-9,972.00
<b>Total Long Term Liabilities</b>	<b>25,899.58</b>
<b>Total Liabilities</b>	<b>34,634.42</b>
<b>Equity</b>	
201 · CAPITAL STOCK ISSUED	500.00
211 · OTHER PAID IN CAPITAL	1,500.00
320 · RETAINED EARNINGS	108,350.06
Net Income	-1,965.70
<b>Total Equity</b>	<b>108,384.36</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>143,018.78</b>

Solmar Water System, Inc.  
WUTC Depreciation Schedule  
Year Ended 12/31/2010

Number	Description	Date in Service	Method	Life	Cost	Accum. Depr. 12/31/06	Depr. 12/31/07	Accum. Depr. 12/31/07	Depr. 12/31/08	Accum. Depr. 12/31/08	Depr. 12/31/09	Accum. Depr. 12/31/09	Depr. 12/31/10	Accum. Depr. 12/31/10	Depr. 12/31/11	Accum. Depr. 12/31/11	Depr. 12/31/12	Accum. Depr. 12/31/12	
30301	Land & Land Rights	11/01/06	None		32,000														
30302	Central Shop Pump House	04/09/97	SL	20	5,684		142	142	284	426	284	710	284	994	284	1,278	284	1,562	
30303	Pump House Improvements	07/29/97	SL	20	450		11	11	22	33	23	56	23	79	23	102	23	125	
30304	Water System Improvements	02/06/00	SL	10	5,507		0		0		0		459	459	551	1,010	551	1,561	
30305	Booster Pump Station	07/01/02	SL	20	13,440												280	280	
30306	New Pump Station	06/17/05	SL	20	2,959														
30307	Reservoir Fence	11/03/07	SL	15	2,461														
30308	Solmar Land	09/30/08	None		17,198														
31002	Electrical Panel	07/08/97	SL	20	1,537		36	36	77	115	77	192	77	269	77	346	77	423	
31003	Electrical - New Well	06/19/05	SL	20	456														
31101	Pump Controls	11/01/06	SL	20	15,000	8,250	750	9,000	750	9,750	750	10,500	750	11,250	750	12,000	750	12,750	
31104	Pumps	10/14/86	SL	10	5,221	131	522	653	522	1,175	522	1,697	522	2,219	522	2,741	522	3,263	
31106	New Pump	09/20/02	SL	5	504												25	25	
31107	Berkley 25 HP Pump	12/23/08	SL	5	10,449														
32001	New Well	07/09/05	SL	20	14,187														
33001	Reservoirs & Standpipes	11/01/86	SL	30	35,000	12,837	1,167	14,004	1,167	15,171	1,167	16,338	1,167	17,505	1,167	18,672	1,167	19,839	
33002	Reservoir Level Indicator	02/12/01	SL	10	1,082														
33101	Transmission & Dist. Main	11/01/86	SL	30	72,785	26,686	2,426	29,112	2,426	31,538	2,426	33,964	2,426	36,390	2,426	38,816	2,426	41,242	
33401	Meter Installations	01/01/90	SL	20	5,862	1,916	294	2,210	294	2,504	294	2,798	294	3,092	294	3,386	294	3,680	
33402	Meter Installations	02/29/96	SL	20	1,562	59	78	137	78	215	78	293	78	371	78	449	78	527	
33403	Meter Installations	07/01/96	SL	20	173	4	9	13	9	22	9	31	9	40	9	49	9	58	
33404	Meter Installations	04/03/97	SL	15	143		5	5	10	15	10	25	10	35	10	45	10	55	
33405	Meter Installations	06/19/97	SL	20	534		13	13	27	40	27	67	27	94	27	121	27	148	
33406	2 Meter Installations	10/20/10	SL	20	1,107														
33406	Familian Meter & Parts	04/03/00	SL	7	439		0		0		0		42	42	84	105	63	168	
33407	Familian Meter & Parts	07/11/01	SL	7	274		0		0		0		0	0	16	16	39	55	
33408	Familian Meter & Parts	07/30/01	SL	7	822		0		0		0		0	0	49	49	117	166	
33409	Familian Meter & Parts	07/31/01	SL	7	445		0		0		0		0	0	26	26	64	90	
33901	Five Year Water Plan	12/31/94	None	5	3,675		0		0		0		0	0	0	0	0	0	
33902	Five Year Water Plan	10/31/95	SL	5	3,000	700	600	1,300	600	1,900	600	2,500	500	3,000	0	3,000	0	3,000	
33903	Five Year Water Plan	02/28/96	SL	5	2,001	334	400	734	400	1,134	400	1,534	400	1,934	67	2,001	0	2,001	
34002	Office Furniture & Equipment	08/31/00	SL	7	722		0		0		0		34	34	103	137	103	240	
34003	Camera	11/16/01	SL	7	430		0		0		0		0	0	5	5	61	66	
34004	Copier/Printer	01/27/03	SL	5	2,220														
34005	Computer System	12/03/04	SL	5	1,167														
34006	Computer System	10/10/10	SL	5	1,090														
34008	Quickbooks Pro Software	06/17/10	SL	3	170														
34009	Microsoft Windows 7 Professional	11/03/10	SL	3	140														
34010	Microsoft Office Professional 2007	11/19/10	SL	3	440														
34007	2008 Ford F150 Pickup Truck	05/30/08	SL	5	27,836														
34007	Truck Canopy	12/23/08	SL	5	1,332														
					291,524	50,917	6,455	57,372	6,666	64,038	6,667	70,705	7,103	77,808	6,637	84,445	7,076	91,523	

