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# EXHIBIT 1



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# EXHIBIT 2



**ASSET PURCHASE AGREEMENT**  
**BETWEEN**  
**LIBERTY UTILITIES (PARK WATER) CORP.**  
**AND**  
**MESA-CREST WATER COMPANY**

**DATED AS OF MARCH 29, 2017**

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## EXHIBITS

Exhibit A                      Form of Assignment and Assumption Agreement

Exhibit B	Form of Bill of Sale
Exhibit C	Form of Employment Agreement – Thomas M. Flynn
Exhibit D	Form of Employment Agreement – Timothy J. Flynn

## SCHEDULES

Schedule 2.1(b)	Distribution Facilities
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Schedule 2.2(j)	Excluded Assets
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Section 4.1	Jurisdictions
Section 4.3(a)	Required Third Party Consents
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## ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the “Agreement”) is made and entered into as of March 29, 2017 (the “Effective Date”), by and between Liberty Utilities (Park Water) Corp., a California corporation (“Buyer”), and Mesa-Crest Water Company, a California corporation (“Seller”). Buyer and Seller are sometimes referred to herein as a “Party” and collectively as the “Parties.”

### RECITALS

WHEREAS, Seller owns and operates a water distribution system and other related assets serving customers located in and around La Cañada Flintridge, California (the “System”), and is regulated as a Class C water utility by the California Public Utilities Commission (the “Commission”);

WHEREAS, Seller, along with F. Patrick Flynn, both individually and as Trustee of the Flynn Bypass Trust UTA dated 08/06/91, as amended (the sole shareholder of Seller), and Timothy J. Flynn (president of Seller), has executed a settlement agreement with the Utility Enforcement Branch of the Consumer Protection and Enforcement Division (“CPED”) of the Commission, dated August 5, 2016, outlining terms and conditions of the settlement of certain matters before the Commission, including terms requiring the sale of substantially all of the assets used in the System; and

WHEREAS, Seller desires to sell, assign and transfer to Buyer, and Buyer desires to purchase and assume from Seller, substantially all of the assets used in the System, including Seller’s authority and responsibility to operate the System conferred by the Commission, on the terms and subject to the conditions set forth in this Agreement and on terms consistent with Commission approval and California Public Utilities Code §§ 851 and 854.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements and the conditions set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

### ARTICLE I DEFINITIONS

1.1 Recitals. Each of the Recitals above is hereby incorporated into the terms of this Agreement.

1.2 Definitions. For purposes of this Agreement, the following terms used herein will have the following meaning when used with initial capitalization:

“Accounts Payable” has the meaning set forth in Section 2.4(a).

“Accounts Receivable” has the meaning set forth in Section 2.2(c).

“Action” means any claim, action, cause of action, demand, lawsuit, arbitration, inquiry, audit, notice of violation, proceeding, litigation, citation, summons, subpoena or investigation of any nature, civil, criminal, administrative, regulatory or otherwise, whether at law or in equity.

“Affiliate” of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or by contract.

“Agreement” has the meaning set forth in the preamble hereto.

“Applicable Law” means all Laws that apply to or relate to the Parties, the System, the Purchased Assets, this Agreement or the rights, responsibilities and obligations arising from the transaction made the subject of this Agreement.

“Application for Relief” has the meaning set forth in Section 9.2(e).

“Assigned Contracts” has the meaning set forth in Section 2.1(f).

“Assignment and Assumption Agreement” means the Assignment and Assumption Agreement, by and between Buyer and Seller, in the form of Exhibit A attached hereto.

“Assumed Liabilities” has the meaning set forth in Section 2.4.

“Balancing Account” means the Seller’s purchased water balancing account and purchased power balance accounts both approved by the Commission established to track sales and revenues against authorized revenues.

“Basket” has the meaning set forth in Section 8.4(a).

“Bill of Sale” means the Bill of Sale, by and between Buyer and Seller, in the form of Exhibit B attached hereto.

“Books and Records” has the meaning set forth in Section 2.1(a).

“Business Day” means any day other than a Saturday or Sunday or any day on which the Federal Reserve Bank of San Francisco is closed.

“Buyer” has the meaning set forth in the preamble hereto.

“Buyer Closing Certificate” has the meaning set forth in Section 7.3(d).

“Buyer Indemnitees” has the meaning set forth in Section 8.2.

“Cap” has the meaning set forth in Section 8.4(a).

“Claims Period” has the meaning set forth in Section 8.1.

“Closing” has the meaning set forth in Section 3.1.

“Closing Agent” means Chicago Title Insurance Company, or such other closing agent mutually agreed upon by Buyer and Seller.

“Closing Date” has the meaning set forth in Section 3.1.

“Closing Letter” means the Closing Instruction Letter among Buyer, Seller, and the Closing Agent, in the form to be mutually agreed.

“Commission” has the meaning set forth in the Recitals.

“Contract” means any contract, lease, deed, mortgage, license, instrument, note, commitment, undertaking, indenture, joint venture and all other agreements, commitments and legally binding arrangements, whether written or oral.

“CPED” has the meaning set forth in the Recitals.

“Cure Notice” has the meaning set forth in Section 6.9(c).

“Customer Information” has the meaning set forth in Section 2.1(e).

“Direct Claim” has the meaning set forth in Section 8.4(c).

“Disclosure Schedule” has the meaning set forth in Section 4.21.

“Discussion Period” has the meaning set forth in Section 9.2(e).

“Distribution Facilities” has the meaning set forth in Section 2.1(b).

“Easements” means all easements, rights of way, permits and licenses, used or held for use by Seller in the operation of the System.

“Effective Date” has the meaning set forth in the preamble hereto.

“Employment Agreements” means collectively (i) the Employment Agreement, by and between Buyer and Thomas M. Flynn, in the form of Exhibit C attached hereto, and (ii) the Employment Agreement, by and between Buyer and Timothy J. Flynn, in the form of Exhibit D attached hereto.

“Encumbrance” means any charge, claim, community property interest, pledge, condition, equitable interest, lien (statutory or other), option, security interest, mortgage, easement, encroachment, right of way, right of first refusal, or restriction of any kind, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership.

“End Date” means, unless otherwise agreed in writing by the Parties, the day which is the eighteen (18) month anniversary of the Effective Date.

“Environment” means all forms of plant and animal life, natural resources, soil, sediments, land, ground, surface and subsurface strata (whether above or below water), water (including, without limitation, territorial, coastal, and inland surface waters, groundwater, streams, and water in drains), air (including, ambient, workplace, outdoor and indoor air), soil vapor, and or any other environmental medium, and “Environmental” shall be construed as pertaining to the “Environment.”

“Environmental Claim” means any Action, Governmental Order, lien, fine, penalty, or, as to each, any notice of a proposed violation or any settlement or judgment arising therefrom, by or from any Person alleging in any manner liability of whatever kind or nature (including liability or responsibility for the costs of enforcement proceedings, investigations, testing, sampling, assessing, monitoring, cleanup, governmental response, removal or remediation, natural resources damages, property damages, personal injuries, medical monitoring, penalties, contribution, indemnification and injunctive relief) arising out of, based on or resulting from an Environmental Condition.

“Environmental Condition” means a condition or circumstance resulting from one or more related actions, omissions, or events that exists or may exist which (a) relates to the actual or potential presence, Release of, or exposure to, any Hazardous Substance; or (b) is or is alleged to be an actual or potential violation or in non-compliance with applicable Environmental Law or term or condition of any Environmental Permit or any required Governmental Order, or which is subject to remedy under Environmental Law; or (c) which is or is alleged to be damaging or to pose an actual or potential threat to the Environment, property, natural resources, human health, welfare, or safety.

“Environmental Law” means any and every Law pertaining to, regulating, relating to or imposing liability, standards or obligations of conduct concerning pollution, contaminants, or pathogens, or protection of health, safety (including the health and safety of workers under the U.S. Occupational Safety and Health Act of 1970 (29 U.S.C. §§ 651 *et seq.*)), flora and fauna, the Environment or protection, allocation, use, preservation, or control of the quantity or quality of natural resources, including without limitation (a) any Law relating to any actual or threatened Release, manufacture, processing, distribution, use, treatment, storage, transport, or handling of any Hazardous Substance, (b) the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. §§ 9601 *et seq.*), the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 *et seq.*), the Resource Conservation and Recovery Act (42 U.S.C. §§ 6901 *et seq.*); the Clean Air Act (42 U.S.C. §§ 7401 *et seq.*); the Clean Water Act (33 U.S.C. §§ 1251 *et seq.*) the Toxic Substances Control Act (15 U.S.C. §§ 2601 *et seq.*); the Emergency Planning and Community Right to Know Act (42 U.S.C. §§ 11001 *et seq.*); the Oil Pollution Act of 1990 (33 U.S.C. §§ 2701 *et seq.*); and the Hazardous Materials Transportation Uniform Safety Act (49 U.S.C. §§ 5101 *et seq.*), the National Environmental Policy Act (42 U.S.C. §§ 4321 *et seq.*), the Migratory Bird Treaty Act (16 U.S.C. §§ 701 *et seq.*), the Bald and Golden Eagle Protection Act (16 U.S.C. §§ 668 *et seq.*), the California Environmental Quality Act (California Public Resources Code §§ 21000 *et seq.*) and the Endangered Species Act of 1973 (16 U.S.C. §§ 1531 *et seq.*) with any amendments or reauthorization thereto or thereof, and any and all regulations promulgated thereunder, and all analogous state and local counterparts or equivalents; (c) any Law relating to maximum contaminant levels for drinking water distributed by public water systems and criteria, procedures, and treatment techniques for ensuring compliance with such

levels, including but not limited to the Safe Drinking Water Act, 42 U.S.C. §§ 300f et seq. and any and all regulations promulgated thereunder, and all analogous state and local counterparts or equivalents, including but not limited to the California Safe Drinking Water Act (California Health and Safety Code §§ 116270 *et seq.*); (d) and any other state, county, municipal, local or other statute, law, ordinance or regulation which may relate to or deal with human health or the environment or dangerous toxic or hazardous substances, all as may be from time to time amended; and (e) all Environmental Permits issued under such Law.

“Environmental Notice” means any directive, notice of violation or infraction, or notice respecting any Environmental Claim, whether in written or oral form.

“Environmental Permit” means any Permit, letter, clearance, consent, waiver, closure, exemption, decision or other action required under or issued, granted, given, authorized by or made pursuant to any Environmental Law.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the applicable regulations thereunder.

“Excluded Assets” has the meaning set forth in Section 2.2.

“Excluded Liabilities” has the meaning set forth in Section 2.4.

“Failed Condition” has the meaning set forth in Section 9.2(e).

“General Fund Amount” has the meaning set forth in Section 2.6(c)(iii).

“Good Utility Practice” means those practices, methods and acts which: (a) when engaged in are commonly used in engineering and operations to operate water distribution equipment and associated mechanical and other facilities lawfully and with safety, reliability, efficiency and expedition or (b) in the exercise of reasonable judgment considering the facts known when engaged in, could have been expected to achieve the desired result consistent with good business practices, Applicable Law, safety, reliability, efficiency and expedition. Good Utility Practice does not require optimum practice, method or act to the exclusion of others, but rather is intended to include a spectrum of acceptable practices, methods or acts that are generally utilized by similarly situated utilities.

“Governmental Authority” means any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of Law), or any arbitrator, court or tribunal of competent jurisdiction.

“Governmental Order” means any consent, approval, order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

“Hazardous Substance” means: (a) any material, substance, chemical, waste, product, derivative, compound, mixture, solid, liquid, mineral or gas, in each case, whether naturally

occurring or manmade, that is hazardous, acutely hazardous, toxic, or words of similar import or regulatory effect under any Environmental Law, including but not limited to any hazardous waste as defined by 42 U.S.C. § 6903(5), hazardous substance as defined by 42 U.S.C. § 9601(14), hazardous material as defined by 49 U.S.C. § 5102(2), toxic pollutant as listed pursuant to 33 U.S.C. § 1317, or pollutant or contaminant as defined in 42 U.S.C. § 9601(33); and (b) any petroleum or petroleum-derived products including but not limited to any oil as defined by 33 U.S.C. § 2701(23), radon, radioactive materials or wastes, asbestos in any form, lead or lead-containing materials, urea formaldehyde foam insulation, polychlorinated biphenyls, or constituents that are regulated, controlled or restricted under any Environmental Law or by any Governmental Authority, or which may cause, contribute to or result in an Environmental Claim.

“Holdback Amount” has the meaning set forth in Section 6.11.

“Indemnified Party” has the meaning set forth in Section 8.4.

“Indemnifying Party” has the meaning set forth in Section 8.4.

“Inventory” has the meaning set forth in Section 2.1(c).

“Knowledge” shall have the following meaning: An individual will be deemed to have Knowledge of a particular fact or other matter if:

(a) That individual is actually aware of that fact or matter; or

(b) A prudent individual would be expected to discover or otherwise become aware of that fact or matter in the course of conduct or performance of his or her duties as an officer.

A Person (other than an individual) will be deemed to have Knowledge of a particular fact or other matter if any individual who is currently serving as a director, officer, official (elected or appointed), employee, partner, executor or trustee of that Person (or in any similar capacity) has Knowledge of that fact or other matter (as set forth in (a) and (b) above).

“Latest Financial Statement” has the meaning set forth in Section 4.4.

“Latest Financial Statement Date” has the meaning set forth in Section 4.4.

“Law” means any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, decree, other requirement or rule of law of any Governmental Authority, including the Environmental Laws.

“Leased Real Property” has the meaning set forth in Section 4.10.

“Liability” or “Liabilities” means with respect to any Person any financial liability, legal liability, obligation, judgment or fine of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become

due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

“Losses” means losses, damages, liabilities, deficiencies, Actions, judgments, interest, awards, penalties, fines, costs or expenses, including reasonable attorneys’ fees and the cost of enforcing any right to indemnification hereunder and the cost of pursuing any insurance providers; provided, however, that “Losses” shall not include incidental, consequential or punitive damages, except in the case of fraud, gross negligence, willful misconduct or, for purposes of Section 8.2 and Section 8.3 only, to the extent actually awarded to a Governmental Authority or to a third party pursuant to a Third Party Claim.

“Material Adverse Effect” means a material adverse change, after the Effective Date, in the Purchased Assets, Assumed Liabilities, operating results, customer, employee or supplier relations or financial condition of Seller, taken as a whole, affecting or related to the Purchased Assets or the System; provided, however, that none of the following, either alone or in combination, will constitute, or be considered in determining whether there has been a Material Adverse Effect: any event, change, circumstance, effect, development or other matter resulting from or related to (i) any outbreak or escalation of war or major hostilities or any act of terrorism; (ii) changes in Law, or enforcement or interpretation thereof; (iii) changes that generally affect the industries and markets in which the System operates; (iv) changes in financial markets, general economic conditions (including prevailing interest rates, exchange rates, commodity prices and fuel costs) or political conditions; (v) any failure, in and of itself, to meet any published or internally prepared projections, budgets, plans or forecasts of revenues, earnings or other financial performance measures or operating statistics (it being understood that the facts and circumstances underlying any such failure that are not otherwise excluded from the definition of a “Material Adverse Effect” may be considered in determining whether there has been a Material Adverse Effect; (vi) any acts taken, or failures to take action, or such other events or circumstances to which the Buyer has consented; (vii) any action taken or failed to be taken that is in accordance with this Agreement or at the request of, or consented to by, the Buyer; (viii) the execution or delivery of this Agreement, the consummation of the transactions contemplated by this Agreement or the public announcement or other publicity with respect to any of the foregoing; or (ix) any matter set forth in the Disclosure Schedules (including the worsening of any circumstance with respect to any such matter); provided further, however, that any matter referred to in clause (ii) immediately above shall be taken into account in determining whether a Material Adverse Effect has occurred to the extent such matter has a disproportionate effect on the business of Seller, the System or the Purchased Assets compared to the business, system or assets of other similarly situated utilities in the industry in which Seller operates.

“Material Defect” means a defect identified by Buyer in a timely manner prior to the Closing Date that is necessary to be cured in order to operate the Purchased Assets in accordance with Good Utility Practice and all Applicable Law.

“Non-Recoverable Capex Amount” means an amount equal to two hundred seventeen thousand dollars (\$217,000), payable by Seller to Buyer on the Closing Date, to be used by Buyer solely for capital expenditures that benefit the System Customers, and not to be included in Buyer’s utility rate base or recovered or collected from the System Customers in any way.

“Objections” has the meaning set forth in Section 6.9(c).

“Ordinary Course of Operations” means an action taken by or on behalf of Seller that shall be deemed to have been taken in the “Ordinary Course of Operations” if, and only if:

(a) such action is recurring in nature, is consistent in nature, scope and magnitude with the past practices of Seller and is taken in the ordinary course of the normal day-to-day operations of the System;

(b) such action is taken in accordance with Good Utility Practice;

(c) such action is not required to be authorized by the shareholders, board of directors or any board committee, and does not require any other separate or special authorization of any nature; and

(d) such action is similar in nature, scope and magnitude to actions customarily taken, without any separate or special authorization, in the ordinary course of the normal, day-to-day operations of other Class C, investor-owned water utilities in California.

“Owned Real Property” has the meaning set forth in Section 4.10(a).

“Payout Amount” shall be defined as (i) the Purchase Price, minus (ii) the Non-Recoverable Capex Amount.

“Parties” and “Party” have the meanings set forth in the preamble hereto.

“Permits” means all permits, licenses, franchises, approvals, consents, authorizations, registrations, certificates, variances, waivers, and similar rights obtained, or required to be obtained, from Governmental Authorities.

“Permitted Encumbrances” has the meaning set forth in Section 4.8.

“Permitted Exceptions” has the meaning set forth in Section 6.9(c).

“Person” means an individual, partnership, a corporation, an association, a limited liability company, a joint stock company, a trust, a joint venture, an unincorporated organization, an inter-local cooperative, a Governmental Authority, or any department, agency or political subdivision thereof or any other entity.

“Plans” shall mean all employee benefit plans (as that term is defined in ERISA) together with any other employee benefit plans, retirement plans, savings plans or other similar plans maintained by Seller.

“Purchase Price” has the meaning set forth in Section 2.6(d).

“Purchased Assets” has the meaning set forth in Section 2.1.

“Real Property” has the meaning set forth in Section 2.1(a).



“Real Property Assignment Agreements” means, collectively, General Warranty Deeds, Assignments of Leases, and Assignments of Easements, as applicable, and all other documents reasonably necessary to transfer and/or assign Real Property from the Seller to the Buyer, in a recordable form agreed upon by Seller and Buyer.

“Reasonable Best Efforts” means the reasonable efforts that a prudent Person desirous of achieving a result would use in similar circumstances to achieve that result in a timely manner, *provided, however*, that a Person required to use their Reasonable Best Efforts will not be required to take actions that would result in a materially adverse change in the benefits to such Person of this Agreement and the transactions contemplated hereunder, or to expend significant resources, material funds, dispose of or make any change to its business, or incur any other material burden.

“Record” means any information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

“Recoverable Capex Amount” means an amount equal to three hundred eighty-four thousand dollars (\$384,000), payable by Seller to Buyer on the Closing Date, which amount represents the repayment in full of the outstanding balances (principal and interest) of certain loan transactions identified in the Settlement Agreement, and which amount is to be used by Buyer solely for capital expenditures that benefit the System Customers and may be included in Buyer’s utility rate base for recovery from System Customers when such amount becomes used and useful.

“Release” means any release, spilling, leaking, pumping, pouring, emitting, depositing, emptying, discharging, injecting, escaping, leaching, dumping, abandonment, disposing or allowing to disperse or migrate into or through the Environment.

“Release Agreement” means each of the Release Agreements by and between Buyer, Seller, and F. Patrick Flynn or Timothy J. Flynn, in the form to be mutually agreed, pursuant to which F. Patrick Flynn and Timothy J. Flynn release Buyer and Seller for all amounts owed by Seller to such Person as of the Closing, in furtherance of the Settlement Agreement.

“Representatives” means, with respect to any Person, any and all directors, officers, employees, consultants, financial advisors, counsel, accountants and other agents of such Person.

“Returns” has the meaning set forth in Section 4.17.

“Seller” has the meaning set forth in the preamble hereto.

“Seller Closing Certificate” has the meaning set forth in Section 7.2(j).

“Seller Indemnitees” has the meaning set forth in Section 8.3.

“Seller Secretary’s Certificate” has the meaning set forth in Section 7.2(k).

“Settlement Agreement” means that certain Settlement Agreement dated August 5, 2016 entered into in accordance with Rule 12.1 of the Commission’s Rules of Practice and Procedure,

by and among, the Commission's Consumer Protection and Enforcement Division, the Seller, Timothy J. Flynn and F. Patrick Flynn, both individually and as Trustee of the Flynn Bypass Trust UTA dated 08/06/91, as amended.

