

WU-121842-AT

301 West First Street • P.O. Box 394  
Cle Elum, WA 98922 • Ph. (509) 674-9642

November 15, 2012

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

RE: Basin Water Sources, Inc.. - Sale and Transfer  
To GCU, Inc.

RECEIVED  
OPERATIONS MANAGEMENT  
2012 NOV 19 AM 8:39  
STATE OF WASH  
UTIL AND TRANSP  
COMMISSION

Dear Secretary:

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

1. Application For Transfer of Assets and Tariff Adoption,
2. Signed copy of Purchase and Sale Agreement, instrument of transfer (Exhibit 1),
3. Income Statement, Balance Sheet, Asset Listing, Depreciation Schedule, and Summary of Outstanding Securities for Basin Water Sources, Inc. (Exhibit 2a thru 2e)
4. Balance Sheet and Summary of Outstanding Securities for GCU, Inc. (Exhibit 3a thru 3b),
5. Adoption of Tariff Notice for existing rates and prices (Exhibit 4),
6. Copy of customer notice telling them of sale and transfer of water system (Exhibit 5).

Evergreen Valley Utilities is serving as the SMA for Basin Water Sources, Inc. We would appreciate having the Sale and Transfer Application considered at the earliest open meeting that is convenient for you and the Commissioners.

If you have any questions, please call me at the above number, or contact me via email at [clint@evergreenvalleyutilities.com](mailto:clint@evergreenvalleyutilities.com)

Regards,

Clinton M. Perry, Director  
Evergreen Valley Utilities, SMA #149

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
COMMISSION

In the Matter of the Application for )  
the Sale and Transfer of Assets )  
From ) DOCKET WU-121842-AT  
Basin Water Sources, Inc. )  
To )  
GCU, Inc. ) APPLICATION FOR SALE  
) AND TRANSFER OF  
) ASSETS AND TARIFF  
) ADOPTION  
..... )

RECEIVED  
REGISTRATION  
2012 NOV 19 AM 8:39  
STATE OF WASHINGTON  
UTIL. AND TRANSPORTATION  
COMMISSION

**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**

Basin Water Sources, Inc. is a Washington corporation formed to act as a utility service company. GCU, Inc., located in Cle Elum, Washington, is a new corporation that was specifically formed to purchase and maintain ownership of 100% of the stock of Basin Water Sources, Inc. The water system to be transferred consists of wells, pumps, transmission mains, reservoirs, hydrants, distribution mains, meters, and appurtenances to serve the customers of the Basin Water Sources, Inc.

Basin water Sources, Inc. under the ownership of GCU, Inc. will be operated and managed by Evergreen Valley Utilities, SMA#149

2 The water system is currently operating under a yellow operating permit issued by the Washington State Department of Health and is operating under a Bilateral Compliance Agreement issued 4/23/2008. Systems in this category are considered adequate for existing uses and new service connections up to the number of approved service connections unless otherwise limited by a compliance agreement.

3 As a result of this sale and transfer of water system assets, GCU, Inc. will maintain Basin Water Sources, Inc.'s water rates currently in effect and will be adopting the tariff of Basin Water Sources, Inc.

**EXHIBITS**

4 Pursuant to WAC 480-143-120 and WAC 480-143-130, please find attached the following exhibits:

Exhibit 1 – Instrument of Transfer.

Exhibit 2 – Basin Water Sources, Inc. Financials

- a. Income Statement – 2011 IRS Form 1120S Pg 1
- b. Balance Sheet – 2011 IRS Form 1120S Pg 4
- c. Asset Listing – 2011 IRS Form 1120S Pg 4
- d. Depreciation Schedule – 2011 IRS Form 4562
- e. Summary of outstanding securities

Exhibit 3 – GCU, Inc. Financials

- a. Balance Sheet
- b. Summary of outstanding securities

Exhibit 4 – Adoption of Tariff Notice.

Exhibit 5 – Customer notice of sale and transfer of water system(s).

**METHOD OF FINANCE**

5 The purchase price for the water system assets is \$ \$60,000, payable by three annual payments until paid.

**TRANSFER IS IN THE PUBLIC INTEREST**

6 The benefits of this acquisition of these water system assets include expanded financial resources, in-house engineering, and water quality staff to provide all aspects of water system repair and operations. The owners of Basin Water Sources, Inc. no longer desire to own and operate the public water system.

system. Customers were notified of the sale and transfer along with their most recent billings. The proposed tariff adoption bears an effective date of November 1, 2012. 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.

7 The current administrative staff of Basin Water Sources, Inc. has been retained to continue administrative operations, and the operations staff has been retained on a consultant basis to assist GCU, Inc. and Evergreen Valley Utilities SMA with operation and maintenance of the water system.

8 As a result of the sale and transfer of assets, the water rates and service charges will not change. GCU, Inc. will adopt the full tariff of Basin Water Sources, Inc., without change at any rate or charge contained therein as occasioned by this transfer.

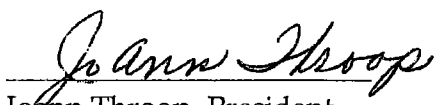
#### PRAYER

Based on the foregoing, the Applicants request approval of their application respectfully submitted this 2<sup>ND</sup> day of November, 2012.

GCU, Inc.

Basin Water Sources, Inc.

\_\_\_\_\_  
Pat Deneen, President

  
\_\_\_\_\_  
Joann Throop, President

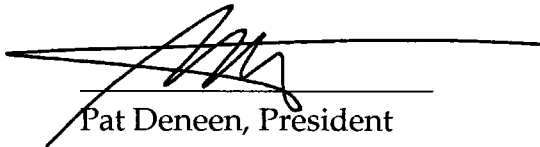
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- 7 The current administrative staff of Basin Water Sources, Inc. has been retained to continue administrative operations, and the operations staff has been retained on a consultant basis to assist GCU, Inc. and Evergreen Valley Utilities SMA with operation and maintenance of the water system.
- 8 As a result of the sale and transfer of assets, the water rates and service charges will not change. GCU, Inc. will adopt the full tariff of Basin Water Sources, Inc., without change at any rate or charge contained therein as occasioned by this transfer.

#### PRAYER

Based on the foregoing, the Applicants request approval of their application respectfully submitted this 8<sup>th</sup> day of November, 2012.

GCU, Inc.

  
Pat Deneen, President

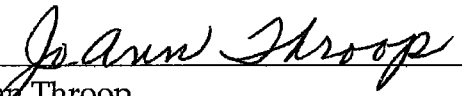
Basin Water Sources, Inc.