P 2

Solmar Water System, Inc.  
 WUTC Depreciation Schedule  
 Year Ended 12/31/2010

Number	Description	Date in Service	Method	Life	Cost	Depr 12/31/03	Accum Depr 12/31/03	Depr 12/31/04	Accum Depr 12/31/04	Depr 12/31/05	Accum Depr 12/31/05
30301	Land & Land Rights	11/01/86	None		32,000	-	-	-	-	-	-
30302	Central Shop Pump House	04/09/97	S/L	20	5,684	284	1,846	284	2,130	284	2,414
30303	Pump House Improvements	07/29/97	S/L	20	450	23	148	23	171	23	194
30304	Water System Improvements	02/06/00	S/L	10	5,507	551	2,112	551	2,663	551	3,214
30305	Booster Pump Station	07/01/02	S/L	20	13,440	672	952	672	1,624	672	2,296
30306	New Pump Station	06/17/05	S/L	20	2,959	0	-	0	-	74	74
30307	Reservoir Fence	11/05/07	S/L	15	2,461	-	-	-	-	0	-
30308	Solmar Land	09/30/08	None		17,198	-	-	-	-	-	-
31002	Electrical Panel	07/08/97	S/L	20	1,537	77	500	77	577	77	654
31003	Electrical - New Well	08/19/05	S/L	20	456	-	-	-	-	8	8
31101	Pump Controls	11/01/86	S/L	20	15,000	750	13,500	750	14,250	750	15,000
31104	Pumps	10/14/96	S/L	10	5,221	522	3,785	522	4,307	522	4,829
31106	New Pump	09/20/02	S/L	5	504	101	126	101	227	101	328
31107	Berkley 25 HP Pump	12/23/08	S/L	5	10,449	-	-	-	-	-	-
32001	New Well	07/09/05	S/L	20	14,187	-	-	-	-	295	295
33001	Reservoirs & Standpipes	11/01/86	S/L	30	35,000	1,167	21,006	1,167	22,173	1,167	23,340
33002	Reservoir Level Indicator	02/12/01	S/L	10	1,982	108	306	108	414	108	522
33101	Transmission & Dist. Main	11/01/86	S/L	30	72,785	2,426	43,668	2,426	46,094	2,426	48,520
33401	Meter Installations	01/01/90	S/L	20	5,882	294	3,974	294	4,268	294	4,562
33402	Meter Installations	03/29/96	S/L	20	1,562	78	605	78	683	78	761
33403	Meter Installations	07/01/96	S/L	20	173	9	67	9	76	9	85
33404	Meter Installations	04/03/97	S/L	15	143	10	65	10	75	10	85
33405	Meter Installations	06/19/97	S/L	20	534	27	175	27	202	27	229
33406	2 Meter Installations	10/20/10	S/L	20	1,107	-	-	-	-	-	-
33406	Familian Meter & Parts	04/03/00	S/L	7	439	63	231	63	294	63	357
33407	Familian Meter & Parts	07/11/01	S/L	7	274	39	94	39	133	39	172
33408	Familian Meter & Parts	07/30/01	S/L	7	822	117	283	117	400	117	517
33409	Familian Meter & Parts	07/31/01	S/L	7	445	64	154	64	218	64	282
33501	Five Year Water Plan	12/31/84	None	5	3,675	0	-	0	-	0	-
33502	Five Year Water Plan	10/31/85	S/L	5	3,000	0	3,000	0	3,000	0	3,000
33503	Five Year Water Plan	02/28/96	S/L	5	2,001	0	2,001	0	2,001	0	2,001
34002	Office Furniture & Equipment	08/31/00	S/L	7	722	103	343	103	446	103	549
34003	Camera	11/16/01	S/L	7	430	61	127	61	188	61	249
34004	Copier/Printer	01/27/03	S/L	5	2,220	407	407	444	851	444	1,295
34005	Computer System	12/03/04	S/L	5	1,167	-	-	19	19	-	38
34006	Computer System	10/10/10	S/L	5	1,080	-	-	-	-	-	-
34008	Quickbooks Pro Software	08/17/10	S/L	3	170	-	-	-	-	-	-
34009	Microsoft Windows 7 Professional	11/03/10	S/L	3	140	-	-	-	-	-	-
34010	Microsoft Office Professional 2007	11/19/10	S/L	3	410	-	-	-	-	-	-
34007	2008 Ford F150 Pickup Truck	05/30/08	S/L	5	27,836	-	-	-	-	-	-
34007	Truck Canopy	12/23/08	S/L	5	1,332	-	-	-	-	-	-
					291,524	7,953	99,476	8,009	107,485	8,386	115,871

