

July 15, 1998

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STILL

Ms. Carole J. Washburn
Secretary, UTC
P. O. Box 47250
Olympia, Washington 98504-7250

UU-980981
(AT)

Re: Ketron Island Water System

Dear Ms. Washburn:

I am enclosing an application for UTC approval of the purchase of the Ketron Island Water System by Ketron Island Water. This application is not signed by the trustee in the bankruptcy of Ketron Island Utilities.

An original copy of this application was forwarded to Mr. Bruce Kreigman, attorney for the trustee Mr. Robert Steinberg, on June 22, 1998, for his signature and forwarding to your office.

Mr. Steinberg has told me that they, as trustee, have received an opinion from the Washington Attorney Generals' office stating that they do not need approval of the WUTC in order to sell the water system. This is of major concern to us, the current users of the system, in that we are unable to ascertain the identity of the other bidders in this auction.

I can certainly understand the trustees' unwillingness to go to the bother of obtaining UTC approval and instead just sell to highest bidder. However, that puts the resident users in a quandary. We have no way of knowing who the other bidders are. They could be unqualified and or undesirable operators.


Also, in the event the trustee were to sell the property without UTC approval, would the new purchaser then have to obtain your approval? Would you be forced to give the new purchaser approval? If you denied approval of the new purchaser, would you require the County to operate the system? As you can tell, there are many more questions to be answered.

Ketron Island Water is not afraid of obtaining your approval; in fact we encourage your involvement. The new date for the trustee to sell the system is July 29, 1998 at 9:00AM..

We will appreciate knowing as to whether or not your agency is interested in being represented at the sale and your replies to the above questions.

Sincerely

KETRON ISLAND WATER


C. Clayton Chenaour
President

KETRON ISLAND WATER.

KETRON ISLAND

Clayton Chenaar, President

P. O. Box 88516

Steilacoom, WA 98388

PH. (253) 588-1608 or 588-8900

Fax 984-7949

98 JUL 17 10 5:41

June 22, 1998

Secretary, UTC
Carole J. Washburn
P. O. Box 47250
Olympia, Washington 98504-7250

RE: In the matter of the joint application of Ketron Island Utility Co. And Ketron Island Water, for an order authorizing the transfer of Properties to Ketron Island Water.

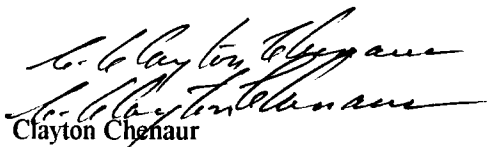
Dear Secretary;

Enclosed for filing is the original of the above-referenced application included are:

1. Application for transfer
2. Copy of customer notice mailed June 3, 1998.
3. Comparative Balance sheet, transfer of property.
4. Water Utility Plant, Transfer of Property.
5. Income Statement, Transfer of Property.
6. Adoption Notice
7. Copy of instrument of Transfer.

Should you have any questions, please call Clayton Chenaar at 253-588-8900

Sincerely,


Clayton Chenaar

KETRON ISLAND WATER.

KETRON ISLAND
Clayton Chenaar, President
P. O. Box 88516
Steilacoom, WA 98388
PH. (253) 588-1608 or 588-8900
Fax 984-7949

June 3, 1998

Secretary, UTC
Carole J. Washburn
P. O. Box 47250
Olympia, Washington 98504-7250

Subject: Request for Approval to Transfer Water System Assets

Dear Ms. Washburn,

In accordance with the requirements of RCW 80.12 and related WAC's we hereby request, in concert with Ketron Island Utility Company Bankruptcy Trustee, That the Washington Utilities and Transportation Commission approve the sale of water system assets that are presently used in the provision of water services to the residents of Ketron Island, Pierce County, Washington. The specific assets to be transferred are set forth in the enclosed "TRUSTEE'S NOTICE OF FILING OF PURCHASE AND SALE AGREEMENT, CHAPTER 7, CASE NO. 96-32567 (administratively consolidated w/case No. 96-32414).

We believe that the Commission's approval of this transaction is clearly in the public interest for the following reasons:

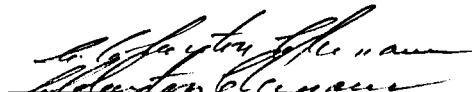
- a. The present owner is in Chapter 7 Bankruptcy and is therefor insolvent.
- b. The pumping of water must be done manually and the company has no employees to accomplish this task. Therefore, all maintenance and servicing of the water system has been accomplished by the purchaser since October 1997. Two system failures occurred during this time and was restored by the purchaser. All Department of Health testing requirements have been met by the purchaser.
- c. The purchaser consists of residents who have the public health and welfare of the Ketron Island residents as their sole objective. The purchaser would therefor relieve any government agency; i.e. Pierce County, U.S. Bankruptcy Court, from the financial responsibility of operating the water system.
- d. The present Tariff provides for a monthly rate of thirty-one and 50/100 Dollars, no immediate request for change is anticipated.

Notice of this request has been accomplished to Ketron Island residents (14 Housholds). Though written notice is less than thirty days the intent to purchase by Ketron Island Water was made public in an open meeting October 12, 1997 and again in March 1998.

Due to the financial condition of the present purveyor, we respectfully request that the commission consider this request at the earliest possible time.

The U.S. Bankruptcy Court, Honorable Judge Phillip Brandt will hear this case ^{July 29,} ~~June 10,~~ 1998 at 9 A.M. and we respectfully request that a member of the Utilities and Transportation Commission be in attendance.

Bruce P. Kriegman, WSBA# 14228
Attorney for Trustee


~~Clayton Chenaour~~
Clayton Chenaour, President
Ketron Island Water, Inc.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Joint)
Application for sale and transfer)
of Ketron Island Utility Co., Water)
Company from Ketron Island Utility)
Co. To Ketron Island Water)
)
)
)
.....)

DOCKET NO. _____

APPLICATION

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

INTRODUCTION

The water system to be transferred consist of wells, pumps, reservoirs, distribution mains, meters and appurtenances to serve the customer on the water system which is located in Pierce County, Washington.

The water system includes the normal service, storage and distribution facilities to serve the customer of the system. The system meets Department of Health standards for serving the number of customers on the systems, and the system is not under an enforcement order from the Department of Health.

EXHIBITS

Pursuant to WAC 480-143-010 and WAC 480-143-020, attached here to are the following exhibits.

Exhibit 1 - Instrument of Transfer

Exhibit 2 - Water Utility Transfer of Property, Income Statement Transfer of Property, Financial Statements.

Exhibit 3 - Financial Statement of Ketron Island Water, Articles of Incorporation

METHOD OF FINANCE

The purchase price for the Water Company is \$15,000 with no outstanding balance or encumbrances.

APPLICATION TO TRANSFER

THE TRANSFER IS IN THE PUBLIC INTEREST

The owners of Ketron Island Utilities CO no longer desire to own a public water system. Ketron Island Utilities Co. Is in Chapter 7 Bankruptcy. This transfer of property is in the public interest because it places the water system with a water purveyor that desires to own and operate this water system on an ongoing basis.

As a result of the sale and transfer, the water rates charged to customers will not change. Ketron Island Water will adopt the tariff of Ketron Island Utilities Co., without change to the rate contained in those tariffs occasioned by this transfer.

PRAYER

Based on the foregoing, the Applicants request approval of their application. Respectfully submitted this _____ day of _____, 1998.

