

## Asset Acquisition Agreement

This Asset Acquisition Agreement ("Agreement") is entered into as of this 15 day of December, 2017, ("Effective Date") among Northwest Water Services ("NWWWS"), a Washington Limited Liability Company ("Purchaser"), and Silver Lake Water Company, Inc ("SWLC") ("Seller"), with reference to the following recitals:

### RECITALS

- A. Seller owns and operates a public water (Water System) regulated by the Washington State Utilities and Transportation Commission (WUTC) and the Washington State Department of Health (DOH), that is called Silver Lake Water, ID #79245 N. The Seller's Water System is located in Island County, Washington and serves approximately 215 Equivalent Residential Users & ready to serve customers through 208 metered connections. Seven meters remain to be installed.
- B. Seller and Purchaser believe that the sale of the assets hereunder is in the best interest of the population served by the Seller's Water System, in view of Purchaser's expertise and financial resources.
- C. The proposed transactions hereunder are subject to the approval of the WUTC and acceptance by Purchaser and Seller of conditions made by WUTC.
- D. Seller desires to sell to Purchaser and Purchaser desires to acquire from Seller all of Seller's water system assets on the terms and subject to the conditions herein set forth.

### AGREEMENT

**NOW, THEREFORE**, in consideration of the foregoing recitals, which shall be deemed a relevant part of this Agreement, and the mutual covenants, promises, agreements, representations and warranties contained herein, for good and valuable consideration, the parties hereto agree 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 Assets (as defined in Section 1.2 hereof). Seller shall deliver to Purchaser at the Closing appropriate bills of sale, assignments of easements, grant deeds and all other documents of conveyance necessary to effect 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 "Assets" shall refer to the assets described in the following:

**a. Water System.** All water equipment and facilities, wells, pumping equipment, connections, tanks, reservoirs, mains, meters and hydrants owned by Seller and described in Schedule 1.2 (a) hereof.

**b. Real Property and Easements.** All real property, easements and other real property rights held or owned by Seller, described in Schedule 1.2 (b) hereof.

**c. Other Tangible Assets.** All other tangible assets owned by the Seller and used in the Seller's business, including but not limited to vehicles, personal property (office furniture, office and computer equipment, fixtures, computer software and other tangible property) all rights under contracts, all claims and all prepaid expenses, and described in Schedule 1.2 (c) hereof.

**d. Inventory.** All inventories owned by Seller, including but not limited to component parts and spare parts and described in Schedule 1.2 (d) hereof.

**e. Books and Records.** Copies of all books, records, files, contracts, and other data of Seller relating to the Acquired Assets, whether or not located at Seller's 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.

**f. Name.** All rights to the name Silver Lake Water

**g. Licenses.** All licenses of Seller described in Schedule 5.20 hereof.

**h. Deposits.** All deposits with government agencies, vendors, contractors and other entities described in Schedule 1.2 (h) hereof.

**i. Intangible Property.** All of the interest of Seller in any intangible property owned by the Seller and used in the Seller's business and to the extent approved by Purchaser in writing pursuant to the provisions of this Agreement, any and all contracts including, but not limited to employees, 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 and used in Seller's business and to the extent approved by Purchaser in writing pursuant 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 Water Systems 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. Intangible Property is set forth in Schedule 1.2 (i).

**j. Intellectual Property.** All of Seller's intellectual property rights, including but not limited to, Trade Names, Trademarks, and Patents related to the Water System.

**1.3 Excluded Assets.** Any and all assets not to be acquired by the Purchaser shall be considered "Excluded Assets." These Excluded Assets described in Schedule 1.3 hereof shall not be considered Acquired Assets.

## **2. LIABILITIES**

**2.1. Liabilities Not Being Assumed.** Purchaser will not assume or be obligated to satisfy or perform any existing liabilities, or commitments of Seller (the "**Liabilities**" or in the singular "**Liability**"), whether fixed or contingent, known or unknown, including but not limited to Seller's tax, environmental and water quality liabilities and obligations to its employees as they exist on the Closing. In the event any Liabilities arise after the date of Closing related to the Assets or the Water System and Seller does not discharge such Liability or Liabilities, Purchaser shall have the right to hold back future payment(s) due to Seller and to use the held back payment(s) to pay for any Liabilities not discharged by Seller.

**2.2 Liabilities Being Assumed.** Any liabilities being assumed by Purchaser ("Assumed Liabilities") will be expressly set forth in Schedule 2.2.

## **3. PURCHASE PRICE AND PAYMENT.**

**3.1 Purchase Price.** The purchase price to be paid by Purchaser for the Assets is Eighty Thousand\_ Dollars (\$80,000.00\_) (the "**Purchase Price**"), which shall be paid as follows:

\$10,000.00 upon closing and the remaining paid at 3.75% over the next seven (7) years with no

penalty for early payoff. The terms of the loan are set out in Exhibit A.

**3.2 Allocation of Purchase Price.** The Purchase Price shall be allocated as follows:

<b>Assets</b>	100%
<b>Inventory</b>	\$
<b>Goodwill</b>	\$

The parties shall use the allocation in all government reporting including all federal tax reporting.

**4. CLOSING**

- 4.1 Closing Date.** Closing ("Closing") of the transaction shall occur on or before December 15 2017\_ or on such other date as agreed to by the parties in writing ("**Closing**" or the "**Closing Date**").
- 4.2 Seller's Obligations at Closing.** At Closing, Seller shall deliver to Purchaser the Acquired Assets and the documents described in Schedules I. 2(a) (U) hereof.
- 4.3 Purchaser's Obligation at the Closing.** At the Closing, Purchaser shall deliver to Seller the Purchase Price in the form of a cashier's check or wire transfer. A promissory note will be included with the deposit for the remaining closing cost and is attached as Exhibit B to this document.
- 4.4 Closing Costs; Excise and Property Tax.** Seller shall pay all sales, use and transfer taxes arising out the transfer of the Assets except sales /use tax on vehicles and shall pay its portion, prorated as of the Closing Date, of state and local real and personal property taxes of the business. Purchaser shall not be responsible for any taxes of any kind related to any period before the Closing Date, excluding any sales/use tax on vehicles.

**5. SELLER'S REPRESENTATIONS AND WARRANTIES**

Seller represents and warrants to Purchaser as follows that the following is true and accurate, and will continue to be true and accurate as of the Closing Date:

- 5.1 Organization.** Good Standing and Qualification. Seller is a Corporation duly organized, validly existing and in good standing under the laws of the State of Washington and has all necessary powers, licenses and permits to own, lease and operate the Assets and its properties and to carry on its business as now owned and operated by it.
- 5.2 Authority.** Seller has the full corporate power and authority to enter into this Agreement and to carry out the transactions contemplated hereby. The governing board of the Seller has duly and effectively approved Seller's execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby and no other corporate proceeding on the part of Seller is necessary to authorize this Agreement and the transactions that it contemplates. This Agreement has been duly and validly executed by Seller and is a valid and binding agreement of Seller enforceable in accordance with its terms.
- 5.3 Financial Statements.** Seller has delivered to Purchaser the unaudited balance sheets of Seller as of December 15, 2017 and the related unaudited statements of income and retained earnings for the years then ending. These financial statements are hereinafter collectively referred to as the "Seller Financial Statements." To the best of Seller's knowledge, the Seller Financial Statements are true and correct in all material respects, fairly present the financial position of Seller as of the respective dates of the

balance sheets included in the Seller Financial Statements, and the results of its operations for the respective periods indicated.