Solmar Water System, Inc.  
WUTC Depreciation Schedule  
Year Ended 12/31/2010

Number	Description	Date in Service	Method	Life	Cost	12/31/06		12/31/07		12/31/08		12/31/09		12/31/10	
						Depr	Accum	Depr	Accum	Depr	Accum	Depr	Accum	Depr	Accum
30301	Land & Land Rights	11/01/86	None		32,000	-	-	-	-	-	-	-	-	-	-
30302	Central Shop Pump House	04/09/97	S/L	20	5,694	284	2,698	284	2,982	284	3,266	284	3,550	284	3,834
30303	Pump House Improvements	07/29/97	S/L	20	450	23	217	23	240	23	263	23	286	23	309
30304	Water System Improvements	02/06/00	S/L	10	5,007	551	3,765	551	4,316	551	4,867	551	5,418	551	5,969
30305	Booster Pump Station	07/01/02	S/L	20	13,440	672	2,968	672	3,640	672	4,312	672	4,984	672	5,656
30306	New Pump Station	06/17/05	S/L	20	2,959	148	222	148	370	148	518	148	666	148	814
30307	Reservoir Fence	11/05/07	S/L	15	2,451	0	-	164	164	164	328	164	492	164	656
30308	Solmar Land	09/30/08	None		17,198	-	-	-	-	-	-	-	-	-	-
31002	Electrical Panel	07/08/97	S/L	20	1,537	77	731	77	808	77	885	77	962	77	1,039
31003	Electrical - New Well	08/19/05	S/L	20	458	23	31	23	54	23	77	23	100	23	123
31101	Pump Controls	11/01/86	S/L	20	15,000	0	15,000	0	15,000	0	15,000	0	15,000	0	15,000
31104	Pumps	10/14/96	S/L	10	5,221	392	5,221	0	5,221	0	5,221	0	5,221	0	5,221
31106	New Pump	09/20/02	S/L	5	504	101	429	75	504	0	504	0	504	0	504
31107	Berkley 25 HP Pump	12/23/08	S/L	5	10,449	709	1,004	709	1,713	709	2,422	709	3,131	709	3,840
32001	New Well	07/09/05	S/L	20	14,187	1,167	24,507	1,167	25,674	1,167	26,841	1,167	28,008	1,167	29,175
33001	Reservoirs & Standpipes	11/01/86	S/L	30	35,000	1,082	630	108	738	108	846	108	954	108	1,062
33002	Reservoir Level Indicator	02/12/01	S/L	10	1,082	2,426	50,946	2,426	53,372	2,426	55,798	2,426	58,224	2,426	60,650
33101	Transmission & Dist. Main	11/01/86	S/L	30	72,785	2,944	4,856	294	5,150	294	5,444	294	5,738	294	6,032