“Survey” has the meaning set forth in Section 6.9(a).

“System” has the meaning set forth in the Recitals hereto.

“System Customers” means those customers receiving water service utilizing the System as of the Transfer Time.

“System Map” means the combination of the map titled “Mesa-Crest Water Company Service Area and Distribution System by Brown and Caldwell Consulting Engineers dated May, 1967” (as further revised in 1974) and the reduced as-built drawings provided by Seller to Buyer describing and depicting the service area and the general layout of the System pipelines and facilities.

“Taxes” means all taxes, charges, fees, levies or other assessments, including, without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, social security, unemployment, excise, estimated, severance, stamp, occupation, property or other taxes, customs duties, fees assessments or charges of any kind whatsoever, including, without limitation, all interests and penalties thereon and additions to tax or additional amounts imposed by any taxing authority.

“Third Party Claim” has the meaning set forth in Section 8.4.

“Title and Survey Review Period” has the meaning set forth in Section 6.9(c).

“Title Commitment” has the meaning set forth in Section 6.9(b).

“Title Company” means Chicago Title Insurance Company.

“Title Documents” has the meaning set forth in Section 6.9(b).

“Transaction Documents” means this Agreement, the Bill of Sale, the Assignment and Assumption Agreement, the Real Property Assignment Agreements, the Release Agreement and the other agreements, instruments and documents required to be delivered at the Closing.

“Transfer Taxes” has the meaning set forth in Section 6.7.

“Transfer Time” has the meaning set forth in Section 3.3.

1.3 Interpretation. For purposes of this Agreement, (a) the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation”; (b) the word “or” is not exclusive; and (c) the words “herein,” “hereof,” “hereby,” “hereto” and “hereunder” refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (x) to Articles, Sections, Schedules and Exhibits mean the Articles and Sections of, and Schedules and Exhibits attached to, this Agreement; (y) to an agreement,

instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The Schedules and Exhibits referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein.

## **ARTICLE II PURCHASE AND SALE**

2.1 Purchase and Sale of Assets. On the terms and subject to the conditions set forth in this Agreement and expressly subject to Section 2.2, at the Closing, Seller shall sell, transfer, convey, assign and deliver to Buyer, and Buyer shall purchase from Seller, free and clear of all Encumbrances other than Permitted Encumbrances, all of Seller's right, title and interest in, to and under all of the assets, properties and rights of every kind and nature, whether real, personal or mixed, tangible or intangible, wherever located (other than Excluded Assets) which relate to, or are used or held for use in connection with, the System (the "Purchased Assets"), including without limitation the following:

(a) The Owned Real Property, Leased Real Property, Easements, and other interests in real property (together with the improvements and fixtures thereon) used or held for use by Seller in the operation of the System (collectively, the "Real Property");

(b) The System and all related and appurtenant facilities, equipment, and personal property currently used by Seller for delivery of services to the System Customers, including the distribution system described and depicted in the System Map and those assets set forth on Schedule 2.1(b) (collectively, the "Distribution Facilities");

(c) All of the inventory, and supplies used or held for use in connection with the System (collectively, the "Inventory");

(d) Seller's certificate of public convenience and necessity and other authorizations, as well as all of Seller's responsibilities conferred by the Commission, to own and operate the System as a Commission-regulated public utility.

(e) All customer-related information owned by or otherwise controlled by Seller and used in connection with the System, including, without limitation, all customer lists, billing history, rate classifications and revenue calculations (collectively, the "Customer Information");

(f) All Contracts set forth on Schedule 2.1(f) (the "Assigned Contracts");

(g) Subject to obtaining consents for certain Permits pursuant to Section 6.5(b) of this Agreement, all Permits, including Environmental Permits, set forth on Schedule 4.14(b) (other than non-transferable Business License No. 06900);

(h) Except as set forth in Section 2.2, all of Seller's records and other documents, instruments and information relating to the System and the Purchased Assets (collectively, the "Books and Records") and the System Map; and

(i) All of Seller's rights, claims, and causes of action relating to the Purchased Assets.

2.2 Excluded Assets. Notwithstanding anything to the contrary in this Agreement, the following assets of Seller related to the System (collectively, the "Excluded Assets") are not part of the sale and purchase contemplated hereunder and shall remain the property of Seller after the Closing:

(a) Cash;

(b) Customer deposits;

(c) All accounts or notes receivable held by Seller arising out of operation of the System, and any security, claim, remedy or other right related to any of the foregoing ("Accounts Receivable");

(d) the Balancing Account;

(e) all minute books, stock Records and corporate seals;

(f) all insurance policies and rights thereunder;

(g) All rights in connection with and assets of any Plans;

(h) all personnel Records and other Records that Seller is required by law to retain in its possession;

(i) Contracts that are not Assigned Contracts (the "Excluded Contracts"); and

(j) The assets, properties and rights specifically set forth on Schedule 2.2(j).

2.3 Sale Free of Encumbrances. The Purchased Assets shall be as of the Closing free and clear of all Encumbrances other than Permitted Encumbrances acceptable to Buyer.

2.4 Assumed Liabilities. Subject to the terms and conditions set forth herein, Buyer shall assume and agree to pay, perform and discharge only the following Liabilities of Seller (collectively, the "Assumed Liabilities"), and no other Liabilities:

(a) all Liabilities in respect of the System Customers that relate to operation of the System or the Purchased Assets after the Transfer Time;

(b) all Liabilities in respect of the Assigned Contracts but only to the extent that such Liabilities thereunder are required to be performed after the Closing Date, were incurred in the ordinary course of business and do not relate to any failure to perform,

improper performance, warranty or other breach, default or violation by Seller on or prior to the Closing; and

- (c) those Liabilities of Seller set forth on Schedule 2.4(c).

2.5 Excluded Liabilities. Notwithstanding the provisions of Section 2.3 or any other provision in this Agreement to the contrary, Buyer shall not assume and shall not be responsible to pay, perform or discharge any Liabilities of Seller of any kind or nature whatsoever other than the Assumed Liabilities (the "Excluded Liabilities"). Seller shall pay and satisfy in due course all Excluded Liabilities which it is obligated to pay and satisfy. Without limiting the generality of the foregoing, the Excluded Liabilities shall include, but not be limited to, the following:

- (a) all trade accounts payable of Seller to third parties (the "Accounts Payable");

- (b) any Liabilities of Seller arising or incurred in connection with the negotiation, preparation, investigation and performance of this Agreement, and the transactions contemplated hereby;

- (c) any Liability for (i) Taxes of Seller or relating to the System, the Purchased Assets or the Assumed Liabilities for any pre-Closing period; (ii) Taxes that arise out of the consummation of the transactions contemplated hereby or that are the responsibility of Seller pursuant to Section 6.8; or (iii) other Taxes of Seller of any kind or description that become a Liability of Buyer under any common law doctrine, transferee or successor liability, or otherwise by operation of contract or Law;

- (d) any Liabilities relating to or arising out of the Excluded Assets;

- (e) any Liabilities in respect of any pending or threatened Action arising out of, relating to or otherwise in respect of the operation of the System or the Purchased Assets to the extent such Action relates to such operation on or prior to the Closing Date;

- (f) any Liabilities of Seller arising under or in connection with any Plan providing benefits to any present or former employee of Seller;

- (g) any Liabilities of Seller to any present or former employees, officers, directors, retirees, independent contractors or consultants of Seller, including, without limitation, any Liabilities associated with any claims for wages or other benefits, bonuses, accrued vacation, workers' compensation, severance, retention, termination or other payments, and Representatives of the Seller engaged directly in connection with the transactions contemplated hereunder;

- (h) any Environmental Claims or other Liabilities under any Environmental Law, to the extent arising out of or relating to facts, circumstances or conditions existing on or prior to the Closing or otherwise to the extent arising out of any actions or omissions of Seller;

(i) any Liabilities under the Excluded Contracts or any other Contracts (i) which are not validly and effectively assigned to Buyer pursuant to this Agreement; (ii) which do not conform to the representations and warranties with respect thereto contained in this Agreement; or (iii) to the extent such Liabilities arise out of or relate to a breach by Seller of such Contracts prior to Closing;

(j) except as set forth on Schedule 2.3(c), any Liabilities associated with debt, loans or credit facilities of Seller and/or the System; and

(k) any Liabilities arising out of, in respect of or in connection with the failure by Seller to comply with any Law or Governmental Order.

2.6 Closing Amount, Closing Amount Allocations, and Purchase Price. The flow of funds on the Closing Date shall be as follows:

(a) At least two (2) Business Days prior to the Closing Date, Buyer shall pay an amount equal to Two Million Nine Hundred Eighty-Four Thousand Dollars (\$2,984,000) (the "Closing Amount") by wire transfer of immediately available funds to an account designated in writing by the Closing Agent.

(b) The Closing Agent shall remit the entire Closing Amount to Buyer, by wire transfer of immediately available funds to an account designated in writing by Buyer, (i) upon the joint instruction of Buyer and Seller, or (ii) if the Closing has not occurred by the fifth (5<sup>th</sup>) Business Day after Closing Agent's receipt of the Closing Amount.

(c) At the Closing, the Closing Agent shall:

i. remit to Buyer an amount equal to the Non-Recoverable Capex Amount, to be paid by wire transfer of immediately available funds to an account designated in writing by Buyer, with such notification provided not later than two (2) Business Days prior to the Closing Date;

ii. remit to Buyer an amount equal to the Recoverable Capex Amount, to be paid by wire transfer of immediately available funds to an account designated in writing by Buyer, with such notification provided not later than two (2) Business Days prior to the Closing Date

iii. remit to the State of California General Fund an amount equal to One Hundred Five Thousand Dollars (\$105,000) (the "General Fund Amount"), to be paid at Closing by wire transfer of immediately available funds to an account designated in writing by the State of California, with such notification provided not later than two (2) Business Days prior to the Closing Date;

iv. remit to the Community Development Commission of the County of Los Angeles the amount necessary to satisfy the obligation and release all associated Encumbrances (the "CDC Loan Amount") to be paid by wire transfer of immediately available funds to an account designated in writing by the

Community Development Commission of the County of Los Angeles, with such notification provided not later than two (2) Business Days prior to the Closing Date;

v. remit to the persons entitled thereto the amounts (the “Miscellaneous Lien Amounts”) necessary to allow conveyance of the Purchased Assets free of Encumbrances as provided in Section 2.3; and

vi. remit to Seller an amount equal to the Closing Amount minus (A) the Non-Recoverable Capex Amount, minus (B) the Recoverable Capex Amount, minus (C) the General Fund Amount, minus (D) the CDC Loan Amount, minus (E) the Miscellaneous Lien Amounts.

(d) The “Purchase Price” of the Purchased Assets shall be defined as (i) the Closing Amount, minus (ii) the Recoverable Capex Amount. After the Closing, Buyer shall be entitled to include in its utility rate base an amount equal to the Purchase Price.

### **ARTICLE III CLOSING**

3.1 Closing. Subject to the terms and conditions of this Agreement, the consummation of the transactions contemplated by this Agreement (the “Closing”) shall take place at the offices of the Buyer, 9750 Washburn Road, Downey, CA 90241, at 10:00 a.m., local time, on the third Business Day after all of the conditions to Closing set forth in Article VII are either satisfied or waived (other than conditions which, by their nature, are to be satisfied on the Closing Date), or at such other time, date or place as Seller and Buyer may mutually agree upon in writing. The date on which the Closing is to occur is herein referred to as the “Closing Date”.

#### 3.2 Closing Deliverables.

(a) At the Closing, Seller will execute (where applicable) and deliver to Buyer the following:

- i. the Bill of Sale;
- ii. the Assignment and Assumption Agreement;
- iii. any consents necessary for valid assignment of the Assigned Contracts, executed by the necessary counterparty;
- iv. any Real Property Assignment Agreements;
- v. the Release Agreements, executed by F. Patrick Flynn and Timothy J. Flynn;
- vi. the Escrow Agreement;

- vii. the Employment Agreements, executed by Thomas M. Flynn and Timothy J. Flynn respectively;
- viii. the Seller Closing Certificate;
- ix. the Seller Secretary's Certificate;
- x. written evidence reasonably acceptable to Buyer indicating that all Encumbrances on the Purchased Assets have been, or upon payment of the amounts contemplated by Section 2.5(c) will be, released from and after the Closing; and
- xi. such other certificates, documents and instruments of sale, transfer, conveyance and assignment as Buyer may reasonably request.

(b) At the Closing, Buyer will execute (where applicable) and deliver the Closing Amount to the Closing Agent and to Seller the following:

- i. the Bill of Sale;
- ii. the Assignment and Assumption Agreement;
- iii. any Real Property Assignment Agreements;
- iv. the Release Agreement;
- v. the Escrow Agreement;
- vi. the Employment Agreements;
- vii. the Buyer Closing Certificate; and
- viii. such other certificates, documents and instruments of sale, transfer, conveyance and assignment as Seller may reasonably request.

3.3 Transfer of Customers. Seller shall relinquish water distribution service to all of its residents at 11:59 p.m. on the Closing Date (the "Transfer Time"), unless the Parties otherwise agree in writing, in accordance with this Agreement. Seller shall be obligated to continue to provide service and entitled to receive payment from the sale and delivery of utility service up to the Transfer Time and Buyer shall have the authority and the obligation to provide utility service to the System Customers and shall be entitled to receive payment from any System Customer for service from and after 11:59 p.m. on the Closing Date, unless otherwise agreed to by the Parties in writing. From and after the Transfer Time, service to the System Customers shall be provided by Buyer in accordance with the terms and conditions of all applicable tariffs and schedules.

3.4 Separation and Transfer. The Parties agree upon the following procedures for transferring possession and operation of the Purchased Assets:



(a) Unless the Parties otherwise agree in writing, Seller shall read its meters before the Closing Date and issue a final billing to its customers for any services used prior to the final meter read. Seller shall provide the final meter reads to Buyer at the Closing. To the extent that there are any missing meter reads or any adjustments required to any meter reads, Buyer and Seller agree to cooperate to promptly estimate or otherwise resolve such meter reads.

(b) Immediately upon the Transfer Time, Buyer shall be responsible for the reliable provision of water distribution service to, and all billings and collections from, the System Customers and for any and all maintenance obligations of the Purchased Assets.

(c) The Parties shall cooperate in the collection of accounts receivable from the System Customers and shall account and remit to one another for any misdirected payments on a monthly basis. As part of this effort, for a period of one hundred and eighty (180) days following Closing, Buyer shall be authorized and entitled to communicate with System Customers regarding past due accounts receivable for services received prior to the Transfer Time and employ standard Good Utility Practice methods to collect such amounts on behalf of Seller; provided, however, that following such period, all remaining past due accounts receivable shall be the sole responsibility of Seller.

#### **ARTICLE IV REPRESENTATIONS AND WARRANTIES OF SELLER**

Seller represents and warrants to Buyer that the statements contained in this Article IV are true and correct as of the date hereof:

4.1 Organization and Qualification of Seller. Seller is a corporation duly organized, validly existing and in good standing under the Laws of the state of California and has full corporate power and authority to own, operate or lease the properties and assets now owned, operated or leased by it and to conduct the operations of the System as currently conducted. Section 4.1 of the Disclosure Schedules sets forth each jurisdiction in which Seller is licensed or qualified to do business, and Seller is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the ownership of the Purchased Assets or the operation of the System as currently conducted makes such licensing or qualification necessary, other than those in jurisdictions where the failure to be so qualified would not have a Material Adverse Effect on the business or properties of Seller.

4.2 Authority of Seller. Seller has full corporate power and authority to enter into this Agreement and the other Transaction Documents to which Seller is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Seller of this Agreement and any other Transaction Document to which Seller is a party, the performance by Seller of its obligations hereunder and thereunder and the consummation by Seller of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate or governmental action on the part of Seller. This Agreement and each of the other Transaction Documents has been duly executed and

delivered by Seller, and (assuming due authorization, execution and delivery by Buyer) this Agreement and the other Transaction Documents each constitutes a legal, valid and binding obligation of Seller enforceable against Seller in accordance with its terms.

#### 4.3 No Conflicts; Consents.

(a) The execution, delivery and performance by Seller of this Agreement and the other Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the certificate of incorporation, by-laws or other charter or organizational documents of Seller; (b) conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to Seller, the System or the Purchased Assets; (c) except as set forth in Section 4.3(a) of the Disclosure Schedules, require the consent, notice or other action by any Person under, conflict with, result in a violation or breach of, constitute a default or an event that, with or without notice or lapse of time or both, would constitute a default under, result in the acceleration of or create in any party the right to accelerate, terminate, modify or cancel any Contract or Permit to which Seller is a party or by which Seller or the System is bound or to which any of the Purchased Assets are subject (including any Assigned Contract); or (d) result in the creation or imposition of any Encumbrance on the Purchased Assets.

(b) Except as set forth in Section 4.3(b) of the Disclosure Schedules, no consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Seller in connection with the execution and delivery of this Agreement or any of the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby.

4.4 Financial Statements. Seller has delivered to Buyer copies of (a) the unaudited Annual Reports filed by Seller with the Commission as at December 31 for each of the fiscal years 2013 through 2016. Such financial dated as at December 31, 2016 (the "Latest Financial Statement Date"), is referred to as the "Latest Financial Statement". Such financial statements delivered by Seller to Buyer pursuant to this Section 4.4 accurately reflect the revenues and costs incurred in the operation of the System in respect of the periods covered by such financial statements.

4.5 Undisclosed Liabilities. Seller has no Liabilities with respect to the System, except (a) those which are reflected or reserved against in the Latest Financial Statement, and (b) those which have been incurred in the Ordinary Course of Operations since the Latest Financial Statement Date and which are not, individually or in the aggregate, material in amount.

4.6 Absence of Certain Changes, Events and Conditions. Since the Latest Financial Statement Date:

(a) there has not been any event, occurrence or development that has had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect;

(b) Seller has not subjected the Purchased Assets to any Encumbrance, entered into any Contract with respect to the System or Purchased Assets outside the Ordinary Course of Operations or taken any other action or entered into any other transaction with respect to the System or Purchased Assets other than in the Ordinary Course of Operations and in accordance with regular past custom and practice.

4.7 Contracts and Commitments. Prior to the date of this Agreement, Buyer has been supplied with a true and correct copy of (i) each unique material written agreement, Contract or commitment which relates to or arises from the System or the Purchased Assets, and (ii) the form of each of its standard form written agreements or Contracts which relates to or arises from the System or the Purchased Assets, and a list of the names, billing addresses and service addresses of each of the System Customers who are party to a standard form written agreement or Contract, together with all amendments, waivers or other changes thereto.

4.8 Title to Purchased Assets. Seller has good and valid title to, or a valid leasehold interest in, all of the Purchased Assets. All such Purchased Assets (including leasehold interests) are free and clear of Encumbrances except for the following (collectively referred to as "Permitted Encumbrances"):

(a) those items set forth in Section 4.8 of the Disclosure Schedules;

(b) liens for Taxes not yet due and payable;

(c) mechanics', carriers', workmen's, repairmen's or other like liens arising or incurred in the ordinary course of business consistent with past practice or amounts that are not delinquent and which are not, individually or in the aggregate, material to the System or the Purchased Assets; or

(d) easements, rights of way, zoning ordinances and other similar encumbrances affecting Real Property which are not, individually or in the aggregate, material to the System or the Purchased Assets, which do not prohibit or interfere with the current operation of any Real Property and which do not render title to any Real Property unmarketable.

4.9 Condition and Sufficiency of the Purchased Assets; System Map.

(a) To the Knowledge of Seller, except as set forth in Section 4.9 of the Disclosure Schedules, the Distribution Facilities and other items of tangible personal property included in the Purchased Assets are structurally sound, are in good operating condition and repair, and are adequate for the uses to which they are being put, and none of such Distribution Facilities or other items of tangible personal property is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost. The Purchased Assets are sufficient for the continued conduct of the operations of the System after the Closing in substantially the same manner as conducted prior to the Closing and constitute all of the rights, property and assets necessary to conduct the operations of the System as currently conducted. None of the Excluded Assets are material to the System.

(b) The System Map accurately describes and depicts the layout of the System including the water distribution system, customer service lines, valves, wells, pumps, and treatment facilities.

#### 4.10 Real Property.

(a) Section 4.10(a) of the Disclosure Schedules sets forth each parcel, if any, of real property owned by Seller and used in or necessary for the conduct of the operations of the System as currently conducted (together with all buildings, fixtures, structures and improvements situated thereon and all easements, rights-of-way and other rights and privileges appurtenant thereto, collectively, the “Owned Real Property”). With respect to each parcel of Owned Real Property listed on Section 4.10(a):

- i. Seller has good and marketable fee simple title, free and clear of all Encumbrances, except for (A) Permitted Encumbrances, and (B) those Encumbrances set forth on Section 4.10(a)(i);
- ii. except as set forth on Section 4.10(a)(ii), Seller has not leased or otherwise granted to any Person the right to use or occupy such Owned Real Property or any portion thereof; and
- iii. there are no unrecorded outstanding options, rights of first offer or rights of first refusal to purchase such Owned Real Property or any portion thereof or interest therein.