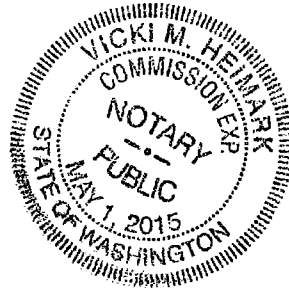
\_\_\_\_\_  
Joann Throop, President

FORM OF VERIFICATION FOR APPLICATION

STATE OF WASHINGTON  
County of Grant

JoAnn Throop, being first duly sworn, deposes and says that she is President of Basin Water Sources, Inc., the applicant in the proceeding entitled above, that he/she has read the foregoing application and knows the contents thereof; that the same is true of her own knowledge, except as to matter which are therein stated on information or belief, and as to those matters she believes them to be true.

  
JoAnn Throop



Subscribed and sworn to before me the 2<sup>nd</sup> day of November, 2012


  
Notary Public in and for the State of Washington, residing

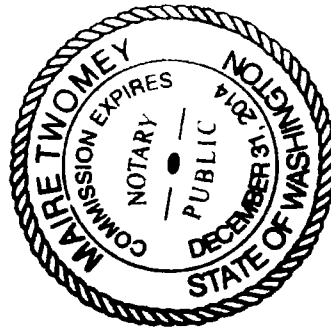
At Moses Lake, Washington

FORM OF VERIFICATION FOR APPLICATION

STATE OF WASHINGTON  
County of Kittitas

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

  
\_\_\_\_\_  
Pat Deneen, President



Subscribed and sworn to before me the 8 day of November 2012

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

At Chehalis.

# EXHIBIT 1

## BASIN WATER SOURCES, INC. / GCU, INC.

### STOCK AND REAL ESTATE PURCHASE AND SALE AGREEMENT With Earnest Money Provision

GCU, Inc., a Washington corporation ("Purchaser") and Robert L. Wright and Charlotte L. Wright, as Trustees of the Robert L. Wright and Charlotte L. Wright Trust, dated August 13, 1991 (hereinafter the "Trust"), and JoAnn P. Throop, a single person (hereinafter "Throop"), as their interests may appear, (collectively "Seller"), enter into this Purchase and Sale Agreement upon the terms, covenants and conditions hereinafter set forth as follows:

WHEREAS the Trust and Throop own an undivided interest in real property situated in Grant County, Washington generally legally described on Exhibit "A-1" attached which will consist of an approximate 200' by 200' parcel thereof (depicted roughly and not to scale on Exhibit "A-2", the exact legal description of which is to be determined in the manner hereinafter set forth (hereinafter "the Property"); and

WHEREAS Throop owns all the issued and outstanding shares of stock (hereinafter "the Shares") in Basin Water Sources, Inc., a Washington corporation (hereinafter "Basin"); and

WHEREAS Basin owns and operates a community domestic supply water system, which owns certain water rights and real property; and

WHEREAS GCU, Inc. desires to buy all of the Shares and the Property on the terms and conditions set forth herein.

1. **Purchase and Sale.** On the Closing Date (hereinafter specified) and on and subject to the terms, covenants, agreements and conditions set forth in this Agreement, Seller shall convey to Purchaser, and Purchaser shall purchase from Seller the following assets:

- A. The Property;
- B. All of the Shares which includes the ownership by Basin of the following:
  - (i) Domestic water supply and distribution fixtures, improvements and equipment located on the real property described on Exhibit "B", including all plans, drawings and depictions thereof any and all easements, licenses and franchises appurtenant thereto (hereafter sometimes "Water System");
  - (ii) all water rights appurtenant to the real property described on



Exhibit "B", including all benefits, burdens and encumbrances described on Exhibit "B"; and (iii) all licenses, permits, franchise agreements and water distribution contracts; BUT EXCLUDING all accounts receivable and all cash which shall be withdrawn from Basin accounts and retained by Seller.

The phrase "the Property", includes all benefits, burdens and encumbrances set out on Exhibit "A-1." The parties authorize Closing Agent up to and including the Closing Date to insert the legal description for the Property and to correct the legal description of the Property and the above-described benefits, burdens and encumbrances to be consistent with the descriptions thereof disclosed by the preliminary commitment for title insurance, including all date down endorsements thereto, if erroneous, inaccurate or incomplete (but only to the extent any such burdens and encumbrances are permitted to encumber the Property on the Closing Date as herein provided).

2. **Earnest Money.** Purchaser hereby deposits with Dano Law Firm, P.S. (hereinafter "the Closing Agent") the sum of \$5,000, receipt whereof is hereby acknowledged in the form of check paid or delivered as "Earnest Money" and in part payment of the purchase price for the purchase of the Property.

3. **Acceptance of Offer.** Purchaser's offer is to purchase the Property and the Shares (both hereinafter unless the context clearly indicates others, "the Business") is made subject to acceptance by Seller on or before July 6, 2012, at 5:00 p.m., unless this offer is sooner withdrawn by Purchaser. If Seller does not accept this offer on or before said date and time, it shall thereupon be deemed canceled and the Earnest Money shall be immediately refunded to Purchaser.

4. **Date of Agreement.** The "Date of this Agreement" shall be the date it is signed by Seller.

5. **Price and Terms of Payment.** The aggregate purchase price for the Business is \$80,000 which Purchaser shall pay to Seller on the Closing Date, as follows:

- A. Purchaser shall deposit with the Closing Agent for the benefit of Seller the sum of \$20,000 in cash, including Earnest Money, by cashier's check or wire transfer funds; and
- B. Purchaser shall deliver to Closing Agent a signed Promissory Note in the principal sum of \$60,000 in the form and manner attached as Exhibit "C", signed Stock Pledge Agreement in the form and manner as Exhibit "D"

and a Deed of Trust in the form and manner as Exhibit "E" both attached to secure payment of the Promissory Note.

6. **Allocation of purchase price.**

6.1 For income tax and depreciation purposes the purchase price is allocable as follows:

Property.....	\$ 20,000
Shares.....	\$ 60,000
TOTAL .....	\$80,000

Purchaser and Seller shall report this conveyance for federal income tax purposes in accordance with the above allocation of the purchase price.

6.2 For State of Washington real estate excise tax purposes, of the \$60,000 purchase price for the Shares, \$15,025 is allocated to the real property (Exhibit "B") owned by Basin.

7. **Closing Date / Closing Agent.** Closing of the conveyance of the Business shall take place on a date which is 21 days following approval of the creation of the Property as set forth below in Paragraph 45.B. ["the Closing Date"] in the offices of Dano Law Firm, P.S., 100 E. Broadway, Moses Lake, Washington 98837 ("Closing Agent"). Closing Agent is a law firm who represented Seller in the preparation of this Agreement and will continue to prepare documents for Seller and represent Seller to and through the conclusion of closing. Purchaser has sought independent counsel, namely Jeff Slothower, to review this Agreement and all documents of conveyance whose fees for services shall be paid by Purchaser. Seller shall pay Closing Agent for its services in document preparation and advice pertaining to conveyance of the Property, with the fees related strictly to closing activities of Closing Agent to be paid by the parties as hereinafter provided.