33401	Meter Installations	01/01/90	S/L	20	5,832	78	839	78	917	78	995	78	1,073	78	1,151
33402	Meter Installations	03/29/96	S/L	20	1,562	94	94	94	103	94	112	94	121	94	130
33403	Meter Installations	07/01/96	S/L	20	173	10	95	10	105	10	115	10	125	10	135
33404	Meter Installations	04/03/97	S/L	15	143	27	256	27	283	27	310	27	337	27	364
33405	Meter Installations	06/19/97	S/L	20	534	1,107	-	-	-	-	-	-	-	-	-
33406	2 Meter Installations	10/20/10	S/L	20	1,107	-	-	-	-	-	-	-	-	-	-
33406	2 Meter Installations	04/03/00	S/L	7	439	63	420	19	439	0	439	0	439	0	439
33407	Familian Meter & Parts	07/11/01	S/L	7	274	39	211	39	250	24	274	0	274	0	274
33408	Familian Meter & Parts	07/30/01	S/L	7	822	117	634	117	751	71	822	0	822	0	822
33409	Familian Meter & Parts	07/31/01	S/L	7	445	64	346	64	410	35	445	0	445	0	445
33901	Five Year Water Plan	12/31/94	None	5	3,675	0	-	0	-	0	-	0	-	0	-
33902	Five Year Water Plan	10/31/95	S/L	5	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000
33903	Five Year Water Plan	02/28/96	S/L	5	2,001	0	2,001	0	2,001	0	2,001	0	2,001	0	2,001
34002	Office Furniture & Equipment	08/31/00	S/L	7	722	103	652	70	722	0	722	0	722	0	722
34003	Camera	11/16/01	S/L	7	430	61	310	61	371	59	430	0	430	0	430
34004	Copier/Printer	01/27/03	S/L	5	2,220	444	1,739	444	2,183	37	2,220	0	2,220	0	2,220
34005	Computer System	12/03/04	S/L	5	1,167	233	271	233	504	233	737	233	970	197	1,167
34006	Computer System	10/10/10	S/L	5	1,090	-	-	-	-	-	-	-	-	-	-
34008	Quickbooks Pro Software	06/17/10	S/L	3	170	-	-	-	-	-	-	-	-	-	-
34009	Microsoft Windows 7 Professional	11/03/10	S/L	3	140	-	-	-	-	-	-	-	-	-	-
34010	Microsoft Office Professional 2007	11/19/10	S/L	3	440	-	-	-	-	-	-	-	-	-	-
34007	2008 Ford F150 Pickup Truck	05/30/08	S/L	5	27,836	-	-	-	-	-	-	-	-	-	-
34007	Truck Canopy	12/23/08	S/L	5	1,332	-	-	-	-	-	-	-	-	-	-
					281,524	8,223	124,094	7,892	131,996	7,889	139,875	14,826	154,801	14,393	169,194