(b) Section 4.10(b) of the Disclosure Schedules sets forth each parcel of real property, if any, leased by Seller and used in or necessary for the conduct of the operations of the System as currently conducted (together with all rights, title and interest of Seller in and to leasehold improvements relating thereto, including, but not limited to, security deposits, reserves or prepaid rents paid in connection therewith, collectively, the “Leased Real Property”), and a true and complete list of any leases, subleases, licenses, concessions and other agreements (whether written or oral), including all amendments, extensions, renewals, guaranties and other agreements with respect thereto, pursuant to which Seller holds any Leased Real Property (collectively, the “Leases”). With respect to each Lease listed on Section 4.10(b):

- i. such Lease is valid, binding, enforceable and in full force and effect, and Seller enjoys peaceful and undisturbed possession of the Leased Real Property;
- ii. Seller is not in breach or default under such Lease, and no event has occurred or circumstance exists which, with the delivery of notice, passage of time or both, would constitute such a breach or default, and Seller has paid all rent due and payable under such Lease;
- iii. Seller has not received nor given any notice of any default or event that with notice or lapse of time, or both, would constitute a default by Seller under any of the Leases and, to the Knowledge of Seller, no other party is in

default thereof, and no party to any Lease has exercised any termination rights with respect thereto;

iv. Seller has not subleased, assigned or otherwise granted to any Person the right to use or occupy such Leased Real Property or any portion thereof; and

v. Seller has not pledged, mortgaged or otherwise granted an Encumbrance on its leasehold interest in any Leased Real Property.

(c) Section 4.10(c) of the Disclosure Schedules sets forth each Easement (other than Easements appurtenant to Owned Real Property and transferred with such Owned Real Property), if any, used in or necessary for the conduct of the operations of the System as currently conducted, and there are no Easements used in or necessary to the operations of the System except those listed on Section 4.10(c). With respect to the Easements listed on Section 4.10(c):

i. Seller owns or possesses all Easements necessary to conduct the operations of the System as now being conducted, without any known conflict with the rights of others;

ii. Seller is in compliance with the terms and conditions of all Easements; and

iii. Seller has not received nor given any notice of any default or event that with notice or lapse of time, or both, would constitute a default by the grantor or any other party under any of the Easements and, to the Knowledge of Seller, no other party is in default thereof, and no party to any Easement has exercised any termination rights with respect thereto.

(d) Seller has not received any written notice of (i) violations of building codes and/or zoning ordinances or other governmental or regulatory Laws affecting the Real Property, (ii) existing, pending or threatened condemnation proceedings affecting the Real Property, or (iii) existing, pending or threatened zoning, building code or other moratorium proceedings, or similar matters which could reasonably be expected to adversely affect the ability to operate the System as currently operated.

(e) The Real Property listed on Section 4.10(a), Section 4.10(b), and Section 4.10(c) of the Disclosure Schedules constitutes all of the real property and real property rights necessary to conduct the operation of the System as currently conducted.

4.11 Inventory. Seller's Inventory consists of items of a quality and quantity usable and salable in the Ordinary Course of Operations.

4.12 Accounts Receivable. The Accounts Receivable reflected on the Latest Financial Statement and the Accounts Receivable arising after the date thereof (a) have arisen from bona fide transactions entered into by Seller involving the sale of goods or the rendering of services in the Ordinary Course of Operations, consistent with past practice; (b) constitute only valid,

undisputed claims of Seller not subject to claims of set-off or other defenses or counterclaims and (c) subject to a reserve for bad debts shown on the Latest Financial Statements or, with respect to Accounts Receivable arising after the Latest Financial Statement Date, on the accounting records of the System, are collectible in full within ninety (90) days after billing.

#### 4.13 Legal Proceedings; Governmental Orders.

(a) Except as set forth on Section 4.13(a) of the Disclosure Schedules, there are no notices of proposed violation, reports, audits or investigations (in each case, issued, undertaken, pending or to Seller's knowledge, threatened) by any Governmental Authority, or Actions pending or, to Seller's Knowledge, threatened against or by Seller (i) relating to or affecting the System, the Purchased Assets or the Assumed Liabilities; or (ii) that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. No event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Action.

(b) Except as set forth on Section 4.13(b) of the Disclosure Schedules, there are no outstanding Governmental Orders and no unsatisfied judgments, penalties or awards against, relating to or affecting the System. Seller is in compliance with the terms of each Governmental Order set forth on Section 4.13(b), and no event has occurred or circumstances exist that may constitute or result in (with or without notice or lapse of time) a violation of any such Governmental Order.

#### 4.14 Compliance with Laws; Permits.

(a) Except as set forth on Section 4.14(a) of the Disclosure Schedules, Seller has complied, and is now complying, with all Laws applicable to the conduct of the operations of the System as currently conducted or the ownership and use of the Purchased Assets.

(b) All Permits (including Environmental Permits) required for Seller to conduct the operations of the System as currently conducted or for the ownership and use of the Purchased Assets have been obtained by Seller and are valid and in full force and effect. All fees and charges with respect to such Permits as of the date hereof have been paid in full. Section 4.14(b) lists all current Permits (including Environmental Permits) issued to Seller which are related to the conduct of the operations of the System as currently conducted or the ownership and use of the Purchased Assets, including the names of the Permits and their respective dates of issuance and expiration. No event has occurred that, with or without notice or lapse of time or both, would reasonably be expected to result in the revocation, suspension, lapse or limitation of any Permit set forth in Section 4.14(b).

#### 4.15 Environmental Matters.

(a) Seller and the operations of Seller with respect to the System and the Purchased Assets are currently and have been in material compliance with all Environmental Laws.

(b) Seller and the operations of Seller with respect to the System and the Purchased Assets are in material compliance with all Environmental Permits (each of which is disclosed on Section 4.14(b) of the Disclosure Schedules) necessary for the conduct of the operations of the System as currently conducted or the ownership, lease, operation or use of the Purchased Assets and all such Environmental Permits are in full force and effect and shall be maintained in full force and effect by Seller through the Closing Date in accordance with Environmental Law; and Seller is not aware of any condition, event or circumstance that might result in noncompliance with any Environmental Permit or prevent or impede, after the Closing Date, the conduct of the operations of the System as currently conducted or the ownership, lease, operation or use of the Purchased Assets.

(c) To the Knowledge of Seller, Seller has not received from any Person any (i) Environmental Notice or Environmental Claim with respect to the System, the Purchased Assets, or the Real Property; or (ii) written request for information pursuant to Environmental Law, which, in each case, either remains pending or unresolved, or is the source of ongoing obligations or requirements as of the Closing Date.

(d) To the Knowledge of Seller, no expenditure will be required at the time of Closing in order for Buyer to comply with any Environmental Law in effect at the Transfer Time in connection with the operation or continued operation of the System or the ownership or use of the Purchased Assets in a manner consistent with current operation thereof by Seller, except for any permit, transfer, registration, or similar fees associated with the required approvals set forth in Section 5.3(b).

(e) To the Knowledge of Seller, the Real Property listed on Section 4.10(a), Section 4.10(b), and Section 4.10(c) of the Disclosure Schedules has never been listed on the United States Environmental Protection Agency's National Priorities List of Hazardous Waste Sites or on or in any other list, schedule, law, inventory of record of hazardous or solid waste sites maintained by any Governmental Authority.

(f) To the Knowledge of Seller, any real property owned, leased, or otherwise controlled by the Seller not listed in Section 4.10(a), Section 4.10(b), or Section 4.10(c) of the Disclosure Schedules and used in to operate the System as currently operated or granted to Buyer has never been listed on the United States Environmental Protection Agency's National Priorities List of Hazardous Waste Sites or on or in any other list, schedule, law, inventory or record of hazardous or solid waste sites maintained by any Government Authority.

4.16 Employee Benefit Plans. The acquisition of the Purchased Assets and the operation of the System by Buyer following the Closing will not result in any Liabilities (pursuant to ERISA, any federal or state employee benefit or retirement laws or otherwise) to Buyer or otherwise resulting from any Plans maintained (or required to be maintained) by Seller.

4.17 Tax Matters. Seller has duly filed all Tax returns required to be filed by it in respect of any Taxes ("Returns"), and all Taxes owed by Seller shown thereon with respect to the Purchased Assets and the System have been paid. All Returns filed by Seller with respect to the

Purchased Assets and the System are accurate in all material respects. There are no Encumbrances with respect to Taxes upon any of the Purchased Assets. Other than Taxes imposed due to or resulting from the transactions contemplated under this Agreement, all Taxes owed by Seller as a result of its ownership of the System and the Purchased Assets have been paid. The acquisition and operation of the System by Buyer will not result in any Taxes being levied upon Buyer that are due from or owing by Seller.

4.18 Insurance; Risk of Loss. Seller has in full force and effect insurance policies with reputable insurance carrier(s), insuring against such hazards, risks and insurable Liabilities to any persons and/or property, including the System, Distribution Facilities, Purchased Assets, and Real Property, to the extent and in the manner customary for Persons in similar businesses similarly situated. Seller shall bear the risk of loss or damage to the Purchased Assets prior to the Transfer Time.

4.19 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of Seller.

4.20 Employees. Except for Timothy Flynn and Thomas Flynn, Seller has no other full-time employees. Seller has two part-time employees.

4.21 Disclosure. No representation or warranty by Seller in this Agreement and no statement contained in the Disclosure Schedule attached to this Agreement (the "Disclosure Schedule") or any certificate or other document furnished or to be furnished to Buyer pursuant to this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not misleading. The Disclosure Schedule contains certain information required by, and certain exceptions to and qualifications of, the representations and warranties of the Seller set forth in this Agreement. The introductory language, summary description, sections or subsections of the Disclosure Schedule are inserted for convenience only and shall not create a different standard for disclosure other than the language set forth in this Agreement. Headings for the sections or subsections of disclosures included in the Disclosure Schedule are inserted for convenience only and shall not create any representations regarding the completeness or accuracy of the organization of the information included in such sections. The disclosure of any matter in any Section of the Disclosure Schedule shall qualify other sections or subsections of the Disclosure Schedule to the extent it is readily apparent on its face from a reading of the disclosure without reference to any attachments or referenced documents that such disclosure is applicable to such other sections or subsections, notwithstanding the omission of an appropriate cross-reference to such other sections or subsections. The fact that any item of information is included in the Disclosure Schedule shall not be construed as an admission of liability under any Applicable Law, or that such item or information is required to be disclosed in or by this Agreement or is material for purposes of this Agreement, or that the existence of such matter would if not disclosed constitute a breach or violation of this Agreement. Such item or information shall not be used as a basis for interpreting the term "material," "materially," "materiality" or "Material Adverse Effect," or any similar qualification in this Agreement.



4.22 No Other Representations or Warranties. Except as expressly set forth in this Article IV (including the Disclosure Schedules), Seller makes no other representation or warranty regarding the System or the Purchased Assets. Except for the express representations and warranties contained in this Article IV (including the related Schedules), the Purchased Assets are sold “as-is, where-is” and “with all faults”.

## **ARTICLE V REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer represents and warrants to Seller that the statements contained in this Article V are true and correct as of the date hereof:

5.1 Organization of Buyer. Buyer is a corporation duly organized, validly existing and in good standing under the Laws of the State of California.

5.2 Authority of Buyer. Buyer has full corporate power and authority to enter into this Agreement and the other Transaction Documents to which Buyer is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Buyer of this Agreement and any other Transaction Document to which Buyer is a party, the performance by Buyer of its obligations hereunder and thereunder and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Buyer. This Agreement has been duly executed and delivered by Buyer, and (assuming due authorization, execution and delivery by Seller) this Agreement constitutes a legal, valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms. When each other Transaction Document to which Buyer is or will be a party has been duly executed and delivered by Buyer (assuming due authorization, execution and delivery by each other party thereto), such Transaction Document will constitute a legal and binding obligation of Buyer enforceable against it in accordance with its terms.

5.3 No Conflicts; Consents.

(a) The execution, delivery and performance by Buyer of this Agreement and the other Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the certificate of incorporation, by-laws or other organizational documents of Buyer; (b) conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to Buyer; or (c) require the consent, notice or other action by any Person under any Contract to which Buyer is a party.

(b) Except for approval of this Agreement and the transactions contemplated by this Agreement of the California Public Utilities Commission, no consent, authorization, order, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Buyer in connection with the execution and delivery of this Agreement and the other Transaction Documents and the performance of its obligations and the consummation of the

transactions contemplated hereby and thereby, including but not limited to operating the System and owning, leasing, operating, or using the Purchased Assets.

5.4 Legal Proceedings. There are no Actions pending or, to Buyer's knowledge, threatened against or by Buyer or any Affiliate of Buyer that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. No event has occurred or circumstances exist that may give rise or serve as a basis for any such Action.

5.5 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of Buyer.

5.6 Sufficiency of Funds. Buyer has sufficient cash on hand or other sources of immediately available funds to enable it to make payment of the Purchase Price and consummate the transactions contemplated by this Agreement.

## **ARTICLE VI COVENANTS**

6.1 Conduct of Business Prior to the Closing. From the date of this Agreement until the Closing, except as otherwise provided in this Agreement or consented to in writing by Buyer (which consent shall not be unreasonably withheld or delayed), Seller shall (x) operate the System in the Ordinary Course of Operations consistent with past practice; and (y) use Reasonable Best Efforts to maintain and preserve intact the System and its operations and to preserve the rights, franchises, goodwill and relationships of the employees, customers, suppliers, regulators and others having relationships with the System. Without limiting the foregoing, from the date hereof until the Closing Date, Seller shall:

(a) maintain the System and the Purchased Assets in the Ordinary Course of Operations but in any event consistent with Good Utility Practices and Applicable Law, including but not limited to, maintenance, repair, replacement or changes to the Purchased Assets;

(b) pay or otherwise satisfy in the Ordinary Course of Operations all of its Liabilities and obligations;

(c) confer with Buyer prior to implementing operational decisions of a material nature;

(d) respond within five (5) days to reasonable inquiries of Buyer concerning the status of the System, operations and finances;

(e) keep in full force and effect, without amendment, all material rights relating to the System;

(f) comply with all Applicable Law and contractual obligations applicable to the operations of the System;

- (g) continue in full force and effect the System's insurance coverage;
- (h) cooperate with Buyer and assist Buyer in identifying the consents, authorizations, orders, approvals, Permits, Governmental Orders, declarations or filings with, or notices to, all Governmental Authorities required by Buyer to operate the System and own the Purchased Assets from and after the Closing and either transferring existing governmental authorizations of Seller to Buyer, where permissible, or obtaining new governmental authorizations for Buyer;
- (i) upon request from time to time, execute and deliver all documents, make all truthful oaths, testify in any legal or administrative proceedings and do all other acts that may be reasonably necessary or desirable in the opinion of Buyer to consummate the contemplated transactions, all without further consideration;
- (j) maintain all books and records of Seller relating to the System in the Ordinary Course of Operations, including, without limitation, all maps, service line locations and customer records;
- (k) complete all construction work on any new distribution facilities such that no work will be in progress at Closing or at the Transfer Time and pay any and all outstanding invoices related to such work prior to Closing;
- (l) give Buyer prompt notice of any event or condition of any kind learned by Seller between the Effective Date of this Agreement and the Closing pertaining to and adversely affecting the Purchased Assets, excepting events or conditions affecting the water distribution business generally; and
- (m) perform all of its obligations under all Assigned Contracts.

6.2 Access to Information and Investigation. From the date of this Agreement until the Closing:

- (a) Seller shall (i) afford Buyer and its Representatives full and free access to and the right to inspect all of the System, the Purchased Assets, and other documents and data related to the System; (ii) furnish Buyer and its Representatives with such financial, operating and other data and information related to the System as Buyer or any of its Representatives may reasonably request; and (iii) instruct the Representatives of Seller to cooperate with Buyer in its investigation.
- (b) Without limiting the foregoing, Buyer shall have, upon receipt by Seller of reasonable advance written notice, the right to enter upon Seller's property to conduct physical inspections and testing of the Distribution Facilities, surveys, environmental assessments and sampling, site analysis, engineering studies, and other investigations it deems reasonably necessary with respect to the System and the Purchased Assets.
- (c) Buyer shall promptly, but in no case less than thirty (30) days prior to Closing, notify Seller in writing of all Material Defects in the Purchased Assets and adverse Environmental Conditions associated with the Purchased Assets of which Buyer

becomes aware. Upon such notification the Parties shall cooperate in good faith to negotiate to their mutual satisfaction the manner in which such Material Defects or Environmental Condition shall be cured or addressed before or after Closing.

(d) Any investigation pursuant to this Section 6.2 shall be conducted in such manner as not to interfere unreasonably with the conduct of the operations of the System or any other business of Seller. No investigation by Buyer or other information received by Buyer shall operate as a waiver or otherwise affect any representation, warranty or agreement given or made by Seller in this Agreement.

6.3 No Solicitation of Other Bids. Seller shall not directly or indirectly solicit, initiate, encourage or entertain any inquiries or proposals from, discuss or negotiate with, provide any nonpublic information to, or consider the merits of any inquiries or proposals from any Person (other than Buyer) relating to any transactions involving the Purchased Assets or the System, except as otherwise required by law. Seller shall notify Buyer of any such inquiry or proposal within twenty-four (24) hours of receipt or awareness of the same by Seller. Such notification shall include the name of the proposing Person and the details of the transaction, including price, terms and conditions to close.

6.4 Notice of Certain Events.

(a) From the date of this Agreement until the Closing, Seller shall promptly notify Buyer in writing if it becomes aware of:

i. any fact, circumstance, event or action the existence, occurrence or taking of which (A) has had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (B) has resulted in, or could reasonably be expected to result in, any representation or warranty made by Seller hereunder not being true and correct or (C) has resulted in, or could reasonably be expected to result in, the failure of any of the conditions set forth in Section 7.2;

ii. any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

iii. any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement; and

iv. any Action commenced or, to Seller's Knowledge, threatened against, relating to or involving or otherwise affecting the System, the Purchased Assets or the Assumed Liabilities that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 4.13 or that relates to the consummation of the transactions contemplated by this Agreement.

(b) Buyer's receipt of information pursuant to this Section 6.4 shall not operate as a waiver or otherwise affect any representation, warranty or agreement given

or made by Seller in this Agreement and shall not be deemed to amend or supplement the Schedules to this Agreement.

#### 6.5 Governmental Approvals and Consents.

(a) Each Party shall, as promptly as possible, (i) make, or cause or be made, all filings and submissions required under any Law applicable to such Party or any of its Affiliates; and (ii) cooperate fully with the other Party and its Affiliates and otherwise use Reasonable Best Efforts to promptly obtain, or cause to be obtained, all consents, authorizations, orders, approvals, Permits, Governmental Orders, declarations or filings with, or notices to, all Governmental Authorities that may be or become necessary for its execution and delivery of this Agreement and the other Transaction Documents and the performance of its obligations and the consummation of the transactions contemplated hereby and thereby, including but not limited to operating the System and owning, leasing, operating, or using the Purchased Assets; and, provided, further, that in connection with the requirements set forth in this Section 6.5, that it is expected that the Parties will be required to initiate, prepare and file various documents with the Commission in connection with existing and new proceedings and, as part of this process, it is agreed that the Buyer shall be taking a lead role with respect to any such proceedings relating to the approval of this Agreement by the Commission, including the preparation, filing and processing of various documents for joint filing; provided, however, that despite the Buyer taking a lead role in this process, Seller shall be represented by independent counsel and remain independently responsible for reviewing, commenting and approving any such joint filings on its own behalf.

(b) Seller and Buyer shall use Reasonable Best Efforts to give all notices to, and obtain all consents from, all third parties that are described in Section 4.3(a), Section 4.14(b) and Section 5.3(a) of the Disclosure Schedule.

(c) All analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals made by or on behalf of either Party before any Governmental Authority or the staff or regulators of any Governmental Authority, in connection with the transactions contemplated hereunder (but, for the avoidance of doubt, not including any interactions between Seller or Buyer with Governmental Authorities in the ordinary course of business, any disclosure which is not permitted by Law or any disclosure containing confidential information) shall be disclosed to the other Party hereunder in advance of any filing, submission or attendance, it being the intent that the parties will consult and cooperate with one another, and consider in good faith the views of one another, in connection with any such analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals. Each Party shall give notice to the other Party with respect to any meeting, discussion, appearance or contact with any Governmental Authority or the staff or regulators of any Governmental Authority, with such notice being sufficient to provide, if applicable, the other Party with the opportunity to attend and participate in such meeting, discussion, appearance or contact.