Ketron Island Utility Co.
Bruce Kriegman Attorney (WSBA #14228)
for Bankruptcy Trustee

Ketron Island Water
Clayton Chenaar, President



FORM OF VERIFICATION FOR APPLICATION

State of Washington

County of Pierce

} ss

Clayton Chenaar, being duly sworn, deposes and

says that he is **President of Ketron Island Water**, the applicant in the proceeding entitled above, that he has read the foregoing application and knows the contents thereof; that the same are true of his own knowledge, except as to matters which are therein stated on the information or belief, and as to those matters he believes them to be true.

Clayton Chenaar

Subscribed and sworn to before me this 22 day of June, 1998

Suzanne Konecny
Notary Public in and for the State of Washington,
residing at Burien, WA

WAC 480-143-990 Form of verification for application



**. PURCHASE AND SALE AGREEMENT
UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON AT TACOMA**

THIS AGREEMENT is entered into by and between the below named Buyer and the below named Seller, in his or her capacity as a United States Bankruptcy Trustee for the below named bankruptcy estate. The Buyer agrees to purchase and the Seller agrees to sell the below described property pursuant to the following terms and conditions:

BUYER: Ketron Island Water, Inc., a Washington corporation
c/o C. Clayton Chenaar, President,
10015 Gravelly Lake Dr. SW
Tacoma, WA 98499, Ph. No. (253) 588-8900
Fax# _____

SELLER: Robert D. Steinberg,
United States Bankruptcy Trustee
In re: Ketron Island Utilities/Aquatic Ventures,
Chapter 7 Bankruptcy Case No. 96-35267
c/o Bruce P. Kriegman/Law Office of Bruce Kriegman
Attorneys for Trustee
600 University St., Suite 3000
Seattle, WA 98101, Ph. No. (206) 340-1855
FAX#: (206) 343-5759

DESCRIPTION OF PROP-:
ERTY SOLD HEREUNDER:

Any and all interest which Seller has in the property located in Ketron Island, Pierce County, Washington identified as the "Utility systems" on page 1, paragraph 1 of "Recitals", and as "Assets to be Transferred" on pages 3 and 4, paragraph 3 of the "Agreement to Purchase Water and Sewer Utilities and Private Roads", a copy of which pages with exhibits referenced therein are attached hereto as Exhibit A. Notwithstanding anything which may appear to the contrary herein, any real property which may be a part of the property sold hereunder consists of only such real property or portion thereof upon which or through which the "Utility systems" operate. The property described hereunder shall hereinafter be collectively called, the "property" or the "utility system".

PURCHASE PRICE: \$15,000.00

DATE OF CLOSING: June 30, 1998 or sooner by agreement of the parties.

EARNEST MONEY AMOUNT: \$2,500.00 by cashiers' check.

In the event the Buyer fails, without legal excuse, to complete the purchase of the property, the earnest money deposit made by the Buyer shall be forfeited to the Seller as the sole and exclusive remedy available to the Seller for such failure. By their initials below, Buyer and Seller specifically

acknowledge that they have read the preceding provision regarding forfeiture of the earnest money and understand and agree to it.

Seller Initials Here: _____

Buyer Initials Here: ECC

1. **No Representations or Warranties.** The Seller is a bankruptcy trustee and therefore he/she has no personal knowledge regarding the property. There are no representations or warranties of any kind, express or implied, regarding the property or its condition. **This sale is "as is, where is".**

2. **Financing.** This offer [] is [x] is not conditioned upon Buyer obtaining a purchase loan. Buyer represents and warrants that Buyer has the money to pay the purchase price in full in cash at closing.

3. **Authority of Buyer/Non-Assignable Interest.** The Buyer is a Washington, ^{NON PROFIT cc} corporation in good standing. Buyer attaches a copy of its Certificate of Incorporation hereto. The party affixing his/her initials and signature hereto on behalf of Buyer represents and warrants his/her authority to enter into this agreement and bind Buyer thereto. Buyer cannot assign its interest in this agreement to any other party without the prior written consent of Seller.

4. **Disputes.** The parties agree that this agreement and any dispute which may arise relating thereto is subject to the exclusive jurisdiction of the US Bankruptcy Court.

5. **Loan Costs.** N/A.

6. **Inspections.** The Buyer has fifteen (15) days from the date of mutual acceptance to inspect the property and conduct soil or any other tests it desires. Unless the Buyer provides Seller with notice within said fifteen (15) days that the property is not acceptable then the inspection requirement will be deemed to be waived on the close of business, fifteen (15) days from mutual acceptance. **The Buyer will pay all costs and fees associated with such inspections and Seller shall have no liability therefor.** Buyer will return the property to its original condition after said inspection or test. The Buyer will hold the Seller, its officers, agents and attorneys harmless from all claims arising out of Buyer's inspection or testing of the property.

7. **Defects.** Buyer represents to the Seller that Buyer will fully inspect the property and Buyer assumes the responsibility and risks of all defects and conditions, including such defects and conditions, if any, that cannot be observed by casual inspection. Except as otherwise provided herein, Seller makes no representation or warranties with respect to: (a) the dimension, size or acreage of the real property included in the utility system; (b) any applicable governmental laws or regulations; (c) availability of water, sewer or other utilities; (d) the environmental condition of the property; (e) the existence or non-existence of urea- formaldehyde or asbestos; or, (f) any other matter unless expressly stated otherwise in this Agreement.

8. **Personal Property.** The Seller is a bankruptcy trustee and has no knowledge regarding whether there is any leased personal property included or among the constituent items included in the utility system. It shall be up to the Buyer to make an appropriate investigation to determine whether or not there is any leased property **which in any case is not included in the sale.** Buyer represents to the Seller that Buyer will fully inspect the personal property and Buyer assumes the responsibility and risks of all defects and conditions, including such defects and conditions, if any, that cannot be observed by casual inspection.

9. **Hazardous waste.** Seller has no actual personal knowledge of the presence of any hazardous waste on the property, including, but not limited to, petroleum products and asbestos, and has no actual personal knowledge of the violation of any environmental law, regulation or ordinance with respect to the property. Buyer understands and agrees that no representation is made with respect to the debtor, its employees and agents, or any other person, and no such knowledge held by any such persons or entities shall be imputed to the Seller or the bankruptcy estate he represents. Buyer hereby assumes all risk and costs related to the presence of hazardous waste and the environmental condition of the property. Buyer hereby waives any and all rights of contribution, indemnity and/or reimbursement with respect to any and all defects, including but not limited to, hazardous waste and environmental condition.*
~~* As used liability relates to the trustee & bankruptcy estate only. cc~~

10. **Possession.** Buyer shall be entitled to possession upon closing.

11. **Closing.** "Closing" means the date on which all documents are recorded and the sales proceeds are available to Seller. Seller agrees to maintain the property in substantially its present condition, normal wear and tear excepted, until Buyer is entitled to possession.

12. **Escrow Agent.** The transaction shall be escrowed by Oles, Morrison & Rinker, 3300 Columbia Center, 701 Fifth Avenue, Seattle, WA 98104.

13. **Condition of Title.** Unless otherwise specified in this Agreement, title to the real property which is part of the utility system shall be marketable at closing. The following shall not cause such title to be unmarketable: rights, reservations, covenants, conditions and restrictions presently of record and general to the area, including but not limited to zoning; easements and encroachments not materially affecting the value of or unduly interfering with Buyer's intended use of the property; and reserved oil and/or mineral rights. Monetary encumbrances not assumed by the Buyer shall be removed from the title by the Seller on or before closing. If for any reason the Seller is unable to transfer marketable title to the Buyer then this Agreement is null and void, the Buyer's earnest money, if any, shall be returned and the Seller shall be released of all obligations hereunder.