**Solmar Water System, Inc.**  
**WUTC Amortization of CIAC**  
**Year Ended 12/31/10**

Number	Description	Date in Service	Method	Life	Cost	Accum Amort 12/31/96	Amort 12/31/97	Accum Amort 12/31/97	Amort 12/31/98	Accum Amort 12/31/98	Amort 12/31/99	Accum Amort 12/31/99	Amort 12/31/00	Accum Amort 12/31/00
33901	Hookup Fees	01/01/94	S/L	20	4,280	642	214	856	214	1,070	214	1,284	214	1,498
33902	Hookup Fees	10/01/95	S/L	20	640	40	32	72	32	104	32	136	32	168
33903	Hookup Fees	01/20/96	S/L	20	320	15	16	31	16	47	16	63	16	79
33904	Hookup Fees	07/02/97	S/L	20	960	0	24	24	48	72	48	120	48	168
33905	Hookup Fees	04/29/98	S/L	20	5,000	0	0	0	167	167	250	417	250	667
33906	Hookup Fees	10/27/98	S/L	20	320	0	0	0	4	4	16	20	16	36
33907	Hookup Fees	02/02/00	S/L	20	320	0	0	0	0	0	0	0	13	13
33908	Hookup Fees	04/07/00	S/L	20	2,500	0	0	0	0	0	0	0	83	83
33909	Hookup Fees	04/11/03	S/L	20	425	0	0	0	0	0	0	0	0	0
					14,765	697	286	983	480	1,463	576	2,039	673	2,712

**Solmar Water System, Inc.**  
**WUTC Amortization of CIAC**  
**Year Ended 12/31/10**

Number	Description	Date in Service	Method	Life	Cost	Accum Amort 12/31/01	Amort 12/31/01	Accum Amort 12/31/02	Amort 12/31/02	Accum Amort 12/31/03	Amort 12/31/03	Accum Amort 12/31/04	Amort 12/31/04	Accum Amort 12/31/05
33901	Hookup Fees	01/01/94	S/L	20	4,280	214	214	1,926	214	2,140	214	2,354	214	2,568
33902	Hookup Fees	10/01/95	S/L	20	640	32	32	232	32	264	32	296	32	328
33903	Hookup Fees	01/20/96	S/L	20	320	16	16	111	16	127	16	143	16	159
33904	Hookup Fees	07/02/97	S/L	20	960	48	48	264	48	312	48	360	48	408
33905	Hookup Fees	04/29/98	S/L	20	5,000	250	250	1,167	250	1,417	250	1,667	250	1,917
33906	Hookup Fees	10/27/98	S/L	20	320	16	16	68	16	84	16	100	16	116
33907	Hookup Fees	02/02/00	S/L	20	320	13	16	43	16	59	16	75	16	91
33908	Hookup Fees	04/07/00	S/L	20	2,500	83	167	292	125	417	125	542	125	667
33909	Hookup Fees	04/11/03	S/L	20	425	0	0	0	14	14	14	28	14	42
					14,765	673	3,385	717	4,102	4,833	731	5,564	731	6,295

**Solmar Water System, Inc.**  
**WUTC Amortization of CIAC**  
**Year Ended 12/31/10**

Number	Description	Date in Service	Method	Life	Cost	Amort 12/31/06	Accum Amort 12/31/06	Amort 12/31/07	Accum Amort 12/31/07	Amort 12/31/08	Accum Amort 12/31/08	Amort 12/31/09	Accum Amort 12/31/09
33901	Hookup Fees	01/01/94	S/L	20	4,280	214	2,782	214	2,996	214	3,210	214	3,424
33902	Hookup Fees	10/01/95	S/L	20	640	32	360	32	392	32	424	32	456
33903	Hookup Fees	01/20/96	S/L	20	320	16	175	16	191	16	207	16	223
33904	Hookup Fees	07/02/97	S/L	20	960	48	456	48	504	48	552	48	600
33905	Hookup Fees	04/29/98	S/L	20	5,000	250	2,167	250	2,417	250	2,667	250	2,917
33906	Hookup Fees	10/27/98	S/L	20	320	16	132	16	148	16	164	16	180
33907	Hookup Fees	02/02/00	S/L	20	320	16	107	16	123	16	139	16	155
33908	Hookup Fees	04/07/00	S/L	20	2,500	125	792	125	917	125	1,042	125	1,167
33909	Hookup Fees	04/11/03	S/L	20	425	14	56	14	70	21	91	21	112
					14,765	731	7,026	731	7,757	738	8,495	738	9,233