8. **Conveyance.** On the Closing Date:

- A. Seller shall execute a "Stock Assignment" conveying all of the Shares to Purchaser in the form attached as Exhibit "F".
- B. The Property shall be conveyed to Purchaser by Bargain and Sale Deed executed by Seller in the form and in the manner of Exhibit "G" attached.

9. **Title Insurance.** Purchaser shall procure within ten days of acceptance hereof by Seller, a preliminary commitment for title insurance issued by First American Grant County Title ("the Title Company") insuring the Property (Exhibit "A-1") and the property owned by Basin

(Exhibit "B") in this paragraph "the Properties"]. As soon as practical after the Closing Date, Purchaser shall cause the Title Company to deliver to Purchaser an ALTA standard form Owner's Policy of Title Insurance in the amount of the purchase price containing no encumbrances or defects against the Properties other than those which are standard exceptions in policies issued by the Title Company with respect to real property similarly situated as the Properties, those permitted or listed as encumbrances or defects in the preceding paragraph(s) of this Agreement and those attaching thorough any person other than Seller subsequent to the Closing Date (all "Permitted Exceptions"). Purchaser shall pay all premiums charged for the preliminary commitment and policy of title insurance, including any cancellation fee. Closing Agent shall not be responsible for delivery of the policy of title insurance.

10. **Possession.** Possession of the Business shall pass to Purchaser on the Closing Date, and all risk of loss thereof shall thereupon and thereafter belong to Purchaser.

11. **Taxes, Etc.**

11.1 Seller shall pay and be solely responsible for all taxes, assessments, deposits or license fees (including any interest and penalties as associated therewith) which were levied or became due with respect to the ownership and operation of the Shares prior to the Closing Date and shall not allow any liens, attachments, executions or other legal proceedings to exist because of nonpayment thereof. Seller shall defend, indemnify and hold Purchaser harmless from all such obligations, including without limitation, any claims or liabilities associated with successor liability to the State of Washington, Department of Revenue, or Internal Revenue Service, if any, sought to be imposed upon Purchaser on account of nonpayment.

11.2 Purchaser shall pay and be responsible for all taxes, assessments, deposits, and license fees (including any interest and penalties associated therewith) levied or to become due with respect to the Business, and the ownership and operation thereof following the Closing Date and not otherwise provided for herein, and shall not allow any liens, levies, attachments, executions or other legal proceeding to attach or exist because of nonpayment thereof and shall defend, indemnify and hold Seller harmless therefrom.

11.3 Notwithstanding the provisions of paragraph 11.1 and 11.2, Seller and Purchaser shall cooperate with respect to the preparation and filing of Basin's 2012 income tax return in order that it is filed on or before its due date in accordance with the regulations of the Internal Revenue Service. Purchaser shall pay for the preparation of the return. Basin shall pay

that portion of the income tax attributable to the tax period prior to the Closing Date and Purchaser shall pay the remainder.

12. **Instruments of Conveyance.**

12.1 Seller and Purchaser agree that the conveyance of the Business is to be made by documents in proper form for recording, where necessary, as well as other instruments of conveyance appropriate to carry out the intent of this Agreement and sufficient to transfer to and vest in Purchaser all title of Seller to the Business.

12.2 Subsequent to the Closing Date, Seller and Purchaser shall cooperate and assist each other and shall execute such other and further documents as may be reasonably necessary or desirable to effectively complete the conveyance of the Business, all to the end that this Agreement and the transactions and undertakings contemplated hereby may and shall be carried out and consummated in the manner intended by this Agreement in an expeditious and convenient manner.

13. **Accounts Receivable Retained.** Seller shall retain and collect all accounts receivable of the Business accruing prior to the Closing Date and Purchaser shall have no interest in or obligation with respect thereto. Payments made or delivered to Purchaser respecting the accounts receivable of Seller shall be promptly remitted to Seller upon receipt by Purchaser.

14. **Special Conditions.** The following are conditions precedent to Closing of the conveyance of the Business to Purchaser and the failure of any of said conditions precedent shall terminate this Agreement.

- A. Delivery by Seller to Purchaser at least 30 days prior to the Closing Date of copies of all Basin's records, including but not limited to Articles of Incorporation and amendments thereto, Bylaws and amendments thereto, records of all meetings of directors and shareholders and all agreements Basin has entered into with third parties.
- B. The Property on Exhibit "A-2" is to be surveyed by Purchaser through the services of a professional licensed surveyor and Purchaser will commence and complete the processes pursuant to the Ordinances of Grant County, Washington, to effect a BLA or subdivision to and through its conclusion with recording of the survey or plat and appropriate deeds with the Auditor of Grant County, Washington, to provide a legal description of the Property, at the cost and expense of Purchaser. It is a condition precedent to Purchaser's obligation to purchase the Property from Seller, that the BLA or subdivision be completed in accordance with the Ordinances of Grant County, Washington, and that Seller cooperates by executing all instruments and documents reasonably required to effect such BLA or subdivision, but without cost or expense to Seller.

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- C. Approval by the Washington Utilities and Transportation Commission of the transfer of shares from the Seller to the Purchaser. Purchaser shall exercise its best efforts to procure and diligently pursue the consent or approval of the State of Washington, Utilities and Transportation Commission, to the conveyance of the Shares from Seller to Purchaser. Purchaser shall immediately make application for and provide all necessary documents, instruments and information needed to expedite any review and approval process.

15. **Water System.** The domestic water system which is part of the assets of Basin has been in existence for over 50 years and has limited printed material concerning its operation and maintenance outside of the Washington State Department of Health approved water system plan. Seller has specific and undocumented knowledge concerning the operation and maintenance of the water system and specific components of said water system. Seller agrees to have its agent work with Purchaser to create an "Operations and Maintenance Handbook" that identifies, to Seller's best ability, all of the components of the water system, maintenance procedures and schedules for all components of the water system, information on each hookup to the system, and any other information reasonably necessary for the orderly transfer of the operation of the water system from Seller to Purchaser. This training and knowledge transfer shall take place over a six month period beginning on the Closing Date.

16. **Survival of Representations.** Unless the context of this Agreement clearly indicates to the contrary, all representations, covenants and warranties contained in this Agreement shall survive the closing.

17. **Prorated Items.** The 2012 real property taxes and assessments which, if unpaid, may constitute liens against the Property, shall be prorated to the Closing Date by depositing of funds to pay therefore with the Closing Agent on the Closing Date for proper application and payment (by cashier's check) unless the parties agree otherwise.

18. **Maintenance of Business.** Until the Closing Date, Seller shall keep and maintain the Property and the assets of Basin in as good a state of repair as it was on the date hereof, reasonable wear, tear and Acts of God excepted. All maintenance, repair and replacement shall be at Seller's sole cost and expense.