**5.4 Absence of Specified Changes, Claims and Litigation.** Except as described in Schedule 5.4 hereof, since the Effective Date, there has not been any:

- a.** Transaction by Seller except in the ordinary course of business as conducted on that date consistent with past practices;
- b.** Capital expenditure by Seller exceeding \$2,000.00;
- c.** Obligations incurred by Seller, except trade or business obligations incurred in the ordinary course of business consistent with past practices;
- d.** Cancellation or compromise of any debt or claim, except in the ordinary course of business consistent with past practices;
- e.** Material adverse change in the financial condition, liabilities, assets, business, results of operation or prospects of Seller;
- f.** Destruction, damage to or loss of any assets of Seller (whether or not covered by insurance) that materially and adversely affects the financial condition, business, operations or prospects of Seller;
- g.** Sale or transfer of any asset of Seller, except in the ordinary course of business consistent with past practices;
- h.** Execution, creation, amendment or termination of any contract, agreement or license to which Seller is a party, except in the ordinary course of business consistent with past practices;
- i.** Waiver or release of any right or claim of Seller, except in the ordinary course of business;
- j.** Mortgage, pledge or another encumbrance of any asset of Seller;
- k.** Cancellation or the giving of notice of cancellation of any policy insuring Seller, its business or assets;
- l.** Other event or condition of any character that has or might reasonably have a material and adverse effect on the financial condition, assets, business, results of operating or prospects of Seller; or
- m.** Agreement by Seller to do any of the things described in the preceding clauses (a) through (l) except as agreed to in writing by Purchaser.

**5.5 Tax Returns and Audits.** Within the times and in the manner prescribed by law, Seller has filed or caused to be filed all federal, state and local tax returns required by law, and has paid all taxes, assessments and penalties due and payable. These tax returns reflect accurately all liability for taxes of Seller for the periods covered thereby.

**5.6 Real Property Owned by Seller.** Seller owns, possesses easements for, or, pursuant to Section 7.12, is in the process of obtaining the rights in and to all of the real property on which the water treatment, source pumps and storage tanks of Seller are located. Within 7 days after the Effective Date, Seller shall deliver to Purchaser a true, complete and accurate legal description of all real property and easements 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.

- 5.7 Real Property Leased to or by Seller.** Except as described in Schedule 5.7 hereof, Seller is not a party to any agreement for the lease of real property.
- 5.8 Tangible Personal Property.** Except as described in Schedule 5.8 hereof, no personal property used by Seller in connection with its business is held under any lease, security agreement, conditional sales contract, or other title retention or security arrangement or is located other than in possession of Seller. Seller owns all tangible personal property necessary to conduct its business as now conducted.
- 5.9 Title to and Condition of Assets and Properties.** Seller has sole and exclusive good and marketable title to all of the Acquired Assets and all of its properties and assets reflected in the Seller Financial Statements and all assets acquired by Seller subsequent to the Effective Date (except in each case those disposed of in the ordinary course of business since the Effective Date), free and clear of mortgages, liens, pledges, charges, encumbrances, equities, claims, easements, rights of way, covenants, conditions, or any other restriction or defect in title, except for the liens of current taxes and assessments, and easements, rights of way, encumbrances, restrictions, clouds and defects which do not materially and adversely affect the operations of or the fair market values of its assets or properties. All of Seller's real property, its pipes, wells and water storage facilities, and all machinery, equipment, fixtures, automobiles, and other physical assets owned, leased, or used by Seller in the conduct of its business as presently conducted is in good operating condition and repair, ordinary wear and tear excepted, and to the best of the Seller's knowledge are free from any defects, except (i) such defects that are correctable through routine maintenance, (ii) such minor defects that do not materially interfere with the continued use of such property in the conduct of Seller's normal operations, and (iii) such defects as described in Schedule 5.9 hereof. Neither any officer, director nor employee of Seller owns, or has any interest, directly or indirectly, in any of the real or personal property used by Seller in the conduct of its business. Seller does not occupy any real property in violation of any law, regulation or decree.
- 5.10 Zoning.** The zoning of each parcel of real property owned or used by Seller in the conduct of its operations permits the presently existing improvements and the continuation of the business presently being conducted on such parcel.
- 5.11 Business.** Seller is engaged in the business of a public water company serving the area of Oak Harbor in Island County Washington, and with respect to which, it holds a valid certificate of Operating Permit issued by DOH, copies of which will be delivered to Purchaser by Seller within   2   days after the Effective Date.
- 5.12 Physical Assets.** The physical assets of Seller are being transferred pursuant to this Agreement in "as-is, where-is" condition, although to the best of the Seller's knowledge the physical assets of Seller are in sound operating condition as of the date of this agreement.
- 5.13 Litigation.** To the best of Seller's knowledge, and except as described in Schedule 5.13 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 or the Shareholders. Seller is not presently engaged in any legal action to recover money due or damages sustained by it.
- 5.14 Rates.** Excluding the pending request for rate relief, there are no WUTC proceedings or investigations pending or, to the knowledge of Seller, threatened against Seller, which might adversely affect the business or financial condition of Seller, or the Assets, or the water rates of Seller presently in effect except for the Liabilities Being Assumed as defined herein.
- 5.15 Condemnation.** No elections have been held or other actions taken authorizing the

commencement of proceedings toward condemnation of any of the properties of Seller, and, to the best knowledge of Seller, no such actions have been proposed.

5.16 [This paragraph intentionally left blank.]

5.17 **Liabilities; Other Contracts.** Except as set forth in the Seller's Financial Statements or described in Schedule 5.17 hereof, there are no debts, liabilities or obligations, fixed or contingent, known or unknown, to which Seller, its business or assets are subject, other than those incurred subsequent to the Effective Date in the ordinary course of business consistent with past practices. Seller is not a party to, nor are its assets bound by, any agreement not entered into in the ordinary course of business consistent with past practices, any indenture, mortgage, deed of trust, lease or any agreement that is unusual in nature, duration or amount (including, without limitation, any agreement requiring the performance by Seller of any obligation for a period of time extending beyond one year from the Closing Date, calling for consideration of more than \$2,000, or requiring purchase at prices in excess of prevailing market prices). Seller is not a party to, nor is Seller or any of its assets bound by, any agreement that is materially adverse to the business, assets, prospects or financial condition of Seller.

5.18 [This paragraph intentionally left blank.]

5.19 [This paragraph intentionally left blank.]

5.20 **Licenses.** Seller possesses and holds in its name all licenses, permits, consents, franchises, approvals, authorization, qualifications, and orders of all governments and governmental agencies (hereinafter collectively referred to as "Licenses") required to own, lease and operate its assets as presently owned, leased and operated. Schedule 5.20 hereof describes all Licenses that are held by Seller. Except as described in Schedule 5.20, all of the Licenses held by Seller are in full force and effect and there is no default of any provision thereof which would affect the ability of Seller to engage in its business or which would result in imposition of a criminal or monetary penalty in excess of \$250 in any single instance, or \$ 1,000 in the aggregate. No action is pending or, to Seller's knowledge, threatened, seeking the suspension, modification, cancellation, revocation or limitation of any License and, to their knowledge, there is no basis for such actions.

5.21 **Agreement Will Not Cause Breach or Violation.** Neither the entry into this Agreement nor the consummation of the transactions contemplated hereby will result in or constitute any of the following: (i) a breach of any term or provision of this Agreement, (ii) a default or any event that, with notice or lapse of time, or both, would be a default, breach or violation of the Articles of Incorporation or By-Laws of Seller or of any lease, franchise, License, promissory note, conditional sales contract, commitment, indenture, mortgage, deed of trust, or other agreement, instrument, or arrangement to which Seller is a party or by which the Seller or its assets are bound, (iii) an event that would permit any party to terminate any agreement or policy of insurance or to accelerate the maturity of any indebtedness or other obligation of Seller, (iv) the creation of imposition of any lien, charge or encumbrance on any of the assets of Seller, or (v) the violation of any law, regulation, ordinance, judgment, order or decree applicable to or affecting Seller or its business, assets or financial condition.

5.22 **Authority and Consents.** No approvals or consents of any person other than the WUTC are necessary for or in connection with the execution, delivery and performance of Seller's obligations hereunder.

5.23 **Duration of Representation and Warranties.** The representation and warranties made herein above will be correct and accurate in all material respects as of the Closing Date, and shall survive the Closing Date for a period of six (6) months.

## **6. PURCHASER'S REPRESENTATIONS AND WARRANTIES**

Purchaser hereby represents and warrants to Seller as follows:

**6.1 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.

**6.2 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, other than the WUTC, are necessary in connection therewith. The execution and delivery of this Agreement and the consummation of the transactions hereunder by Purchaser have been, or prior to the Closing will have been, duly authorized by all necessary corporate action of Purchaser, approval by Board of Directors and no further corporate authorization is or will be necessary on the part of Purchaser. This Agreement constitutes a legal, valid and binding obligation of Purchaser enforceable in accordance with its terms.