Number	Description	Date in Service	Method	Life	Cost	Amort 12/31/10	Accum Amort 12/31/10
33901	Hookup Fees	01/01/94	S/L	20	4,280	214	3,638
33902	Hookup Fees	10/01/95	S/L	20	640	32	488
33903	Hookup Fees	01/20/96	S/L	20	320	16	239
33904	Hookup Fees	07/02/97	S/L	20	960	48	648
33905	Hookup Fees	04/29/98	S/L	20	5,000	250	3,167
33906	Hookup Fees	10/27/98	S/L	20	320	16	196
33907	Hookup Fees	02/02/00	S/L	20	320	16	171
33908	Hookup Fees	04/07/00	S/L	20	2,500	125	1,292
33909	Hookup Fees	04/11/03	S/L	20	425	21	133
					14,765	738	9,971



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Accrual Basis

**SOLMAR WATER SYSTEM INC.**  
**Profit & Loss by Class**  
 January through December 2010

	Non-Utility	Utility	Unclassifi...	TOTAL
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
400 · OPERATING REVENUES	0.00	98,128.32	0.00	98,128.32
418 · HOOKUP FEE	0.00	3,375.00	0.00	3,375.00
419 · INTEREST & DIV. INCOME	0.00	1.86	0.00	1.86
421 · NONUTILITY INCOME	92,218.13	0.00	0.00	92,218.13
422 · OTHER INCOME	187.00	33.41	0.00	220.41
<b>Total Income</b>	<b>92,405.13</b>	<b>101,538.59</b>	<b>0.00</b>	<b>193,943.72</b>
<b>Gross Profit</b>	<b>92,405.13</b>	<b>101,538.59</b>	<b>0.00</b>	<b>193,943.72</b>
<b>Expense</b>				
401 · OPERATING EXPENSES				
603 · SALARIES - OFFICERS	18,860.00	14,260.00	0.00	33,120.00
615 · PURCHASED POWER	537.84	4,173.49	0.00	4,711.33
618 · CHEMICALS & TESTING	537.84	983.00	0.00	1,520.84
620 · MATERIALS & SUPPLIES	1,986.33	1,141.37	0.00	3,127.70
631 · ENGINEERING	285.00	1,592.50	0.00	1,877.50
632 · ACCOUNTING	200.00	855.00	0.00	1,055.00
635 · REPAIRS & MAINTENANCE	4,662.14	3,630.73	0.00	8,492.87
650 · TRANSPORTATION EXPENSE	2,147.71	2,556.05	0.00	4,703.76
655 · INSURANCE EXPENSE	0.00	2,005.25	0.00	2,005.25
665 · REGULATORY COMMISSION EXP	0.00	143.84	0.00	143.84
601 · WAGES - EMPLOYEES	49,724.97	24,947.57	0.00	74,672.54
675 · MISCELLANEOUS EXPENSES				
675-01 · LICENSES & FEES	244.00	718.00	0.00	962.00
675-02 · TELEPHONE	952.73	3,305.07	0.00	4,257.80
675-03 · BANK CHARGES	0.00	179.10	0.00	179.10
04 · DUES & SUBSCRIPTIONS	55.00	817.46	0.00	872.46
05 · CONVENTIONS & MEETINGS	180.00	239.57	0.00	419.57
06 · OFFICE SUPPLIES	498.85	1,076.03	0.00	1,574.88
07 · POSTAGE	240.50	610.40	0.00	850.90
08 · BILLING	169.01	679.51	0.00	848.52
675 · MISCELLANEOUS EXPENSES - Other	41.08	23.67	0.00	64.75
<b>Total 675 · MISCELLANEOUS EXPENSES</b>	<b>2,381.17</b>	<b>7,648.81</b>	<b>0.00</b>	<b>10,029.98</b>
<b>Total 401 - OPERATING EXPENSES</b>	<b>81,323.00</b>	<b>64,137.61</b>	<b>0.00</b>	<b>145,460.61</b>
403 · DEPRECIATION EXPENSE	0.00	14,393.00	0.00	14,393.00
406 · AMORTIZATION EXPENSE	0.00	-738.00	0.00	-738.00
407 · Employee Benefits (Medical Insurance)	3,953.50	3,953.50	0.00	7,907.00
408 · TAXES OTHER THAN INCOME				
01 · PAYROLL TAXES				
0001 · FUI	104.67	63.62	0.00	168.29
0002 · FICA - SS	4,252.24	2,430.90	0.00	6,683.14
0003 · MEDICARE	994.43	568.56	0.00	1,562.99
0004 · SUI	400.63	183.70	0.00	584.33
0005 · EAF	12.68	5.79	0.00	18.47
0006 · L&I	1,267.48	543.20	0.00	1,810.68
<b>Total 01 · PAYROLL TAXES</b>	<b>7,032.13</b>	<b>3,795.77</b>	<b>0.00</b>	<b>10,827.90</b>
02 · BUSINESS TAXES	764.18	5,640.82	0.00	6,405.00
03 · PROPERTY TAXES	0.00	1,981.12	0.00	1,981.12
<b>Total 408 · TAXES OTHER THAN INCOME</b>	<b>7,796.31</b>	<b>11,417.71</b>	<b>0.00</b>	<b>19,214.02</b>
<b>Total Expense</b>	<b>93,072.81</b>	<b>93,163.82</b>	<b>0.00</b>	<b>186,236.63</b>
<b>Net Ordinary Income</b>	<b>-667.68</b>	<b>8,374.77</b>	<b>0.00</b>	<b>7,707.09</b>

