

## ASSET ACQUISITION AGREEMENT

Cristalina Water Company, ID # 0314 H

THIS CONTRACT made and entered into between **Cristalina, a Limited Liability Corporation** (Seller), a Washington Corporation, and **Washington Water Service Company** (Purchaser), a Washington Corporation.

WITNESSETH:

WHEREAS, Seller owns and operates a Group "A" water system, known as the Cristalina Water System (Water System), with State ID #0314 H, which provides water to residents in the area of Ravensdale, King County, Washington.

WHEREAS, Purchaser is organized and operating under the laws of the State of Washington, whose principle business is the distribution and sale of water to residents of the Gig Harbor, Washington area; and

WHEREAS, Seller desires to sell and Purchaser desires to purchase the Water System assets, including easements, equipment, inventory, licenses, water rights and good will;

NOW, THEREFORE, in consideration of the agreements and promises set forth hereinafter, it is mutually agreed between the parties hereto as follows:

### 1. TRANSFER OF ASSETS

- 1.1. Agreement to Sell. Upon the terms and subject to all of the conditions contained herein, Seller agrees to sell, assign, transfer and deliver to Purchaser on the Closing Date (as defined in Section 4.1 hereof), and Purchaser hereby agrees to purchase and accept from Seller on the Closing Date, the Acquired Assets (as defined in Section 1.2 hereof). Seller shall deliver to Purchaser at the Closing appropriate bills of sale, assignments of easements, Statutory Warranty deeds or other documents of conveyance necessary to affect the transfer of title to the Acquired Assets to Purchaser on the Closing Date, in form and substance satisfactory to Purchaser and its counsel.
- 1.2. Description of Assets. For purposes of this Agreement, the term "Acquired Assets" shall refer to the assets described in the following:
- 1.2.a. Real Property and Easements. All real property, easements together with protective covenants showing a 100' non-pollution radius around the wells, and other real property rights including, but not limited to, those listed in Schedule L2(a).

Initials Seller: *W*

Initials Purchaser: *W*

Water System/WA Water  
Page 1 of 9

Purchase Agreement

Date, 6/9/14

- 1.2.b. **Water System.** All wells, pumping systems, pipes, buildings, reservoir and all other equipment & facilities used for the Water System, including but not limited to those listed in Schedule 1.2(b).
- 1.2.c. **Water Rights.** All Water rights held or owned by Seller, including, but not limited, to those listed in Schedule 1.2 (c).
- 1.2.d. **Other Assets.** All other tangible assets owned by the Seller and used exclusively in the Seller's business including but not limited to, inventories, spare parts, future and current service areas for the Water System as identified by King County Comprehensive Water System Plan and approved by the Washington State Department of Health.
- 1.2.e. **Intangibles.** All of the interest of Seller in any intangible property owned by the Seller and used in Seller's business and to the extent approved by Purchaser in writing pursuant to the provisions of this Agreement, any and all contracts, warranties, guarantees, agreements, utility contracts, operating and customer account records, maps and drawings, permits, franchises, licenses, water rights, claims, prepaid expenses, grants, certificates and privileges and other rights owned by Seller relating to or used in connection with the ownership, operation, use, occupancy or enjoyment of all or any part of the Seller's business all of which are collectively referred to as the "Intangible Property". The Intangible Property shall include, without limitation, all customer service contracts and all site plans, plans and specifications, "as-built" plans and drawings, permits and other governmental reviews, approvals and entitlements related to the Water System and such of the foregoing as have been heretofore prepared, applied for, obtained or otherwise are in the name or possession of, under the control of or available to Seller, included but not limited to those listed in Schedule 1.2 (e)
- 1.2.f. **Books & Records.** Copies of all books, records, files, contracts, and other data of Seller relating to Acquired Assets, whether or not located at its principal place of business, and whether or not in tangible form or in the form of intangible computer storage media, such as disks, tapes and other similar storage media.
- 1.2.g. **Name.** All rights to the name "Water System" and Hernando Chaves.
- 1.2.h. **License.** All licenses and permits of Seller described in any schedule above.
- 1.2.i. **Deposits.** All deposits with government agencies, vendors, contractors and other entities.

## **2. PURCHASE PRICE**

The purchase price is One Dollar (\$1.00) to be paid in cash. Purchase price shall be allocated per Schedule 2.

## **3. LIABILITIES AND TAXES**

**2.1 Debt and Taxes.** Seller shall pay all sales, use and transfer taxes of the acquired assets arising out of the transfer and shall pay its portion, pro-rated, as of the Closing Date, of state and local real and personal property taxes of the water system. Purchaser shall not be responsible for any taxes of any kind related to any period before the Closing Date.