**6.3 Execution of this Agreement.** To the Best of Purchaser's knowledge, execution of this Agreement by Purchaser will not constitute any of the following: (i) a breach of any term or provision of this Agreement, (ii) a default or any event that, with notice or lapse of time, or both, would be a default, breach or violation of the Articles of Incorporation by-laws of Purchaser or of any lease, franchise, 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 the Purchaser or its assets are bound.

## **7. SELLER'S OBLIGATION BEFORE CLOSING**

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

**7.1 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.

**7.2 Conduct of Business in Normal Course.** Seller shall carry on with its business and activities diligently and in substantially the same manner as they have been carried on through the Effective Date, 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.

**7.3 Preservation of Business and Relationships.** Seller shall use its best efforts, without making any commitments or agreements on behalf of Purchaser, to preserve its business organization intact, and to preserve its present relationships with suppliers, customers and others having business relationships with it.

**7.4 Maintain Insurance.** Seller shall continue to carry its existing insurance, subject to variations in amounts required by the ordinary operations of its business. At the request of Purchaser and at Purchaser's sole expense, Seller shall cause the amount of insurance which, at the date of this Agreement, Seller carries to be increased by such amount or amounts as Purchaser shall specify.

**7.5 New Transactions.** Seller shall not do, or agree to do, any of the following acts without the prior written consent of Purchaser:

- a. Enter into any contract, commitment or transaction not in the usual and ordinary course of its business, consistent with past practices;
- b. Except as listed in Schedule 7.5(b), enter into any contract, commitment or transaction in the

usual and ordinary course of business involving an amount exceeding one thousand dollars (\$1,000) individually or two thousand dollars (\$2,000) in the aggregate;

c. Make any capital expenditures in excess of one thousand dollars (\$1,000) for any single item or in the aggregate, or enter into any leases of capital equipment or property; or

d. Sell or dispose of any capital assets.

e. Payment of Liabilities and Waiver of Claims. Except as identified in Schedule 7.5, seller shall not do, or agree to do, any of the following acts (i) pay any obligation or liability, fixed or contingent, other than current liabilities, (ii) waive or compromise any right or claim or (iii) cancel, without full payment, any note, loan or other obligation owing to Seller.

**7.6. Existing Agreements.** Seller shall not modify, amend, cancel or terminate any of its existing contracts or agreements, or agree to do any of those acts.

**7.7. Representations and Warranties True at Closing.** Seller shall use their best efforts to assure that all of their representations and warranties set forth in this Agreement or in any exhibit, schedule, letter, certificate, memorandum and in any other written document furnished by Seller or Controlling Party or on his, its or their behalf, in connection with this Agreement will also be true and correct as of the Closing Date as if made on that date and that all conditions precedent to Closing shall have been met.

**7.8. WUTC Filings.** Seller shall cooperate fully with Purchaser in preparing and filing such joint applications to the WUTC as necessary or appropriate to obtain WUTC approval of the transactions contemplated by this Agreement, rate base and rates acceptable to Purchaser to provide an industry acceptable Rate of Return.

**7.9. Maintenance of Inventories.** Seller shall maintain normal quantities of materials and supplies determined in accordance with the practices of Seller in existence on the Effective Date.

**7.10. 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.

**7.11 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"). Prior to the Closing, Purchaser, Seller and Shareholders shall amend Schedule 1.2 (b) contained in this Agreement to include the Legal Descriptions.

**7.12. Conveyance Documents.** Seller shall convey the Assets to Purchaser by a Bill of Sale in the Form as set forth by Schedule 7.12(a) attached hereto. Seller shall convey the Real Property, to Purchaser by a Statutory Warranty Deed in the Form as set forth by Schedule 7.12(b) attached hereto. Seller shall convey the Intangible Property to Purchaser by an Assignment of Intangible Property in the form of Schedule 7.12(c) attached hereto. Seller shall convey the Operating Easements to Purchaser by an Assignment of Easements in the form of Schedule 7.12(d) attached hereto.

## **8. PURCHASER'S OBLIGATIONS BEFORE CLOSING**

Purchaser shall cooperate fully with Seller in preparing and filing such joint applications to the WUTC as necessary or appropriate to obtain WUTC approval of the transactions contemplated by this Agreement.

## **9. 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 9. Purchaser may waive any or all of these conditions, other than those set forth in Section 9.1 and 9.2 hereof, in accordance with Section 13.2 hereof; provided, however, that no such waiver of a condition shall constitute a waiver by Purchaser of any of its other rights or remedies, at law or in equity, if Seller or the Shareholders shall be in default of any of their representations, warranties,



covenants or agreements under this Agreement.

- 9.1. **Authorization of WUTC.** WUTC authorization for rate relief, rate base and for Purchaser to acquire the Acquired Assets pursuant to the terms and conditions of this Agreement shall be in full force and effect on the Closing Date.
- 9.2. **Accuracy of Seller's Representations and Warranties.** The representations and warranties of Seller in this Agreement shall be true on and as of the Closing Date as though such representations and warranties were made on and as of that date.
- 9.3. **Absence of Liens.** Except for obligations to be satisfied out of proceeds at closing as identified on Schedule 9.3, at or prior to the Closing, Purchaser shall have received a UCC search report dated as of a date not more than five (5) days before the Closing Date issued by the Washington Secretary of State indicating that there are no filings under the Uniform Commercial Code on file with such Secretary of State which name Seller as debtor or otherwise indicating any lien on the Acquired Assets.
- 9.4. **Seller's Corporate Approval.** Seller 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.
- 9.5. **Seller Performance.** Seller and Shareholders shall have performed, satisfied and complied with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by them on or before the Closing Date.
- 9.6. **Certification by Seller.** Seller shall have furnished Purchaser with a certificate, dated the Closing Date, signed by Seller certifying, in such detail as Purchaser and its counsel may reasonably request, that the conditions specified in Sections 9.4, 9.5, and 9.7 hereof have been fulfilled. Certification is set forth in Schedule 9.6 attached hereto.
- 9.7. **Absence of Litigation.** No action, suit or proceeding before any court or any governmental body or authority (other than the WUTC authorization specified in Section 9.1) pertaining to the transactions contemplated by this Agreement or to their consummation shall have been instituted or threatened on or before the Closing Date.
- 9.8. **Consents.** All necessary agreements, consents and approvals of any persons to the consummation of the transactions contemplated by this Agreement, or otherwise Pertaining to the matters covered by it, shall have been obtained by Seller and delivered to Purchaser.
- 9.9. **Approval of Documentation.** The form and substance of all certificates, instruments, opinions and other documents delivered to Purchaser under this Agreement shall be satisfactory in all reasonable respects to Purchaser and its counsel.
- 9.10. **No Material Adverse Change.** Prior to the Closing, there shall have been no material adverse change in the Assets or liabilities, the business or condition, financial or otherwise, the results of operations, or prospects of Seller as described in the Annual Report of Seller as of November 1, 2017 filed with the WUTC, whether (without limitation) as a result of any legislative or regulatory change, revocation of any franchise or license, fire, accident, storm or other casualty or labor or civil disturbance or act of God.
- 9.11. **Transfer of Real Property Interest.** Purchaser shall be satisfied with respect to the Seller's ability to transfer title to Purchaser for all real property and/or easements described in Schedule 7.11 herein.

## **10 CONDITIONS PRECEDENT TO SELLER'S PERFORMANCE**

The obligations of Seller under this Agreement are subject to the satisfaction, at or before the Closing, of all the conditions set out below in this Section 10. Seller may waive any or all of these conditions in accordance with Section 13.2 hereof; provided, however, that no such waiver of a condition shall constitute a waiver by it of any of its other rights or remedies, at law or in equity, if Purchaser shall be in default of any of its representations, warranties, covenants or agreements under this Agreement.

- 10.1 Accuracy of Purchaser's Representations and Warranties.** The representations and warranties by Purchaser contained in this Agreement shall be true on and as of the Closing Date as though such representations and warranties were made on and as of that date.
- 10.2 Purchaser's Performance.** Purchaser shall have performed, satisfied and complied with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by Purchaser on or before the Closing Date.
- 10.3 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.
- 10.4 Certification by Purchaser.** Purchaser shall have furnished Seller with a certificate, dated the Closing Date, signed by an officer of Purchaser, certifying, in such detail as they and their counsel may reasonably request, that the conditions specified in Sections 10.1, 10.2 and 10.3 hereof have been fulfilled. Certification by Purchaser is set forth in Schedule 10.4 attached hereto.