**SOLMAR WATER SYSTEM INC.**  
**Profit & Loss by Class**  
January through June 2011

	Non-Utility	Utility	Un...	TOTAL
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
400 - OPERATING REVENUES	0.00	47,869.32	0.00	47,869.32
419 - INTEREST & DIV. INCOME	0.00	0.31	0.00	0.31
421 - NONUTILITY INCOME	40,431.45	92.00	0.00	40,523.45
422 - OTHER INCOME	120.00	0.00	0.00	120.00
<b>Total Income</b>	<b>40,551.45</b>	<b>47,961.63</b>	<b>0.00</b>	<b>88,513.08</b>
<b>Gross Profit</b>	<b>40,551.45</b>	<b>47,961.63</b>	<b>0.00</b>	<b>88,513.08</b>
<b>Expense</b>				
401 - OPERATING EXPENSES	9,569.00	8,740.00	0.00	18,400.00
603 - SALARIES - OFFICERS	0.00	2,587.72	0.00	2,587.72
615 - PURCHASED POWER	624.14	315.00	0.00	939.14
618 - CHEMICALS & TESTING	277.42	1,062.54	0.00	1,339.96
620 - MATERIALS & SUPPLIES	285.00	0.00	0.00	285.00
631 - ENGINEERING	200.00	975.00	0.00	1,175.00
632 - ACCOUNTING	857.79	1,238.78	0.00	2,096.57
635 - REPAIRS & MAINTENANCE	1,656.60	1,413.64	0.00	3,070.24
650 - TRANSPORTATION EXPENSE	0.00	1,000.17	0.00	1,000.17
655 - INSURANCE EXPENSE	0.00	153.07	0.00	153.07
665 - REGULATORY COMMISSION EXP	25,319.00	12,408.00	0.00	37,728.00
601 - WAGES - EMPLOYEES	140.00	56.00	0.00	196.00
675 - MISCELLANEOUS EXPENSES	0.00	2,291.11	0.00	2,291.11
675-01 - LICENSES & FEES	0.00	35.00	0.00	35.00
675-02 - TELEPHONE	0.00	288.00	0.00	288.00
675-03 - BANK CHARGES	0.00	498.38	0.00	498.38
04 - DUES & SUBSCRIPTIONS	309.56	740.81	0.00	1,050.47
05 - CONVENTIONS & MEETINGS	0.00	291.32	0.00	291.32
06 - OFFICE SUPPLIES	0.00	602.97	0.00	602.97
07 - POSTAGE	0.00	132.60	0.00	132.60
08 - BILLING	449.66	4,936.19	0.00	5,385.85
675 - MISCELLANEOUS EXPENSES...	0.00	-120.00	0.00	-120.00
<b>Total 675 - MISCELLANEOUS EXPENSES...</b>	<b>449.66</b>	<b>4,936.19</b>	<b>0.00</b>	<b>5,385.85</b>
401 - OPERATING EXPENSES - Other	0.00	-120.00	0.00	-120.00
<b>Total 401 - OPERATING EXPENSES</b>	<b>39,329.61</b>	<b>34,711.11</b>	<b>0.00</b>	<b>74,040.72</b>
407 - Employee Benefits (Medical Insuran...	1,183.50	3,550.50	0.00	4,734.00