**2.2 Only Certain Liabilities Being Assumed.** Except as listed in Schedule 3, Purchaser will not assume or be obligated to satisfy or perform any of the liabilities, or commitments, whether fixed, contingent, known or unknown, which relate to the operation of Seller's business prior to the Closing Date, including but not limited to loans to Seller, loans to others, Seller's tax, environmental and water quality liabilities and obligations to its employees. Accounts receivable for water provided to customers prior to the date of closing shall remain the property of Seller. It shall be Seller's obligation to collect any account receivable to which Seller is entitled. Any advanced payments and surcharges for State Revolving Fund Loan (SRF) received by Seller shall be forwarded to Purchaser at closing together with the customer account for which the credit applies. Amounts held by Seller are listed on Schedule 3. Purchaser agrees to assume the SRF loan obligation and 2013 payment and if required will apply for transfer of SRF loan to cover the obligation in lieu of an assignment.

## **4. CONVEYANCE**

**4.1. Conveyance.** Conveyance shall be by Bill of Sale Schedule 4(a), Assignment of Easements Schedule 4(b), Assignment of Intangibles Schedule 4 (c) and Statutory Warranty Deed Schedule 4 (d). Purchaser is entitled to immediate possession of the subject matter of the agreement upon closing.

**4.2. Conveyance Costs.** Seller shall pay the real estate excise tax which may be payable upon this transaction. Purchaser shall pay any sales tax and costs in connection with transfer of the water rights.

## **5. TITLE INSURANCE**

Initials Seller: W Initials Purchaser: W Water System/WA Water Purchase Agreement

Date, 6/9/14

- 5.1. Purchaser will obtain title insurance policy for all real property transferred, through \_\_\_\_\_ Title Insurance Company, and pay the premium there on. Rights reserved and Federal patents or State lands, building or use restrictions common to the district, existing easements not inconsistent with Purchaser intended use, and building or zoning regulations or provisions shall not be deemed encumbrances or defects.

## **6. THE CLOSING**

- 6.1. **Closing Date.** This sale shall be closed at \_\_\_\_\_ Escrow on or before the \_\_\_\_ day of \_\_\_\_\_, 2014. Purchaser shall pay up to \_\_\_\_\_ of the escrow closing costs and recording fees.
- 6.2. **Seller's Obligations at Closing.** At the Closing, against delivery of the items specified in Section 1.2 hereof, Seller shall deliver to Purchaser the Acquired Assets and any documents described in Schedules hereof.
- 6.3. **Purchaser's Obligation at the Closing.** At the Closing, Purchaser shall deliver to Seller the Purchase price specified in Section 2. With agreed upon deductions in form mutually agreeable to the Parties.

## **7. SELLER'S REPRESENTATIONS AND WARRANTIES**

Seller represents and warrants to Purchaser as follows:

- 7.1. **Authority.** Seller has the full power and authority to enter into this Agreement and to carry out the transactions contemplated hereby and no approvals or consents of any persons, other than the Washington State Utilities & Transportation Commission (UTC) are necessary in connection therewith
- 7.2. **Tax Returns and Audits.** Seller has paid all taxes, assessments and penalties due and payable within the time or prescribed by law
- 7.3. **Real Property Owned by Seller.** Within a reasonable period after the date hereof, Seller will deliver to Purchaser a true, complete and accurate legal description of all real property and easements known to be owned or held by Seller, together with all privileges and appurtenances thereto and all plants, building, structures, installations, fixtures, improvements, betterments and additions situated thereon
- 7.4. **Tangible Personal Property.** Seller owns all tangible personal property necessary to conduct its business as now conducted.

Initials Seller: WV Initials Purchaser: WV Water System/WA Water Purchase Agreement Date, 6/9/14  
Page 4 of 9

- 7.5. **Business.** Seller is engaged in the business of a public utility water company serving in King County, and with respect to which, it holds a "Blue" Operating Permit issued by the Washington State Department of Health, Office of Drinking Water (DOH), copy of which will be delivered to Purchaser by Seller within a reasonable period after the date hereof
- 7.6. **Duration of Representation and Warranties.** The representation and warranties made hereinabove will be correct and accurate in all material respects as of the Closing Date, and shall survive the Closing Date until one-year thereafter.
- 7.7. **Absence of Material Adverse Effect.** Since the date of this Agreement, there shall not have been any event, change, or development that individually or in the aggregate has had or could reasonably be expected to have an adverse effect on the Water System, other than events, changes, effects and developments relating to the economy in general or to the industry in general and not specifically relating to the Water System. A "material adverse effect" is defined as a material adverse effect on the assets, condition, financial or otherwise, of the Water System.