19. **Closing Costs.**

19.1 On demand of Closing Agent, and not later than the Closing Date, Purchaser and Seller shall deposit with Closing Agent all monies (by cashier's check or wire

transfer), instruments, and documents necessary to close the conveyance of the Business and shall execute all instruments and documents reasonably necessary to effect the conveyance of the Business on the terms and conditions set forth in this Agreement. The costs of closing, exclusive of the purchase price, real and personal property taxes and proratable items to be deposited with Closing Agent shall be borne by the parties as follows:

	SELLER	PURCHASER
Attorneys Fees	Each pays own	Each pay own
Title Insurance Premium		X
Excise Tax - Shares		X
Excise Tax - Property	X	
Use Tax (if any)		X
Closing Fees	½	½
Recording Fees	½	½
UCC Search Fees		X

Notwithstanding the foregoing, Seller shall not be required to deposit any funds with Closing Agent if there are sufficient purchase money funds deposited by Purchaser with Closing Agent to satisfy all of Seller's monetary obligations to be effected on the Closing Date as specified in this Agreement, including closing costs.

19.2 It is clearly understood by Purchaser that the payment of all "sales/use taxes" (RCW Ch.82.12) which may be applicable to the conveyance of the Business, is the sole and exclusive obligation of the Purchaser regardless of whether the amount collected by Closing Agent from Purchaser on the Closing Date and remitted to the State of Washington, Department of Revenue, was deemed sufficient on the Closing Date; and that Purchaser shall defend, indemnify and hold Seller harmless from any failure to fully and timely pay the sales/use tax, if applicable.

19.3 In the event payment of a tax, cost, expense or fee necessary to close this conveyance has not been specified above, the same shall be paid by the party legally obligated by statute, revenue rule or terms of this Agreement to pay the same; or in the event such legal determination cannot be made, then equally by Seller and Purchaser on demand of the Closing

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Agent or third party to whom such tax cost, expense or fee is owed; provided however, Purchaser shall not be responsible, except for taxes specifically provided for in this Agreement, for any business, occupation, withholding, income, unemployment, industrial insurance, sales or similar tax, assessment or deposit related to any period prior to the Closing Date.

20. **Closing Activities.** As soon as practical following the Closing Date, Closing Agent shall properly record and/or file necessary instruments and documents and proceeds of conveyance shall be distributed to Seller and/or applied against obligations of Seller and Purchaser as provided in this Agreement and in any Closing Statements executed by Seller and Purchaser as part of closing.

21. **Failure to Close.** If Closing Agent is unable to close the conveyance of the Business by 5:00 p.m. on the Closing Date in compliance with the provisions of this Agreement because of the fault of one or the other of the parties, the party who is not at fault with respect to Closing Agent's inability to close shall have the right, upon giving written notice to Closing Agent, to terminate this Agreement. Upon receipt of such notice, Closing Agent is authorized and directed to return any instruments, documents and sums deposited by the parties with Closing Agent (except earnest money deposited by Purchaser) to the respective parties, less their respective shares of any fees and costs incurred by Closing Agent. In the event the party not at fault does not give such notice and Closing Agent is still unable to close the conveyance on or before a date which is ten (10) days following the Closing Date, then, unless Closing Agent has received a written extension agreement signed by Seller and Purchaser, Closing Agent shall return to the respective parties any instruments, documents and sums deposited by them less their respective shares of Closing Agent's fees and costs as provided herein; provided that, earnest money deposited by Purchaser to be forfeited shall be paid to Seller; and, if not to be forfeited, it shall be refunded to Purchaser.

22. **Closing Instructions/Disputes.** All sums deposited with Closing Agent shall be deposited into and disbursed by checks from Closing Agent's trust account. All documents, instruments and checks to be delivered to the respective parties are to be mailed to the respective parties at the addresses set forth on the signature page of this Agreement, unless either or both parties give written instructions to Closing Agent to the contrary or take personal delivery. Should Closing Agent, before closing the conveyance of the Business, receive or become aware of any conflicting demands of the parties with respect to the closing instructions contained in this Agreement or the rights of any of the parties hereto, or for any money or property deposited

herein or affected hereby, Closing Agent shall have the right to discontinue any and all further acts on its part to be performed until such conflict is resolved to the mutual satisfaction of Closing Agent and the parties hereto; and if not resolved, Closing Agent shall have the further right to commence or defend any action or proceeding for the resolution of such conflict. Closing Agent shall have the right to file a suit in interpleader and in the event Closing Agent does so, it shall be fully released and discharged from all other and further obligations imposed upon it by this Agreement. No notice, demand or change of instruction to Closing Agent other than as contained herein shall be of any effect or binding on Closing Agent unless given in writing, signed by Seller and Purchaser and accepted in writing by Closing Agent. The obligations of Closing Agent hereunder are confined to the performance of those instructions specifically given to Closing Agent in this Agreement and those given in subsequent documents, if any, signed by Seller and Purchaser and accepted in writing by Closing Agent.

23. **Warranties of Seller.** Purchaser has inspected the assets of Basin and the Property and has fully reviewed and inspected all documents related to the ownership and operation thereof and Seller makes no representation or warranties whatsoever with respect thereto except that:

- A. Seller will have at the Closing and will convey to Purchaser good and marketable title to the Business, free and clear of any lien, encumbrance, or claim whatsoever except the Permitted Exceptions.
- B. Seller has identified and will not be in default on the Closing Date with respect to the performance of its obligations under any contract or agreement assigned to Purchaser hereunder.
- C. Basin is a corporation duly organized, validly existing, and in good standing under the laws of the State of Washington and has full power and authority to carry on its business as it is presently conducted and all corporate action necessary by Seller to execute, deliver, and perform this Agreement has been taken.
- D. Seller is not a party to or bound by any written or oral contract to convey to any other person any of the assets to be purchased by Purchaser hereunder.
- E. The execution, delivery, and performance of this Agreement by Seller will not violate the Articles of Incorporation or By-Laws of Basin, or any indenture, agreement, commitment, or order of any tribunal or administrative agency to which Basin is a party or by which it is bound.



- F. Seller is not a party to any pending, and has no knowledge of any threatened litigation or government action, with regard to the property being sold hereunder.