14. **Title Insurance.** Seller shall provide a standard form of title insurance for the real property which is part of the utility system from a title insurance company of Seller's choice. Seller authorizes lender or closing agent, at Seller's expense, to apply for a standard form buyer's policy of title insurance with homeowner's additional protection and inflation protection endorsement if available at no additional cost. The preliminary commitment therefor, and the policy to be issued, shall contain no exceptions other than general exclusions and exceptions in said standard form. If title cannot be made so insurable prior to closing, unless Buyer elects to waive such defects or encumbrances, the earnest money shall be refunded to the Buyer less any unpaid costs described in paragraph 19 hereof, and this Agreement shall thereupon be terminated.

15. **Title Transfer.** Title to the real property which is part of the utility system shall be transferred by a Bankruptcy Trustee's Quit Claim Deed and title to personal property which is part of the utility system shall be transferred by a Bankruptcy Trustee's Bill of Sale.

16. **Buyer's Funds To Close.** Buyer represents Buyer has sufficient funds to close this sale in accordance with this Agreement, and is not relying on any contingent source of funds or gifts unless expressly set forth elsewhere in this Agreement.

17. **Closing Costs and Pro-Ration.** Buyer and Seller shall each pay one-half of the escrow fee. Seller shall pay excise tax. Taxes for the current year shall be pro-rated. Buyer is not liable for pre-closing utility bills.

18. **Notices.** Unless otherwise specified, any notice required or permitted in, or related to, this Agreement (including any addenda hereto) must be in writing, signed by Buyer, Seller, or Seller's attorney and received by the other party at the addresses shown on the first page hereof. Any time limit in or applicable to a notice shall commence on the date following receipt of the notice by the selling agent, unless that is a Saturday, Sunday or holiday, in which event it will commence on the next following business day.

19. **Earnest Money Receipt And Disbursement.** Seller acknowledges receipt from Buyer of the earnest money described above. Seller shall give the earnest money to the escrow agent specified above who shall deposit it after the Buyer and Seller have signed this agreement into a pooled or non-pooled trust account it maintains with no interest due or payable to Buyer. Buyer agrees to pay any costs incurred by or for Buyer including but not limited to escrow cancellation fee(s). If all or part of the earnest money is to be returned to Buyer and any such costs remain unpaid, the escrow agent employed hereunder is instructed to deduct and pay such costs from the earnest money.

20. **Seller Conditions.** This Agreement is conditioned upon and subject to approval by the US Bankruptcy Court. Unfortunately, the trustee does not always have access to a title report or information with respect to the tax consequences of a sale when a purchase offer is made. Accordingly, the purchase agreement is conditioned on: (1) the Seller obtaining an opinion from an accountant that the proposed sale will not result in adverse tax consequences and (2) the Court authorizing an award to the Seller of reasonable fees and expenses pursuant to 11 U.S.C. Section 506(c) if there are liens against the property.

21. **Subsequent Offers.** All purchase agreements are subject to approval and order of the Bankruptcy Court. The Seller will apply to the Bankruptcy Court for approval of the sale set forth herein as soon as reasonably practicable. The Bankruptcy Court hearing shall take place within six weeks of mutual acceptance. Further, if the trustee receives a better offer on the property prior to the court hearing, he/she may accept such offer contingent upon approval of the Court and request that the court accept the better offer. In such event the court will be made aware of the other offer. This clause is an explanation of the law and removal of this clause from this Agreement will not change the law.

22. **Right Of First Refusal.** If this agreement is the first agreement the Seller has accepted regarding the subject property, the Seller, subject to court approval, hereby grants the Buyer a right of first refusal to match the proposed purchase price of any third party offer. To exercise this right of first refusal the Buyer must notify the Seller within ⁷²24 hours of receipt from the Seller of written notice of the third party's offer. The Buyer's notice shall be in writing and state that the Buyer meets or exceeds the third party's price and other terms. Price increases must be in increments of not less than one percent of the original offer.

If an offer is received within 24 hours of the court hearing date, the court may have the proposed purchasers submit in writing their last, highest, and best offers at or following the hearing to approve the sale.

23. **Agreement To Purchase And Time Limit For Acceptance.** Buyer offers to purchase the property on the above terms and conditions. Seller has until the close of business on the date set

forth below to accept this offer. Acceptance is not effective until a signed copy hereof is actually received by the Seller's attorney. If this offer is not so accepted, it shall lapse and the earnest money shall be refunded to Buyer.

24. **Counteroffers.** If a party makes a counteroffer the other party shall have until 9:00 p.m. on the second day following receipt of the counteroffer to accept it. Acceptance is only effective by delivering a signed acceptance of the counteroffer to the office of the selling broker.

25. **Commission/Agents.** Neither party hereto is represented by any broker or agent to whom the payment of any commission is due or payable in relation to the sale contemplated hereunder.

26. **Disclosure Statement.** The Seller is a bankruptcy trustee and therefore exempt from providing a real property transfer disclosure statement. No statement, therefore, shall be provided.

27. **Addenda.** The following addenda are attached hereto and made a part of this Agreement:
[X] None [] Attached:

THEREFORE, the parties agree as set forth herein.

SELLER

Robert D. Steinberg, Bankruptcy Trustee

By

Date: _____

(Print full name)

BUYER

Ketron Island Water, Inc., a Washington corporation

By

C. Clayton Chenaar
C. Clayton Chenaar

Its President

Date: 4/23/98

DEADLINE FOR ACCEPTANCE

(Not less than three business

days from receipt by Seller): _____

AGREEMENT TO PURCHASE WATER AND SEWER UTILITIES AND PRIVATE ROADS

THIS AGREEMENT is entered into this 12 day of December, 1994, by and between Ketron Island Enterprises, Inc., a Washington corporation (hereinafter "Seller"), Alaska-Northwest Industries, Inc., a Washington corporation (hereinafter "Alaska-Northwest"), Gary Lundgren an individual, (hereinafter "Lundgren") and Ketron Island Utility Company, Inc., a Washington corporation (hereinafter "Purchaser").

RECITALS

- 1. Seller is the owner of certain water systems and sewer collection systems (which collection systems are limited to those located in the roadways on Ketron Island), located in Pierce County, Washington, hereinafter referred to as the "Utility Systems".
- 2. Alaska-Northwest is the owner of certain real property on which some of the Utility Systems are located.
- 3. Seller desires to sell said Utility Systems.
- 4. Purchaser is a non profit corporation duly organized in the State of Washington that desires to purchase the Utility Systems.

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

AGREEMENT

1. Offer. Seller offers to sell and Purchaser agrees to purchase the Utility Systems located on Ketron Island in Pierce County, Washington, as described on Exhibit "A" hereto, which exhibit is incorporated herein by this reference.