## 8. PURCHASER'S REPRESENTATIONS AND WARRANTIES

Purchaser hereby represents and warrants to Seller as follows:

- 8.1. **Organization, Good Standing and Qualification.** Purchaser is a corporation duly organized, existing and in good standing under the laws of the State of Washington, and has all necessary corporate powers to own and operate its properties and to carry on its business as now owned and operated by it.
- 8.2. **Authority and Consents.** Purchaser has the right, power, legal capacity, and authority to enter into and perform its obligations under the Agreement, and no approvals or consents of any persons, are necessary in connection therewith.
- 8.3. **Duration of Representation and Warranties.** The representation and warranties made hereinabove will be correct and accurate in all material respects as of the Closing Date, and shall survive the Closing Date until one-year thereafter.

## 9. SELLER'S OBLIGATIONS BEFORE CLOSING

Initials Seller: W Initials Purchaser: W Water System/WAWater Purchase Agreement Date, 6/9/14

Seller covenants that, except as otherwise agreed or waived in writing by Purchaser, from the date of this Agreement until the Closing:

- 9.1. **Access to Premises and Information.** Purchaser and its counsel, accountants and other representatives shall have full access during normal business hours to all Seller's properties, books, accounts, records, contracts and documents of or relating to Seller and its assets, properties and business. Seller shall furnish or cause to be furnished to Purchaser and its representatives all data and information concerning the business, finances and properties of Seller that may reasonably be requested.
- 9.2. **Conduct of Business in Normal Course.** Seller shall carry on its business and activities in substantially the same manner as they have been carried on through to closing and shall not make or institute any change in management, accounting or operations that will vary materially from the methods used by the Seller as of that date.
- 9.3. **Maintain Insurance.** Seller shall continue to carry its existing insurance, subject to variations in amounts required by the ordinary operations of its business. If, for any reason, no insurance is maintained and assets are destroyed or damaged, Seller, at its option, may terminate this agreement.
- 9.4. **UTC Filings.** The Seller shall cooperate fully with Purchaser in preparing and filing a joint application to the UTC as Purchaser may deem necessary or appropriate to obtain UTC approval of the transactions contemplated by this Agreement to include approval of an acquisition adjustment for Purchaser's capitalization for rate base of all SFR payments to be made by Purchaser for which Purchaser has not received funds from customers or Seller.
- 9.5. **Employees and Compensation.** Seller shall not do, or agree to do, any of the following: (i) grant any increase in salaries payable or to become payable to any officer or employee, or (ii) increase benefits payable or to become payable to any officer or employee.
- 9.6. **Transfer of Real Property Interest.** Purchaser and Seller shall jointly prepare legal descriptions for all real property interest to be transferred from Seller to Purchaser ("Legal Descriptions").
- 9.7. **Conveyance Documents.** Seller shall convey the Assets to Purchaser by a Bill of Sale in the Form attached hereto. Seller shall convey the Operating Easements to Purchaser by an Assignment of Easements. Seller shall convey the Intangible Property to Purchaser by an Assignment of Intangible Property in the form attached hereto.

**10. PURCHASER'S OBLIGATIONS BEFORE CLOSING**

Initials Seller: MC Initials Purchaser: MC Water System/WA Water Purchase Agreement Date, 6/9/14  
Page 6 of 9

Purchaser will use its best efforts to secure UTC authorization for the transactions contemplated under this Agreement. To this end, Purchaser agrees to prepare at its own expense and file promptly with the UTC an appropriate joint application for such authorization. Seller agrees to cooperate with Purchaser in the preparation of the filing.

## II. CONDITIONS PRECEDENT TO PURCHASER'S PERFORMANCE

The obligations of Purchaser under this Agreement are subject to the satisfaction, at or before the Closing, of all the conditions set out below in this Section II. Purchaser may waive any or all of these conditions, other than those set forth in Section II.1 hereof,

- II.1. **Authorization of UTC.** UTC authorization for Seller to sell the Assets pursuant to the terms and conditions of this Agreement shall be in full force and effect on the Closing Date. Dismissal or settlement of the pending UTC complaint case against Seller and the penalty assessment against Seller's owner.
- II.2. **Purchaser's Corporate Approval.** Purchaser shall have received corporate authorization and approval for the execution and delivery of this Agreement and shall have taken all corporate action necessary or proper to fulfill its obligations to be performed under this Agreement on or before the Closing Date.