(d) Notwithstanding the foregoing, nothing in this Section 6.5 shall require, or be construed to require, Buyer or any of its Affiliates to agree to (i) sell, hold, divest, discontinue or limit, before or after the Closing Date, any assets, businesses or interests of Buyer or any of its Affiliates, or to consent to dispose of any part of or make changes to the System; (ii) any conditions relating to, or changes or restrictions in, the operations of any such assets, businesses or interests which, in either case, could reasonably be expected to result in a Material Adverse Effect or materially and adversely impact the economic or business benefits to Buyer of the transactions contemplated by this Agreement and the other Transaction Documents; or (iii) any material modification or waiver of the terms and conditions of this Agreement.

6.6 Taxes and Transfer or Assignment Cost. Any sales, transfer, purchase, use, or similar tax or fees that may be payable by reason of the sale of all or a portion of the Purchased Assets (“Transfer Taxes”) shall be borne by the Party who is liable for such tax under the law. Seller shall pay the cost for the transfer or assignment to Buyer for any license, permit, right-of-way, easement or other similar right that may be required by any third party.

6.7 Procurement of Easements and Rights-of-Way. Seller agrees to use its Reasonable Best Efforts to assist Buyer in the procurement or acquisition of easements or rights-of-way within the service area of the System, as it exists or may hereafter exist, if such easements or rights-of-way are necessary and prudent for the supply of water utility service to System Customers.

6.8 Title and Survey.

(a) Survey. For any Real Property listed on Schedule 4.10(a), Schedule 4.10(b), or Schedule 4.10(c), within ten (10) days after the Effective Date, Seller shall cause to be delivered to Buyer, Seller’s most current as-built land title surveys of the Real Property. Seller shall, at Seller’s sole cost and expense, as soon as reasonably possible, but not later than thirty (30) days following the Effective Date, cause to be delivered to Buyer current as-built ALTA/NSPS surveys of any Owned Real Property, certified to Buyer and the Title Company. All surveys described in this paragraph are hereinafter referred to as the “Surveys”.

(b) Title Commitment. For any Real Property listed on Schedule 4.10(a), Schedule 4.10(b), or Schedule 4.10(c), within ten (10) days after the Effective Date, Seller, at Seller’s sole cost and expense, shall furnish to Buyer current commitments (the “Title Commitments”) for the issuance of one or more Owner’s Policies of Title Insurance with respect to the Owned Real Property and Easements, and Leasehold Policies of Title Insurance with respect to the Leased Real Property, insuring that Buyer holds good and marketable fee simple title to the Owned Real Property, valid and insurable easement interests in the Easements, and valid and insurable leasehold interests in the Leased Real Property to be sold to Buyer, together with legible copies of all documents (the “Title Documents”) constituting exceptions to Seller’s title as reflected in the Title Commitments, including legible copies of the current plats, if any, filed in the map and plat records. The Surveys and the Title Commitments shall form the basis for the legal descriptions of the Real Property.

(c) Title and Survey Review. For any Survey or Title Commitment delivered to Buyer as a result of (a) or (b) above:

i. Buyer shall have a period of thirty (30) days (the "Title and Survey Review Period") after receipt of both the updated Surveys and the Title Commitments, with legible copies of the Title Documents referenced in the Title Commitments, to review the Title Commitments and Surveys and to provide notice in writing to Seller as to any matters therein to which Buyer objects (the "Objections"). If Buyer fails to provide such notice prior to the expiration of the Title and Survey Review Period, Buyer shall be deemed to have approved and accepted title and survey and all matters set forth in the Title Documents shall be deemed permitted exceptions (referred to as "Permitted Exceptions"), and Buyer shall accept title to the Real Property subject to such Permitted Exceptions.

ii. If Buyer notifies Seller in writing of any Objections prior to the expiration of the Title and Survey Review Period, Seller shall then have a period of fifteen (15) days after its receipt of such notice to (i) use its reasonable efforts to cure the Objections, or (ii) to notify Buyer in writing of any Objections Seller cannot or will not cure (the "Cure Notice"). If Seller fails to deliver a Cure Notice in accordance herewith, Seller shall be deemed to accept the obligation to cure the Objections prior to Closing.

iii. Upon Buyer's receipt of the Cure Notice, Buyer shall have until Closing to either (i) terminate this Agreement by written notice to Seller, with neither Party being thereafter obligated to the other, except as to those provisions that expressly survive hereunder, or (ii) waive the Objections by written notice to Seller and proceed to Closing with all uncured Objections constituting Permitted Exceptions.

iv. Notwithstanding anything contained herein to the contrary, Seller may not, at any time after the Effective Date, place any encumbrances and/or restrictions on the Real Property without the prior written consent of Buyer.

(d) Title Policy. For any Real Property listed in Schedule 4.10(a), Schedule 4.10(b), or Schedule 4.10(c), on or before the Closing Date, Seller shall furnish Buyer, at Seller's cost and expense (excluding any additional premium for the survey exception deletion), with an Owner's Policy of Title Insurance (the "Title Policy") issued through the Title Company on the standard form in use in the State of California from a title insurance underwriter chosen by Seller and reasonably acceptable to Buyer, insuring good, marketable and infeasible fee title to the Owned Real Property, valid and insurable easement interests in the Easements, and valid and insurable leasehold interests in the Leased Real Property to be granted to Buyer, subject only to the Permitted Exceptions. The parties hereby specifically agree that the Title Policies shall be issued with all "standard exceptions" being deleted therefrom. The "standard exceptions" to be deleted shall include the mechanic's lien exception and the unsettled taxes exception.

6.9 Due Diligence Review. Without in any way limiting the scope of the due diligence review by Buyer or Buyer's obligation to undertake its own independent due diligence review of the System and the Purchased Assets, Seller shall deliver to Buyer, within [*ten (10)*] days after the Effective Date, at Seller's sole cost and expense, the following:

(a) Copies of the deeds and other instruments (as recorded) by which Seller acquired each parcel of Owned Real Property (if any), and copies of all title insurance policies, opinions, abstracts and surveys in the possession of Seller with respect to such parcels.

(b) A listing of all easements or similar instruments under which Seller is the grantee where the easement or real property right evidenced is utilized in any manner by Seller for the placement, maintenance, repair, operation or improvement of the System.

(c) Copies of all environmental reports and investigations that Seller owns, has obtained, or has ordered with respect to the System, the Purchased Assets or the Real Property.

(d) A complete inventory of all tangible personal property owned or leased by Seller and used in connection with the System;

(e) Copies of any reports or other correspondence related to the condition of property utilized in respect of the business carried on by the System;

(f) Copies of all certificates of occupancy and other governmental licenses or approvals relating to any portion of the System, including any necessary distribution system operating permits and all other Permits;

(g) Copies of any service records or bills for repairs to any part of the System for the prior three (3) years;

(h) Copies of all warranties relating to the System; and

(i) Sufficient documentation to support the book value of the Purchased Assets.

6.10 Publication; Transition and Non-Disparagement.

(a) Neither Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement prior to the Closing without the prior written approval of the other Party; provided, however, that any Party may make any public disclosure it believes in good faith is required by applicable law or any listing or trading agreement concerning its publicly traded securities (in which case the disclosing Party will use its Reasonable Best efforts to advise the other Party prior to making such disclosure).

(b) Seller will not take any action that is designed or intended to have the effect of discouraging any lessor, customer, supplier or other business associate of Seller



from maintaining the same business relationships with Buyer after the Closing as it maintained with Seller prior to the Closing. Seller will refer all inquiries or requests relating to the System or the Purchased Assets (or any portion thereof) to Buyer from and after the Closing.

(c) Seller will cooperate with Buyer to transition the Purchased Assets to Buyer including facilitating deployment of water distribution facilities and equipment that are, in Buyer's sole discretion, necessary and convenient to aid in increasing the Purchased Assets' compatibility with Buyer's existing distribution system.

(d) For a period of five (5) years after the Closing, neither Party will disparage in any manner the other Party or its Representatives, the Purchased Assets, the System, the business conducted by the other Party using the Purchased Assets, or any of the products, services or business practices of the other Party.

6.11 Account Balances. For a period of one (1) year following the Closing Date, unless otherwise agreed in writing by the Buyer, Seller shall at all times maintain unencumbered cash, cash equivalents, and marketable securities having an aggregate value of not less than Two Hundred Thousand Dollars (\$200,000) (the "Holdback Amount").

6.12 Dissolution. For a period of eighteen (18) months following the Closing Date, unless otherwise agreed in writing by the Buyer, Seller shall not voluntarily commence any case, proceeding or other action under any existing or future bankruptcy, insolvency or similar law seeking to have an order for relief entered with respect to itself, or seeking reorganization, arrangement, adjustment, wind-up, liquidation, or dissolution.

6.13 Further Assurances. Following the Closing, each of the Parties hereto shall, and shall cause their respective Affiliates to, execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the other Transaction Documents.

6.14 Employees. Seller will either terminate or reassign the employment of all of its employees and independent contractors in connection with the System, at its sole risk and expense. Seller shall bear any and all obligations and liability resulting from employment losses pursuant to this Section 6.14. Buyer may, but except pursuant to the Employment Agreements will not be obligated to, offer employment to any of Seller's former or current employees but will not assume any employee-related Liabilities.

## **ARTICLE VII CONDITIONS TO CLOSING**

7.1 Conditions to Obligations of All Parties. The obligations of each Party to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of the following condition:

(a) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Governmental Order which is in effect and has the effect of

making the transactions contemplated by this Agreement illegal, otherwise restraining or prohibiting consummation of such transactions or causing any of the transactions contemplated hereunder to be rescinded following completion thereof.

7.2 Conditions to Obligations of Buyer. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Buyer's waiver, at or prior to the Closing, of each of the following conditions:

(a) The representations and warranties of Seller contained in this Agreement, the other Transaction Documents and any certificate or other writing delivered pursuant hereto shall be true and correct in all material respects on and as of the Effective Date and on and as of the Closing Date.

(b) Seller shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement and each of the other Transaction Documents to be performed or complied with by it prior to or on the Closing Date.

(c) No Action shall have been commenced against Buyer or Seller which would prevent the Closing.

(d) Buyer shall have received all consents, authorizations, orders, approvals, Permits, Governmental Orders, declarations or filings with, or notices to, the Governmental Authorities referred to in Section 5.3(b), in each case final, non-appealable, and in form and substance satisfactory to Buyer in its sole discretion, and no such consent, authorization, order or approval shall have been revoked.

(e) From the date of this Agreement, there shall not have occurred any Material Adverse Effect, nor shall any event or events have occurred that, individually or in the aggregate, with or without the lapse of time, could reasonably be expected to result in a Material Adverse Effect.

(f) Material Defects identified by Buyer in the Purchased Assets or adverse Environmental Conditions associated with the Purchased Assets notified to Seller in accordance with Section 6.2 shall have been cured to the reasonable satisfaction of Buyer.

(g) Buyer shall have received all Permits that are necessary for it to conduct the operations of the System in all material respects as conducted by Seller prior to the Closing Date.

(h) For any Real Property listed in Schedule 4.10(a), Schedule 4.10(b), or Schedule 4.10(c), Buyer shall have received (at Seller's expense) one or more Title Policies with respect to each parcel of Owned Real Property, Easement, and Leased Real Property issued by a nationally recognized title insurance company acceptable to Buyer, written as of the Closing Date, insuring Buyer in such amounts and together with such endorsements, and otherwise in such form, as Buyer shall reasonably require. Such Title Policies shall insure fee simple title to each Owned Real Property, free and clear of all

Encumbrances other than Permitted Encumbrances and those listed on Schedule 4.10(a)(i), valid and insurable easement interests in each Easement, free and clear of all Encumbrances other than Permitted Encumbrances and those listed on Schedule 4.10(c), and valid and insurable leasehold interests in the Leased Real Property, free and clear of all Encumbrances other than Permitted Encumbrances and those listed on Schedule 4.10(b). Buyer shall have received (at Seller's expense) appropriately certified ALTA/NSPS Land Title Surveys showing no Encumbrances other than the Permitted Encumbrances and those listed on Schedule 4.10(a)(i) and otherwise in form and substance reasonably satisfactory to Buyer for each of the Owned Real Properties.

(i) Evidence of remediation and resolution of all matters reflected, or required to be reflected, on Schedule 4.13 or Schedule 4.14 shall have been received and be reasonably satisfactory to Buyer.

(j) Buyer shall have received a certificate, dated as of the Closing Date and signed by a duly authorized officer of Seller, that each of the conditions set forth in Section 7.2(a) and Section 7.2(b) have been satisfied (the "Seller Closing Certificate").

(k) Buyer shall have received a certificate, dated as of the Closing Date and signed by the Secretary or an Assistant Secretary of Seller, certifying (A) to Seller's due organization, valid existence and good standing in the state of California, (B) that attached thereto is a true and complete copy of the Articles of Incorporation of the Seller and all amendments thereto as in effect on the Closing Date, (C) that attached thereto is a true and complete copy of the Bylaws of the Seller, together with all amendments thereto, as in effect on the Closing Date, (D) that attached thereto are true and complete copies of all resolutions adopted by the board of directors and shareholders of Seller authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby, and (E) the names and specimen signatures of the officers of Seller authorized to sign this Agreement, the Transaction Documents and the other documents to be delivered hereunder and thereunder (the "Seller Secretary's Certificate").

(l) Seller shall have delivered to Buyer such other documents or instruments as Buyer reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement (including an affidavit of non-foreign status if determined to be necessary).

(m) Seller shall have caused the books, records, and accounting statements of Seller to reflect a write down, waiver of recovery and extinguishment of the balance accrued in the Seller's Balancing Account, as of the Closing Date, in accordance with the terms of the Settlement Agreement.

(n) Seller shall have negotiated and executed a settlement agreement with F. Patrick Flynn to waive recovery of, and Seller shall have caused the books, records, and accounting statements of Seller to reflect a write off and extinguishment of the remaining,

outstanding principal balance of the loan made by F. Patrick Flynn to Seller as of the Closing Date.

7.3 Conditions to Obligations of Seller. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Seller's waiver, at or prior to the Closing, of each of the following conditions:

(a) the representations and warranties of Buyer contained in this Agreement, the other Transaction Documents and any certificate or other writing delivered pursuant hereto shall be true and correct in all material respects on and as of the date hereof and on and as of the Closing Date.

(b) Buyer shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement and each of the other Transaction Documents to be performed or complied with by it prior to or on the Closing Date.

(c) Seller shall have received, in form and substance reasonably satisfactory to Seller, all consents, authorizations, orders and approvals from the Governmental Authorities referred to in Section 4.3(b) of the Disclosure Schedule; and no such consent, authorization, order or approval shall have been revoked.

(d) Seller shall have received a certificate, dated the Closing Date and signed by a duly authorized officer of Buyer, that each of the conditions set forth in Section 7.3(a) and Section 7.3(b) have been satisfied (the "Buyer Closing Certificate").

(e) Buyer shall have delivered to Seller such other documents or instruments as Seller reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement.

## **ARTICLE VIII INDEMNIFICATION**

8.1 Survival. All representations, warranties and covenants contained in this Agreement shall survive the Closing for a period of time (the "Claims Period") which begins on the Closing Date and ends on the day that is the twelve (12) month anniversary of the Closing Date and, any Claims for indemnification pursuant to this Article VIII arising from a breach of the surviving representations, warranties and covenants must be filed, or at a minimum, noticed, prior to the end of such Claims Period. A Claim becomes barred if not filed, or noticed, during the Claims Period and, provided, further, the language of this Section 8.1 reflects the Parties intention to shorten the applicable statute of limitations period for any such Claim.

8.2 Indemnification by Seller. Subject to the other terms and conditions of this Article VIII, Seller shall indemnify and defend each of Buyer and its Affiliates and their respective Representatives (collectively, the "Buyer Indemnitees") against, and shall hold each of them harmless from and against, and shall pay and reimburse each of them for, any and all Losses incurred or sustained by, or imposed upon, the Buyer Indemnitees as a result of or arising out of:

(a) any inaccuracy in or breach of any of the representations or warranties of Seller contained in this Agreement, the other Transaction Documents (excluding, however, each of the Release Agreements and the Employment Agreements contemplated hereunder) or in any certificate or instrument delivered by or on behalf of Seller pursuant to this Agreement, as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date;

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Seller pursuant to this Agreement, the other Transaction Documents or any certificate or instrument delivered by or on behalf of Seller pursuant to this Agreement;

(c) any Excluded Asset or any Excluded Liability; or

(d) any Third Party Claim based upon, resulting from or arising out of the business, operations, properties, assets or obligations of Seller or the System (other than Assumed Liabilities) conducted, existing or arising on or prior to the Closing Date.

8.3 Indemnification by Buyer. Subject to the other terms and conditions of this Article VIII, Buyer shall indemnify and defend each of Seller and its Affiliates and their respective Representatives (collectively, the "Seller Indemnitees") against, and shall hold each of them harmless from and against, and shall pay and reimburse each of them for, any and all Losses incurred or sustained by, or imposed upon, the Seller Indemnitees based upon as a result of or arising out of:

(a) any inaccuracy in or breach of any of the representations or warranties of Buyer contained in this Agreement or in any certificate or instrument delivered by or on behalf of Buyer pursuant to this Agreement, as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date;

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Buyer pursuant to this Agreement;

(c) any Assumed Liability; or

(d) any Third Party Claim based upon, resulting from or arising out of the business, operations, properties, assets or obligations of Buyer or the System conducted or arising after the Closing Date.

8.4 Indemnification Limits and Qualifications. The indemnification provided for in Section 8.2 and Section 8.3 shall be subject to the following limitations:

(a) Seller shall not be liable to the Buyer Indemnitees for indemnification under Section 8.2 until the aggregate amount of all Losses in respect of indemnification under Section 8.2 exceeds \$65,000 (the "Basket"), in which event Seller shall be required to pay or be liable for all such Losses from the first dollar. The aggregate amount of all Losses

for which Seller shall be liable pursuant to Section 8.2 shall not exceed the Payout Amount (the "Cap").

(b) Buyer shall not be liable to the Seller Indemnitees for indemnification under Section 8.3 until the aggregate amount of all Losses in respect of indemnification under Section 8.3 exceeds the Basket, in which event Buyer shall be required to pay or be liable for all such Losses from the first dollar. The aggregate amount of all Losses for which Buyer shall be liable pursuant to Section 8.3 shall not exceed the Cap.

(c) Notwithstanding the foregoing, the limitations set forth in Section 8.4(a) and Section 8.4(b) shall not apply to Losses based upon, arising out of, with respect to or by reason of any inaccuracy in or breach of any representation or warranty in Section 4.1, Section 4.2, Section 4.8, Section 4.16, Section 4.17, Section 4.19, Section 5.1, Section 5.2 or Section 5.5.

(d) Solely for the purposes of determining Losses with respect to a breach under this Article VIII, any inaccuracy in or breach of any representation or warranty shall be determined without regard to any materiality or Material Adverse Effect qualifier contained in or otherwise applicable to such representation or warranty.

8.5 Indemnification Procedures. The party making a claim under this Article VIII is referred to as the "Indemnified Party," and the party against whom such claims are asserted under this Article VIII is referred to as the "Indemnifying Party."

(a) Third Party Claims. If any Indemnified Party receives notice of the assertion or commencement of any Action made or brought by any Person who is not a Party to this Agreement or an Affiliate of a Party to this Agreement or a Representative of the foregoing (a "Third Party Claim") against such Indemnified Party with respect to which the Indemnifying Party is obligated to provide indemnification under this Agreement, the Indemnified Party shall give the Indemnifying Party reasonably prompt written notice thereof, but in any event not later than thirty (30) calendar days after receipt of such notice of such Third Party Claim. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except to the extent that the Indemnifying Party forfeits rights or defenses by reason of such failure. Such notice by the Indemnified Party shall describe the Third Party Claim in reasonable detail and indicate an estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have the right to participate in, or by giving written notice to the Indemnified Party, to assume the defense of any Third Party Claim at the Indemnifying Party's expense and by the Indemnifying Party's own counsel, and the Indemnified Party shall cooperate in good faith in such defense; provided, that if the Indemnifying Party is Seller, such Indemnifying Party shall not have the right to defend or direct the defense of any such Third Party Claim that (x) is asserted directly by or on behalf of a Person that is a System Customer, or (y) seeks an injunction or other equitable relief against the Indemnified Party. In the event that the Indemnifying Party assumes the defense of any Third Party Claim, subject to Section 8.4(b), it shall have the right to take such action as it deems necessary to avoid, dispute, defend, appeal or make counterclaims pertaining to

any such Third Party Claim in the name and on behalf of the Indemnified Party. The Indemnified Party shall have the right to participate in the defense of any Third Party Claim with counsel selected by it subject to the Indemnifying Party's right to control the defense thereof. The fees and disbursements of such counsel shall be at the expense of the Indemnified Party, provided, that if in the reasonable opinion of counsel to the Indemnified Party, (A) there are legal defenses available to an Indemnified Party that are different from or additional to those available to the Indemnifying Party; or (B) there exists a conflict of interest between the Indemnifying Party and the Indemnified Party that cannot be waived, the Indemnifying Party shall be liable for the reasonable fees and expenses of counsel to the Indemnified Party. If the Indemnifying Party elects not to compromise or defend such Third Party Claim, fails to promptly notify the Indemnified Party in writing of its election to defend as provided in this Agreement, or fails to diligently prosecute the defense of such Third Party Claim, the Indemnified Party may, subject to Section 8.4(b), pay, compromise, defend such Third Party Claim and seek indemnification for any and all Losses based upon, arising from or relating to such Third Party Claim. Seller and Buyer shall cooperate with each other in all reasonable respects in connection with the defense of any Third Party Claim, including making available records relating to such Third Party Claim and furnishing, without expense (other than reimbursement of actual out-of-pocket expenses) to the defending party, employees of the non-defending party as may be reasonably necessary for the preparation of the defense of such Third Party Claim.