~~2. Consideration. By this Agreement, the Utility Systems are being conveyed and transferred to Purchaser, in consideration for the following actions of Purchaser:~~

~~a. Purchaser agrees to cause a chlorination system that meets all requirements of the State of Washington, Department of Health requirements to be installed immediately after the closing of this transaction;~~

~~b. Purchaser agrees to employ engineers that are satisfactory to the State of Washington, Department of Health, immediately upon the closing of this transaction, for the purpose of completing all of the requirements of the State of Washington Department of Health Order dated May 20, 1994, which Order is set forth as Exhibit "B" hereto and incorporated herein by this reference, with instructions to complete all of the requirements of said Order not later than Ninety (90) days after the closing of this transaction. This Ninety (90) day provision may be extended if any reviews or approvals~~

cc



~~that may be required by any State or local governmental agencies extend the time necessary to meet this requirement provided that Purchaser and his agents are pursuing the intent of this paragraph with appropriate diligence.~~

~~c. Purchaser agrees to affect reasonable road repairs on the roads to be conveyed at the closing of this transaction within one week of the closing of this transaction.~~

~~d. Purchaser agrees to negotiate, in good faith, with the parties that are now connected to the Ketron Island sanitary sewer collection system, an agreement to provide for the reimbursement of reasonable out-of-pocket costs to be incurred by said parties for the installation of individual or small community septic systems. It is anticipated that said reimbursement would be by way of credits against future utility charges against those parties however, Purchaser is not obligated to satisfy this requirement in this manner. Commencing with the execution of this Agreement, Purchaser will begin negotiations with those parties now connected to the sewer collection system for the purpose of assuring that disconnection's occur as soon after the closing of this transaction as is possible given the need to schedule related construction activities. Further, Purchaser agrees to share with the parties presently connected to the collection system in any responsibility for any contamination of property on or connected to Ketron Island that occurs subsequent to the closing of this Agreement and to indemnify and hold harmless Seller and Lundgren for any such post-closing contamination. Purchaser further agrees to notify each property owner whose house is now connected to the sewer collection system but not occupied at the time of the closing of this transaction that Purchaser is disconnecting those sewer connections as of a date not later than Seven (7) days after such notice is delivered and agrees to cause these notices to be delivered at the earliest possible date following the closing of this transaction. Purchaser will also disconnect the side sewer that connects the collection systems to the digester located on Seller's property at the property line which is common with the roads as soon as the last occupied house is connected to an alternative disposal system.~~

~~e. Purchaser agrees to commence the planning for an off-Island solution to the disposal of wastewater immediately upon the closing of this transaction including:~~

~~i. completing the negotiations described in 2.d. above not later than One Hundred Twenty (120) days after the closing of this transaction;~~

~~ii. employing an engineer to begin the development of a cross-Sound wastewater disposal solution within One Hundred Twenty (120) days of the closing of this transaction;~~

~~iii. accept the responsibility for and employ an engineer that is acceptable to the State of Washington, Department of Ecology to plan and execute the cleaning of soils on Ketron Island that have been contaminated, in the opinion of the State of Washington, Department of Ecology.~~

~~f. Purchaser agrees to prepare and submit to Seller at the time of closing, a timeline setting forth the anticipated time at which Purchaser will complete design, cost estimate, governmental approvals and financing commitments for the installation of a sanitary sewer disposal system for Ketron Island, which submission must be acceptable to Seller, at Seller's sole discretion, for Seller to continue to closing.~~

CC-6

g. Purchaser agrees that, upon the closing of this transaction, Purchaser will, with appropriate diligence, pursue the implementation of water and sewer services capable of meeting the possible needs of the Island in the long term based on the assumption that Four Hundred (400) plus lots are eventually developed thereon.

h. Purchaser agrees to indemnify, defend and hold Seller and Lundgren harmless against any litigation that may be brought against either Seller or Lundgren by any of the current property owners on Ketron Island as a result of the administration of the Utility Systems during the time that these systems have been owned and/or operated by Seller and against any action that may be brought by the State of Washington Department of Health with regard to the Order dated May 20, 1994. Any actions that are currently in process by the State of Washington, Department of Ecology are exempt from the terms of this paragraph.

i. Purchaser agrees to allow Lundgren to record a deed of trust against the real property identified on Exhibit "C", which Exhibit is attached hereto and by this reference incorporated herein, as security for Purchaser's performance of the actions required of Purchaser hereby. Lundgren agrees to cause said deed of trust to be reconveyed not more than Two (2) years after the closing of this transaction or upon the satisfaction of all of the requirements of Purchaser as enumerated in this paragraph 2 should all of those actions be completed prior to the end of said two year period. Should Purchaser fail to conform with the requirements of this paragraph 2, Lundgren may foreclose upon this deed of trust, which action would be considered full satisfaction of the requirements hereof and terminate any other recourse that Lundgren or Seller have or, Lundgren and/or the Seller may pursue any other legal recourse that may be available to them to affect the specific performance of any of the terms hereof. Purchaser may substitute the security for this requirement subsequent to the closing of this transaction subject to Lundgren's approval, which approval will not be unreasonably withheld.

3. Assets to be Transferred. The Utility Systems consist of the personal property described on Exhibit "A", and only such assets, which include but are not necessarily limited to water lines, water meters, water mains, sewer mains, water tanks, valves, pumps, wells, reservoirs, accounts receivable, easements, appurtenances and tariffs, all of which are now used to provide service through the aforesaid Utility Systems but specifically excludes fee title to the real property on which is located the tanks, reservoirs and the abandoned sewer treatment facility. Additionally, title to real property, which property is identified on Exhibit "D" hereto, which Exhibit is incorporated herein by this reference, shall be conveyed to Purchaser by Quit Claim Deed by Alaska-Northwest which is a signatory to this Agreement. Personal property identified herein is to be conveyed by Bill of Sale. All conveyances are subject to any exceptions of record such as covenants, restrictions, government patents, easements, and other encumbrances of record plus easements, in the form set forth in Exhibit "E" hereto which Exhibit is incorporated herein by this reference, to be recorded in favor of Alaska-Northwest over the roads providing Alaska-Northwest with the right to install utilities in said roads at some future date to serve properties owned by Seller as of the date hereof. Seller shall take all reasonable steps necessary to transfer water rights for the Utility Systems however, Seller, Lundgren and Alaska-Northwest do not hereby convey any right to water



←
acc

that exclusively benefits any currently undeveloped lots or land owned by Alaska-Northwest.

4. Contingencies to Closing. This Agreement is contingent upon the following conditions:

- a. Any necessary approvals of the Washington Utilities and Transportation Commission and/or the Washington State Department of Health relative to the transfer of the assets described in paragraph 3 hercof;
- b. Seller's acceptance of the condition of title to the real estate identified on Exhibit "C".

5. Closing. This Agreement shall close within Ten (10) working days of the satisfaction of the contingencies above. If the contingencies are not satisfied on or before December 31, 1994, this Agreement shall lapse unless the agencies identified in 4.a. above have provided a written commitment to respond to any requests relative to approval of this transaction within a specified time in which case this Agreement shall automatically be extended until such response(s) have been received, provided, however, that the parties hereto may extend the closing date by execution of an amendment to this Agreement.

6. Title Insurance. Each party shall be responsible for the entire cost of any title insurance that that party chooses to acquire for its' benefit and neither party shall be responsible for the purchase or cost of title insurance that benefits the other party.

7. Deposits with Closing Agents/Payment of Closing Costs. At or prior to closing, each party shall deposit with the closing agent, who shall be agreed upon by both parties, all instruments and moneys necessary to complete this transaction in accordance with its terms. Seller and Purchaser shall each pay the real estate excise tax, conveyance taxes and recording fees associated with this transaction, if any, relative to the property to which that party is either grantee either of a deed or beneficiary of a deed of trust.

8. Prorations. Purchaser shall assume responsibility for any and all encumbrances against any of the assets to be transferred by this transaction. To the extent that an appealed, existing State of Washington, Department of Ecology fine is, or becomes, a lien against the property that is the subject of this transaction, that encumbrance would remain the obligation of Seller and/or Lundgren.

9. Condition of Property. Seller, Alaska-Northwest and Lundgren make no warranties or representations as to the condition of the real or personal property associated with this transaction and Purchaser acknowledges that the assets to be transferred hereby are to be conveyed absolutely "As-Is". Seller makes no representations as to the presence or absence of hazardous wastes, asbestos, or similar substances in any of the property to be conveyed and the Purchaser is advised to seek competent advise with regard to the presence of any such materials.