## **11 SELLER'S OBLIGATIONS AFTER THE CLOSING**

- 11.1. Indemnification.** Seller agrees to indemnify, defend (with counsel satisfactory to Purchaser) and hold harmless Purchaser against any and all losses, claims, liabilities, damages, actions, costs or expenses, including reasonable attorney's fees and costs (the "Indemnified Losses") arising from, in connection with, or with respect to the following items:
- a. Any breach of any representation, warranty, covenant or agreement of Seller contained in this Agreement, or any agreement, certificate or document executed and delivered by them, or their affiliates pursuant hereto or in connection with any of the transactions contemplated in this agreement;
  - b. Any failure by Seller to satisfy, perform or pay any liabilities relating to Seller, except the Assumed Liabilities.
  - c. Any and all actions, suits, proceedings, claims or demands by third parties ("Third Party Claims") and losses, liabilities, expenses or judgments relating thereto, directly resulting from or arising from matters (i) relating to Seller, its business or the Acquired Assets, which occurred or are alleged to have occurred prior to the Closing, except claims based upon regulatory changes accruing after the date of closing.

If a Third-Party claim is made against Purchaser, Purchaser shall notify Seller in writing, and in reasonable detail, of the Third-Party Claim within thirty (30) business days after it receives written notice thereof; provided, however, that failure to give such notice shall not affect the defense and indemnification obligation provided hereunder except to the extent Seller shall have been actually prejudiced as a result of such failure. Thereafter, Purchaser shall deliver to Seller, within five (5) business days after Purchaser's receipt thereof, copies of all notices and documents (including court papers) received by Purchaser relating to Third Party Claim. Purchaser shall have the right to assume the defense of any Third-Party Claim with counsel selected by it. Seller shall have the right to participate in the defense and to employ a counsel, at their expense, separate from the counsel employed by Purchaser. Counsel for Purchaser shall cooperate and share information with counsel for Seller if they participate in the defense of the Third Party Claim, but Purchaser shall control such defense at all times; provided, that Purchaser shall not settle, compromise or otherwise resolve the

claim without Seller's written consent if the settlement, compromise or resolution requires Seller to pay any sums to the Third Party or Purchaser, other than costs of defense to Purchaser as set forth herein; and provided, further, that if Seller refuses to settle, compromise or otherwise resolve the claim as recommended by Purchaser, Seller shall be solely responsible for payment of any sums required to ultimately resolve the matter (whether settlement or judgment) above the amount recommended by Purchaser to settle, compromise or resolve the matter. Seller shall be liable to Purchaser for the reasonable fees and expenses of the counsel it employs to defend the Third-Party Claim; provided, that any fees and expenses incurred as a result of defense which involves claims which are both within and outside of the Seller's indemnification obligations shall be prorated between Seller and Purchaser upon a basis agreed to by Purchaser and Seller. If Purchaser does not elect to assume the defense of a Third-Party Claim, Seller shall be obligated to assume the defense thereof at its own expense. Purchaser shall be entitled to participate in the defense thereof with separate counsel employed at its own expense. Seller's obligations under this Section shall not apply to any Third-Party Claim of less than twenty thousand dollars (\$20,000.00). Seller intends to satisfy all of its obligations under this section by its current General Liability Occurrence Policy. Upon closing the Seller will add the purchaser as an additional insured to this General Liability Occurrence Policy and will maintain both names as insured until coverage is cancelled concurrent with dissolution of the Corporation.

**11.2. Access to Records.** For a period of six months 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.

## **12 PURCHASER'S OBLIGATIONS AFTER THE CLOSING**

**12.1 Indemnification.** Purchaser agrees to indemnify, defend and hold harmless Seller against any and all losses, claims, liabilities, damages, actions, costs or expenses, including attorney's fees and costs (the "Indemnified Losses") arising from, in connection with, or with respect to the following items:

- a. Any breach of any representation, warranty, covenant or agreement of Purchaser contained in this Agreement,
- b. Any and all actions, suits, proceedings, claims or demands by third parties, or assessments or judgments in their favor, directly resulting from or arising from matters relating to (i) the Assets which occurred or are alleged to have occurred after the Closing and which are not attributable to actions of Seller or (ii) Assumed Liabilities.

## **13 TERMINATION**

**13.1 Termination.** This Agreement may be terminated and the transactions contemplated by it may be abandoned at any time prior to the Closing Date: (i) by mutual agreement of Purchaser and Seller; (ii) by Purchaser if any condition precedent to its obligations hereunder is not satisfied and such condition is not waived by Purchaser at or prior to the Closing Date; (iii) by Purchaser upon discovery that any representation or warranty made by Seller is false; (iv) by Purchaser upon discovery that Seller has failed to adhere to Section 5 or Section 7 herein; or (v) by Seller if any condition precedent to its obligations hereunder is not satisfied and such condition is not waived by Seller at or prior to the Closing Date.

**13.2 Notice.** In the event of the unilateral termination of this Agreement, written notice shall forthwith be given to the other party.

**13.3 Effects of Termination.** Termination and abandonment of the transactions contemplated by this Agreement shall not limit, and shall be in addition to, any remedies available to a party at law, in equity, or otherwise.

## 14 COSTS

**14.1. Finder's or Broker's Fees.** Each of the parties represents and warrants that it has not dealt with any broker or finder in connection with any of the transactions contemplated by this Agreement, and, insofar as it knows, no broker or other person is entitled to any commission or finder's fee in connection with any of these transactions.

- a. **Escrow and Title Expenses.** Not Used
- b. **Survey and Related Expenses.** Seller shall pay for all costs, fees and expenses incurred or to be incurred by it relating to perfecting the transfer of certain real property interests to Purchaser described in Schedule 7.12.
- c. **All Other Expenses.** Except as otherwise provided herein, each of the parties shall pay all costs and expenses incurred or to be incurred by it in negotiating and preparing this Agreement and in closing and carrying out the transactions contemplated by this Agreement.

## 15. PARTIES

- a. **Parties in Interest.** Nothing in this Agreement, whether expressed or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties to it and their respective successors and permitted assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement, nor shall any provisions give any third persons any right of subrogation or action over against any party to this Agreement.
- b. **No Assignment.** This Agreement may not be transferred, assigned, pledged or hypothecated by any party hereto, except with the consent of all the parties hereto. This Agreement shall be binding on and shall inure to the benefit of the parties to it and their respective heirs, legal representatives, successors and permitted assigns.

## 16. ENFORCEMENT

- a. **Default and Remedies.** In the event of a material breach or default in or of this Agreement or any of the representations, warranties, terms, covenants, conditions, or provisions hereof by Purchaser or Seller, then the other party shall have, in addition to a claim for damages for such breach or default, and in addition to and without prejudice to any other right or remedy available under this Agreement or at law or equity, the right to: (i) demand and have specific performance of this Agreement; or (ii) terminate this Agreement upon written notice without liability to the other party.
- b. **Recovery of Litigation Costs.** In the event either party hereto finds it necessary to bring an action against the other party to enforce any of the terms, covenants, or conditions hereof or any instrument executed pursuant to this Agreement, or by reason of any breach or default hereunder or thereunder, the party prevailing in any such action or proceeding shall be paid its reasonable costs and reasonable attorneys' fees by the other party, and in the event any judgment is secured by such prevailing party, all such costs and attorneys' fees shall be included in any such judgment. The reasonableness of such costs and attorneys' fees shall be determined by the court and not a jury.
- c. **Venue.** Venue for any dispute concerning this Agreement shall lie exclusively in Skagit County Superior Court. Each party expressly waives the right to a jury trial.
- d. **Non-Binding Mediation.** It is the intent of the parties herein to resolve all disputes between them without litigation. The parties shall mutually agree upon a mediator. Any expenses incidental to mediation, including the mediator's fee, shall be borne equally by the parties. If the

parties cannot agree upon a mediator, the parties shall submit the matter to the Judicial Arbitration and Mediation Service (JAMS), Judicial Dispute Resolution (JDR) or Washington Arbitration and Mediation Service (WAMS) and request that a mediator be appointed. If the parties cannot agree on which of these services to use, one of them shall be selected at random. This requirement to mediate the dispute may only be waived by mutual written agreement before a party may proceed to litigation as provided herein.