(b) Settlement of Third Party Claims. Notwithstanding any other provision of this Agreement, the Indemnifying Party shall not enter into settlement of any Third Party Claim without the prior written consent of the Indemnified Party, except as provided in this Section 8.5(b). If a firm offer is made to settle a Third Party Claim without leading to liability or the creation of a financial or other obligation on the part of the Indemnified Party and provides, in customary form, for the unconditional release of each Indemnified Party from all liabilities and obligations in connection with such Third Party Claim and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party shall give written notice to that effect to the Indemnified Party. If the Indemnified Party fails to consent to such firm offer within ten (10) days after its receipt of such notice, the Indemnified Party may continue to contest or defend such Third Party Claim and in such event, the maximum liability of the Indemnifying Party as to such Third Party Claim shall not exceed the amount of such settlement offer. If the Indemnified Party fails to consent to such firm offer and also fails to assume defense of such Third Party Claim, the Indemnifying Party may settle the Third Party Claim upon the terms set forth in such firm offer to settle such Third Party Claim. If the Indemnified Party has assumed the defense pursuant to Section 8.5(b), it shall not agree to any settlement without the written consent of the Indemnifying Party (which consent shall not be unreasonably withheld or delayed).

(c) Direct Claims. Any Action by an Indemnified Party on account of a Loss which does not result from a Third Party Claim (a "Direct Claim") shall be asserted by the Indemnified Party giving the Indemnifying Party reasonably prompt written notice thereof, but in any event not later than thirty (30) days after the Indemnified Party becomes aware of such Direct Claim. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations,

except to the extent that the Indemnifying Party forfeits rights or defenses by reason of such failure. Such notice by the Indemnified Party shall describe the Direct Claim in reasonable detail and indicate an estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have thirty (30) days after its receipt of such notice to respond in writing to such Direct Claim. The Indemnified Party shall allow the Indemnifying Party and its Representatives to investigate the matter or circumstance alleged to give rise to the Direct Claim, and whether and to what extent any amount is payable in respect of the Direct Claim and the Indemnified Party shall assist the Indemnifying Party's investigation by giving such information and assistance (including access to the Indemnified Party's premises and personnel and the right to examine and copy any accounts, documents or records) as the Indemnifying Party or any of its Representatives may reasonably request. If the Indemnifying Party does not so respond within such thirty (30) day period, the Indemnifying Party shall be deemed to have rejected such claim, in which case the Indemnified Party shall be free to pursue such remedies as may be available to the Indemnified Party on the terms and subject to the provisions of this Agreement.

8.6 Payments. Once a Loss is agreed to by the Indemnifying Party or finally adjudicated to be payable pursuant to this Article VIII, the Indemnifying Party shall satisfy its obligations within fifteen (15) Business Days of such final, non-appealable adjudication by wire transfer of immediately available funds.

8.7 Tax Treatment of Indemnification Payments. All indemnification payments made under this Agreement shall be treated by the Parties as an adjustment to the Purchase Price for tax purposes, unless otherwise required by Law.

8.8 Effect of Investigation. The representations, warranties and covenants of the Indemnifying Party, and the Indemnified Party's right to indemnification with respect thereto, shall not be affected or deemed waived by reason of any investigation made by or on behalf of the Indemnified Party (including by any of its Representatives) or by reason of the fact that the Indemnified Party or any of its Representatives knew or should have known that any such representation or warranty is, was or might be inaccurate or by reason of the Indemnified Party's waiver of any condition set forth in Section 7.2 or Section 7.3, as the case may be.

8.9 Exclusive Remedies. Subject to Section 10.11, the Parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims (other than claims arising from fraud, criminal activity or intentional misconduct on the part of a Party hereto in connection with the transactions contemplated by this Agreement) for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement, shall be pursuant to the indemnification provisions set forth in this Article VIII. In furtherance of the foregoing, each party hereby waives, to the fullest extent permitted under Law, any and all rights, claims and causes of action for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement it may have against the other parties hereto and their Affiliates and each of their respective Representatives arising under or based upon any Law, except pursuant to the indemnification provisions set forth in this Article VIII. Nothing in this Section 8.9 shall limit any Person's right to seek and obtain any equitable relief to which any



Person shall be entitled or to seek any remedy on account of any party's fraudulent, criminal or intentional misconduct. In addition to the foregoing, to the extent there is a claim brought under this Agreement against the Seller and there is a shortfall in reimbursing Buyer for any Losses related to such claim after exhausting the Holdback Amount and any insurance proceeds, nothing in this Agreement limits the ability of Buyer to pursue claims against any shareholder of the Seller to the extent permitted by Applicable Law for any such shortfall; provided, however, that in the case of any such claim for Losses made by the Buyer against any shareholder of the Seller (including for purposes of this provision any affiliates or beneficiaries of such shareholder), such claims shall be limited to an amount not to exceed the aggregate amount of money disbursed from or distributed by the Seller to all shareholders subsequent to the Closing Date; and, provided, further, that notwithstanding the foregoing, nothing hereunder shall be deemed a waiver or limitation with respect to any rights or remedies of any shareholder and each shareholder shall be entitled to assert any and all defenses available hereunder or pursuant to Applicable Law. For the avoidance of doubt, the foregoing language shall not be deemed an admission on the part of the Seller or any shareholder that the shareholders are responsible for the acts or obligations of the Seller.

## **ARTICLE IX TERMINATION**

9.1 Due Diligence Period and Termination by Buyer. This Agreement may be terminated at any time prior to the date that is thirty (30) days after the Effective Date by Buyer by written notice to Seller if the results of Buyer's ongoing investigation of the business of Seller, the System or the Purchased Assets are unsatisfactory to Buyer in its sole discretion.

9.2 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written consent of Seller and Buyer;

(b) by Buyer by written notice to Seller if:

i. Buyer is not then in material breach of any provision of this Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Seller pursuant to this Agreement that would give rise to the failure of any of the conditions specified in Article VII and such breach, inaccuracy or failure has not been cured by Seller within thirty (30) days of Seller's receipt of written notice of such breach from Buyer; or

ii. any of the conditions set forth in Section 7.1 or Section 7.2 shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by the End Date, unless such failure shall be due to the failure of Buyer to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing.

(c) by Seller by written notice to Buyer if:

i. Seller is not then in material breach of any provision of this Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Buyer pursuant to this Agreement that would give rise to the failure of any of the conditions specified in Article VII and such breach, inaccuracy or failure has not been cured by Buyer within thirty (30) days of Buyer's receipt of written notice of such breach from Seller; or

ii. any of the conditions set forth in Section 7.1 or Section 7.3 shall not have been, or if it becomes apparent that any of such conditions will not be (which shall include a failure to obtain from the Commission relief reasonably satisfactory to Seller in a decision on an Application for Relief filed in connection with the joint application of Buyer and Seller for approval of this Agreement), fulfilled by the End Date, unless such failure shall be due to the failure of Seller to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing.

(d) by Buyer or Seller in the event that (i) there shall be any Law that makes consummation of the transactions contemplated by this Agreement illegal or otherwise prohibited or (ii) any Governmental Authority shall have issued a Governmental Order restraining or enjoining the transactions contemplated by this Agreement, and such Governmental Order shall have become final and non-appealable.

(e) Notwithstanding Section 9.2(b)(ii) and Section 9.3(c)(ii), in the event that, prior to the End Date, any consent, authorization, order or approval required by Section 7.2(d) or Section 7.3(c) has been denied or has been obtained with conditions that require certain modifications or changes to obtain such consent, authorization, order or approval (which includes without limitation the Commission's initial decision on the joint application of Buyer and Seller for approval of this Agreement) causing failure of any of the conditions set forth in those sections, or the condition set forth in Section 7.1 has not been satisfied (each, a "Failed Condition"), then the Parties shall promptly confer in good faith regarding such Failed Condition and, from the date of such occurrence until the earlier of the End Date or the date that is fifteen (15) days following such occurrence (the "Discussion Period"), shall employ good faith efforts to promptly agree upon a strategy or course of action which would allow the parties to cause the conditions specified in Section 7.1, Section 7.2(d) and Section 7.3(c) to be satisfied, which may include appropriate changes to this Agreement or to the transactions contemplated hereby, in each Party's sole discretion. During the Discussion Period the Parties will work together in good faith to resolve the Failed Condition, in order to move towards satisfying the conditions for Closing and in order to effect the Closing as promptly as reasonably practicable. If the Parties do not reach written agreement within the Discussion Period on how to address, resolve or obviate the Failed Condition, then, the Parties may exercise their rights under Section 9.2(b) or Section 9.2(c); provided, however that if the Seller is the dissatisfied Party and intends to exercise its termination right pursuant to this Article IX due to a Failed Condition which arose due to the Commission's decision on the joint application of Buyer and Seller for approval of this Agreement subject to the conditions specified in in Section 7.3(c), then both Parties shall promptly, jointly and timely file

with a request for expedited consideration, as deemed appropriate, either an Application for Rehearing or a Petition for Modification with the Commission for its consideration in a good faith attempt to obviate the Failed Condition; and, provided, further, that if the Seller determines the appropriate filing has a deadline which is prior to the end of the Discussion Period, then the Parties shall prepare and submit such filing as necessary to meet the Commission's filing deadline.

In the event that an Application for Rehearing or Petition for Modification is filed as provided in the preceding paragraph (each, an "Application for Relief"), (i) if the End Date occurs prior to the date the Commission enters a final order on such Application for Relief, then the End Date shall be deemed extended until the date that is thirty (30) days after the date the Commission issues such final order on such Application for Relief, (ii) the Discussion Period process described in this Section 9.2(e) shall not apply to the final order on such Application for Relief, and (iii) upon issuance of the final order on such Application for Relief, the Parties may exercise their rights under Section 9.2(b) or Section 9.2(c).

9.3 Effect of Termination. In the event of the termination of this Agreement in accordance with this Article, this Agreement shall forthwith become void and there shall be no liability on the part of any Party except:

- (a) as set forth in this Article IX and Article X hereof; and
- (b) that nothing herein shall relieve any Party hereto from liability for any breach of any provision hereof.

## **ARTICLE X MISCELLANEOUS**

10.1 Expenses. Except as otherwise expressly provided herein, all costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses, whether or not the Closing shall have occurred.

10.2 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing or electronic form and shall be deemed to have been given at the earlier of the date (a) when delivered personally, by messenger or by overnight courier service by a recognized commercial carrier to an officer of the other Party, or (b) when received via facsimile or electronic mail (confirmed by telephone or e-mail in each case), in all cases addressed to the Person for whom it is intended at the address set forth below or to such other address and the Party shall have designated by notice in writing to the other Party in the manner provided by this Section 10.2:

Notices to Buyer:	Liberty Utilities (Park Water) Corp. c/o Algonquin Power & Utilities Corp. 345 Davis Road Oakville, ON L6J 2X1
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Attn: Chief Executive Officer  
Fax: (905) 465-4514  
E-mail: ian.robertson@algonquinpower.com

With a copy (which shall not constitute notice) to: Husch Blackwell LLP  
4800 Main Street, Suite 1000  
Kansas City, Missouri 64112  
Attn: Michael J. Eason  
Fax: (816) 983-8080  
E-mail: michael.eason@huschblackwell.com

Notices to Seller: Mesa-Crest Water Company  
4532 Rinetti Lane, #C  
La Cañada Flintridge, California 91011  
Attn: President  
Fax: (818) 790-2074  
E-mail: mcwch2otim@aol.com

With a copy (which shall not constitute notice) to: Friedman & Springwater LLP  
350 Sansome Street, Suite 210  
San Francisco, California 94104  
Attn: Mark Fogelman  
Fax: (415) 834-1044  
E-mail: mfogelman@friedmanspring.com

10.3 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

10.4 Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

10.5 Entire Agreement. This Agreement and the other Transaction Documents constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and therein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Agreement and those in the other Transaction Documents, the Exhibits and Schedules (other than an exception expressly set forth as such in the Schedules), the statements in the body of this Agreement will control.

10.6 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and permitted assigns. Neither Party may assign its rights or obligations hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed; provided, however, that prior to the Closing Date, Buyer may, without the prior written consent of Seller, assign all or any portion of its rights under this Agreement to one or more of its direct or indirect wholly-owned subsidiaries. No assignment shall relieve the assigning party of any of its obligations hereunder.

10.7 No Third-party Beneficiaries. Except as provided in Article VIII, this Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

10.8 Amendment and Modification; Waiver. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each Party hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

10.9 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

(a) This Agreement shall be governed by and construed in accordance with the internal laws of the State of California without giving effect to any choice or conflict of law provision or rule (whether of the State of California or any other jurisdiction).

**(b) ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY MAY BE INSTITUTED IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA OR THE COURTS OF THE STATE OF CALIFORNIA IN EACH CASE IN OR FOR LOS ANGELES COUNTY, CALIFORNIA AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR ANY PROCEEDING IN SUCH COURTS AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.**

10.10 Limitation of Remedies. **UNDER NO CIRCUMSTANCES (SAVE FOR FRAUD) SHALL EITHER PARTY BE LIABLE FOR ANY CONSEQUENTIAL, EXEMPLARY, PUNITIVE, SPECIAL, INDIRECT OR INCIDENTAL DAMAGES, LOST PROFITS OR ECONOMIC LOSSES ARISING OUT OF ANY CLAIM, DEMAND, OR ACTION BROUGHT WITH RESPECT TO THIS AGREEMENT; AND, PROVIDED, FURTHER, THAT IN NO CASE SHALL EITHER PARTY'S LIABILITY ARISING OUT OF OR RELATING TO THIS AGREEMENT, REGARDLESS OF THE CAUSE OF ACTION (WHETHER IN CONTRACT, TORT, BREACH OF WARRANTY OR OTHERWISE), EXCEED THE PAYOUT AMOUNT.**

10.11 Specific Performance. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

10.12 Attorneys' Fees. Except as and to the extent stated otherwise in this Agreement, if a Party commences an action against the other Party because of a breach by that Party of its obligations under this Agreement or any documents executed in consummation of the transactions contemplated by this Agreement, the prevailing Party in any such action shall be entitled to recover from the losing Party its expenses, including reasonable attorneys' fees, incurred in connection with the prosecution or defense of such action, and any appeal thereof.

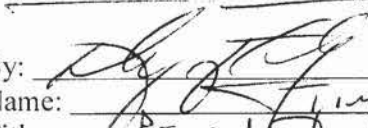
10.13 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

*[Signature page follows.]*

IN WITNESS WHEREOF, the Parties have executed this Asset Purchase Agreement as of the day and year first above written.

**SELLER:**

**Mesa-Crest Water Company**

By:   
Name: Timothy J. Flynn  
Title: President and Chief Executive Officer

**BUYER:**

**Liberty Utilities (Park Water) Corp.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Liberty Utilities (Park Water) Corp.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IN WITNESS WHEREOF, the Parties have executed this Asset Purchase Agreement as of the day and year first above written.


**SELLER:**

**Mesa-Crest Water Company**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**BUYER:**

**Liberty Utilities (Park Water) Corp.**

By:  \_\_\_\_\_  
Name: GREGORY S SORENSEN  
Title: President

**Liberty Utilities (Park Water) Corp.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



IN WITNESS WHEREOF, the Parties have executed this Asset Purchase Agreement as of the day and year first above written.

**SELLER:**

**Mesa-Crest Water Company**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**BUYER:**

**Liberty Utilities (Park Water) Corp.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Liberty Utilities (Park Water) Corp.**

By: CM  
Name: Chris Alario  
Title: Vice President, Finance  
and Administration

**Exhibit A**

**Form of Assignment and Assumption Agreement**

## ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement (“Agreement”), is made and entered into as of the \_\_\_ day of \_\_\_\_\_, 20\_\_\_ (the “Effective Date”) by and between MESA-CREST WATER COMPANY, a California corporation (“Seller”), and LIBERTY UTILITIES (PARK WATER) CORP., a California corporation (“Buyer”). Unless otherwise indicated, capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Asset Purchase Agreement (as defined below).

WHEREAS, Seller and Buyer have entered into that certain Asset Purchase Agreement dated as of March 29, 2017 (the “Asset Purchase Agreement”); and

WHEREAS, the execution and delivery of this Agreement is a required closing delivery upon the consummation of the transactions contemplated by the Asset Purchase Agreement.

NOW, THEREFORE, pursuant and subject to the terms of the Asset Purchase Agreement and in consideration of the mutual covenants set forth below and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer agree as follows:

1. Seller hereby assigns, transfers, and delivers to Buyer all its right, title and interest in and to the Assigned Contracts and the Assumed Liabilities.

2. Buyer hereby accepts and assumes the assignment of the Assigned Contracts and the Assumed Liabilities, and subject to the Asset Purchase Agreement agrees to pay, perform and discharge all of the obligations, liabilities, commitments, requirements and duties of Seller under and with respect to the Assigned Contracts and the Assumed Liabilities arising and accruing from and after the Closing Date.

3. Seller and Buyer agree, on behalf of themselves and their respective successors and assigns, to do, execute, acknowledge, and deliver, or to cause to be done, executed, acknowledged, and delivered, all such further acts, documents, and instruments that may reasonably be required to give full effect to the intent of this Agreement.

4. This Agreement is being delivered pursuant to the Asset Purchase Agreement and will be construed consistently therewith. This Agreement is not intended to, and does not, in any manner enhance, diminish, or otherwise modify the rights and obligations of the Parties under the Asset Purchase Agreement. To the extent that any provision of this Agreement conflicts or is inconsistent with the terms of the Asset Purchase Agreement, the terms of the Asset Purchase Agreement will govern.

5. This Agreement may be executed in multiple counterparts (each of which will be deemed an original, but all of which together will constitute one and the same instrument), and may be delivered by facsimile transmission, with originals to follow by overnight courier or certified mail (return receipt requested).

6. This Agreement and all of the provisions hereof will be binding upon and inure to the benefit of Seller and Buyer and their respective successors and permitted assigns.

7. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California.

**[Signature Page Follows]**

IN WITNESS WHEREOF, Seller and Buyer have caused this Agreement to be signed by their respective duly authorized officers as of the date first above written.

**SELLER:**

**Mesa-Crest Water Company**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**BUYER:**

**Liberty Utilities (Park Water) Corp.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Exhibit B**  
**Form of Bill of Sale**

## BILL OF SALE

This Bill of Sale is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between MESA-CREST WATER COMPANY, a California corporation (“Seller”), and LIBERTY UTILITIES (PARK WATER) CORP., a California corporation (“Buyer”). Unless otherwise indicated, capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Asset Purchase Agreement (as defined below).

WHEREAS, Seller and Buyer have entered into that certain Asset Purchase Agreement, dated as of March 29, 2017 (the “Asset Purchase Agreement”); and

WHEREAS, the execution and delivery of this Bill of Sale is a required closing delivery upon the consummation of the transactions contemplated by the Asset Purchase Agreement.

NOW, THEREFORE, pursuant and subject to the terms of the Asset Purchase Agreement and in consideration of the mutual covenants set forth below and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer agree as follows:

1. Seller hereby sells, assigns, conveys, transfers, and delivers to Buyer all of Seller’s right, title, and interest in, to, and under the Purchased Assets,

2. Buyer hereby accepts the Purchased Assets sold, assigned, conveyed, transferred, and delivered from Seller pursuant to this Bill of Sale.