**SOLMAR WATER SYSTEM INC.**  
**Profit & Loss by Class**  
 January through June 2011

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 08/24/11  
 Accrual Basis

	Non-Utility	Utility	Un...	TOTAL
<b>408 - TAXES OTHER THAN INCOME</b>				
<b>01 - PAYROLL TAXES</b>				
0001 - FUJ	105.58	62.42	0.00	168.00
0002 - FICA - SS	2,168.68	1,311.26	0.00	3,479.94
0003 - MEDICARE	507.16	306.70	0.00	813.86
0004 - SUI	129.40	55.46	0.00	184.86
0005 - EAF	7.58	3.74	0.00	11.32
0006 - L&I	738.23	291.84	0.00	1,030.07
<b>Total 01 - PAYROLL TAXES</b>	<b>3,656.63</b>	<b>2,031.42</b>	<b>0.00</b>	<b>5,688.05</b>
<b>02 - BUSINESS TAXES</b>				
03 - PROPERTY TAXES	607.12	3,788.92	0.00	4,396.04
100 - MISC TAX & FEE	0.00	1,089.76	0.00	1,089.76
	0.00	36.35	0.00	36.35
<b>Total 02 - TAXES OTHER THAN INCOME</b>	<b>4,263.75</b>	<b>6,946.45</b>	<b>0.00</b>	<b>11,210.20</b>
<b>Total Expense</b>	<b>44,776.86</b>	<b>45,208.06</b>	<b>0.00</b>	<b>89,984.92</b>
<b>Net Ordinary Income</b>	<b>-4,225.41</b>	<b>2,753.57</b>	<b>0.00</b>	<b>-1,471.84</b>
<b>Other Income/Expense</b>				
409 - FEDERAL INCOME TAX	0.00	89.00	0.00	89.00
427 - INTEREST EXPENSE	0.00	404.86	0.00	404.86
<b>Total Other Expense</b>	<b>0.00</b>	<b>493.86</b>	<b>0.00</b>	<b>493.86</b>
<b>Net Other Income</b>	<b>0.00</b>	<b>-493.86</b>	<b>0.00</b>	<b>-493.86</b>
<b>Net Income</b>	<b>-4,225.41</b>	<b>2,259.71</b>	<b>0.00</b>	<b>-1,965.70</b>

Solmar Water System, Inc.  
PO Box 1989  
Sequim WA 98382  
360-683-7191

August 18, 2011

**IMPORTANT NOTICE**

Solmar Water System, Inc. has requested permission from the Washington Utilities and Transportation Commission (Commission) for the transfer of ownership and operation of the Solmar Water System, Inc. from Jimmie W Blaylock to Kate O'Claire and Tracy Devose. This transfer is contingent upon approval by the Commission. The proposed effective date of this transfer, if approved, would be September 28, 2011.

Kate and Tracy are sisters, born and raised in the Port Angeles area and have owned and operated rental and farm land together for many years. Kate is a licensed civil engineer in the State of Washington and will assist with the day to day operations of the water system with the existing staff, Del and Sandy. Tracy is a registered nurse (RN) in the State of Washington. At this time, Tracy's involvement will be limited except for general company oversight and major decisions. In the near future, we will also be opening an office in the Carlsborg area to better serve all of our customers.

If you have any questions about how this sale may affect you, please call the company at 360-683-7191.

If you have questions about the transfer process of your water system you may contact the Commission at the following address:

Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
Olympia, WA 98504-7250  
1-888-333-9882 or [comments@wutc.wa.gov](mailto:comments@wutc.wa.gov)

If you would like to comment on this proposal, it is important for you to do so now. Comments must be submitted in writing or presented at the commission's open meeting to be considered as part of the formal record. The commission encourages your written comments, in either favor of or opposition to, regarding this proposal. All open meeting are held in Olympia, WA. If you would like to be added to the commission's mailing list to be notified of the open meeting date please call the toll-free number listed above and leave your name, complete mailing address and the company's name. 1300 S. Evergreen Park Drive SW Olympia, WA 98504-7250