## **17 NOTICES**

All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the party to whom notice is to be given, or on the third day after mailing if mailed to the party to whom notice is to be given, by first class mail registered or certified, postage prepaid, and properly addressed as follows:

Silver Lake Water, a wholly owned system of Northwest Water Services, LLC.

Northwest Water Services, LLC  
ATTN: Carol Rofkar  
14263 Calhoun Road  
Mount Vernon, WA 98273

### **SELLER:**

**Silver Lake Water Company, Inc**  
**41 NE Midway Blvd, Ste 101**  
**Oak Harbor, WA 98277**  
**Phone: 360-675-9091**

Any party may change its address for purposes of this Section 17 by giving the other party written notice of the new address in the manner set forth above.

## **18. GOVERNING LAW**

This agreement shall be construed in accordance with, and governed by, the laws of the State of Washington,

## **19. MISCELLANEOUS**

**19.1. Announcements.** Seller will not make any announcements to the public or to agents of Seller concerning this Agreement or the transactions contemplated hereby without the prior approval of Purchaser, which will not be unreasonably withheld.

**19.2. Knowledge.** Where any representation or warranty contained in this Agreement is expressly qualified by reference to the knowledge of any party, such party confirms that it has made due and diligent inquiry as to the matters that are the subject of such representations and warranties.

**19.3. Severability.** If any provision in this Agreement shall be held invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions hereof will not in any way be affected or impaired thereby.

**19.4. References.** Unless otherwise specified, references to Sections or Articles are to Sections or Articles in this Agreement. All references to this "Agreement" shall include its Exhibits and Schedules.

**19.5 Headings.** The subject headings of the Articles and Sections of this Agreement are included for purposes of convenience only, and shall not affect the construction or interpretation of any of its provisions.

**19.6 Survival.** All provisions of this Agreement which involve obligations, duties, or rights and all representations, warranties, and indemnifications made in or to be made pursuant to this Agreement shall survive the Closing Date and shall be separately enforceable as a contract.

**19.7 Heirs and Assigns.** All of the covenants, agreements, terms, and conditions contained in this Agreement shall inure to and be binding upon Purchaser and Seller and their respective heirs, executors, administrators, successors, and assigns.

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

**19.9 Entire Agreement; Modification; Waiver.** This Agreement constitutes the entire agreement between the parties pertaining to the subject matter contained herein and supersedes all prior and contemporaneous agreements, representations and understandings of the parties. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by all the parties. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

**[Signature line begins next page]**

IN WITNESS WHEREOF, the parties to this Agreement have duly executed it as of the day and year first above written.

Seller:

Silver Lake Water Company Inc, a Washington Corporation

BY: William L. Massey DATE: 10/31/17

William L Massey President

Purchaser:

NORTHWEST WATER SERVICES, a Washington Limited Liability Corporation

BY: [Signature] DATE: 10/27/17 BY: [Signature] DATE: 10/27/17

Kelly Wynn, Co-Owner

Carol Rofkar, Co-Owner

**SCHEDULE 1.2 (a) : WATER SYSTEMS ASSETS – See Exhibit A**

<u>Type Of Asset</u>	<u>Description of Asset</u>	<u>Quantity</u>
Well		
Land		
Service Connections	Metered Connections	
Pumping and Water Treatment		
Pumping and Water Treatment		
Pumping and Water Treatment		
Pumping and Water Treatment		
Pumping and Water Treatment		
Pumping and Water Treatment		
Pumping and Water Treatment		
Equipment		
Pumping and Water Treatment		
Telecommunication		
Transportation		
Transportation		
Master Meter		
Production Meter		
Generators		
Controls		
Compressors		
Reservoirs		
Hydrants		
Master Meter- Residential		
Master Meter - Commercial		
Blow off assemblies		
Air Vac		



**SCHEDULE 1.2 (b): REAL PROPERTY AND INDEX OF EASEMENTS**

**REAL PROPERTY: NONE**

Property Parcel #: \_\_\_\_\_

XrefID: \_\_\_\_\_

Sec. \_\_\_ Township \_\_\_ Range \_\_\_

Description:

**EASEMENTS**

**SCHEDULE 1.2 (c): OTHER ASSETS /**

<u>Type Of Asset</u>	<u>Description of Asset</u>	<u>Quantity</u>
Tech	Computer (specify model)	N/A
Tech	Printer	N/A
Tech	Software	N/A
Furniture	Desk w/Chair	N/A
Furniture	File Cabinets	N/A
Furniture	Tables	N/A

**SCHEDULE 1.2 (d): INVENTORY / To be determined at closing**

<u>Item</u>	<u>Description of Asset</u>	<u>Quantity</u>
Chemicals	Soda Ash	

Chemicals	Chlorine	
Operations	Filters	
Operations	Meters	
Operations	Valves & Fittings	
Maintenance	Spare parts/supplies	

**SCHEDULE 1.2 (h): DEPOSITS**

<u>Customer Name</u>	<u>Address</u>	<u>Service Description</u>	<u>Deposit Amount</u>

Pre-paid accounts: to be determined at closing

**SCHEDULE 1.2 (i): INTANGIBLE PROPERTY - To be determined at closing**

<u>Item</u>	<u>Description</u>	<u>Quantity</u>
Water Rights*	All Water rights	All
Water Claims	Any water claims	All
Future Connections*	All future connections to the system	All
Warranties/Guarantees	All existing warranties	
Agreements		
Contracts		
Prepaid expenses		
Maps/ As-Built Plans		
Customer Account Records		

\*See Exhibit A regarding Water Availability Letters issued by Silver Lake Water Company

**SCHEDULE 1.3: EXCLUDED ASSETS**

New Holland 545D Tractor

**SCHEDULE 3.1: PURCHASE PRICE**  
\$80,000.00

**SCHEDULE 3.2: ALLOCATION OF PURCHASE PRICE**

For all assets within water system and all future connections. See Exhibit A Purchase Agreement

**SCHEDULE 5.4: SPECIFIED CHANGES**

Not Applicable

**SCHEDULE 5.7: LEASE OF REAL PROPERTY**

Not Applicable

**SCHEDULE 5.8: TANGIBLE PERSONAL PROPERTY**

Not Applicable

**SCHEDULE 5.9: ASSET DEFECTS**

Not Applicable

**SCHEDULE 5.12: MATERIAL ARREARS IN MAINTENANCE OF PHYSICAL ASSETS**

Not Applicable

**SCHEDULE 5.17: LIABILITIES; OTHER CONTRACTS**

**SCHEDULE 5.20: LICENSES**

Public Water System Supply Operating Permit from Washington State Department of Health

**SCHEDULE 7.5(b): FINANCIAL COMMITMENT EXEMPTED FROM LIMITS**

See Schedule 5.17

**SCHEDULE 7.6: PAYMENT OF LIABILITIES AND WAIVER OF CLAIMS**

See Schedule 5.17

**SCHEDULE 7.12: TRANSFER OF REAL PROPERTY INTERESTS**

Not Applicable

**SCHEDULE 7.12(a): BILL OF SALE**

See Attached

**SCHEDULE 7.12(b): FORM OF GRANT DEED**

No real property exchanged.

**SCHEDULE 7.12(c): FORM OF ASSIGNMENT OF INTANGIBLES**

See Attached

**FORM OF ASSIGNMENT OF INTANGIBLES**

This Assignment of Intangible Property, Contracts, Warranties and Guarantees is executed as of this 15 day of December, 2017, by Seller, Silver Lake Water Company, Inc a Washington corporation. ("Assignor") in favor of NORTHWEST WATER SERVICES, a Washington Limited Liability Corporation, ("Assignee"), pursuant to that certain Asset Acquisition Agreement dated as of December 15, 2017 ("Agreement"), by and between Assignor, as seller, and Assignee, as purchaser.