24. **Inspection of Business and Documents and Disclaimer of Warranties.**

Purchaser has fully inspected the Business and has fully reviewed and inspected all documents related to the ownership and operation of the Business previously made available by Seller to Purchaser at Purchaser's request. Purchaser hereby certifies, represents, and agrees that Purchaser has received and reviewed all documents and conducted all inspections of the Business which Purchaser deems necessary, prudent, and appropriate to make informed decisions regarding the Business and the purchase thereof. The Business and the present condition thereof are wholly and completely acceptable and satisfactory to Purchaser. Seller has made no representation or warranty that the Business is merchantable, marketable or fit for any particular use or purpose, and Purchaser acknowledges and agrees that Seller has made no representation or warranty that the Business is merchantable, marketable or fit for any particular use or purpose. Purchaser hereby accepts and assumes all risks associated with the Business and the condition thereof, including, but not limited to, all risks of loss, failure, and damage. Seller shall not be obligated to maintain, repair or replace any of the Business after the Closing Date and shall not be responsible or liable for any fees, costs or expenses incurred to maintain, repair, or replace any of the Business after the Closing Date. Purchaser shall defend, indemnify and hold Seller and its officers, employees and agents harmless from and against any liability, claim, damage or expense arising out of the ownership, possession, or use of the Business by Purchaser and/or any officer(s), employee(s), or agent(s) of Purchaser after the Closing Date.

25. **Representations of Purchaser.** Purchaser hereby represents, covenants and warrants that on the Closing Date:

- A. Purchaser has the right, power, legal capacity and authority to enter into and perform the obligations of Purchaser under this Agreement, and no approvals or consents of any persons other than Purchaser is necessary in connection with it.
- B. Consummation of the transaction contemplated by this Agreement will not result in or constitute any of the following:
- (1) A breach of any term or provision of this Agreement;
  - (2) A default or an event that, with notice or loss of time or both, would be a default, breach or violation of any lease, license, promissory note, conditional sales contract, commitment, indenture, mortgage,

- deed of trust or other agreement, instrument or arrangement to which Purchaser is a party or by which Purchaser is bound;
- (3) An event that would permit any party to terminate any agreement or to accelerate the maturity of any indebtedness or other obligation of Purchaser; or
  - (4) The creation or imposition of any lien, charge or encumbrance on any of the properties of Purchaser.
- C. There is no suit, action, arbitration, or legal, administrative or other proceeding, or governmental investigation pending or, to the best knowledge of Purchaser, threatened against or affecting Purchaser, or any of Purchaser's businesses, assets or financial conditions. Purchaser is not in default to any order, writ, injunction, or decree of any federal, state, local or foreign court, department, agency or instrumentality.
- D. Purchaser is not insolvent and has the financial ability to timely and fully perform all of Purchaser's duties and obligations under this Agreement and the Promissory Note. The consummation of the transactions contemplated herein will not result in the insolvency of Purchaser and/or the inability of Purchaser to pay its expenses and debts in the normal course of business.
- E. Purchaser is a corporation duly organized, validly existing, and in good standing with the laws of the State of Washington, and has all necessary corporate powers to own its properties and carry on its business as now owned and operated by it.

26. **Effect of Closing.** If the conveyance of the Business closes on the Closing Date as prescribed in this Agreement, then the following provisions shall become effective as material consideration for this Agreement on the Closing Date:

- A. Purchaser understands and agrees as a material consideration of this Agreement and inducement from Seller to Purchaser to purchase the Business that Seller makes no express warranties and no implied warranties, including merchantability and fitness for a particular purpose and that Seller makes no warranties, express or implied, otherwise extending beyond the descriptions of the Business, or statements and representations contained in this Agreement.
- B. Full inspection of the Business has been made by Purchaser and Purchaser has relied upon Purchaser's own experience and judgment and Purchaser's determination that the same is suitable in its present condition for the uses and purposes for Purchaser and neither Seller, nor Seller's assigns, shall be held to any covenant or representation respecting the condition, quality or quantity of the Business, the improvements thereon or there suitability for a specific purposes of Purchaser; nor shall Seller or the assigns of

Seller be held to any covenant or Agreement for alterations, improvements or repairs thereof.

- C. Seller has furnished the Purchaser with information concerning the nature of the Business, but Seller makes no warranties or guarantees as to the nature or extent of the business heretofore conducted by Seller nor that to be performed by Purchaser under Purchaser's ownership and management of the Business, except Seller certifies as to the accuracy of any written information submitted by Seller to Purchaser concerning the nature and volume of the Business.
- D. In the event it is necessary to procure or assign any licenses, permits or applications or to procure any necessary licenses, authorizations, approvals or consents from any third parties, including any governmental or quasi-governmental agencies respecting the transfer of the Business from Seller to Purchaser and the subsequent operation thereof by Purchaser, the procurement of such licenses, permits, consents or approvals shall be the sole and exclusive obligation of Purchaser and at the sole cost and expense of Purchaser; however, Seller shall cooperate to the extent reasonably necessary to sign any required documents to facilitate such consents or approvals.

**INITIALS OF PURCHASER:** \_\_\_\_\_

27. **Loss or Destruction of Business.** If prior to the Closing Date, all or any portion of the fixtures, improvements and equipment which are part of the Business are destroyed or materially damaged by fire or other casualty, Purchaser may elect to terminate this Agreement by notice and the Earnest Money thereupon shall be refunded to Purchaser. If, on the other hand, following any such damage or destruction, Purchaser elects not to terminate this Agreement, all insurance proceeds payable on account of such damage or destruction, if any, shall be applied to replace or repair the damaged or destroyed improvements as directed by Purchaser with the balance of any such insurance proceeds, if any, to be retained by Seller.

28. **Brokers.** Neither Seller nor Purchaser have become legally obligated to or used any finder, broker or real estate agent in connection with the conveyance of the Property. Seller and Purchaser shall each defend, indemnify and hold the other harmless from and against all brokerage commissions or finders' fees or claims therefor payable in connection with the conveyance of the Property resulting from the acts or omissions of the indemnifying party.

29. **Attorneys Fees and Costs.** If either party shall be in breach or default of this Agreement, the nondefaulting party shall have the right at the defaulting party's expense, to

retain an attorney or collection agency to make any demand, enforce any remedy, or otherwise protect or enforce such party's rights under this Agreement. The defaulting party shall pay all costs and expenses so incurred by the nondefaulting party, including but without limitation, arbitration and court costs, collection agency charges, notice expenses, title search expenses, and reasonable attorneys' fees (with or without arbitration or litigation), and the failure of the defaulting party to promptly pay the same shall cause a failure of cure of the specified default and shall in itself constitute a further and additional default of this Agreement. In the event either party hereto institutes any action (including arbitration) to enforce the provisions of this Agreement or for any cause arising out of this Agreement, or to procure an adjudication or determination of the rights of the parties hereto, the losing party shall pay or reimburse the prevailing party for all of its court costs and reasonable attorneys' fees and fees or costs normally charged or advanced by such attorneys for items such as title reports, photocopies, telephone tolls, mileage, travel, boarding, expert fees, accounting fees or other advanced costs and fees, including such costs and fees that are incurred on appeal and in the enforcement in any judgment. In the event it is necessary for either party to employ counsel or incur expense, in or out of court in any bankruptcy or reorganization proceedings, to enforce, establish or protect such party's rights hereunder, such party who prevails therein or so protects or establishes such party's rights hereunder is entitled to recover from the other party all reasonable attorneys' fees and expenses so incurred. All payments and reimbursements required by this section shall be due and payable on demand, and may be offset against any sums owed to the party so liable in order of maturity, and shall bear interest at the rate of 10%, per annum, from the date of demand to and including the date of collection or the due date of any sum against which the same is offset, as the case may be.