Exhibit 'A'

All water lines, mains, valves, pumps, water meters, tanks, reservoirs, wells, easements, apportances, tariffs and accounts receivable owned by Ketron Island Enterprises, Inc. and/or located on Ketron Island, Pierce County, Washington.

ccc

EXHIBIT "D"

PARCEL A:

All boulevards, avenues, streets, pedestrian walkways and easements, as reserved in the dedication of the Plat of TRACT A KETRON SUNRISE ADDITION, as per plat recorded in Volume 18 of Plats at page 87, records of Pierce County.

PARCEL B:

All boulevards, avenues, streets, pedestrian walkways and easements, as reserved in the dedication of the Plat of TRACT "B" KETRON SUNSET, as per plat recorded in Volume 26 of Plats at pages 14 and 15, records of Pierce County; EXCEPT the pedestrian walkways and easements as conveyed with the lots of KETRON ISLAND ESTATES, a replat of portions of TRACT "A" KETRON SUNRISE ADDITION AND TRACT "B" KETRON SUNSET, as per plat recorded in volume 38 of Plats at pages 56 and 57, records of Pierce County.

All situate in the County of Pierce, State of Washington.

ccc

EXHIBIT "E"

All of:

PARCEL A:

All boulevards, avenues, streets, pedestrian walkways and easements, as reserved in the dedication of the Plat of TRACT A KETRON SUNRISE ADDITION, as per plat recorded in Volume 18 of Plats at page 87, records of Pierce County.

PARCEL B:

All boulevards, avenues, streets, pedestrian walkways and easements, as reserved in the dedication of the Plat of TRACT "B" KETRON SUNSET, as per plat recorded in Volume 26 of Plats at pages 14 and 15, records of Pierce County; EXCEPT the pedestrian walkways and easements as conveyed with the lots of KETRON ISLAND ESTATES, a replat of portions of TRACT "A" KETRON SUNRISE ADDITION AND TRACT "B" KETRON SUNSET, as per plat recorded in volume 38 of Plats at pages 56 and 57, records of Pierce County.

All situate in the County of Pierce, State of Washington.

is subject to an easement in favor of:

PARCEL A:

Those portions of Government Lots 1 and 2 in Section 11, Township 19 North, Range 1 East of W.H., lying southerly of the following described line: Beginning at the intersection of the westerly extension of Lot 4, Block 3, TRACT "B" KETRON SUNSET, according to plat recorded in Book 26 of Plats at pages 14 and 15, with the meander line on the west side of Government Lot 1; thence easterly to the said southwest corner of Lot 4; thence along the south line of said TRACT "B" KETRON SUNSET, and along south line of TRACT A, KETRON SUNRISE ADDITION, PIERCE COUNTY, WASHINGTON, according to plat recorded in Book 18 of Plats at page 87, south 80°12'19" east 327.88 feet, south 73°18'05" east 386.86 feet, north 16°41'55" east 110.00 feet, south 73°18'05" east 275.50 feet on a curve to the left of radius of 254.18 feet through a central angle of 2°14'10" an arc distance of 9.92 feet, south 08°04'44" east 150 feet, south 86°48'54" east 99.35 feet and south 30°37'13" east 153.97 feet; thence continue south 30°37'13" east to meander line on east side of said Government Lot 1, the terminus of said described line.

EXCEPT any portion thereof lying within tidelands of the second class, TOGETHER with the non-exclusive right and easement to use for purposes of ingress and egress the following:

That portion of Government Lots 1 and 2, Section 11, Township 19 North, Range 1 East, W.H., and tidelands lying east of Block 1, TRACT A, KETRON SUNRISE ADDITION, PIERCE COUNTY, WASHINGTON, according to plat recorded in Book 18 of Plats at page 87, and west of the line of extreme low tide bounded on the north by the terminus line of Morris Boulevard (Private Road) extended northeasterly from the southeast corner of Lot 2, said Block 1, as shown on said plat, and bounded on the south by an extension westerly of the south line of the property conveyed and dedicated to Pierce County by deed recorded under Auditor's Fee No. 1931044, as right of way for Ketron Island Ferry Landing.

EXCEPT that portion conveyed and dedicated to Pierce County by Deed recorded under Auditor's Fee No. 1931044, as right of way for Ketron Island Ferry Landing, and EXCEPT any portion lying easterly of the following described line: Commencing at the southwest corner of Lot 2, said Block 1; thence north $54^{\circ}09'18''$ east 50 feet to the point of beginning of said described line; thence south $35^{\circ}50'$ east to the line of extreme low tide and the terminus of said described line.

Morris Boulevard (Private Road), as shown on TRACT A, KETRON SUNRISE ADDITION, PIERCE COUNTY, WASHINGTON, according to plat recorded in Book 18 of Plats at page

PARCEL D:

That portion of Government Lot 1 in Section 1 and those portions of Government Lots 1, 2 and 3 in Section 2, all in Township 19 North, Range 1 East of the W.H.,

described as follows:

Commencing at the most westerly corner of Lot 1, Block 7, TRACT "B" KETRON SUNSET, according to plat recorded in Book 26 of Plats at pages 14 and 15; thence north $30^{\circ}57'08''$ west 50.00 feet along northerly line of Kitson Street, as shown on said plat to point of beginning; thence continuing along said northerly line and along easterly line of West Morris Boulevard, as shown on said plat north $30^{\circ}57'08''$ west 37.69 feet, westerly along a curve to the left of radius 325.00 feet through a central angle of $34^{\circ}38'52''$ an arc distance of 196.53 feet, north $65^{\circ}36'00''$ west 66.42 feet, northerly along a curve to the right of radius of 15 feet through a central angle of $90^{\circ}00'00''$ an arc distance of 23.56 feet, north $24^{\circ}24'00''$ east 608.40 feet, northerly along a curve to the left having a radius of 325.00 feet through a central angle of $37^{\circ}25'11''$ an arc distance of 212.26 feet, north $13^{\circ}01'11''$ west 26.56 feet, northerly along a curve to the right of radius 40.00 feet through a central angle of $40^{\circ}16'44''$ an arc distance of 28.12 feet; thence north $27^{\circ}15'33''$ east 90 feet to intersect the southerly line of property conveyed to Donald E. Morris and Virginia Morris, his wife, by deed recorded August 5, 1957 under Auditor's Fee No. 1793645; thence south $62^{\circ}44'27''$ east along said southerly line to southeast corner of said Morris property; thence north $18^{\circ}34'35''$ east 397.40 feet to a point bearing south $84^{\circ}55'01''$ west 430.47 feet from southeast corner of Government Lot 1 in said Section 2; thence along the easterly line of said Morris property north $07^{\circ}38'19''$ east 268.00 feet, south $88^{\circ}43'09''$ west 206.67 feet, north $10^{\circ}31'47''$ east 273.61 feet, north $53^{\circ}07'48''$ west 135.00 feet, north $28^{\circ}44'54''$ east 225.86 feet and north $27^{\circ}37'00''$ west 73.83 feet to a point on the Government meander line; thence north $28^{\circ}44'54''$ east along said meander line to intersect a line parallel with and 900 feet north of south line of Government Lot 1 in said Section 2, being south line of property conveyed to Y.L.A. Club by deed recorded September 22, 1942 under Auditor's Fee No. 1306866; thence east along said parallel line to intersect the east line of said Section 2; thence north along said east line 100 feet; thence west parallel with the south line of Government Lot 1 in said Section 2 to intersect the Government meander line for said Lot 1; thence northeasterly along said meander line to intersect the southwesterly line of property conveyed to Inga B. Morris, by deed recorded November 28, 1972 under Auditor's Fee No. 2476735; thence south $54^{\circ}32'40''$ east along said southwesterly line to an angle point; thence continuing along said southwesterly line south $77^{\circ}24'35''$ east 48.05 feet, and south $46^{\circ}24'23''$ east 12.37 feet to the west line of property conveyed to Inga B. Morris by deed recorded August 17, 1971 under Auditor's Fee No. 2406468; thence along said west line south $02^{\circ}02'24''$ west 330.61 feet and south $35^{\circ}50'42''$ east to intersect the northerly line of Morris Boulevard, as shown on the Plat of TRACT A, KETRON SUNRISE ADDITION, PIERCE COUNTY, WASHINGTON, according to plat recorded in Book 18 of Plats at page 87; thence northwesterly along said northerly line, being a curve to the left of radius 168.24 feet having a central angle of $100^{\circ}45'58''$, the center of which bears south $54^{\circ}09'18''$ west, an arc distance of 295.88 feet to northeast corner