3. Seller and Buyer agree, on behalf of themselves and their respective successors and assigns, to do, execute, acknowledge, and deliver, or to cause to be done, executed, acknowledged, and delivered, all such further acts, documents, and instruments that may reasonably be required to give full effect to the intent of this Bill of Sale.

4. This Bill of Sale is being delivered pursuant to the Asset Purchase Agreement and will be construed consistently therewith. This Bill of Sale is not intended to, and does not, in any manner enhance, diminish, or otherwise modify the rights and obligations of the Parties under the Asset Purchase Agreement. To the extent that any provision of this Bill of Sale conflicts or is inconsistent with the terms of the Asset Purchase Agreement, the terms of the Asset Purchase Agreement will govern.

5. This Bill of Sale may be executed in multiple counterparts (each of which will be deemed an original, but all of which together will constitute one and the same instrument), and may be delivered by facsimile transmission, with originals to follow by overnight courier or certified mail (return receipt requested).

6. This Bill of Sale and all of the provisions hereof will be binding upon and inure to the benefit of Seller and Buyer and their respective successors and permitted assigns.

7. This Bill of Sale shall be governed by and interpreted in accordance with the laws of the State of California.

IN WITNESS WHEREOF, Seller and Buyer have caused this Bill of Sale to be signed by their respective duly authorized officers as of the date first above written.

**SELLER:**

**Mesa-Crest Water Company**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**BUYER:**

**Liberty Utilities (Park Water) Corp.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_



**Exhibit C**

**Form of Employment Agreement – Thomas M. Flynn**

## **EMPLOYMENT AGREEMENT**

This Employment Agreement is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the "Effective Date"), by and between Liberty Utilities (Park Water) Corp. a California corporation located at 9750 Washburn Road, Downey, California, hereinafter referred to as "Employer", and Thomas Flynn, hereinafter referred to as "Employee", and is contingent upon the closing of that certain Asset Purchase Agreement.

In consideration of the mutual promises made herein, the parties agree as follows:

### **EMPLOYMENT AND TITLE**

1. Employer hereby employs Employee and Employee accepts regular full-time employment as a Program Manager. This position is exempt from overtime.

### **TERM**

2. (a) The term of employment hereunder will be for a period of 24 months, beginning on the Effective Date and ending 24 months after the Effective Date unless this agreement is terminated earlier by Employer pursuant to Section 10 herein.

(b) At the end of the term, this Employment Agreement shall terminate immediately and shall not be subject to further extension or renewal.

### **DUTIES**

3. (a) Employee shall report to Employer's designee.

(b) Employee shall perform the duties described in the Job Description attached to this agreement as Exhibit "A" and/or such other duties as may be assigned to Employee from time to time, including duties related to the transition and integration of Mesa Crest Water Company.

(c) Employee will abide by all policies, practices and procedures of Employer. In all matters relating to or affecting the business or business relationships of Employer, and in all Employee's communication, interaction, and dealings with Employer, Employee will act with the highest degree of good faith, fidelity, and loyalty.

### **TRADE SECRETS**

4. (a) Employee acknowledges that as an employee of Employer, Employee occupies a position of trust with respect to business information of a secret or confidential nature which is the property of Employer and which will be imparted to Employee from time to time in the course of the performance of Employee's duties, and further that Employee will have access to, become acquainted with, and/or design, conceive, author or otherwise develop information concerning the operation of Employer, including, without limitation, customer, advertiser, and vendor lists; marketing strategies; market research; financial information of Employer and its clients; information regarding business plans, budgets, and unpublished financial statements; prices and costs; and other information that is owned by Employer or constitutes private or confidential information of Employer or are its trade secrets ("Proprietary Information"). Any Proprietary Information is the sole and exclusive property of Employer and Employee will not at any time, whether in the course of Employee's employment or thereafter, use or disclose directly or indirectly to any person outside Employer any such Proprietary Information or other confidential information or property of Employer except as required in the ordinary course of the performance of Employee's duties under this Agreement,

or except as may be required by court order or law. Employee will give Employer as much advance notice as reasonably possible of any such order or legal compulsion to afford an opportunity to challenge any such order or compulsion, and Employee will cooperate fully with Employer in any such challenge.

(b) Unless Employee obtains prior written approval of Employer otherwise, Employee irrevocably assigns to Employer all of Employee's rights, title and interest in and to any and all Inventions and Works of Authorship made, generated, or conceived by Employee during the period of and within the scope of Employee's employment with Employer, and Employee will disclose all such Inventions and Works of Authorship to Employer in writing. As used herein, "Invention" means any discovery, improvement, innovation, idea, formula or other right (whether or not patentable, whether or not put into writing, and whether or not put into practice) made, generated, or conceived by Employee (whether alone or with others) while employed by Employer and within the scope of that employment. In accordance with California Labor Code section 2870, "Invention" does not include any invention that Employee develops entirely on Employee's own time without using the equipment, supplies, facilities, or trade secret information of Employer, except for those inventions that either (a) relate at the time of conception or reduction to practice of the invention to the business of Employer or to the actual or demonstrably anticipated research or development of Employer, or (b) result from any work performed by Employee for Employer. As used herein, "Work of Authorship" means any original Work of Authorship within the purview of the copyright laws of the United States of America, and both Employer and Employee intend that all Works of Authorship created by Employee in the course of Employee's employment with Employer and within the scope of that employment will be works made for hire within the meaning and purview of such copyright laws. Both during and after Employee's employment with Employer, with respect to Inventions or Works of Authorship, Employee will execute and sign any and all applications, assignments, and other documents and will render all assistance which may be reasonably necessary for Employer to obtain patent, copyright, or any other form of intellectual property protection in all countries.

(c) During Employee's employment and for a period of twelve (12) months thereafter, Employee will not solicit or induce, or attempt to solicit or induce, directly or indirectly, any employee or agent of, or consultant to, Employer to terminate or alter in any way his, her, or its relationship with Employer.

(d) Upon termination of Employee's employment with Employer for any reason, Employee will promptly deliver to Employer (i) all correspondence, drawings, manuals, letters, notes, notebooks, reports, programs, plans, proposals, financial documents, or any other documents that are Proprietary Information, including all physical and digital copies thereof, and (ii) all other Employer property (including, without limitation, any personal computer or wireless device and related accessories, keys, credit cards and other similar items) which is in Employee's possession, custody or control.

(e) If, at the time of enforcement of the covenants contained in this Section 4 above, a court shall hold that the duration, scope or area restrictions stated are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the covenants to cover the maximum duration, scope and area permitted by law. Employee has had the opportunity to consult with Employee's own legal counsel regarding the covenants and agrees that the covenants are reasonable in terms of duration, scope and area restrictions and are necessary to protect the goodwill of the Employer's business and agrees not to challenge the validity or enforceability of the covenants.

(f) If Employee breaches, or threatens to commit a breach of any of the covenants, Employer shall have the following rights and remedies, each of which rights and remedies shall be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to Employee at law or in equity:

i. The right and remedy to have the covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the covenants would cause irreparable injury to Employer and that money damages would not provide an adequate remedy to Employer; and

ii. The right and remedy to require Employee to account for and pay over to Employer any profits, monies or other benefits derived or received by Employee as the result of any transactions constituting a breach of the covenants.

### **COMPENSATION**

5. (a) During the term of this agreement, Employer shall pay employee a base salary at the rate of \$105,000 U.S. dollars per year, payable in accordance with the Employer's normal payroll procedures.

(b) During the term of this agreement, Employer shall deduct from all payments to Employee hereunder any federal, state or local withholding or other taxes or charges which Employer is from time to time required to deduct under applicable law, and all amounts payable to Employee hereunder are stated herein before any such deductions.

### **MERIT INCREASES**

6. During the term of this agreement, Employer may determine, in the exercise of its sole discretion, to grant to Employee merit increases in accordance with Employer's normal procedure used to grant merit increases to its regular, full-time employees during the term of this agreement based upon satisfactory job performance. It is understood and agreed that the timing and amount of merit increases, if any, shall be the exclusive prerogative of Employer.

### **FRINGE BENEFITS**

7. (a) During the term of this agreement, Employee shall be entitled to fringe benefits, including Employer's group medical plan, 401K plan, bonus plan, and pension, on the same terms and conditions as apply to Employer's regular, full-time employees, subject to any length of service or other requirements concerning any such benefits which are uniformly applied to Employer's employees.

(b) During the term of this agreement, Employee shall be entitled to accrue and use vacation at an annual rate of twenty-five (25) days per year and sick leave at an annual rate of five (5) days per year, in accordance with Employer's policy.

### **ENTIRE TIME AND EFFORTS**

8. During the term of this agreement, Employee shall devote his best efforts and entire professional time to the business of Employer and do his utmost to promote its interests.

## **COMPETITIVE ACTIVITIES**

9. During the term of this agreement, Employee shall not, directly or indirectly, own, manage, control, be employed by, or participate in the ownership, management, operation, or control of, or be connected in any manner with, any business that is competitive to the business of Employer. In addition, Employee will not become involved in any personal matter which may create the potential of, appearance of, or actual conflict of interest with Employer or which may adversely affect or reflect badly on Employer in any manner.

Notwithstanding the preceding paragraph, the parties agree that Employee may conduct the wind down of Mesa Crest Water Company, including preserving the rights of Mesa Crest Water Company under existing contracts and, if applicable, defending the interests of Mesa Crest Water Company in any litigation between Mesa Crest Water Company, its agent and/or affiliates, on the one hand, and Employer, its agents and/or affiliates, on the other hand.

## **TERMINATION**

10. Employer and Employee understand and agree that this agreement should remain in effect for the duration of the term of this agreement as set forth in section 2 above. Notwithstanding anything herein to the contrary, Employer may terminate Employee's employment with Employer for Cause. For purposes of this agreement, "Cause" shall mean a good faith determination by Employer that Employee has: (A) committed a material act of dishonesty or disloyalty involving Employer; (B) committed a felony or misdemeanor involving dishonesty or moral turpitude which has a material adverse effect on the business of Employer; (C) engaged in willful conduct which is materially injurious to Employer; or (D) materially breached any provision of this agreement, which breach is not cured within thirty (30) days after written notice thereof is given to Employee, explaining in reasonable detail the nature of such asserted breach. In the event of termination for Cause, Employer's obligations to Employee under this agreement shall cease except for vested benefits and compensation accrued to the date upon which termination becomes effective.

## **NOTICES**

11. Any notices to be given hereunder by either party to the other shall be in writing and may be transmitted by personal delivery or by mail, registered or certified, postage prepaid with return receipt requested. Mailed notices shall be addressed to Employer at Liberty Utilities (Park Water) Corp.], 9750 Washburn Road, Downey, CA 90241, and to Employee at 10820 Hillhaven Ave. Tujunga, CA 91042 but each party may change that address by written notice in accordance with this section. Notices delivered personally shall be deemed communicated as of the actual receipt; mailed notices shall be deemed communicated as of the date of mailing.

## **ASSIGNMENT**

12. Employer may assign its rights and obligations under this agreement to any successor to all or substantially all of the business or the assets of Employer (by merger or otherwise) or to any entity affiliated with Employer. Employer may assign or encumber this Agreement and its rights hereunder as security for indebtedness of Employer and its affiliated entities. This Agreement will be binding upon and inure to the benefit of Employer, Employee, and their respective successors, assigns, personnel and legal representatives, executors, administrators, heirs, devisees, and legatees, as applicable. None of Employee's rights or obligations may be assigned or transferred by Employee, other than Employee's right to payments hereunder, which may be transferred only by will or operation of law.

**ENTIRE AGREEMENT**

13. This agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the employment of Employee by Employer and contains all of the covenants and agreements between the parties with respect to that employment in any manner whatsoever. Each party to this agreement acknowledges that no representation, inducements, promises, or agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement, statement, or promise not contained in this agreement shall be valid or binding on either party. Any modification of this agreement will be effective only if it is in writing and signed by the party to be charged.

**EFFECT OF WAIVER**

14. The failure of either party to insist on strict compliance with any of the terms, covenants, or conditions of this agreement by the other party shall not be deemed as waiver of that term, covenant, or condition, nor shall any waiver or relinquishment of any right or power at any one time or times be deemed a waiver or relinquishment of that right or power for all or any other times.

**PARTIAL INVALIDITY**

15. If any provision in this agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

**LAW GOVERNING AGREEMENT**

16. This agreement shall be governed by and construed in accordance with the laws of the State of California.

**EMPLOYER**

BY: \_\_\_\_\_  
President, Liberty Utilities (Park Water) Corp.

**EMPLOYEE**

BY: \_\_\_\_\_  
Thomas Flynn

## EXHIBIT "A"

### **JOB DESCRIPTION**

EMPLOYER: LIBERTY UTILITIES (PARK WATER) CORP.  
JOB TITLE: PROGRAM MANAGER  
CLASSIFICATION: EXEMPT

#### **JOB SUMMARY:**

Supervises and coordinates utility staff in all aspects of the daily routines that pertain to meter reading and the maintenance and repair of water distribution systems and related facilities. Serves as the main resource in the operation and maintenance of the Mesa Crest system and its transition into Liberty's operations. Responds to internal and external customers' inquiries, complaints, and problems. Carries out and enforces Company policies and safety rules to assure a safe workplace. Shares in the responsibility for the daily operation and maintenance of the distribution system.

#### **ESSENTIAL FUNCTIONS:**

Responsibilities may include, but are not limited to, the following:

- Leads and supports the transition and integration of Mesa Crest operations and facilities into Liberty Utilities.
- Responsible for functions and procedures of Utility Service and may coordinate the day-to-day department work activities.
- Manages and provides leadership to the Utility Service Department. Sample responsibilities include:
  - Supervising and training the department in all department operations, daily functions, processes, procedures, requirements, etc.
  - Recommending improvements toward optimization of the department.
  - Designing processes and procedures to efficiently utilize technology.
  - Developing and conducting training programs for department personnel.
  - Providing guidance to and development of staff.
- Supervises and reviews Utility Service work assignments.
- Inspects and oversees new construction work being done by Liberty Utilities employees and outside contractors.
- Completes service orders and/or any other paper work.
- Coordinates Mesa Crest meter reading schedules.
- Monitors large consumption users for possible lost revenues or problems.
- Reviews and approves maintenance, repair, and purchase invoices.
- Monitors the Company's non-revenue water and reviews non-revenue water reports.
- Generates safety and accident reports and distributes to the appropriate departments.
- Tracks and reports fieldwork statistics monthly.
- Provides standby emergency response duties for distribution system operation emergencies.
- Assists in preparation of the annual Capital and Operations & Maintenance budgets for the Utility Service Department.

- Assists other departments and fellow employees as needed.
- Actively supports the Utility Supplier Diversity Program (USDP) to achieve the Program's objectives, and if granted procurement authority, incorporates diverse business enterprises in the procurement process and works with the USDP coordinator on identifying USDP opportunities.
- Works weekends, holidays, standby, and extra time as required.
- Answers public inquiries and complaints in a tactful and courteous manner.
- Completes special projects.
- Conducts safety meetings per Company requirements.
- Complies with all safety policies, practices, and procedures. Reports all unsafe activities to supervisor, Manager of Safety Services, and/or Human Resources.
- Drives Company vehicles and helps maintain cleanliness.
- Travels occasionally.
- Performs various other duties as may be assigned by the General Manager, Assistant Vice President/Division Superintendent, or designated staff.



**Exhibit D**

**Form of Employment Agreement – Timothy J. Flynn**

## **EMPLOYMENT AGREEMENT**

This Employment Agreement is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the "Effective Date"), by and between Liberty Utilities (Park Water) Corp. a California corporation located at 9750 Washburn Road, Downey, California, hereinafter referred to as "Employer", and Timothy Flynn, hereinafter referred to as "Employee", and is contingent upon the closing of that certain Asset Purchase Agreement.

In consideration of the mutual promises made herein, the parties agree as follows:

### **EMPLOYMENT AND TITLE**

1. Employer hereby employs Employee and Employee accepts regular full-time employment as a Program Manager. This position is exempt from overtime.

### **TERM**

2. (a) The term of employment hereunder will be for a period of 24 months, beginning on the Effective Date and ending 24 months after the Effective Date unless this agreement is terminated earlier by Employer pursuant to Section 10 herein.

(b) At the end of the term, this Employment Agreement shall terminate immediately and shall not be subject to further extension or renewal.

### **DUTIES**

3. (a) Employee shall report to Employer's designee.

(b) Employee shall perform the duties described in the Job Description attached to this agreement as Exhibit "A" and/or such other duties as may be assigned to Employee from time to time, including duties related to the transition and integration of Mesa Crest Water Company.

(c) Employee will abide by all policies, practices and procedures of Employer. In all matters relating to or affecting the business or business relationships of Employer, and in all Employee's communication, interaction, and dealings with Employer, Employee will act with the highest degree of good faith, fidelity, and loyalty.

### **TRADE SECRETS**

4. (a) Employee acknowledges that as an employee of Employer, Employee occupies a position of trust with respect to business information of a secret or confidential nature which is the property of Employer and which will be imparted to Employee from time to time in the course of the performance of Employee's duties, and further that Employee will have access to, become acquainted with, and/or design, conceive, author or otherwise develop information concerning the operation of Employer, including, without limitation, customer, advertiser, and vendor lists; marketing strategies; market research; financial information of Employer and its clients; information regarding business plans, budgets, and unpublished financial statements; prices and costs; and other information that is owned by Employer or constitutes private or confidential information of Employer or are its trade secrets ("Proprietary Information"). Any Proprietary Information is the sole and exclusive property of Employer and Employee will not at any time, whether in the course of Employee's employment or thereafter, use or disclose directly or indirectly to any person outside Employer any such Proprietary Information or other confidential information or property of Employer except as required in the ordinary course of the performance of Employee's duties under this Agreement,

or except as may be required by court order or law. Employee will give Employer as much advance notice as reasonably possible of any such order or legal compulsion to afford an opportunity to challenge any such order or compulsion, and Employee will cooperate fully with Employer in any such challenge.

(b) Unless Employee obtains prior written approval of Employer otherwise, Employee irrevocably assigns to Employer all of Employee's rights, title and interest in and to any and all Inventions and Works of Authorship made, generated, or conceived by Employee during the period of and within the scope of Employee's employment with Employer, and Employee will disclose all such Inventions and Works of Authorship to Employer in writing. As used herein, "Invention" means any discovery, improvement, innovation, idea, formula or other right (whether or not patentable, whether or not put into writing, and whether or not put into practice) made, generated, or conceived by Employee (whether alone or with others) while employed by Employer and within the scope of that employment. In accordance with California Labor Code section 2870, "Invention" does not include any invention that Employee develops entirely on Employee's own time without using the equipment, supplies, facilities, or trade secret information of Employer, except for those inventions that either (a) relate at the time of conception or reduction to practice of the invention to the business of Employer or to the actual or demonstrably anticipated research or development of Employer, or (b) result from any work performed by Employee for Employer. As used herein, "Work of Authorship" means any original Work of Authorship within the purview of the copyright laws of the United States of America, and both Employer and Employee intend that all Works of Authorship created by Employee in the course of Employee's employment with Employer and within the scope of that employment will be works made for hire within the meaning and purview of such copyright laws. Both during and after Employee's employment with Employer, with respect to Inventions or Works of Authorship, Employee will execute and sign any and all applications, assignments, and other documents and will render all assistance which may be reasonably necessary for Employer to obtain patent, copyright, or any other form of intellectual property protection in all countries.

(c) During Employee's employment and for a period of twelve (12) months thereafter, Employee will not solicit or induce, or attempt to solicit or induce, directly or indirectly, any employee or agent of, or consultant to, Employer to terminate or alter in any way his, her, or its relationship with Employer.

(d) Upon termination of Employee's employment with Employer for any reason, Employee will promptly deliver to Employer (i) all correspondence, drawings, manuals, letters, notes, notebooks, reports, programs, plans, proposals, financial documents, or any other documents that are Proprietary Information, including all physical and digital copies thereof, and (ii) all other Employer property (including, without limitation, any personal computer or wireless device and related accessories, keys, credit cards and other similar items) which is in Employee's possession, custody or control.

(e) If, at the time of enforcement of the covenants contained in this Section 4 above, a court shall hold that the duration, scope or area restrictions stated are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the covenants to cover the maximum duration, scope and area permitted by law. Employee has had the opportunity to consult with Employee's own legal counsel regarding the covenants and agrees that the covenants are reasonable in terms of duration, scope and area restrictions and are necessary to protect the goodwill of the Employer's business and agrees not to challenge the validity or enforceability of the covenants.

(f) If Employee breaches, or threatens to commit a breach of any of the covenants, Employer shall have the following rights and remedies, each of which rights and remedies shall be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to Employee at law or in equity:

i. The right and remedy to have the covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the covenants would cause irreparable injury to Employer and that money damages would not provide an adequate remedy to Employer; and

ii. The right and remedy to require Employee to account for and pay over to Employer any profits, monies or other benefits derived or received by Employee as the result of any transactions constituting a breach of the covenants.