FOR VALUE RECEIVED, Assignor hereby grants, conveys, transfers and assigns to Assignee all of Assignor's right, title and interest in, to and under the Intangible Property (as defined in the Agreement) including, without limitation, the Intangible Property described in Schedule 1.2(j) attached hereto and made a part hereof. The capitalized terms in Schedule 1.2(j) shall have the meanings given in the Agreement.

Assignor hereby covenants that it will, at any time and from time to time upon written request there for, execute and deliver to Assignee, its nominees, successors and/or assigns, any new or confirmatory instruments and do and perform any other acts which Assignee, its nominees, successors and/or assigns, may reasonably request in order to fully assign and transfer to and vest in Assignee, its nominees, successors and/or assigns, and protect its and/or their rights, title and interest in and enjoyment of, all of the assets of Assignor intended to be transferred and assigned hereby, or to enable Assignee, its nominees, successors and/or assigns, to realize upon or otherwise enjoy any such assets.

Assignor hereby agrees to indemnify, defend, protect and hold harmless assignee from and against any and all liability, loss, costs, damage and expense (including, without limitation, attorneys' and paralegal' fees and costs and court costs) relating to Assignor's obligations with respect to the Intangible Property arising prior to the date hereof.

Assignee hereby assumes and agrees to perform or cause to be performed Assignor's obligations, if any, under the Intangible Property from and after the date of this instrument, and hereby agrees to indemnify, defend, protect and hold Assignor harmless from and against any and all liability, loss, cost, damage and expense (including, without limitation, attorneys' and paralegal' fees and costs and court costs) relating thereto and arising from and after the date hereof.

The provisions of this Assignment of Intangible Property, Contracts, Warranties and Guarantees shall be binding upon and inure to the benefit of Assignor, Assignee and their successors and permitted assigns.

IN WITNESS WHEREOF, the undersigned have executed this assignment of Intangible Property, Contracts, Warranties and Guarantees as of the date first above written.

Assignor: Silver Lake Water Company, Inc.

By: William L. Massey  
William L Massey, President

Assignee: Northwest Water Services, LLC

By: [Signature]  
Kelly Wynn, Owner

By: [Signature]  
Carol Rofkar, Owner

**SCHEDULE 9.3: ABSENCE OF LIENS**

To be verified at closing

**SCHEDULE 9.8: CERTIFICATE OF REPRESENTATIVE**

Certificate Of Representative of Silver Lake Water Company, Inc.

The undersigned hereby certifies that: William L Massey is now and at all times herein mentioned has been the duly elected President of Silver Lake Water Company, Inc a Washington Corporation ("Seller") and is authorized to execute this Certificate on its behalf.

All representations and warranties of Seller in the Asset Purchase Agreement ("Agreement") dated 15 December, 2017, by and among \_\_\_\_\_ Seller, and in any exhibit or schedule thereto, are true and correct in all material respects as of the date hereof, as though such representations and warranties were made on and as of the date hereof.

The "Assets" as described in Sections 1.2(a) through 1.2(U) of the Agreement are free and clear of any and all mortgages, liens, pledges, charges, encumbrances, equities, claims, easements, rights-of-way, covenants, conditions, and any other restrictions or defects in title, except for the liens of current taxes and assessments, rights-of-way, encumbrances, restrictions, clouds and defects which do not materially and adversely affect the operation of or the fair market values of the Acquired Assets.

IN WITNESS WHEREOF, the under signed has executed this Certificate as of this 31 day of Oct, 2017

By: William L. Massey  
William L Massey, President

**SCHEDULE 10.4**

Certificate of Ownership of Northwest Water Services

The undersigned, Kelly Wynn and Carol Rofkar, co-owners hereby certify that:

They now and at all times herein mentioned are the Owner of Northwest Water Services, LLC ("Purchaser") and is authorized to execute this Certificate on its behalf.


All representations and warranties by Purchaser contained in the Asset Purchase Agreement ("Agreement"), dated 15 December 2017, by and among Purchaser, Northwest Water Services, and in any exhibit or schedule thereto, are true and accurate in all material respects as of the date hereof, as though such representations and warranties were made on and as of the date hereof.

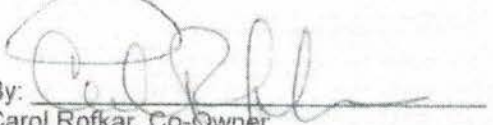
Purchaser has performed, satisfied and complied with all covenants, agreements and conditions required by the Agreement to be performed, satisfied or complied with by it on or before the date hereof.

Purchaser has authorization for approval of the execution and delivery of the Agreement, and has taken all action necessary or proper to fulfill its obligations to be performed under the Agreement on or before the date hereof.

IN WITNESS WHEREOF, the under signed has executed this Certificate as of this \_\_\_ day of \_\_\_\_\_, 2017

Northwest Water Services, LLC, A Washington Corporation

By:   
Kelly Wynn, Co-Owner

By:   
Carol Rofkar, Co-Owner

## BILL OF SALE

FOR GOOD AND VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, Silver Lake Water Company, Inc. ("Seller"), hereby sells, grants, conveys, assigns, transfers and sets over to Northwest Water Services, a Washington Limited Liability corporation ("Purchaser"), all improvements and personal property comprising the water production, storage and distribution facilities and all water rights, and assets of every kind comprising the Silver Lake Water Company, State ID# 79245 N\_\_ owned and operated by Seller, in the area of Island County, Washington, including, without limiting the generality of the foregoing, the following:

All of the Improvements described in Schedule 1.2(a) and 1.2(b) attached hereto.

To the extent not described in Schedule 1.2(a) and 1.2(b) hereto, all wells, pumps, pumping plants and pumping equipment, tanks, mains, pipes, pipelines, hydrants, valves, connections, services, meters, meter boxes and associated facilities, buildings, structures, improvements and appurtenances thereto, and all property and assets of every kind comprising a part of or used in connection with the operation of Seller's potable Water System.

All rights of any kind now held by Seller in and to any and all water, water rights and rights to receive distribution of water.

Seller warrants to Purchaser that Seller owns and has the right to convey all property conveyed by this Bill of Sale and that all property conveyed hereby is conveyed free and clear of all liens, encumbrances, claims and liabilities.

Executed on the 31 day of Oct, 2017

By: William L. Massey  
William L Massey President



**ASSIGNMENT OF EASEMENTS AND RIGHTS**

THIS ASSIGNMENT made this 15\_\_ day of \_December\_, 2017 by and between Silver Lake Water Company, Inc a Washington Corporation, the under signed ASSIGNOR, and Northwest Water Services, a Washington Limited Liability Corporation, the undersigned ASSIGNEE. The ASSIGNOR, for no monetary consideration, does assign, quit claim and transfer all of its rights, title and interest in the easement recorded for the benefit of Northwest Water Services, LLC., under the following \_\_\_\_\_ County Auditor's file numbers:

ASSIGNOR:

\_\_\_\_\_

By: William L. Massey  
William L Massey, President

ASSIGNEE: Northwest Water Services, LLC

By: \_\_\_\_\_  
Kelly Wynn, Owner

By: Carol Rofkar  
Carol Rofkar, Owner

# EXHIBIT A

## Purchase Agreement

Date: October 17, 2017

Seller: Silver Lake Water Company, Inc. (SWLC)  
41 NE Midway Blvd, Ste 101  
Oak Harbor, WA 98277  
(360) 675-9091

Buyer: Northwest Water Services, LLC  
14263 Calhoun Road  
Mount Vernon, WA 98273

Purchase Price: \$80,000.00 Eighty Thousand Dollars

Down Payment: \$10,000.00

Balance: \$70,000.00

Terms: 7 years

Interest: 3.75%

Default Rate: 8%

Monthly Payment: \$948.78 – see payment schedule attached

Prepayment Penalty: None

Personally guaranteed by all members of Northwest Water Service, LLC.

Payments shall be collected through INCS (Independent Note & Contract Services).

Establishment set up fee: \$125.00 (estimated), Paid by Buyer at closing

Administration Fee: \$10.00 monthly or as adjusted by Collection Agency, paid by Buyer each month with payment; billed by INCS directly

Closing Date: December 15, 2017

### Included in sale:

- All in ground and above ground improvements owned by Silver Lake Water Company – see depreciation schedule attached
- Accounts receivable October 15 – December 15, 2017 accounts billings will become property of buyer. Any portion of previous billings not received by Silver Lake Water Company prior to closing that Buyer collects after closing shall become property of Buyer.

