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WATER SYSTEM TRANSFER AGREEMENT

THIS AGREEMENT made this 4th day of FEBRUARY, 2013, between Brian Water Corporation, an Idaho corporation, hereinafter referred to as "Brian Water", whose address for notice is 5120 Overland Road, Suite C #228, Boise, Idaho 83705, and Brian Subdivision Water Users Association, Inc., an Idaho non-profit corporation, hereinafter referred to as the "Association", whose address for notice is 5885 Eastwood Place, Boise, Idaho 83716.

IDAHO PUBLIC UTILITIES COMMISSION

WHEREAS, Brian Water is the owner and operator of a private water system and related real property (the "Real Property") located in Ada County, Idaho, which was initially established to serve the Brian Subdivision development; and

WHEREAS, the aforementioned water system is in need of repairs and contamination remediation which require significant funds; and

WHEREAS, funds are generally made available through grants and governmental subsidies to aid the maintenance and remediation of cooperatively or member owned water systems; and

WHEREAS, the Association is a not for profit corporation owned and operated by the consumers who receive water from the system heretofore operated by Brian Water; and

WHEREAS, Brian Water desires to transfer the water system, together with all of its necessary components and rights as more particularly described below, to the Association and the Association desires to take delivery of and acquire said water system, as defined below, and to own, operate and maintain said system from and after the effective date of this transfer.

NOW, THEREFORE, in consideration of the mutual promises contained herein, it is agreed as follows:

1. Transfer. Brian Water agrees to transfer to the Association all its rights, title and interest in and to the community water system originally constructed to serve the development commonly known as Brian Subdivision in Ada County, Idaho, as the same has been expanded, including any water rights, franchise rights, operating permits or registrations held by Brian Water together with all necessary easements, rights, equipment, documentation and installations appurtenant thereto, including but not by way of limitation, the water mains, the valves, the hydrants, the water storage facilities, the water meters, the service lines between the mains and the water meters and operation and maintenance manuals and all Real Property, all of which are collectively referred to herein as the "System". The System shall be transferred upon signing this agreement and the Real Property which makes up a part thereof, by quit-claim deed.

2. Consideration for Transfer. The Association shall pay over and remit to Brian Water such sums as necessary to reimburse Brian Water for all costs incurred in consummating and concluding the transfer contemplated by this agreement, together with the sum of \$ 1,000, payable as follows: CASH, in addition to the revenues identified in 7.1 below.

Further, the Association hereby assumes any and all outstanding obligations to remediate any current defects or contaminations found upon any prior or future inspections of the System.

3. **Conditions to Transfer.** The transfer embodied by this Agreement shall be contingent upon Brian Water providing such notices as are required by applicable regulation to the Idaho Department of Environmental Quality and the Idaho Public Utilities Commission.

Upon such notice, should any regulatory agency require approval of the transfer contemplated hereby for any reason, the Association shall cooperate by providing any and all information required for the transfer herein contemplated to gain such approval.

4. **Inspections.** The Association acknowledges that it has had an opportunity to inspect the System. The Association acknowledges that it has had an opportunity to test equipment and to test water quality and quantity. Brian Water shall allow the Association continuing access to conduct such further tests and inspections as may be necessary or required prior to the closing and transfer of title to the System. The parties acknowledge that the sole purpose of further testing after the Effective Date hereof is to allow the Association to be completely familiar with any condition and the use of the operating equipment or components of the System, so as to be fully prepared to assume its obligations upon the transfer of title to the System. The Association may not use the results of inspections or testing to renegotiate the terms of this Agreement.

5. **Repairs.** Brian Water shall maintain the System in its current, functioning state until the transfer of title to the System. Upon transfer of title to the System, the Association shall be responsible for all repairs, maintenance and remediation with respect to the System, whether presently known or hereafter discovered.

6. **Notice to Customers.** When the conditions contained in Paragraph 3 above, have been satisfied, Brian Water shall send a notice to all consumers receiving water from and through the System, as follows:

(a) notifying them of the imminent transfer of the System to the Association and the expected effective date thereof; and

(b) providing a telephone number and address to use in order to obtain further information.

7. **Billings.**

7.1 **Final Customer Bills.** Brian Water has done a final reading of all water meters for January 2013 usage. Brian Water has sent a final water bill to each customer. Brian Water shall be entitled to collect all revenues generated from said final reading, minus any surcharge amount approved by the Idaho Public Utilities Commission.

7.2 **Past Billing Records.** Brian Water shall be entitled to retain all past billing records. Brian Water shall provide the Association reasonable access to such historical billing data upon request for a period of 90 days following closing.

8. **Closing.** The closing and transfer of title shall take place upon signing of this agreement.

9. **Adjustments.** The parties shall make adjustments for real property and school taxes levied against any property which make up the System as of the date of closing and transfer of title. Brian Water has paid the first half of 2012 Property Taxes (Public Utility Tax Bill). The balance due in June 2013 shall be paid by the Association.