### **COMPENSATION**

5. (a) During the term of this agreement, Employer shall pay employee a base salary at the rate of \$105,000 U.S. dollars per year, payable in accordance with the Employer's normal payroll procedures.

(b) During the term of this agreement, Employer shall deduct from all payments to Employee hereunder any federal, state or local withholding or other taxes or charges which Employer is from time to time required to deduct under applicable law, and all amounts payable to Employee hereunder are stated herein before any such deductions.

### **MERIT INCREASES**

6. During the term of this agreement, Employer may determine, in the exercise of its sole discretion, to grant to Employee merit increases in accordance with Employer's normal procedure used to grant merit increases to its regular, full-time employees during the term of this agreement based upon satisfactory job performance. It is understood and agreed that the timing and amount of merit increases, if any, shall be the exclusive prerogative of Employer.

### **FRINGE BENEFITS**

7. (a) During the term of this agreement, Employee shall be entitled to fringe benefits, including Employer's group medical plan, 401K plan, bonus plan, and pension, on the same terms and conditions as apply to Employer's regular, full-time employees, subject to any length of service or other requirements concerning any such benefits which are uniformly applied to Employer's employees.

(b) During the term of this agreement, Employee shall be entitled to accrue and use vacation at an annual rate of twenty-five (25) days per year and sick leave at an annual rate of five (5) days per year, in accordance with Employer's policy.

### **ENTIRE TIME AND EFFORTS**

8. During the term of this agreement, Employee shall devote his best efforts and entire professional time to the business of Employer and do his utmost to promote its interests.

## **COMPETITIVE ACTIVITIES**

9. During the term of this agreement Employee shall not, directly or indirectly, own, manage, control, be employed by, or participate in the ownership, management, operation, or control of, or be connected in any manner with, any business that is competitive to the business of Employer. In addition, Employee will not become involved in any personal matter which may create the potential of, appearance of, or actual conflict of interest with Employer or which may adversely affect or reflect badly on Employer in any manner.

Notwithstanding the preceding paragraph, the parties agree that Employee may conduct the wind down of Mesa Crest Water Company, including preserving the rights of Mesa Crest Water Company under existing contracts and, if applicable, defending the interests of Mesa Crest Water Company in any litigation between Mesa Crest Water Company, its agent and/or affiliates, on the one hand, and Employer, its agents and/or affiliates, on the other hand.

## **TERMINATION**

10. Employer and Employee understand and agree that this agreement should remain in effect for the duration of the term of this agreement as set forth in section 2 above. Notwithstanding anything herein to the contrary, Employer may terminate Employee's employment with Employer for Cause. For purposes of this agreement, "Cause" shall mean a good faith determination by Employer that Employee has: (A) committed a material act of dishonesty or disloyalty involving Employer; (B) committed a felony or misdemeanor involving dishonesty or moral turpitude which has a material adverse effect on the business of Employer; (C) engaged in willful conduct which is materially injurious to Employer; or (D) materially breached any provision of this agreement, which breach is not cured within thirty (30) days after written notice thereof is given to Employee, explaining in reasonable detail the nature of such asserted breach. In the event of termination for Cause, Employer's obligations to Employee under this agreement shall cease except for vested benefits and compensation accrued to the date upon which termination becomes effective.

## **NOTICES**

11. Any notices to be given hereunder by either party to the other shall be in writing and may be transmitted by personal delivery or by mail, registered or certified, postage prepaid with return receipt requested. Mailed notices shall be addressed to Employer at Liberty Utilities (Park Water) Corp., 9750 Washburn Road, Downey, CA 90241, and to Employee at 10736 Wescott Ave. Sunland, CA 91040, but each party may change that address by written notice in accordance with this section. Notices delivered personally shall be deemed communicated as of the actual receipt; mailed notices shall be deemed communicated as of the date of mailing.

## **ASSIGNMENT**

12. Employer may assign its rights and obligations under this agreement to any successor to all or substantially all of the business or the assets of Employer (by merger or otherwise) or to any entity affiliated with Employer. Employer may assign or encumber this Agreement and its rights hereunder as security for indebtedness of Employer and its affiliated entities. This Agreement will be binding upon and inure to the benefit of Employer, Employee, and their respective successors, assigns, personnel and legal representatives, executors, administrators, heirs, devisees, and legatees, as applicable. None of Employee's rights or obligations may be assigned or transferred by Employee, other than Employee's right to payments hereunder, which may be transferred only by will or operation of law.

**ENTIRE AGREEMENT**

13. This agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the employment of Employee by Employer and contains all of the covenants and agreements between the parties with respect to that employment in any manner whatsoever. Each party to this agreement acknowledges that no representation, inducements, promises, or agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement, statement, or promise not contained in this agreement shall be valid or binding on either party. Any modification of this agreement will be effective only if it is in writing and signed by the party to be charged.

**EFFECT OF WAIVER**

14. The failure of either party to insist on strict compliance with any of the terms, covenants, or conditions of this agreement by the other party shall not be deemed as waiver of that term, covenant, or condition, nor shall any waiver or relinquishment of any right or power at any one time or times be deemed a waiver or relinquishment of that right or power for all or any other times.

**PARTIAL INVALIDITY**

15. If any provision in this agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

**LAW GOVERNING AGREEMENT**

16. This agreement shall be governed by and construed in accordance with the laws of the State of California.

**EMPLOYER**

BY: \_\_\_\_\_  
President, Liberty Utilities (Park Water) Corp.

**EMPLOYEE**

BY: \_\_\_\_\_  
Timothy Flynn

## EXHIBIT "A"

### **JOB DESCRIPTION**

EMPLOYER: LIBERTY UTILITIES (PARK WATER) CORP.  
JOB TITLE: PROGRAM MANAGER  
CLASSIFICATION: EXEMPT

#### **JOB SUMMARY:**

This position serves to mitigate the operational risks and liabilities of the water utility through risk management, business continuity, emergency preparedness, safety, and O&M programs. The position assists operations and provides oversight and recommendations on a regular basis. This position conducts inspections and investigations and may administer programs to ensure a safe work environment and reduce risk to the Employer. Also serves as a main resource for the transition and integration of the Mesa Crest system into Liberty's system.

#### **ESSENTIAL DUTIES:**

Responsibilities include, but are not limited to, the following:

- Coordinates and provides guidance for the development and implementation of Emergency Preparedness and Business Continuity plans and programs.
- Helps administer the Employer's Environmental Health and Safety programs. Ensures that related policies, procedures, and programs are disseminated, understood and practiced by employees, contractors, vendors, and other stakeholders of the Employer.
- Participates on the Emergency Response Team.
- Reviews and recommends guidelines for operation, maintenance, and construction contracts.
- Recommends updates to Illness and Injury Prevention Programs.
- Provides consultation and assistance with training for safety, DOT, operations, and maintenance programs.
- Identifies and recommends guidelines for best practices for operations and maintenance (O&M) programs for water utilities.
- Oversees a schedule of safety tailgate exercises and ensures that these exercises occur in a timely and effective manner.
- Liaison with subsidiary safety staff to provide oversight and assistance.
- Advises management on risk and loss prevention strategies.
- Reviews and oversees Employer policies to minimize liability exposures in Employer work programs.
- Recommends changes to safety and emergency preparedness programs.

- Remains current on risk and safety best practices as they pertain to the water industry.
- Coordinates with IT in the areas of emergency communication and other equipment issues.
- Complies with all safety policies, practices, and procedures. Reports all unsafe activities to the supervisor, Manager of Safety Services, and/or Human Resources.
- Actively supports the Utility Supplier Diversity Program (USDP) to achieve the Program's objectives, and if granted procurement authority, incorporates diverse business enterprises in the procurement process and works with the USDP coordinator on identifying USDP opportunities.
- Drives Employer vehicles.
- Travels occasionally.
- Works weekends, holidays, standby, and extra time as required.
- Performs various other duties as may be assigned by senior management.



## Schedules

## Schedule 2.1(b)

### Distribution Facilities

	Description	Date Acquired	Cost/ Basis, \$	Prior Depr., \$	Method	Life, Yrs	Current Depr., \$
	Land						
24	Land	Various	29,651				0
55	Acct 303 Land	10/10/03	4,187				0
66	Acct 303 Land	1/13/05	900				0
	Total Land		34,738	0			0
	Machinery & Equipment						
2	All Pre 81 Plant	Various	709,406	709,046	S L	25	0
6	ACCT 330 Reservoirs	1/01/83	129,694	128,399	PRE	15	0
7	Acct 311 Pumping Equip	1/01/83	1,257	1,257	PRE	15	0
8	Acct 331 Mains	1/01/83	226,108	223,845	PRE	15	0
9	Acct 331 Mains	1/01/83	30,091	29,788	PRE	15	0
10	Acct 334 Meters	1/01/83	8,386	8,302	PRE	15	0
11	Acct 335 Hydrants	1/01/83	18,979	18,789	PRE	15	0
12	Acct 335 Hydrants	1/1/84	1,949	1,930	PRE	15	0
14	Acct311 Pumping EQ	1/01/85	202,788	200,758	PRE	15	0
17	Acct334 Meters	1/01/90	1,557	1,557	150 DB HY	20	0
18	Acct 334 Meters	1/01/94	1,491	1,491	150DB HY	20	0
20	Acct 334 Meters	1/01/94	1,491	1,491	150 DB HY	20	0
21	Acct 311 Pumping EQ	10/1/93	5,097	5,097	150DB HY	20	0
22	Acct 331 Water Mains	1/01/93	1,155	1,155	150DB HY	20	0
23	Acct 339 Other EQ	10/1/93	1,140	1,140	150DB HY	20	0
25	Acct 334 Meters	1/1/95	1,559	1,528	150DB HY	20	31
26	Acct 331 Water Mains	1/1/96	4,459	4,162	150DB HY	20	199
27	Acct 334 Meters	1/1/96	1,931	1,798	150DB HY	20	86
28	Acct 339 Other EQ	1/1/96	3,620	3,276	150DB HY	20	162
29	Acct 334 Meters	1/1/97	3,450	2,678	S/L HY	25	138
31	Acct 331 Water Mains	1/1/98	17,495	12,419	S/L HY	25	700
33	Acct 331 Water Mains	6/30/99	4,139	2,645	S/L HY	25	166
34	Acct 334 Meters	9/17/99	2,425	1,546	S/L HY	25	97
36	Acct 334 Meters	7/14/00	5,500	5,500	S L HY	25	0
38	Acct 334 Meters	7/17/01	4,172	4,172	S L HY	25	0
40	Acct 310 Pumping Equip	10/16/02	10,160	10,160	S/L HY	25	0
41	Acct 334 Meters	3/18/02	5,828	5,828	S/L HY	25	0
42	Acct 334 Meters	6/20/02	405	405	S L HY	25	0
43	Acct 334 Meters	8/22/02	405	405	S/L HY	25	0
44	Acct 335 Hydrants	5/15/02	306	306	S L HY	25	0
46	Elimination Depn-CIAC	Various	-250,495	-247,010	S L	25	-534
47	Acct 310 Pumping Equip	7/30/03	13,618	9,937	S/L HY	25	272
48	Acct 330 Reservoirs	9/30/03	128,127	93,538	S/L HY	25	2,563
49	Acct 310 Pumping Equip	1/24/03	691	507	S L HY	25	14
32	SCADA Computer				200DB HY	5	0
78	Laptop for SCADA	12/12/07	2,883	2,883	200DB HY	5	0

All SCADA or SCADA-related equipment, data and software including antennae, radios, RTUs and computers whether or not listed in the above table.

Also see the attached System Map.

**Section 2.1(f)**

**Assigned Contracts**

None.

## Schedule 2.2(j)

### Excluded Assets, Properties and Rights

All rights to the use of the Seller's name, both "Mesa Crest Water Company" and "Mesa-Crest Water Company" (provided Buyer may use these names in transition, or as part of a corporate name if permitted under applicable law).

All power tools and hand tools utilized by MCWC in the operation of the System

Trash Pump

Small gas generator (1500 w);

Small arc welder

Small oxy-acetylene torch;

Except as listed on Schedule 2.1(b), all of the vehicles, office equipment and furniture residing at 4532 Rinetti Lane, Ste C, La Canada Flintridge, CA 91011 including the following:

	Description	Date Acquired	Cost/ Basis, \$	Prior Depr., \$	Method	Life, Yrs	Current Depr., \$
	Auto/Trans Equipment						
37	Ford-150	11/21/00	29,183	29,183	200DB HY	5	0
75	2006 Ford-250	11/20/05	55,150	55,150	200DB HY	5	0
86	2009 Toyota Tundra	02/10/09	34,235	15,935	200DB HY	5	1,775
	Total Auto/Trans Equipment		118,568	100,268			1,775
	Furniture and Fixtures						
3	Acct 340 Office Furniture	1/1/81	504	504	PRE	5	0
4	Acct 339 Other Equipment	1/01/82	946	946	PRE		0
5	Acct340 Office Equipment	1/1/82	266	266	PRE	5	0
13	Acct340Office EQ	1/1/84	1692	1692	PRE	5	0
15	Acct340 Office EQ	1/1/85	4,283	4,283	PRE	5	0
16	Acct 340 Office EQ	1/1/88	7,661	7,661	200DB HY	7	0
19	Acct 340 Office EQ	1/1/94	9,298	9,298	200DB HY	5	0
30	Copier	2/13/97	2,003	2,003	200DB HY	5	0
	Intentionally omitted						
35	Acct 340 Office Equipment	12/29/99	3,568	3,568	200DB HY	5	0
45	Acct 339 Other Equip	3/22/02	464	464	200DB HY		0
39	Acct 339 Other Equip	6/20/01	507	507	200DB HY	5	0
65	Acct 340 Office Furn & EQ	12/10/04	1,525	1,525	SIL	3	0

72	Acct 340 Office EQUIP	4/14/05	1,073	1,073	S/L	3	0
74	Acct 340 Office EQUIP	6/20/05	1,956	1,956	200DB HY	5	0
76	PRE 1981 PLANT	Various	1,314	1,314	S/L		0
	Intentionally omitted						
88	Copier	6/30/11	3,609	3,609	200DB HY	5	0
89	Office Equipment	6/30/12	2,584	2,584	200DB HY	7	0
92	Office Equipment	9/30/13	4,122	4,122	200DB HY	5	0

**Schedule 2.4(c)**  
**Assumed Liabilities**

None.

## Disclosure Schedule

## **Section 4.1 of Disclosure Schedules**

### **Jurisdictions in Which Seller is Licensed or Qualified to do Business**

Seller is an active California domestic stock corporation (California Corporation No. C0318041) with a registered address of 4532 Rinetti Lane, Ste C, La Canada Flintridge, CA 91011.

Sellers holds Business License No. 06900 issued by the City of La Canada Flintridge effective on June 29, 2016 which expires on June 30, 2017. This license is non-transferable.



## **Section 4.3(a) of Disclosure Schedule**

### **No Conflicts; Consents; Exceptions**

Seller's entitlement to its allotment of the pumping and storage capacity entitlements for Foothill Municipal Water District ("FMWD"), Improvement District No. 3, as set forth in sections 3-1.001, et seq. of the Foothill Municipal Water District Administrative Code ("Seller's FMWD Water Distribution Allocation"). Seller will cooperate with Buyer in seeking and obtaining from FMWD its consent for the transfer of Seller's FMWD Water Distribution Allocation to Buyer.

Seller has Federal Communications Commission Licenses Number 0003095616 ("Seller's FCC License") that provides a Radio Station Authorization with call sign WQH6570 that was issued on July 24, 2007 and expires on July 24, 2017. Such license is not assignable except in accordance with 47 U.S.C. §310(d).

Seller holds an annual renewal for a Permit to Operate (ID #163887) issued by the South Coast Air Quality Management District ("Seller's AQMD Permit") in connection with certain equipment (identified as I C E (50-500 HP) EM Elec Gen-Diesel) that was issued on October 5, 2016 and expires on October 16, 2017. Seller will cooperate with Buyer in seeking and obtaining from AQMD its consent for the transfer of Seller's AQMD Permit to Buyer.

Loan agreement with Community Development Commission of Los Angeles County, Loan #CUL006 ("Seller's CDC Loan"). The Seller's CDC Loan will be paid off from the Closing Amount concurrent with the Closing in accordance with the Closing Letter.

Seller's Certificate of Public Convenience and Necessity ("Seller's CPCN") to operate the System as a regulated Class C water utility (U333W), first issued by the Commission in 1956. The joint application by the Buyer and Seller for Commission approval of this Agreement will seek Commission approval for conveyance of the Seller's CPCN to Buyer, or the issuance of a comparable CPCN to permit Buyer to serve the System Customers.

Seller's State Water Resources Control Board drinking water permit fees for a small water system for System #1910241 ("Seller's SWRCB Permit") for the period from July 1, 2016 through June 30, 2017. Seller will cooperate with Buyer in seeking and obtaining from the State Water Resources Control Board its consent for the transfer of Seller's SWRCB Permit to Buyer.

**Section 4.3(b) of Disclosure Schedule**

**Consent, Approval, Permit, Governmental Order, Declaration, Filing or Notice**

Seller's FMWD Water Distribution Allocation

Seller's FCC License

Seller's AQMD Permit

Seller's CPCN

Seller's SWRCB Permit

**Section 4.8 of Disclosure Schedule**

**Permitted Encumbrances**

None.

## Section 4.9 of Disclosure Schedules

### Condition and Sufficiency of the Purchased Assets; System Map

Attached to this Section 4.9 of the Disclosure Schedule are copies of the following five (5) Tank Inspection reports prepared by Dive/Corr, Inc. (each, an “Inspection Report,” and collectively, the “Inspection Reports”) on behalf of Seller setting forth the condition of each of the tanks described therein on the date of inspection:

1. Forest Green Reservoir (.250 MG) inspected on June 2, 2000;
2. Starlight Crest Reservoir (.250 MG) inspected on July 13, 2000;
3. Forest Green Reservoir (2.00 MG) inspected on September 9, 2003;
4. Meadow View North Reservoir (.500 MG) inspected on September 9, 2003; and
5. Meadow View South Reservoir (.500 MG) inspected on September 9, 2003.

Each of the Reservoirs described in the Inspection Reports is due for an updated inspection. Furthermore, it is probable, due to ordinary wear and tear in the operation of the System which has occurred since the date of each such Inspection Report (excluding the Starlight Crest Reservoir that was replaced in 2005), that the representative condition of each of the reservoirs described in the Inspection Reports has experienced the normal, expected deterioration of the intervening years. As is customary in the industry, replacement or repair of reservoir tanks is based solely on observation and cannot be determined with certainty; therefore, all reservoir tanks, regardless of observable condition, could potentially suffer an unexpected failure at any time. In order to further supplement the Inspection Reports, Seller notes the following regarding the condition and sufficiency of the Purchased Asset, including the Distribution Facilities, since the dates of such inspections:

- The Meadow View South Reservoir has experienced a greater degree of deterioration than the other tanks. Based on the Inspection Report, it was determined that the cost of rehabilitating the reservoir tank was approximately the same as the cost of constructing a new reservoir tank. Based on this assessment and due to the redundancy of the System, it was determined that the most efficient and economical approach was to utilize the Meadow View South Reservoir until its projected end of life and plan for replacement with a new reservoir tank.  
The condition of the Meadow View South Reservoir is poor.
- The Forest Green Reservoir (.250 MG) has also experienced significant deterioration. The reservoir tank was recoated approximately twenty-five (25) years ago. There is considerable rust along the top edge of the roof support beams and the inside ladder is deteriorated and not suitable for safe use. Also, the inside surface of this reservoir tank is diamond plate which is problematic to coat.  
The condition of the Forest Green Reservoir (.250 MG) is poor.

- The Forest Green Reservoir (2.00 MG) has also experienced deterioration, but not to the same degree as the Meadow View South Reservoir or the Forest Green Reservoir (.250 MG). The reservoir tank was recoated approximately twenty-five (25) years ago. There is rust along the top edge of the roof support beam. There are also rust spots along numerous locations on the interior walls. The most significant problem with this reservoir tank is the center column, which has a square lattice design that makes it difficult to coat. This design has led to additional rust spots and deterioration. This reservoir tank has only one inlet/outlet pipe.  
Current code requirements may require updating to provide for a separate inlet and outlet pipe. The condition of the Forest Green Reservoir (2.00 MG) is fair.
- The Meadow View North Reservoir was recoated in 2005/2006 and is due for an inspection and cleaning. The main area of concern is rust along the top edge of the roof support beams.  
The condition of the Meadow View North Reservoir is good.
- The Starlight Crest Reservoir (.250 MG) was replaced in 2005/2006 pursuant to the Community Development Commission of Los Angeles County Loan and is due for an inspection and cleaning. The reservoir tank has some rust along the top edge of the support beams.  
The condition of the Starlight Crest Reservoir is good.