**30. Notice.**

- 30.1 Any notice, consent or other communication under this Agreement is effective only if it is:
- a. in writing, signed by or on behalf of the person giving it, or, in the case of electronic mail transmission bearing the name of the sender;
  - b. addressed to the person to whom it is to be given; and
  - c. either:
    - (i) hand-delivered;
    - (ii) delivered by courier service or sent by pre-paid U.S. mail with return receipt (by airmail, if the addressee is overseas) or courier to that party's address (listed below);

- (iii) sent by facsimile to that party's fax number (listed below) and the machine from which it is sent produces a report that states that it was delivered; or
- (iv) sent by electronic mail to that party's electronic mail address (listed below) from a computer, cell phone or word processing equipment which indicates the electronic mail was sent with a read receipt request and there was no failure of delivery.

30.2 A notice, consent or other communication that complies with the foregoing is regarded as given and received:

- a. if it is delivered personally, by courier service or sent by facsimile or email at 5:00 pm (local time in the place of receipt) on the date sent if a business day, or if not a business day, the next business day; or
- b. if it is sent by mail – three business days following proper mailing.

30.3 A party's mailing address, electronic mail address, and facsimile number are those set out below, or as either party hereafter notifies the other party:

Seller: Basin Water Sources, Inc.  
Address: PO Box 34  
Moses Lake, WA 98837  
Telephone: (509) 765-8420  
Email address: [basinwatersources@gmail.com](mailto:basinwatersources@gmail.com)

And to Seller: Joann P. Throop  
Address: 1335 Judith Street  
Moses Lake, WA 98837  
Telephone: (509) 765-2282

Purchaser: GCU, Inc.  
Address: Box 808  
Cle Elum, WA 98922  
Telephone: (509) 260-0462  
Email address: [pat@83837.com](mailto:pat@83837.com)

31. **Time.** Unless otherwise expressly provided herein, any period of time specified in this Agreement shall expire at 5:00 p.m. on the last calendar day of the specified period of time.

32. **Non-Assignment.** Purchaser's rights under or interest in this Agreement may not be assigned by Purchaser without Seller's prior written consent. This Agreement shall be

binding upon and shall inure to the benefit or detriment of the successors and assigns of Seller and the approved successors and assigns of Purchaser.

33. **Integrated Agreement.** There are no other prior or contemporaneous verbal or other agreements which modify, amend, or affect this Agreement. This Agreement constitutes the full understanding and agreement between Seller and Purchaser respecting the conveyance of the Property. All subsequent modifications or waivers of any covenants, agreements and conditions of this Agreement and any amendments hereof shall only be effective if in writing and signed by the parties.

34. **Construction.** This Agreement shall be construed as a whole and in accordance with its fair meaning. Captions and the organization of paragraphs are for convenience only and shall not be used in construing meaning or interpretation.

35. **Brokers.** Neither Seller nor Purchaser have become legally obligated to or used any finder, broker or real estate agent in connection with the conveyance of the Property. Seller and Purchaser shall each defend, indemnify and hold the other harmless from and against all brokerage commissions or finders' fees or claims therefor payable in connection with the conveyance of the Property resulting from the acts or omissions of the indemnifying party.

36. **No Waiver.** The waiver by either party of the performance of any covenant, condition or promise, including the time for performance thereof on the part of the other party, shall not invalidate this Agreement, nor shall it be considered to waive the full and timely performance of any other covenant, condition or promise contained herein. The exercise of any remedy provided by law or by this Agreement shall not exclude any other remedy, unless it is expressly excluded herein.

37. **Time of Essence.** Time is of the essence of each and every covenant, condition and agreement of this Agreement.

38. **Applicable Law / Construction / Venue.** This Agreement shall be governed and interpreted in accordance with the laws of the State of Washington. In the event this Agreement is in conflict with the provisions of any laws or statutes governing the subject matter hereof, such laws or statutes only to the extent of such conflict shall be controlling. The venue of any action brought to interpret or enforce any provision of this Agreement shall be laid in Grant County. All sums herein referred to shall be calculated by and payable in the lawful currency of the United States.

39. **Exhibits.** All documents and instruments exhibited to this Agreement are by the references thereto throughout this Agreement incorporated into and made a part of this Agreement as though fully set forth herein.

40. **Entire Agreement.** This Agreement contains the entire agreement of the parties hereto and, except for any agreements or warranties otherwise stated in writing to survive the execution and delivery of this Agreement, supersedes all of their previous understandings and agreements, written and oral, with respect to the subject matter hereof. Neither Seller nor Purchaser shall be liable to the other for any representations made by any person concerning the Property or regarding the terms of this Agreement, except to the extent that the same are expressed in this Agreement. This Agreement may be amended only by written instrument executed by Seller and Purchaser or their lawful successors and assigns subsequent to the date hereof.

41. **Effect of Signatures.** Each person signing below executes this Agreement in his or her individual capacity and on behalf of any marital community of which he or she is a member, except where a signature is designated as a representative signature.

42. **Heirs and Assigns.** The terms, covenants, agreements and conditions of this Agreement are binding upon and shall inure to the benefit or detriment of the legal representatives, assigns and successors in interest to the parties hereto.

43. **Facsimile Copies.** The parties agree that this Agreement may be transmitted between them by facsimile machine. The parties intend that faxed signatures constitute original signatures and that a faxed agreement containing the signatures (original or faxed) of all the parties is binding on the parties.

Basin Water Sources, Inc.

GCU, Inc.

By: \_\_\_\_\_  
JoAnn P. Throop, President

By:  \_\_\_\_\_  
Patrick Deneen, President

Robert L. Wright & Charlotte L. Wright Trust

BY: \_\_\_\_\_  
Robert L. Wright, Trustee

**SELLER**

**PURCHASER**

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Basin Water Sources, Inc.

GCU, Inc.

By: *Jo Ann Throop*  
Jo Ann P. Throop, President

By: \_\_\_\_\_  
Patrick Deneen, President

Robert L. Wright & Charlotte L. Wright Trust

BY: \_\_\_\_\_  
Robert L. Wright, Trustee

**SELLER**

**PURCHASER**



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43. Facsimile Copies. The parties agree that this Agreement may be transmitted between them by facsimile machine. The parties intend that faxed signatures constitute original signatures and that a faxed agreement containing the signatures (original or faxed) of all the parties is binding on the parties.

Basin Water Sources, Inc.