of Lot 1, Block 2, of said TRACT A, KETRON SUNRISE ADDITION; thence north $80^{\circ}13'$ west 178.13 feet; thence along the westerly line of said TRACT A, KETRON SUNRISE ADDITION, south $09^{\circ}46'28''$ west 100 feet, on a curve to the left of radius 318.2 feet through a central angle of $39^{\circ}54'51''$ an arc distance of 221.71 feet, south $20^{\circ}08'23''$ east 266.66 feet, on a curve to the right of radius 134.71 feet through a central angle of $58^{\circ}56'10''$, an arc distance of 138.56 feet, south $28^{\circ}47'47''$ west 170.69 feet, on a curve to the left of radius 695.87 feet through a central angle of $15^{\circ}12'29''$ an arc distance of 184.71 feet; south $13^{\circ}35'18''$ west 116.95 feet; on a curve to the left of radius 695.87 feet through a central angle of $11^{\circ}00'00''$ an arc distance of 114.65 feet and south $04^{\circ}08'55''$ west 458.80 feet to northwest corner of Lot 8, Block 3, of said TRACT A, KETRON SUNRISE ADDITION; thence southwesterly in a straight line to a point on a line bearing north $59^{\circ}02'52''$ east a distance of 110 feet from true point of beginning; thence south $59^{\circ}02'52''$ west 110.00 feet to point of beginning. ...

EXCEPT therefrom the following described property:

Beginning on the east line of Section 2, Township 19 North, Range 1 East of the W.M., at a point 900 feet north of the southeast corner of Government Lot 1 Section; thence west parallel with the south line of said Government Lot 1 to intersect the Government meander line; thence south $16^{\circ}44'54''$ west along said meander line to intersect the northern most corner of property conveyed to Donald E. Morris and Virginia Morris, husband and wife, by deed recorded August 5, 1957 under Pierce County Auditor's Fee No. 1793645; thence east to the southwest corner of Lot 1 in Block 2 of TRACT A, KETRON SUNRISE, according to plat recorded in Book 18 of Plats at page 87; thence north $09^{\circ}46'28''$ east 100.00 feet; thence south $80^{\circ}13'32''$ east 178.13 feet to intersect the northerly line of Morris Boulevard, as shown in said plat; thence northerly along a curve to the right of radius

168.24 feet, the center of which bears south $46^{\circ}36'40''$ east to intersect the east line of Government Lot 1 in said Section 2; thence north along said east line to the point of beginning.

TOGETHER with the non-exclusive right and easement to use for purposes of ingress and egress the following:

That portion of Government Lots 1 and 2, Section 1, Township 19 North, Range 1 East of the W.M., and tidelands lying east of Block 1, TRACT A, KETRON SUNRISE ADDITION, PIERCE COUNTY, WASHINGTON, according to plat recorded in Book 18 of Plats at page 87, and west of the line of extreme low tide bounded on the north by the terminus line of Morris Boulevard (Private Road) extended northeasterly from the southeast corner of Lot 2, said Block 1, as shown on said plat, and bounded on the south by an extension westerly of the south line of the property conveyed and dedicated to Pierce County by deed recorded under Auditor's Fee No. 1931044, as right of way for Katron Island Ferry Landing.

EXCEPT that portion conveyed and dedicated to Pierce County by Deed recorded under Auditor's Fee No. 1931044, as right of way for Katron Island Ferry Landing, and EXCEPT any portion lying easterly of the following described line: Commencing at the southwest corner of Lot 2, said Block 1; thence north $54^{\circ}09'18''$ east 50 feet to the point of beginning of said described line; thence south $35^{\circ}50'$ east to the line of extreme low tide and the terminus of said described line.

Wilkes Street (Private Road) and that portion of Morris Boulevard (Private Road) as shown on TRACT A, KETRON SUNRISE ADDITION, PIERCE COUNTY, WASHINGTON, according to plat recorded in Book 18 of Plats at page 87, lying north of the north line of Lot 1, Block 2, said Tract A, extended easterly.

for access and installation and maintenance of utility systems for the benefit of these properties.

**ACCUMULATED DEPRECIATION of NON-CONTRIBUTED PLANT
TRANSFER OF PROPERTY**

	Acct. No. (a)	Account Name (b)	Company Service Life (c)	Accumulated Balance PRIOR TO Transfer (d)	Additions (e)	Retirements (f)	Yearly Depn (g)	Accumulated Balance AFTER Transfer (h)
1	301	Organization	xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2	302	Franchises	xxx	xxx	xxx	xxx	xxx	xxx
3	303	Land and Land Rights	xxx	xxx	xxx	xxx	xxx	xxx
4	304	Structures and Improvements	15 YR	0	0	0	0	0
5	305	Collecting and Impounding Reservoirs	N/A					
6								
7	306	Lake, River and other Intakes	N/A					
8								
9	307	Wells and Springs	20 YR	0	0	0	0	0
10	309	Supply Mains	50 YR	0	0	0	0	0
11	310	Power Generation Equipment	N/A					
12	311	Pumping Equipment	15 YR	0	0	0	0	0
13	320	Water Treatment Equipment	N/A					
14	330	Distribution Reservoirs and Standpipes	N/A					
15								
16	331	Transmission and Distribution Mains	50 YR	0	0	0	0	0
17								
18	333	Services			0	0	0	0
19	334	Meters and Meter Installations	20 YR	2000	0	100		1900
20	335	Hydrants	20 YR		0	0		
21	339	Other Plant and Miscellaneous Equipment	N/A					
22								
23	340	Office Furniture & Equipment	N/A					
24	341	Transportation Equipment	N/A					
25	343	Tools, Shop and Equipment	N/A					
26	345	Power Operated Equipment	N/A					
27	348	Other Tangible Plant	0	0	0	0	0	0
28								
29		Total		\$ 2000	\$ 0	\$ 100	\$ 0	\$ 1900

**WATER UTILITY PLANT (101-105)
TRANSFER OF PROPERTY**

	Acct. No. (a)	Account Name (b)	Balance PRIOR TO (c)	Additions (d)	Retirements (e)	Balance AFTER (f)
1	301	Organization	\$	\$	\$	\$
2	302	Franchises				
3	303	Land and Land Rights				
4	304	Structures and Improvements	1000		1000	
	305	Collecting and Impounding Reservoirs	0			
5	306	Lake, River and other Intakes	NA			
6	307	Wells and Springs				
7	309	Supply Mains				
8	310	Power Generation Equipment	NA			
9	311	Pumping Equipment	0			
10	320	Water Treatment Equipment	NA			
11	330	Distribution Reservoirs and Standpipes	NA			
12	331	Transmission and Distribution Mains	0			
13	333	Services	0			
14	334	Meters and Meter Installations	2000	0	100	1900
15	335	Hydrants	0	0		
16	339	Other Plant and Miscellaneous Equipment	NA			
17	340	Office Furniture and Equipment	NA			
18	341	Transportation Equipment	NA			
19	343	Tools, Shop and Equipment	NA			
20	345	Power Operated Equipment	NA			
21	348	Other Tangible Plant	0	0	0	0
22		Total	\$ 3000	\$ 0	\$ 1100	\$ 1900
23						