## 12. SELLER'S OBLIGATIONS AFTER THE CLOSING

- 12.1. **Access to Records.** From and after the Closing, Seller shall allow Purchaser and its counsel, accountants, and other representatives such access to records which after the Closing are in the custody or control of Seller as Purchaser reasonably requests.

## 13. COSTS

- 13.1. **Escrow and Title Expenses.** Purchaser shall pay for all costs, fees and expenses incurred or to be incurred by it relating to title insurance. Seller shall pay the transfer tax associated with the transfer of all real property and easements by it to Purchaser in excess of \$200.00
- 13.2. **All Other Expenses.** Except for taxes and those expenses described in Section 13.1, purchaser shall pay all costs and expenses incurred or to be incurred by it in closing and carrying out the transactions contemplated by this Agreement.

Initials Seller: W

Initials Purchaser: MC

Water System/WA Water

Purchase Agreement

Date, 6/9/14

**14. NOTICES:**

Any notices between the parties shall be transmitted by ordinary first class mail addressed as follows:

To Purchaser Michael P. Ireland, President  
Washington Water Service Company  
PO Box 336  
Gig Harbor, WA 98335

To Seller: Cristalina, LLC  
Maria Lindberg  
PO Box 4055  
Bellingham, WA 98227  
(360) 739-6789

**15. CUSTOMER LIST AND DRAWINGS:**

Seller shall provide Purchaser with complete customer list including, name, site address, phone number, parcel number and mailing address as listed in Schedule 15. Seller will also provide Purchaser with all available as-built drawings of the Seller's System.

**16. WAIVER:**

No waiver or modification by Seller of any term or condition of this agreement shall be effective unless in writing, signed by Seller or their duly authorized agent. No waiver or indulgence by Seller of any deviation or departure by Purchaser from full performance of this agreement shall be waiver of the right of Seller from subsequent or other full and timely performance.

**17. LITIGATION:**

To the best of Seller's knowledge and except as described in Schedule 17 hereof, there is no action, suit, proceeding, claim arbitration, or investigation, audit, inquiry or hearing, at law or in equity, before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, or other person pending or, to the knowledge of Seller, threatened, against Seller or relating to or affecting Seller, its business, assets or properties or any basis for such action, suit, proceeding, claim investigation, audit, inquiry, or hearing to the knowledge of Seller. Seller is not presently engaged in any legal action to recover money due it or damages sustained. Seller, the water system, or operation of the water system thereof has no knowledge of any complaints lodged with Department of Health or Washington State Utilities and Transportation Commission.

**18. ATTORNEY FEES:**

Initials Seller: ML Initials Purchaser: MP Water System/WA Water Purchase Agreement Date, 6/9/14  
Page 8 of 9



In the event either party breaches this agreement, the other party shall, in addition to other damages, be entitled to reasonable attorney fees.

**19. SUCCESSORS IN INTEREST:**

This Contract shall be binding upon and inure to the benefit of the respective heirs, successors, assigns, and legal representatives of the parties.

There are no written or oral agreements modifying this agreement and no warranties other than as set forth herein.

DATED 6/9, 2014

Seller:

Purchaser:

Washington Water Service Co. Inc.

Date 6/9/2014

Date: 6/9/14

By: [Signature]  
Name and Title Manager/President  
Phone 360-739-6789

By: [Signature]  
Michael P. Ireland, President  
(253) 851-4060

SCHEDULE 1.2(a)

REAL PROPERTY AND INDEX OF EASEMENTS

Index of Easements					
System File #	Date	Sec.	Twnshp.	Range	Description
1	08/08/1988	28	22 N	7 E	Easement over the South 1/2 Lot 3 Short Plat No. 378078 C
2					Water main and service easements to be provided by seller
3					
4					
5					
6					
7					
8					

Real Estate Index		
Parcel #	Short Description	Legal Description

Initials Seller: W Initials Purchaser: ME Water System/WA Water Purchase Agreement Date 6/9/14

SCHEDULE 1.2(b)

WATER SYSTEMS ASSETS

Type of Asset	Description of Asset	Quantity
Structures:		
Wells and Springs	Well 1 & 2	2
Pumping Equipment	Well pumps	2
	Booster Pumps	3
Reservoirs	10,000 gallon steel horizontal storage tank	1
Transmission Mains	6" Ductile Iron Pipe	10,350 ft.
	2" PVC Pipe	1,000
Other Equipment	Diesel Generator	1
All Inventories		
Misc. Assets		