GCLJ, Inc.

By: \_\_\_\_\_  
JoAnn P. Throop, President

By: \_\_\_\_\_  
Patrick Deneen, President

Robert L. Wright & Charlotte L. Wright Trust

BY: Julie A. Sarinana  
JULIE A. SARINANA, Successor Trustee

SELLER

PURCHASER

EXHIBIT 2a

U.S. Income Tax Return for an S Corporation

OMB No. 1545-0130

Form 1120S

Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.

2011

See separate instructions.

Department of the Treasury  
Internal Revenue Service

For calendar year 2011 or tax year beginning

2011, ending

20

S Selection effective date 09-01-1972	TYPE OR PRINT	Name BASIN WATER SOURCES INC	D Employer identification number 91-0729028
B Business activity code number (see instructions) 221300		Number, street, and room or suite no. If a P.O. box, see instructions. PO BOX 490	E Date incorporated 09-12-1960
C Check if Sch. M-3 attached <input type="checkbox"/>		City or town, state, and ZIP code MOSES LAKE WA 98837	F Total assets (see instructions) \$ 12,587

G Is the corporation electing to be an S corporation beginning with this tax year?  Yes  No If "Yes," attach Form 2553 if not already filed  
 H Check if: (1)  Final return (2)  Name change (3)  Address change (4)  Amended return (5)  S election termination or revocation  
 I Enter the number of shareholders who were shareholders during any part of the tax year 2

Caution. Include only trade or business income and expenses on lines 1a through 21. See the instructions for more information.

Income	1 a Merchant card and third-party payments. For 2011, enter -0-	1a	0	
	b Gross receipts or sales not reported on line 1a (see instructions)	1b	109,107	
	c Total. Add lines 1a and 1b	1c	109,107	
	d Returns and allowances plus any other adjustments (see instructions)	1d		
	e Subtract line 1d from line 1c	1e	109,107	
	2 Cost of goods sold (attach Form 1125-A)	2		
3 Gross profit. Subtract line 2 from line 1e	3	109,107		
4 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)	4			
5 Other income (loss) (see instructions - attach statement)	5	945	STATEMENT # 1	
6 Total income (loss). Add lines 3 through 5	6	110,052		
Deductions (see instructions for limitations)	7 Compensation of officers	7	10,891	
	8 Salaries and wages (less employment credits)	8	43,967	
	9 Repairs and maintenance	9	8,829	
	10 Bad debts	10		
	11 Rents	11	2,180	
	12 Taxes and licenses	12	12,298	ATT STL
	13 Interest	13	5,656	
	14 Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562)	14	112	
	15 Depletion (Do not deduct oil and gas depletion.)	15		
	16 Advertising	16		
	17 Pension, profit-sharing, etc., plans	17		
	18 Employee benefit programs	18		
	19 Other deductions (attach statement)	19	26,901	STATEMENT # 2
	20 Total deductions. Add lines 7 through 19	20	110,834	
	21 Ordinary business income (loss). Subtract line 20 from line 6	21	(782)	
Tax and Payments	22 a Excess net passive income or LIFO recapture tax (see instructions)	22a		
	b Tax from Schedule D (Form 1120S)	22b		
	c Add lines 22a and 22b (see instructions for additional taxes)	22c		
	23 a 2011 estimated tax payments and 2010 overpayment credited to 2011	23a		
	b Tax deposited with Form 7004	23b		
	c Credit for federal tax paid on fuels (attach Form 4136)	23c		
	d Add lines 23a through 23c	23d		
	24 Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/>	24		
	25 Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed	25		
	26 Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid	26		
27 Enter amount from line 26 Credited to 2012 estimated tax <input type="checkbox"/> Refunded <input checked="" type="checkbox"/>	27			

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

May the IRS discuss this return with the preparer shown below (see instructions)?  Yes  No

COPY

Signature of officer	Date	Title
Print/Type preparer's name STROUD W KUNKLE CPA	Preparer's signature <i>[Signature]</i>	Date 1-7-12
Firm's name Sutter Kunkle & Thompson PS	Firm's EIN 91-0926935	Check <input type="checkbox"/> if self-employed PTIN P01204165
Firm's address 112 E Broadway Ave/PO Box 490 Moses Lake WA 98837	Phone no. (509) 765-4501	

EXHIBIT 2b & 2c

Form 1120S (2011) **BASIN WATER SOURCES INC**

Schedule M-1	Balance Sheets per Books	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
	<b>Assets</b>				
	Cash		3,751		8,486
2 a	Trade notes and accounts receivable	( )		( )	
b	Less allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				5
6	Other current assets (attach statement)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach statement)				
10 a	Buildings and other depreciable assets	99,993		99,993	
b	Less accumulated depreciation	( 99,718 )	275	( 99,830 )	163
11 a	Depletable assets	( )		( )	
b	Less accumulated depletion		600		600
12	Land (net of any amortization)	15,000		15,000	
13 a	Intangible assets (amortizable only)	( 10,667 )	4,333	( 11,667 )	3,333
b	Less accumulated amortization				
14	Other assets (attach statement)				
15	<b>Total assets</b>		8,959		12,587
	<b>Liabilities and Shareholders' Equity</b>				
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach statement)		1,073		13
19	Loans from shareholders		80,633		86,289
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach statement)				
	Capital stock		302		302
	Additional paid-in capital		977		977
24	Retained earnings		(74,026)		(74,994)
25	Adjustments to shareholders' equity (attach statement)				
26	Less cost of treasury stock		( )		( )
27	<b>Total liabilities and shareholders' equity</b>		8,959		12,587

**Schedule M-2 Reconciliation of Income (Loss) per Books With Income (Loss) per Return**  
 Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more—see instructions

1	Net income (loss) per books	(968)	5	Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):	
2	Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize):		a	Tax-exempt interest \$	
3	Expenses recorded on books this year not included on Schedule K, lines 1 through 12 and 14i (itemize):		6	Deductions included on Schedule K, lines 1 through 12 and 14i, not charged against book income this year (itemize):	
a	Depreciation \$		a	Depreciation \$	
b	Travel and entertainment \$ 186		7	Add lines 5 and 6	
		186	8	Income (loss) (Schedule K, line 18).	
4	Add lines 1 through 3	(782)		Line 4 less line 7	(782)

**Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed (see instructions)**

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1	Balance at beginning of tax year	(104,409)	30,383
	Ordinary income from page 1, line 21		
	Other additions		
4	Loss from page 1, line 21	( 782 )	
5	Other reductions	( 186 )	
6	Combine lines 1 through 5	(105,377)	30,383
7	Distributions other than dividend distributions		
8	Balance at end of tax year. Subtract line 7 from line 6	(105,377)	30,383

Form **4562**

## Depreciation and Amortization (Including Information on Listed Property)

OMB No: 1545-0172

**2011**

Attachment  
Sequence No. **179**

Department of the Treasury  
Internal Revenue Service (99)

▶ See separate instructions. ▶ Attach to your tax return.