10. **Representations by Brian Water.** Brian Water hereby represents and warrants the following, which representations shall survive the closing:

(a) it shall provide its customer list, including names and addresses, to the Association on the date of closing and transfer of title, and that such customer list shall be true and accurate;

(b) Brian Water has not and will not accept any prepayment of water bills for services to be provided following the closing and transfer of title;

(c) Brian Water is a corporation in good standing with the Secretary of State of the State of Idaho;

(d) Brian Water has paid all outstanding franchise, income and business and occupation taxes as of the date of closing and transfer of title;

(e) Brian Water has given UCC bulk sales notices to all of its known creditors, if any;

(f) Brian Water is not subject to sales tax in the State of Idaho;

(g) Brian Water is duly authorized to operate its water system by the Idaho Department of Environmental Quality and the Idaho Public Utilities Commission;

(h) the water rate charges by Brian Water have been duly approved by the Idaho Public Utilities Commission;

(i) Brian Water has not charged any customer a rate in excess of the rate approved by the Idaho Public Utilities Commission;

(j) there are no unresolved disputes with any customers over the amount of any water bill, the quality of service, the rate charged or any other matter;

(k) all properties serviced by Brian Water have water meters installed and that, to the best of Brian Water's knowledge, all such meters are in good working order; and

(l) Brian Water has the requisite, power and authority to transfer the System as herein contemplated.

11. Representations by the Association. The Association hereby represents and warrants the following, which representations shall survive the closing:

(a) the Association is fully authorized to purchase the System from Brian Water pursuant to the terms of this Agreement;

(b) the Association's board of directors has approved the purchase of the System herein contemplated in accordance with the requirements of its bylaws or other governing documents;

(c) there is no litigation pending or threatened which would prevent the sale contemplated by this Agreement;

(d) the Association expressly acknowledges that the System is subject to all the rules and regulations of the Idaho Public Utilities Commission;

(e) the Association expressly acknowledges the regulatory authority of the Idaho Department of Environmental Quality over water quality and testing of the System; and

(f) the Association acknowledges that after the transfer of title to the System, the System must be operated by a qualified operator of a pressurized potable water system and all such expense and cost related to the retention, training or hiring such operator shall be the sole responsibility of the Association.

12. No Representations. Brian Water hereby makes no representation or warranty with respect to the following matters:

(a) the state of any equipment, component or water lines, except that all equipment shall be in good working order on the date of the transfer of title;

- (b) as to the presence or absence of any contaminant or the environmental condition of the System or any of its components;
- (c) whether any customer or other person has tampered with any water meter;
- (d) the adequacy, suitability or with respect to any contamination of any wells or pieces of equipment; and
- (e) whether there are any adverse environmental conditions on any properties owned by Brian Water which are to be transferred to the Association hereunder.

13. Entire Agreement. This Agreement, together with the other written agreements and instruments executed concurrently herewith or pursuant to the terms and provisions hereof, contain the entire agreement between the parties concerning the matters herein set forth and supersedes all prior agreements between them respecting such matters.

14. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. At the trial of any matter arising under this Agreement, only one counterpart need be produced.

15. Headings. Paragraph headings are for convenience and identification only and shall not be used to interpret or construe this Agreement.

16. Waivers. Except as herein expressly provided:

16.1 No waiver by either party of any breach of this Agreement, or of any warranty or representation hereunder, shall be deemed to be a waiver by the same party of any other breach of any kind or nature (whether preceding or succeeding the breach in question, and whether or not of the same or similar nature).

16.2 No acceptance by a party of any payment or performance after any such breach shall be deemed to be a waiver of any breach of this Agreement or of any representation or warranty hereunder, whether or not the party knows of the breach when it accepts such payment or performance.

16.3 No failure by any party to exercise any right it may have under this Agreement or under law upon another party's default, and no delay in the exercise of that right, shall prevent it from exercising the right whenever the other party continues to be in default. No such failure or delay shall operate as a waiver of any default or as a modification of the provisions of this Agreement.

17. Whenever the singular or plural number, or the masculine or feminine or neuter gender, is used herein, it shall equally include the other(s).

18. Notices. Any notice which any person is required or may desire to give hereunder shall be in writing and may be personally delivered, transmitted by facsimile, other electronic means, or delivered by the United States Postal Service or private delivery service to the above addresses. Notice is deemed given when received.

19. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Idaho.

20. Binding Effect. This Agreement shall be binding upon, and inure to the benefit of, both parties and their respective heirs, representatives, successors and assigns.

21. Modifications. This Agreement may be may be modified only by a written document signed by representatives of both parties. A purported oral modification shall not be effective for any purpose.

QUITCLAIM DEED

FOR VALUE RECEIVED, 100 [Grantor] _____ does hereby convey, release, remise and forever
quit claim unto Brian water users sub [Grantee] ASSOC whose current address is:

5885 Eastwood Pl
Boise ID 83716

[Grantees Address]

the following described premises: Pump House, 2 wells, distribution system
for Brian Sub. water service plus water rights

[Legal Description] BLK 2 Lot 13 Brian Subdivision
Parcel # 9040030436

TO HAVE AND TO HOLD the said premises, unto the said grantees, heirs and assigns forever.

Date: 2/4/2013

By: Tony Brown

[Grantor's Name]

State of Idaho)
County of Ada) S.S.

On this 4th day of January, in the year 2013, before me
Josh Moffis, personally appeared Tony Brown, proved to me on
the basis of satisfactory evidence to be the person(s) whose name(s) is(are) subscribed to the within
instrument, and acknowledged that he(he)(they) executed the same.

[Signature]
Notary Public
My Commission Expires on 6-22-2013

JOSH MOFFIS
Notary Public
State of Idaho