INCOME STATEMENT
TRANSFER OF PROPERTY
For the Calendar Year _____

	Acct. No. (a)	Account Name (b)	Water (c)	Other (d)	Total Company (e)
		REVENUES			
1	400	Operating Revenue Accounts	\$ 0	\$ 0	\$ 0
2	471	Miscellaneous Revenue Accounts	0	0	0
3	474	Other Revenue Accounts	0	0	0
4		Utility Operating Revenue	\$ 0	\$ 0	\$ 0
		EXPENSES			
5	401	Operating Expense Accounts			
6	403	Depreciation Expense			
7	406	Amortization Expense			
8	408	Other Tax & License			
9	409	Income Taxes			
10		Utility Operating Expense	\$ 0	\$ 0	\$ 0
11		Utility Operating Income (Loss)	\$ 0	\$ 0	\$ 0
		OTHER INCOME AND DEDUCTIONS			
		Other Income:			
12	414	Gain (Loss) From Disposition Of Plant			
13	415-416	Jobbing and Contract Work			
14	419	Interest & Dividend Income			
15	421	Nonutility Income			
		Other Deductions:			
16	426	Miscellaneous Nonutility Expenses			
17	427	Interest Expense			
18	433	Extraordinary Income/Deduction			
19		Net Income (Loss)	\$ 0	\$ 0	\$ 0

**COMPARATIVE BALANCE SHEET
TRANSFER OF PROPERTY**

	Acct. No. (a)	Account Name (b)	PRIOR TO TRANSFER (c)	AFTER TRANSFER (d)
		ASSETS:		
1	101-105	Utility Plant	\$ 27,000	\$ 27,000
2	108	Less: Accumulated Depreciation	0	0
3	110	Accumulated Amortization	0	0
4	114	Utility Plant Acquisition Adjustment	0	0
5		Net Utility Plant	\$ 27,000	\$ 27,000
6	124	Utility Investments	0	0
7	127	Special funds	0	0
8	131	Cash	0	0
9	141	Customer Accounts Receivable	0	0
10	151	Plant Materials and Supplies	2,000	2,000
11	162	Prepayments	0	0
12	186	Other Deferred Debits	0	0
13		Other Assets (Specify)	0	0
14			0	0
15		Total Assets	\$ 45,000	\$ 45,000
		CAPITAL AND LIABILITIES:		
16	201-204	Capital Stock Issued	\$ 0	\$ 0
17	211	Other Paid In Capital	0	0
18	214-215	Retained Earnings	0	0
19	218	Proprietary Capital	0	0
20		Total Capital	\$ 0	\$ 0
21	224	Long-Term Debt	0	0
22	231	Accounts Payable	0	0
23	232	Notes Payable	0	0
24	235	Customer Deposits	0	0
25	236	Accrued Taxes	0	0
26	253	Other Deferred Credits	4,340.00	4,340.00
27	265	Miscellaneous Operating Reserves	0	0
28	271	Contributions In Aid Of Construction (CIAC)	0	0
29	272	Less: Accumulated Amortization Of CIAC	0	0
30		Other Liabilities (Specify)	0	0
31			0	0
32		Total Liabilities	\$ 4,340.00	\$ 4,340.00
33		Total Capital and Liabilities	\$ 4,340.00	\$ 4,340.00

KETRON ISLAND HOMEOWNERS ASSN.

KETRON ISLAND

Chuck Rardon, President

P. O. Box 881004

Steilacoom, WA 98388

PH. (253) 582-1784

Saturday, October 18, 1997

Mr. Jim Watts, from Evergreen Water Systems, came to the Island at 0930 AM to appraise the Ketron Island Water system.

The following are findings from Mr. Watts visit:

There is no meter on the main pump to monitor the water flow.

The Main pump has a knock in it and a vibration of undetermined origin. Options are to replace the pump motor or have it repaired. Replacement cost is approximately \$5,000, repair cost approximate 2-3 thousand. Removal of the pump would require the roof of the pump house to be removed, adding another \$1,000-\$1,500.

Booster pump that fills the water tower needs immediate replacement. Approximate replacement cost for used equipment is \$2,000. When this pump fails the Island will be out of water. Water needs to be in the Water Tower at all times, not only to supply customers with water, but to prevent any sludge or tank residue from entering the water lines. It is not a question of, if this pump fails, it is a question of when, due to the poor condition of the pump. A spare booster pump needs to always be on site for immediate replacement, cost of used spare pump \$2,000.

The well was completed in August of 1958 and has had little or no maintenance since put on line to the customers. The main water lines are asbestos pipe, TRANSZITE(sp), which already exceeded its life expectancy. Replacement cost of the pipe would be approximately \$48 per foot, approximately 6,000 ft.

Condition of the two water tanks were hard to determine. The well site tank will have debris in it from the well, however it is difficult to determine how much debris at this time.

The Water Tower needs inspecting to determine its condition. Inspection cost for both tanks (well site and water tower) should be less than \$1,000. Should they need cleaning the normal charge is \$1.00 per gallon capacity, or approximately \$30,000.

The normal going rate for purchasing a small water system is six months revenue of the system. In this case, 13 hook-ups at \$31.50 per month equals \$409.50 per month. For six months \$2,457.00.

Last but not least, would be the purchase of liability insurance.

This system should be rated as a class "B" system, due to having less than 15 customers.

KETRON ISLAND WATER.

KETRON ISLAND

Clayton Chenaar, President

P. O. Box 88516

Steilacoom, WA 98388

PH. (253) 588-1608 or 588-8900

Fax 984-7949

June 5, 1998

Secretary, UTC

Carole J. Washburn

P. O. Box 47250

Olympia, Washington 98504-7250

Subject: Buyer's Financial report
Request for Approval to Transfer Water System Assets

Dear Ms. Washburn,

The purchaser of the water system on Ketron Island is made up of homeowners and lot owners that have the best interest of the Island in the mind. We are all voting members of Ketron Island Water, a Non-Profit Washington Corporation in good standing.

Our current cash assets are \$35,000. With additional pledges, in writing, of \$15,000 for a immediate total cash availability of \$50,000. These monies do not encumber any of the water system assets. These cash assets are solely dedicated for the purchase and any immediate repairs required on the water system. With cash revenues from the water system and other donations we are confident that the system will be brought to first class operating standards within 12-18 months.

All testing required by the Department of Health, all maintenance, and repair has been accomplished by the purchaser, Ketron Island Water since October 1997.

Sincerely,



Clayton Chenaar

Notice for Company Transfer of Sale

June 3, 1998

Ketron Island Water
Ketron Island
P.O. Box 88516
Steilacoom, WA 98388

IMPORTANT NOTICE

Ketron Island Water has asked the Washington Utilities and Transportation Commission for permission to transfer ownership and operation of Ketron Island Utility Co. to Ketron Island Water. This transfer of ownership is contingent upon approval by the Washington Utilities and Transportation Commission.

As we have been maintaining the facility since October of 1997 we are constantly gaining experience.

We are consulting with like sized companies to assure continued service.

Your current rates will not increase at this time.

If you have any questions about how this transfer of sale may affect you, please call Ketron Island Water at 588-1608.