### Excluded:

- New Holland 545D Tractor (not operable)

Page 1 of 3

Buyer: \_\_\_\_\_

Seller: William L. Singsay Pres

Prior to Closing, Seller shall continue to operate and maintain the system in the same or better condition that existed on the date of Mutual Acceptance.

Buyer shall do the meter reading on or about December 15, 2017 and complete the billing cycle on or about December 25, 2017 for the service period of October 15 – December 15, 2017.

Seller shall terminate the King Water Company contract and Seller is responsible for any fees due King Water Company due to the termination. Should Buyer not complete the purchase of the SLWC assets, Buyer agrees to enter into a contract to perform maintenance and billing services for the system on a month to month basis.

Seller and Buyer acknowledge that there are approximately 7 customers that either do not have a meter or no meter has been located. These clients are billed the base rate for service. Seller shall provide Buyer any information that is available regarding the location of service lines and connections.

SLWC Water Availability Letters (WAL) granting the right to hook on to the systems have been assigned to undeveloped parcel owners within the SLWC service boundary. Certificates are also owned by individuals or companies that are not assigned to a particular parcel. Seller and Buyer acknowledge that these certificates are counted as committed. Owners of WAL's that have the right to connect to the system within the SLWC service boundary will be connected to the system after paying the hook-up fee in accordance with the published tariff for SLWC. Seller and Buyer acknowledge that WAL holders have the right to transfer by sale or gift to other property owners within the SLWC service boundary.

If Seller identifies any WAL holder that has prepaid the hook-up fee but has not yet connected, those funds shall be transferred to Buyer either at closing or the time of discovery.

Seller represents to Buyer that, to the best of Seller's actual knowledge, each of the following is true as of the date hereof: (a) Seller is authorized to enter into the Agreement, to sell the improvements and to perform its obligations under this Agreement; (b) The books, records, agreements and other items delivered to Buyer pursuant to this agreement comprise all material documents in Seller's possession or control regarding the operation; (c) Seller has not received any notices that there are any violations of any regulations, codes or ordinances; (d) Seller has all permits and other governmental consents necessary to operate the water system; (e) There is no pending or threatened litigation.

The Seller makes no representations or warranties; Buyer is purchasing the system "AS IS"

This Agreement and any attachments state the entire understanding of the Buyer and Seller regarding the sale of the water system. There are no verbal or other written agreements which modify or affect this agreement.

Buyer: \_\_\_\_\_

Seller: William L. Marney Pres.

This agreement may be signed in counterpart, each signed counterpart shall be deemed an original, and all counterparts together shall constitute one and the same agreement.

Electronic delivery of documents (e.g., email) including signed offers or counteroffers and notices shall be legally sufficient to bind the party the same as delivery of an original. At the request of either party, the parties will replace electronically delivered offers or counteroffers with original documents.

Until and unless closing has consummated, the Buyer and Seller shall follow reasonable measures to prevent unnecessary disclosure of information obtained in connection with the negotiation and performance of this agreement. Neither party shall use or knowingly permit the use of any such information in any manner detrimental to the other party.

Attachments:

Depreciation Schedule FYE: 12/31/2016  
Loan Payment Schedule

Buyer: Northwest Water Services, Inc.

  
\_\_\_\_\_  
Kelly Wynn, Member Date: 10/27/17

  
\_\_\_\_\_  
Carol Rofkar, Member Date: 10/27/17

Seller: Silver Lake Water Company, Inc.

  
\_\_\_\_\_  
William L. Massey, President Date: 10/27/17

**Tax Future Depreciation**      **FYE: 12/31/17**

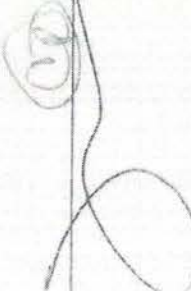
Asset	Property Description	Date In Service	Tax Cost	Tax Sec 179 Exp.	Tax Salvage Value	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr.	Tax Net Book Value	Tax Method	Tax Period
<b>Group: 1400-EQUIPMENT</b>											
21	NEW HOLLAND 545D LOADER	12/18/14	23,200	0	0	19,233	1,987	20,820	2,380	200DB	5.0
<b>1400-EQUIPMENT</b>											
<b>Group: 1500-CAPITAL IMPROVEMENTS</b>											
1	WATERLINES, ETC.	2/05/62	45,874	0	0	45,874	0	45,874	0	S/L	15.00
2	3-PHASE SUB-PUMP	4/28/86	4,860	0	0	4,860	0	4,860	0	PRE	5.0
3	CHLORINATION SYSTEM	8/17/89	1,450	0	0	1,450	0	1,450	0	200DB	7.0
12	2002 H2O SYSTEM PLAN/WATEI	12/01/02	13,703	0	0	8,448	482	8,930	4,773	150DB	25.0
14	NEW PUMP	9/01/03	5,017	0	0	5,017	0	5,017	0	200DB	7.0
<b>1500-CAPITAL IMPROVEMENTS</b>											
			70,904	0	0	65,649	482	66,131	4,773		
<b>Group: 1550-'92 SYSTEM UPGRADE</b>											
4	TRANS/DISTR. SYSTEM	2/28/93	107,374	0	0	107,374	0	107,374	0	150DB	15.0
5	PUMPING EQUIPMENT	2/28/93	27,864	0	0	27,864	0	27,864	0	200DB	7.0
6	PUMP HOUSE	2/28/93	3,471	0	0	3,471	0	3,471	0	200DB	7.0
7	WATER SYSTEM PLAN	1/01/93	11,123	0	0	11,123	0	11,123	0	S/L	5.00
8	'92 WATER SYSTEM UPGRADE	1/01/94	951	0	0	951	0	951	0	150DB	15.0
<b>1550-'92 SYSTEM UPGRADE</b>											
			150,783	0	0	150,783	0	150,783	0		
<b>Group: 1551-WELL #1</b>											
22	WELL #1-BLDG ADDITION	6/30/15	4,405	0	0	271	176	447	3,958	150DB	25.0
<b>1551-WELL #1</b>											
			4,405	0	0	271	176	447	3,958		
<b>Group: 1552-WELL #2</b>											
20	WELL #2	6/30/13	4,849	0	0	686	194	880	3,969	150DB	25.0
<b>1552-WELL #2</b>											
			4,849	0	0	686	194	880	3,969		
<b>Group: 1555-WELL #3</b>											
9	WELL #3	12/31/98	37,956	0	0	34,175	1,512	35,687	2,269	150DB	20.0
10	WELL #3 UPGRADE	9/08/99	2,157	0	0	1,857	100	1,957	200	150DB	20.0
11	WELL #3 UPGRADE	12/01/01	4,695	0	0	3,962	146	4,108	587	150DB	20.0
13	WELL #3 UPGRADE	12/01/02	17,320	0	0	12,017	486	12,503	4,817	150DB	25.0
15	NEW WELL	7/01/03	1,657	0	0	1,275	34	1,309	348	150DB	25.0
<b>1555-WELL #3</b>											
			63,783	0	0	53,286	2,278	55,564	8,221		
<b>Group: 1575-WELLHOUSE IMPROV.</b>											
16	WELLHOUSE REMODEL	12/01/03	13,902	0	0	10,583	279	10,862	3,040	150DB	25.0

Buyer: \_\_\_\_\_ Seller: *W L W*

**Tax Future Depreciation**

Asset	Property Description	Date In Service	Tax Cost	Tax Sec 179 Exp	Tax Salvage Value	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
<b>Group: 1575-WELLHOUSE IMPROV. (continued)</b>											
	1575-WELLHOUSE IMPROV.		13,902	0	0	10,583	279	10,862	3,040		
<b>Group: 1576-BOOSTER PUMP</b>											
17	BOOSTER PUMP	7/01/07	2,029	0	0	2,029	0	2,029	0	200DB	7.0
18	BOOSTER STATION	6/02/08	8,595	0	0	8,595	0	8,595	0	200DB	7.0
19	WATER METER INSTALL	7/31/08	7,208	0	0	7,208	0	7,208	0	200DB	7.0
	1576-BOOSTER PUMP		17,832	0	0	17,832	0	17,832	0		
<b>Grand Total</b>			349,660	0	0	318,323	4,996	323,319	26,341		