Initials Seller: ML Initials Purchaser: WPE Water System/WA Water Purchase Agreement Date: 10/9/14

SCHEDULE 1.2(c)  
WATER RIGHTS

GI-22718 C

Initials Seller: MS Initials Purchaser: MSK Water System/WA Water Purchase Agreement Date 6/9/14

STATE OF WASHINGTON  
DEPARTMENT OF ECOLOGY

*rights*

CERTIFICATE OF WATER RIGHT

- Surface Water (Issued in accordance with the provisions of Chapter 117, Laws of Washington for 1917, and amendments thereto, and the rules and regulations of the Department of Ecology.)
- Ground Water (Issued in accordance with the provisions of Chapter 263, Laws of Washington for 1945, and amendments thereto, and the rules and regulations of the Department of Ecology.)

810402067B

PRIORITY DATE July 12, 1976	APPLICATION NUMBER G1-22718	PERMIT NUMBER G1-22718P	CERTIFICATE NUMBER G1-22718C
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NAME HERNANDO CHAVES			
ADDRESS (STREET) 6311 - 22nd Avenue N. E.	CITY Seattle	(STATE) Washington	(ZIP CODE) 98115

*This is to certify that the herein named applicant has made proof to the satisfaction of the Department of Ecology of a right to the use of the public waters of the State of Washington as herein defined, and under and specifically subject to the provisions contained in the Permit issued by the Department of Ecology, and that said right to the use of said waters has been perfected in accordance with the laws of the State of Washington, and is hereby confirmed by the Department of Ecology and entered of record as shown.*

PUBLIC WATER TO BE APPROPRIATED

SOURCE  
Two Wells

TRIBUTARY OF (IF SURFACE WATERS)

MAXIMUM CUBIC FEET PER SECOND	MAXIMUM GALLONS PER MINUTE 115.0	MAXIMUM ACRE-Feet PER YEAR 90.0
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QUANTITY, TYPE OF USE, PERIOD OF USE  
Community domestic supply - continuously

LOCATION OF DIVERSION/WITHDRAWAL

APPROXIMATE LOCATION OF DIVERSION-WITHDRAWAL  
400 feet east and 1100 feet south from W<sub>2</sub> corner of Sec. 28

LOCATED WITHIN (SMALLEST LEGAL SUBDIVISION) NW <sub>2</sub> Sec. 28	SECTION 28	TOWNSHIP N. 22	RANGE, (E. OR W.) W.M. 7 E	W.R.I.A. 8	COUNTY King
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RECORDED PLATTED PROPERTY

**SCHEDULE 1.2(d)**  
**DESCRIPTION OF INTANGIBLES**

Water rights  
Customer records for billing purposes  
Water System operation records pertaining to wells, pumping equipment, storage facilities, valves, water treatment equipment  
Construction records relating to wells, pumping equipment, storage facilities, valves, water treatment equipment, mains, hydrants, services  
Maintenance records related to wells, pumping equipment and storage facilities  
Water main leak history  
Water System maps and drawings  
Building permits related to operating equipment or structures  
Water contracts  
County health department permits and licenses  
State health department permits and licenses  
Water quality testing records  
Water System Plans

Initials Seller: W Initials Purchaser: WZ Water System/WA Water Purchase Agreement Date 6/9/14

SCHEDULE 2

**ALLOCATION OF PURCHASE PRICE**  
For Water System Name, ID #, County

Account No.	Description	Purchase Price
1300	Land	0
1303	Water Rights	\$8,500.00
1304	Structures	\$500.00
1307	Wells	\$15,000.00
1309	Supply Mains	
1311	Pump Equipment	\$10,000.00
1320	Other Source Plant	
1330	Storage	\$1,000.00
1331	Transmission and Distribution	416,000.00
1333	Service	\$100,000.00
1334	Meter Installation	
1408	Accumulative Depreciation	
1411	Acquisition Adjustment	
3715	CIAC - Pipeline	\$516,000.00
3721	Accumulative Amort. CIAC	
	<b>Total</b>	<b>\$35,000.00</b>

NOTE: The parties will review this allocation of assets prior to closing to properly address allocation including but not limited to intangibles, and other issue.

Initials Seller: ME Initials Purchaser: ME Water System/WA Water Purchase Agreement Date 6/9/14

**SCHEDULE 3**

**DEPOSITS AND ADVANCED PAYMENTS**

**State Revolving Fund (SRF) loan obligation  
Customer Receipts from SRF tariff**

Initials Seller: ML Initials Purchaser: WWS Water System/WA Water Purchase Agreement Date 6/9/14