If you have any question about the rate making process you may contact WUTC , 1300 S. Evergreen park Dr. SW, P.O. Box 47250, Olympia, WA 98504-7250

If you plan to attend the Commission open meeting, you are asked to contact commission staff by calling their toll free number 1-800-562-6150 for the date and time. Only written comments or comments presented at the Commission Open Meeting may become part of the formal record. If you would like to be on the mailing list for the Commission's open meeting, you may write or call the toll free number listed above and leave your name and address.

**Clayton Chenaar, President
Ketron Island Water**

ARTICLES OF INCORPORATION{PRIVATE }

FILED
STATE OF WASHINGTON

OF

MAR 06 1998

KETRON ISLAND Water

RALPH MUNRO
SECRETARY OF STATE

WE, THE UNDERSIGNED, each being over the age of twenty-one (21) years and citizens of the United States, acting as incorporators of a corporation under the provisions of the Washington Non-Profit Corporation Act (RCW 24.03), do hereby adopt the following Articles of Incorporation:

Article I.

The name of the corporation shall be KETRON ISLAND WATER

Article II.

The corporation shall continue in perpetuity or until dissolution pursuant to law. In the event of dissolution of the corporation, the net assets are to be distributed equitably among current dues paying members of the corporation after all liabilities are satisfied.

Article III.

The purposes for which the corporation is formed are:

1. To establish, maintain, operate and control facilities for the health and welfare of the residents of Ketron Island.
2. To own, purchase or otherwise acquire, construct, improve, develop, repair, operate and maintain and/or dispose of streets, roadways, easements, parkways, water well site and associated pumps, equipment and water lines, water tower and general community facilities appropriate for the use and benefit of its members and residents.
3. To provide water service and to make and collect charges to cover the cost and expenses therefor.
4. To acquire by gift, purchase, lease or otherwise, and to own, hold, enjoy, operate, maintain, and to convey, sell, lease, transfer, mortgage and otherwise encumber, dedicate for public use, and/or otherwise dispose of real and/or personal property or any interest therein.
5. To fix, establish, levy and collect such fees, dues, charges and/or assessments as may be necessary in the judgment of the Board of Trustees, to carry out any and all of the purposes for which this corporation is formed, but not in excess of the maximum, from time to time, fixed by the bylaws.
6. To expend the monies collected by this corporation from assessments, fees, dues and charges and other sums received for the payment and discharge of costs, expenses and obligations

for the benefit of its members or the property of its members.

8. To do all other things necessary, desirable, or useful; in carrying out the objectives of this corporation.

9. The objectives of the corporation shall be construed both as purpose and powers, and their enumeration shall not be construed to limit or restrict in any manner the general powers of the corporation, nor shall the expression of any one thing be deemed to exclude another not so expressed.

Article IV.

The Registered Agent of the corporation is Francis D. Stiles who resides at 16 Morris Blvd., Ketron Island, Steilacoom Washington 98388. The principal place of business of the corporation shall be 16 Morris Blvd., Ketron Island, Steilacoom, Washington 98388. The Post office box number used in conjunction with the Registered Agent address is P. O. Box 88516, Steilacoom, Washington 98388.

Article V.

The qualification of the members of the corporation, and the property, voting and other rights and privileges and liabilities to charges and assessments, of the members shall be set forth in the bylaws of the corporation.

Article VI.

The corporation is one which does not contemplate pecuniary gain or profit to the members thereof and is organized for non-profit purposes, and no part of any net earnings thereof shall inure to the benefit of any member or any other individual.

Article VII.

The management of the corporation will be vested in the Board of Trustees; the number of Trustees shall not be less than three (3) nor more than nine (9), and the number, qualifications, term of office, manner of election, time and place of meetings, and powers and duties of trustees, shall be such as are prescribed by the bylaws of the corporation.

Article VIII.

The bylaws may be amended by majority vote of those present at any annual meeting of the members or at any special meeting of the members called for that purpose.

Article IX.

the members provided that notice has been given of intention to submit such amendment.

ARTICLE X.

The directors and trustees are listed below:

Clayton Chenaar
10101 Morris Blvd., Ketron Island
Steilacoom, Washington 98388

Marion Chenaar
10101 Morris Blvd., Ketron Island
Steilacoom, Washington 98388

Francis D. Stiles
16 Morris Blvd., Ketron Island
Steilacoom, Washington 98388

Diane B. Stiles
16 Morris Blvd., Ketron Island
Steilacoom, Washington 98388

Charles Rardon
18 Morris Blvd., Ketron Island
Steilacoom, Washington 98388

Doran Slater
3 Morris Blvd., Ketron Island
Steilacoom, Washington 98388

Doran Slater

Doran Slater
Ketron Island, Steilacoom, Washington

Francis D. Stiles

Francis D. Stiles
Ketron Island, Steilacoom, Washington

Diane B. Stiles

Diane B. Stiles
Ketron Island, Steilacoom, Washington

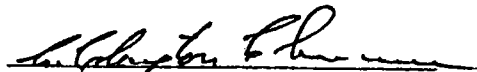
Marion A. Chenaar

Marion Chenaar
Ketron Island, Steilacoom, Washington


Article XI.

The trustees were elected by the members in the manner prescribed by the bylaws, the affairs of the corporation shall be managed by the undersigned incorporators as trustees for a period set forth in the bylaws.

IN WITNESS WHEREOF, we, the undersigned, the incorporators of this corporation, have on this 5th day of March, 1998 hereunto set our hands, address see article X.



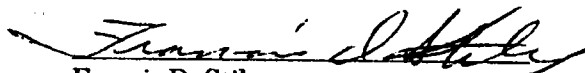
Clayton Chenaar
Ketron Island, Steilacoom, Washington



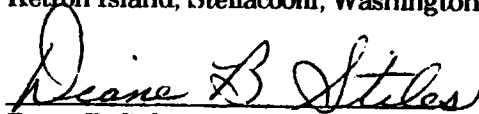
Chuck Rardon (CHARLES)
Ketron Island, Steilacoom, Washington



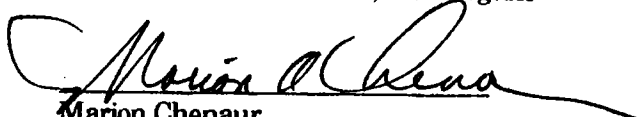
Doran Slater
Ketron Island, Steilacoom, Washington



Francis D. Stiles
Ketron Island, Steilacoom, Washington



Diane B. Stiles
Ketron Island, Steilacoom, Washington



Marion Chenaar
Ketron Island, Steilacoom, Washington

CONSENT TO APPOINTMENT AS REGISTERED AGENT

OF

KETRON ISLAND WATER

I, Francis D. Stiles, hereby consent to serve as Registered Agent in the State of Washington for the corporation herein named. I understand that as agent for the corporation, it will be my responsibility to accept Service of Process in the name of the corporation; to forward all mail to the corporation; and to immediately notify the Office of the Secretary of State in the event of my resignation or of any change in Registered Office address of the corporation for which I am Agent.

Francis D. Stiles Date *3/5/98*

STATE of WASHINGTON



SECRETARY of STATE

I, **RALPH MUNRO**, Secretary of State of the State of Washington and custodian of its seal, hereby issue this

CERTIFICATE OF INCORPORATION

to

KETRON ISLAND WATER

a Washington Non Profit corporation. Articles of Incorporation were filed for record in this office on the date indicated below.

UBI Number: 601 858 893

Date: March 06, 1998



Given under my hand and the Seal of the State
of Washington at Olympia, the State Capital


RALPH MUNRO

Ralph Munro, Secretary of State

2-577839-0