12/17

Buyer:  Seller: WLM

Silver Lake Water Company, Inc

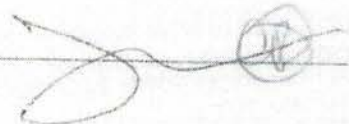
10/18/2017

	Enter Values
Loan Amount	\$70,000.00
Annual Interest Rate	3.75%
Loan Period in Years	7
Start Date of Loan	12/1/2017

Monthly Payment	\$948.78
Number of Payments	84
Total Interest	\$9,697.69
Total Cost of Loan	\$79,697.69

No.	Payment Date	Beginning Balance	Payment	Principal	Interest	Ending Balance
1	1/1/2018	\$ 70,000.00	\$ 948.78	\$ 730.03	\$ 218.75	\$ 69,269.97
2	2/1/2018	69,269.97	948.78	732.31	216.47	68,537.65
3	3/1/2018	68,537.65	948.78	734.60	214.18	67,803.05
4	4/1/2018	67,803.05	948.78	736.90	211.88	67,066.16
5	5/1/2018	67,066.16	948.78	739.20	209.58	66,326.96
6	6/1/2018	66,326.96	948.78	741.51	207.27	65,585.44
7	7/1/2018	65,585.44	948.78	743.83	204.95	64,841.62
8	8/1/2018	64,841.62	948.78	746.15	202.63	64,095.47
9	9/1/2018	64,095.47	948.78	748.48	200.30	63,346.98
10	10/1/2018	63,346.98	948.78	750.82	197.96	62,596.16
11	11/1/2018	62,596.16	948.78	753.17	195.61	61,842.99
12	12/1/2018	61,842.99	948.78	755.52	193.26	61,087.47
13	1/1/2019	61,087.47	948.78	757.88	190.90	60,329.58
14	2/1/2019	60,329.58	948.78	760.25	188.53	59,569.33
15	3/1/2019	59,569.33	948.78	762.63	186.15	58,806.70
16	4/1/2019	58,806.70	948.78	765.01	183.77	58,041.69
17	5/1/2019	58,041.69	948.78	767.40	181.38	57,274.29
18	6/1/2019	57,274.29	948.78	769.80	178.98	56,504.49
19	7/1/2019	56,504.49	948.78	772.21	176.58	55,732.29
20	8/1/2019	55,732.29	948.78	774.62	174.16	54,957.67
21	9/1/2019	54,957.67	948.78	777.04	171.74	54,180.63
22	10/1/2019	54,180.63	948.78	779.47	169.31	53,401.16
23	11/1/2019	53,401.16	948.78	781.90	166.88	52,619.26
24	12/1/2019	52,619.26	948.78	784.35	164.44	51,834.91
25	1/1/2020	51,834.91	948.78	786.80	161.98	51,048.11
26	2/1/2020	51,048.11	948.78	789.26	159.53	50,258.86
27	3/1/2020	50,258.86	948.78	791.72	157.06	49,467.13
28	4/1/2020	49,467.13	948.78	794.20	154.58	48,672.94
29	5/1/2020	48,672.94	948.78	796.68	152.10	47,876.26
30	6/1/2020	47,876.26	948.78	799.17	149.61	47,077.09
31	7/1/2020	47,077.09	948.78	801.67	147.12	46,275.42
32	8/1/2020	46,275.42	948.78	804.17	144.61	45,471.25
33	9/1/2020	45,471.25	948.78	806.68	142.10	44,664.57
34	10/1/2020	44,664.57	948.78	809.21	139.58	43,855.36
35	11/1/2020	43,855.36	948.78	811.73	137.05	43,043.63
36	12/1/2020	43,043.63	948.78	814.27	134.51	42,229.36

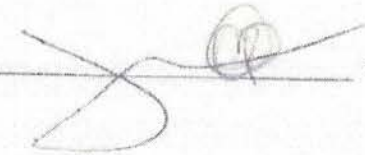
Buyer:



Seller:

Whm

No.	Payment Date	Beginning Balance	Payment	Principal	Interest	Ending Balance
37	1/1/2021	42,229.36	948.78	816.82	131.97	41,412.54
38	2/1/2021	41,412.54	948.78	819.37	129.41	40,593.17
39	3/1/2021	40,593.17	948.78	821.93	126.85	39,771.25
40	4/1/2021	39,771.25	948.78	824.50	124.29	38,946.75
41	5/1/2021	38,946.75	948.78	827.07	121.71	38,119.68
42	6/1/2021	38,119.68	948.78	829.66	119.12	37,290.02
43	7/1/2021	37,290.02	948.78	832.25	116.53	36,457.77
44	8/1/2021	36,457.77	948.78	834.85	113.93	35,622.92
45	9/1/2021	35,622.92	948.78	837.46	111.32	34,785.45
46	10/1/2021	34,785.45	948.78	840.08	108.70	33,945.38
47	11/1/2021	33,945.38	948.78	842.70	106.08	33,102.67
48	12/1/2021	33,102.67	948.78	845.34	103.45	32,257.34
49	1/1/2022	32,257.34	948.78	847.98	100.80	31,409.36
50	2/1/2022	31,409.36	948.78	850.63	98.15	30,558.73
51	3/1/2022	30,558.73	948.78	853.29	95.50	29,705.45
52	4/1/2022	29,705.45	948.78	855.95	92.83	28,849.49
53	5/1/2022	28,849.49	948.78	858.63	90.15	27,990.87
54	6/1/2022	27,990.87	948.78	861.31	87.47	27,129.56
55	7/1/2022	27,129.56	948.78	864.00	84.78	26,265.55
56	8/1/2022	26,265.55	948.78	866.70	82.08	25,398.85
57	9/1/2022	25,398.85	948.78	869.41	79.37	24,529.44
58	10/1/2022	24,529.44	948.78	872.13	76.65	23,657.31
59	11/1/2022	23,657.31	948.78	874.85	73.93	22,782.46
60	12/1/2022	22,782.46	948.78	877.59	71.20	21,904.88
61	1/1/2023	21,904.88	948.78	880.33	68.45	21,024.55
62	2/1/2023	21,024.55	948.78	883.08	65.70	20,141.47
63	3/1/2023	20,141.47	948.78	885.84	62.94	19,255.63
64	4/1/2023	19,255.63	948.78	888.61	60.17	18,367.02
65	5/1/2023	18,367.02	948.78	891.39	57.40	17,475.63
66	6/1/2023	17,475.63	948.78	894.17	54.61	16,581.46
67	7/1/2023	16,581.46	948.78	896.96	51.82	15,684.50
68	8/1/2023	15,684.50	948.78	899.77	49.01	14,784.73
69	9/1/2023	14,784.73	948.78	902.58	46.20	13,882.15
70	10/1/2023	13,882.15	948.78	905.40	43.38	12,976.75
71	11/1/2023	12,976.75	948.78	908.23	40.55	12,068.52
72	12/1/2023	12,068.52	948.78	911.07	37.71	11,157.45
73	1/1/2024	11,157.45	948.78	913.91	34.87	10,243.54
74	2/1/2024	10,243.54	948.78	916.77	32.01	9,326.77
75	3/1/2024	9,326.77	948.78	919.64	29.15	8,407.13
76	4/1/2024	8,407.13	948.78	922.51	26.27	7,484.62
77	5/1/2024	7,484.62	948.78	925.39	23.39	6,559.23
78	6/1/2024	6,559.23	948.78	928.28	20.50	5,630.94
79	7/1/2024	5,630.94	948.78	931.19	17.60	4,699.76
80	8/1/2024	4,699.76	948.78	934.10	14.69	3,765.66
81	9/1/2024	3,765.66	948.78	937.01	11.77	2,828.65
82	10/1/2024	2,828.65	948.78	939.94	8.84	1,888.71
83	11/1/2024	1,888.71	948.78	942.88	5.90	945.83
84	12/1/2024	945.83	948.78	945.83	2.96	0.00

Buyer:  Seller: WLM