Name(s) shown on return

Business or activity to which this form relates

Identifying number

**BASIN WATER SOURCES INC**

**FORM 1120S**

**91-0729028**

### Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions) . . . . .		1
2	Total cost of section 179 property placed in service (see instructions) . . . . .		2
3	Threshold cost of section 179 property before reduction in limitation (see instructions) . . . . .		3
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-		4
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions . . . . .		5
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29 . . . . .	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 . . . . .		8
9	Tentative deduction. Enter the smaller of line 5 or line 8 . . . . .		9
10	Carryover of disallowed deduction from line 13 of your 2010 Form 4562 . . . . .		10
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5. (see instructions)		11
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11 . . . . .		12
13	Carryover of disallowed deduction to 2012. Add lines 9 and 10, less line 12 . . . . .	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

<b>Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)</b>			
14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions) . . . . .		14
15	Property subject to section 168(f)(1) election . . . . .		15
16	Other depreciation (including ACRS) . . . . .		16

<b>Part III MACRS Depreciation (Do not include listed property.) (See instructions.)</b>			
<b>Section A</b>			
17	MACRS deductions for assets placed in service in tax years beginning before 2011 . . . . .		17
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here . . . . .	<input type="checkbox"/>	112

<b>Section B - Assets Placed in Service During 2011 Tax Year Using the General Depreciation System</b>						
(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property			27.5 yrs.	MM	S/L	
			39 yrs.	MM	S/L	

<b>Section C - Assets Placed in Service During 2011 Tax Year Using the Alternative Depreciation System</b>						
20a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	

<b>Part IV Summary (See instructions.)</b>			
21	Listed property. Enter amount from line 28 . . . . .		21
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instructions . . . . .		22
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs . . . . .	23	

**Part V Listed Property** (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

**Note:** For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

**Section A - Depreciation and Other Information** (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed?  Yes  No 24b If "Yes," is the evidence written?  Yes  No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)							25	
26 Property used more than 50% in a qualified business use:								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use:								
		%				S/L-		
		%				S/L-		
		%				S/L-		
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1							28	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1								29

**Section B - Information on Use of Vehicles**

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year (do not include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

**Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees**

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.)		

**Note:** If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

**Part VI Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2011 tax year (see instructions):					
43 Amortization of costs that began before your 2011 tax year				43	1,000
44 Total. Add amounts in column (f). See the instructions for where to report				44	1,000

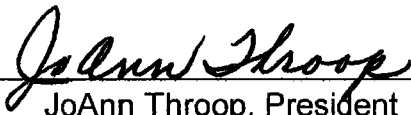
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Exhibit 2e

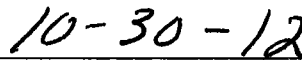
Summary of Outstanding Securities  
For  
Basin Water Sources, Inc.

One hundred percent (100%) of the common stock issued by Basin Water Sources, Inc. is currently held by JoAnn Throop and will be transferred to GCU, Inc. via a Purchase and Sale Agreement upon approval of the transfer by Washington State Utilities and Transportation Commission.

There are currently no outstanding bonds or other securities issued by Basin Water Sources, Inc.



JoAnn Throop, President  
Basin Water Sources, Inc.



Date

EXHIBIT 3a

9:13 AM  
10/16/12  
Accrual Basis

**GCU, INC**  
**Balance Sheet**  
**As of October 16, 2012**

	<u>Oct 16, 12</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
GCU	17,300.00
<b>Total Checking/Savings</b>	<u>17,300.00</u>
<b>Total Current Assets</b>	17,300.00
<b>Other Assets</b>	
Basin Water Purch Deposit	5,000.00
<b>Total Other Assets</b>	<u>5,000.00</u>
<b>TOTAL ASSETS</b>	<u><u>22,300.00</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Equity</b>	
Owner Equity	22,300.00
<b>Total Equity</b>	<u>22,300.00</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>22,300.00</u></u>

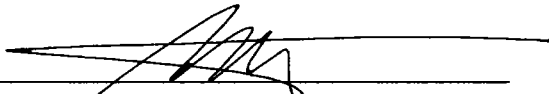
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Exhibit 3b

Summary of Outstanding Securities  
For  
GCU, Inc.

One hundred percent (100%) of the common stock issued by Basin Water Sources, Inc. is currently held by Pat Deneen.

There are currently no outstanding bonds or other securities issued by GCU, Inc.

  
\_\_\_\_\_  
Pat Deneen, President  
GCU, Inc.

\_\_\_\_\_  
Date



**ADOPTION OF TARIFFS, ETC.**

GCU, Inc

Hereby adopts, ratifies, and makes its own in every respect, as if the same had been originally filed by it, all tariffs, rules, notices, concurrences, provisions, authorities, powers of attorney or whatsoever other instruments filed with the Washington Utilities and Transportation Commission or its predecessors by Basin Water Sources, Inc., prior to December 1, 2012, the beginning of its possession. By this notice, it also 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:

Basin Water Sources, Inc. DOH SYSTEM ID# 04600

Tariff Revision Adopted:

Transfer Authorized

WNU -

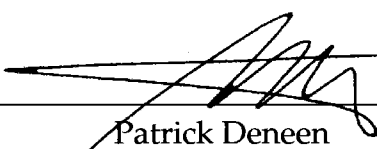
By Order No. \_\_\_\_\_

Tariff Pages Adopted

\_\_\_\_\_

Date Issued \_\_\_\_\_ Date Effective \_\_\_\_\_

Issued by GCU, Inc

By  \_\_\_\_\_ Title President

Address P.O. Box 808 Cle Elum, WA 98922

## EXHIBIT 5

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**Basin Water Sources, Inc.**  
**202 W 5<sup>th</sup> Ave #5 – P.O. Box 34**  
**Moses Lake, WA 98837**  
**509-765-2282**  
October 16, 2012

### IMPORTANT NOTICE

Basin Water Sources, Inc. has requested permission from the Washington Utilities and Transportation Commission (Commission) for the transfer of ownership and operation of the Basin Water Sources water system to GCU, Inc. This transfer is contingent upon approval by the Commission. The proposed effective date of this transfer, if approved, would be 10 days after approval of the transfer by the Commission. Upon the transfer of ownership, the water system will be managed and operated by Evergreen Valley Utilities, a Washington State Satellite Management Agency, approved by Washington State Department of Health. Evergreen Valley Utilities is currently providing water service to nine other water systems consisting of about 580 customers.

Your current water rates will not change because of this water system sale and transfer. Any future changes will be the responsibility of GCU, Inc., and will have to be approved by the Commission.

If you have any questions about how this sale may affect you, please call the company at 509-765-2282.

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 meetings 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.