With respect to the rest of the Distribution Facilities and the System, please note the following in connection with the condition and sufficiency of such Purchased Assets:

1. Main lines and service lines.
  - Approximately 90% of the main lines of the System are asbestos cement pipe – mainly in 12” and 6” diameter. There are also some main lines in 4”, 8” and 10” diameter. The service lines are mainly 1” copper tubes. There are, however, some services using copper tubes in the 1 ¼”, 1 ½” and 2” diameters. Approximately 1% of all service lines are 1” black PVC services. Typically, the services are tied into the main lines with cast iron or brass saddle. There are some services that are screwed directly into the main using a tapered corporation stop. The steel main is usually cement lined with a tar wrap coating. A description of the main lines and service lines related to the Distribution System are described in Schedules D-3, D-4 and D-5 (attached to this Section 4.9 of the Disclosure Schedule) of the Seller’s 2015 Annual Report to the Commission.
  - The cause of most leaks that have affected the System has been either tree roots cracking the A/C pipes or third-party construction crews.
  - The oldest section of pipe in the System (approximately 50 years old) is the steel line that passes through the easement between 5212 and 5224 Redwillow Lane. This section of pipe is critical to the System and it has experienced leaks in the past.

Replacement of this section of the pipe may be a near term consideration in order to optimally maintain and protect the integrity of the overall System.

2. Curb Stops and Meters.

- There are approximately 15 curb stops that are in need of immediate replacement. These curb stops are currently functioning, but all have problems such as broken tangs or leakage. The exact locations of each of the curb stops mentioned above are as follows:

CURB STOPS NEEDING REPLACEMENT

Location	Size
5015 Redwillow Ln.	1"
5133 Redwillow Ln.	1"
5211 Crown Ave.	1"
5239 Crown Ave.	1"
5231 Crown Ave.	1"
401 Meadowview Dr.	1"
5640 Stardust Rd.	1"
5634 Stardust Rd.	1"
544 Meadowview Dr.	1"
5660 Bramblewood Rd.	1"
5624 Bramblewood Rd.	1"
5701 Alder Ridge Dr.	1"
415 Gleneagles Pl.	1"
403 Gleneagles Pl.	1"
Greeridge Homeowner Association meter at end of Forest Green needs to be relocated.	2"

- Throughout the rest of the System, there are approximately 40 meters that are past due for replacement due to either age or dials that are hard to read.
- Up to 20% of the meters in the System should be prioritized as part of promptly implementing a consistent meter replacement program, in order to avoid or minimize potential revenue losses.

3. Pumps and Check Valves.

- 9 of the 11 pumps have been rebuilt within the last 10 years as have the check valves and are in generally good operating condition. The check valve on Booster #1 at the Hampton pump station, which has not been rebuilt, is overdue for service and should be addressed in the near term. Two areas that need attention on the pumps are the packing on the split case horizontal pumps at Meadow View and Starlight Crest. They are also in need of a fresh coat of paint.

4. Hydro-pneumatic pump station.

- Currently, the hydro-pneumatic pump station at Forest Green is a priority concern, including the 15 h/p pump that, due to the cyclical nature of its usage, runs 95% of

the time and is overdue for replacement. Seller had this pump repaired by Water Well Supply Co. approximately 2 years ago and, at that time, the pump was determined to be near end of life. Additionally, the two 30 h/p pumps work well, but due to the cyclical nature of their usage, run infrequently. As a result, they both evidence some calcification on the shafts and do not turn as freely as they should. They should be either pulled or cleaned and may eventually need to be replaced. The emergency backup generator is 36 years old, receives regular maintenance on a bi-annual basis, and has very limited run time. At this time all maintenance of the emergency backup generator is current and the injectors were recently rebuilt. However, due to the age of the generator, it is possible that the South Coast Air Quality Management District may have concerns that could impact future permitting.

#### 5. Electrical Panel and SCADA System.

- The electrical panels are generally in good operating condition. There is some rust along the panels due to weather and age. There are 11 breakers and starters.
  - Hampton
    - Main breaker rebuilt approximately 7 years ago;
    - Pump #1 breaker, starter and overload replaced approximately 7 years ago;
    - Pump #2 breaker is original, but the starter and overload were replaced approximately 20 years ago;
  - Meadowview
    - Main breaker is original
    - Pump #1 and Pump #3 – breakers, starters and overloads are all original;
    - Pump #2 – breaker original, but the starter and overload were replaced approximately 7 years ago;
  - Starlight Crest
    - Main breaker is original;
    - Pump #1 – breaker rebuilt approximately 6 months ago, but the starter are overload are original;
    - Pump #2 and Pump #3 – breakers, starters and overloads are all original;
  - Forest Green
    - Main breaker is original;
    - Pump #1 – breaker, starter and overload are original;
    - Pump #2 – breaker is original, but the starter and overload were replaced approximately 1 year ago;
    - Pump #3 – breaker is original, but the starter and overload were replaced approximately 2 years ago.

- All are operational, but the older, original breakers, starters and overloads will likely need to be replaced near end of life. This is efficient due to redundancy in the system.
- The SCADA system appears to be generally in good operating condition. Seller uses the Clear SCADA Program and updated to the newer version approximately 2 years ago. In 2016, there was a transponder failure, and the failed transponder was replaced. If the current SCADA system is utilized, then each of the remaining transponders is recommended to be replaced upon failure.

6. Main Valves and Hydrants.

- Within the system there are 4 main line gate valves that are not currently operational and need to be replaced as soon as possible. The gates are seized and cannot be turned at all. They are all 12” gate valves. In addition, there are 5 valves that turn, but do not seal entirely, thus, affecting the ability to implement repairs. Seller has been able to complete repair work by releasing this water down stream, but recognizes that this approach is not ideal and these gates need to be remedied in the immediate future. The remaining values in the system require a valve maintenance program. The gate valves off the main line for the fire hydrants have only been maintained or serviced on an “as needed basis.” The implementation of a valve maintenance program is recommended. The Status of all Valves are as follows:

NON OPERATING VALVES. VALVES THAT CANNOT BE TURNED, STUCK IN THE OPEN POSITION.

<u>LOCATION</u>	<u>SIZE</u>
Between 5212-5214 Redwillow Ln.	12"
NW corner of Redwillow Ln. and Noren St.	12"
Middle of road at Starlight Crest Dr and Meadowview Dr.	12"
SW Corner of Starlight Crest Dr. and Burning Tree Dr.	12"

VALVES THAT TURN BUT DO NOT COMPLETELY SEAL

Inlet for Pump #2 at Hampton Pump Station	10"
Between 5133 and 5145 Redwillow Ln. 5' from curb line Feeds 8" main to Lower Stardust Rd.	8"
SW Corner of Redwillow Ln. and Noren St. Feeds 6" Main up Noren St.	6"
Corner of Starlight Crest Dr and Godbey DR. Feeds 8" Main up Godbey. Includes all mains serving Starlight Heights Dr., Galaxy Heights Dr. As well as all the Country Club Meters.	12"



7. Miscellaneous.

- There is a pressure reducing valve that connects pressure zone 1 with pressure zone 2 that is located at 5218 Crown Avenue. This valve is rusted, has not been exercised and has not been serviced. This valve should be replaced in the near future. There is a swing check valve that flows water from pressure zone 3 to pressure zone 4 located at 5749 Summit Crest Drive. The valve works fine, but the flange bolts are rusted and need to be replaced. There are a number of air-vac valves located throughout the system that are in need of replacement. There is a 2" service that comes off the discharge side of the Hampton Pump station that should be evaluated for potential replacement as a failure of this service could possibly disrupt pumping schedules. The meter at Starlight Crest and Greenridge is out of service and needs the service line from the main line to the meter to be replaced. Also, at this same intersection, the tie-in for the Greenridge tract was repaired approximately 1 year ago. A follow-up repair is necessary in order to upgrade the fix. Over the last 30 years, there have been approximately 25 to 30 main line leaks which have been repaired with stainless steel repair clamps. The 6" fire service meter at the Country Club main building is in need of inspection and service. The blow-off at the intersection of Hampton and Santa Inez has the top half inch threads of a gate valve exposed through the cement of the driveway apron. Further tracking and evaluation of this condition is recommended.

# DIVE / CORR, INC

INDUSTRIAL INSPECTION AND PHOTOGRAPHY SERVICES

P O BOX 30427  
LONG BEACH, CA 90853  
OFFICE 562-439-8287  
FAX 562-438-7151

## TANK INSPECTION REPORT

AGENCY	Mesa Crest WD	DATE INSPECTED	06/02/00
SUPERVISOR	Mr. Tim Flynn	TANK NAME	F Green Sm
SIZE	.250 MG	HATCH	SWest
DIVER	Dan Gross	DATE BUILT	NA
LADDER	Yes-Ext / Yes-Int	TENDER	L Irvine
BRIEF	General Survey	CP	None
		LAST INSPECTED	02/05/97

### FOREST GREEN - .250 MG - RESERVOIR

The following information corresponds to the numbered photographs in the album provided:

1) Forest Green - .250 MG Reservoir. This is a steel reservoir four plate courses tall. The lowest course will be referred to as course #1. There are two tanks on this site. The .250 MG Reservoir is on the right when entering the tank site and is the smaller of the two tanks.

2-09) The exterior wall coating is in good to fair condition. Rust is sighted in the lowest 3' on several sides (#4). The pad is buried on the North side. Sample excavations should be performed to examine the coating below. No scale formation is seen. Touch-up is recommended. Coating chalking is heavy.

Coating thickness measurements were taken at four locations on course #1, ninety degrees apart. Two readings were taken at each site. A range of 4.5 to 6.0 mils was found. The most common reading was 5.0 mils.

The most common reading in 1997 was 7.0 mils.

Presently, water level is approximately 15'. There is no working exterior target.

There is one round manway. The overflow (#3) is exterior and exits through the top of course #4. The inlet (#2) enters through the side. The tank drain (#9) enters through the side.

The site access gate was found securely locked. The lower portion of the exterior access ladder was removed to deter vandalism. Site vandalism is minimal. There is no significant damage from rock and bottle throwing and no graffiti. The remaining portion of the exterior ladder does not have a safety climb rail or a safety cage.

The tank pad is gravel with a steel retaining ring. Rust is present on the ring, however, no significant deterioration is seen at this time. There are no anchor bolts. The area is surrounded with weeds and debris. Cleaning the immediate 3' is recommended.

10-17) The exterior roof cover coating is in good condition. No significant defects were sighted. Less than five small rust points are seen. Coating chalking is heavy. One small weld hole (#14) is found.

Coating thickness measurements were taken at six locations in two circular bands. Two readings were recorded at each site. A range of 4.0 to 6.0 mils was found. The most common reading was 5.0 mils.

The roof vent hood (#13) is secure and the screening is in good condition.

The roof access hatch was found bolted. Bolts are in good condition and easily removed. The access hatch will be referred to as being on the Southwest side for the purposes of this report. The hatch may be undersized according to current standards. There is no safety hand rail.

18-19) The internal access ladder is made of tube type rungs. The top four tubes are in poor condition. The third and

fourth rungs have broken through. This ladder should not be used. The adjacent shell coating is typical and in good condition.

20-21) The overflow is a pipe elbow without a funnel end. The coating is in fair condition with isolated areas of peeling (#21). The pipe extends to within an estimated 6" to the roof.

22-27) The above water walls consist of the top 3' of course #4. The above water shell coating is rated as in good condition. It is noted that the material is diamond plate.

Rust shown on the walls and the roof underside in this area was rated as staining at the last inspection. Rust can now be seen (#27-28). No significant corrosion is found.

Rust is also common to the roof to shell angle (#25-27). Rust here is darker in color.

Beams are welded to the shell. There are no fasteners. All beams appear upright and securely attached. No bending or twisting was sighted. Several beam ends (#26-28) have a light rust color. Rust in all cases is still rated as minor. No scale formation or gross defects are seen at this time.

The majority of the beam end coating is in good condition. Isolated cases of light rust can be found at beam ends (#27,30). No scale formation is sighted.

28-42) Since the last inspection of 1997, conditions have changed. The overall rating is now 'fair'. Rust is evident on the beams and roof plates in the center section. Rust color is light to moderate. Scale formation is still only noted along the secondary support beams (#33) and it is still minor.

Beams appear securely connected to the center dollar plate. Fasteners are not seen. All beams appear upright and no bending or twisting was sighted.

The columns appear stable and upright. The above water

coating is in good condition. No significant defects were found. Columns are slotted. Neither fasteners nor welds were evident. No indications of movement were sighted.

- 43-55) The below water portion of the column coating was in fair to poor condition. This year's rating is now 'poor'. Rust and coating blistering is common. 'Good' coating is relatively rare.

As before, the worst sections are located mid-water (#46-47). Coating blisters (#46-48,53) are moderate to dense in number. Many of the blisters have broken and rust is present where steel is exposed. Where tubercles were broken to inspect the steel below, pitting is still 1/16" deep and less. Pitting depth has not distinctly changed.

The bases are stable. No indications of movement were sighted.

- 56-77) The floor coating is in poor condition overall. The worst zones are within 5' of the wall. In 1997, an estimated 50 independent rust points were seen. At this time, the number has notably increased. This is probably related to the number of blisters that have broken since the last inspection.

Rust points are found both mid-plate (#67,68) as well as along weld seams (#61,69,70). Tubercles growth in the last three years is rated as aggressive and moderate size indications are seen in areas which were cleaned in 1997. Although the vast majority of the indications are 1/16" deep and less, corrosion along weld seams can be 3/16" (#61,70). Re-welding will be needed at isolated locations.

Sediment cover measures 1/4-1/2" deep (#73 / the yellow ruler shown in all photographs of this report is 6" long and 1" wide). The material is light colored top and bottom. No foreign debris from vandalism was found.

- 78-81) The inlet/outlet port is clear. The coating is in good condition. Rust tubercles can be seen at the doubler plate edge. Rust points shown on the adjacent shell have

formed from broken coating blisters (#81). This is also seen adjacent to the manway (#84). Rust tubercle size here is similar to that seen in 1997.

82) The tank drain is clear. Rust is noted on the inside pipe wall.

83-84) There is one round manway present. The exterior of the lip edge as well as the plate has a coating in poor condition. The plate body coating is fully blistered. The blisters are not broken. Rust is seen on the inside lip edge (#77).

The adjacent shell coating is in poor condition. Coating blistering, as well as independent rust points are seen (#61). Rust is present where blisters are broken. Pitting is less than 1/16" deep in all cases.

85-89) The internal access ladder is ruled as unsafe to use. Top rungs have totally deteriorated (#85-87). Rusting lower rungs are questionable. Ladder replacement or total removal is recommended.

88-102) This tank has four plate courses. The top 3' of course #4 was above water at the time of inspection. The underwater coating is still rated as good with the exception of horizontal plate lap sites and sections adjacent to openings on course #1.

Course #1 is considered the worst in relation to coating integrity. Here, coating blistering (#92-96) can be found. In some cases, blisters have broken and small rust points are present. Pitting is 1/16" deep and less in areas checked.

Rust points on courses #2-4 considered rare. Most are observed along horizontal weld seams (#101-108). All indications are rated as small and slight. Metal loss is not suspected. Aggressive tubercle growth is not found here.

**SUMMARY**  
**FOREST GREEN - .250 MG RESERVOIR**

GALLONS     .25 MG                      HEIGHT 18'              WIDTH NA'              PLATES 4

EXTERIOR WALLS -     Good - lower portion of the shell is partially buried and corrosion is suspected. On the Southwest side, the lower exposed steel wall is rusting. Coating chalking is heavy. Damage from rock throwing is minimal.

EXTERIOR ROOF -     Good - Coating chalking is heavy.

VENT HOOD           -     Good  
SCREENING           -     Good

HATCH               -     Bolted - Southwest side. No safety handrail.

INTERIOR ROOF -     Roof Plates - fair - worst sections are in the tank center and at the roof to wall angle. Slight scale is seen on the secondary support beam. Beams are upright and appear securely attached.

ABOVE WALLS       -     Top 3' - Good

BELOW WALLS       -     Good to fair - Coating blistering is more common on lower course #1. Rust points are present where blisters are broken. Pitting is 1/16" deep and less in areas checked. Rust is also present at the horizontal weld seams connecting courses #1 & #2 as well as #3 and #4. No significant changes or material loss here.

FLOOR               -     Poor - more rust points are present than noted at the last inspection. Metal loss along weld seams can be 3/16" deep. Coating blistering and small rust points common in the exterior

5'. No leakage indications are seen.

SEDIMENT	-	1/4-1/2" deep. No foreign debris from vandalism.
FLOAT	-	None
Guide wires	-	None
OVERFLOW	-	Pipe elbow - no funnel - several areas of coating peeling.
COLUMNS	-	Poor coating mid-water and lower sections. Small rust points and coating blistering are present. No indications of movement.
INLET	-	Good
OUTLET	-	Same as the inlet
NOZZLES	-	One - blocked 50%
DRAIN	-	Clear
LADDER	-	Poor and considered unsafe. The top five rungs are either totally deteriorated or missing.
CATHODIC SYST	-	None
MANWAY	-	One - coating blistered and in poor condition.
TANK PAD	-	Partially buried.
ANCHOR BOLTS	-	None



## RECOMMENDATIONS

- 1) The exterior shell and roof coating is still in good to fair condition. The only suspect section is the buried portion or the lowest 2'. This area around the tank should be exposed and examined. Repair all poor areas as needed. Consider improving site drainage if specific areas are found.

Prior to any coating re-work, test all paint systems for the presence of hazardous materials. The presence of these elements will greatly alter the costs and methods of repair.

- 2) The interior coating has notably changed. Corrosion is the worst on the floor where significant pitting is present in several spots along the weld seams. At the time of coating repair, spot re-welding will be needed. Since the roof underside is rusting, this tank is not considered a good candidate for cathodic protection.

Since there is deep pitting, if no action is anticipated within two years, patch the deepest pits (any zone with metal loss greater than 1/16" deep) with underwater epoxy.

The tank rating has changed from #5 to #2 on the priority list and of the two tanks on this site, repair is needed here first.

- 3) Add safety handrail by the roof hatch. Consider the installation of a safety climb rail on the exterior access ladder.
- 4) All piping is fixed. Typically, districts are upgrading any fixed piping with flexible couples for protection during a seismic event. Contact engineering to determine: a) if flexible couples are needed; b) if this tank needs a second manway installed; c) if the roof hatch size meets current standards.
- 5) Replace the interior access ladder. The existing ladder is considered unsafe.
- 6) Weed the site quarterly and remove debris from the immediate area.

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## TANK INSPECTION REPORT

DATE INSPECTED 07/13/00

AGENCY _____	Mesa Crest WD	TANK NAME _____	Starlight
SUPERVISOR _____	Mr. Tim Flynn	HATCH _____	SWest
SIZE _____	.250 MG	DATE BUILT _____	NA
DIVER _____	Dan Gross	TENDER _____	L Irvine
LADDER _____	Yes-Ext / Yes-Int	CP _____	None
BRIEF _____	General Survey	LAST INSPECTED	02/06/97

### STARLIGHT CREST RESERVOIR

The following information corresponds to the numbered photographs in the album provided:

- 1) Starlight Crest Reservoir. This is a steel reservoir four plate courses tall. The lowest course will be referred to as course #1. This is the only tank on this site.
- 2-09) The exterior wall coating is in good to fair condition. Coating chalking is heavy. Rust is not seen at this time.

Presently, water level is approximately 16'. There is no working exterior target.

There is one round manway (#5). The overflow (#4) is exterior and exits through the top of course #4. The inlet and outlet (#2) enter through the side. The tank drain (#3) enters through the floor.

The site access gate was found securely locked. The lower

portion of the exterior access ladder was removed to deter vandalism. Site vandalism is minimal. There is no significant damage from rock and bottle throwing and no graffiti. The exterior ladder does not have a safety climb rail or a safety cage.

- 10-12) The exterior roof cover coating is in fair condition. Coating chalking is heavy.

The roof vent hood is secure and the screening is in good condition.

The roof access hatch (#12) will be referred to as being on the Southwest side for the purposes of this report. There is no safety hand rail.

- 13) The above water portion of the internal access ladder is secure and in good condition. Rungs below are in poor condition. Caution is recommended to all employees.

- 14) The overflow is a pipe elbow with a small funnel. Overflow is approximately 8" below the roof. The coating is in good condition with the exception of the inside line. Coating peeling and scale can be seen here.

- 15-16) The above water walls consist of the top 3' of course #4. The tank was near full at the time of the inspection. Overflow level is rated as 8" below the roof or 18'. The above water shell coating is rated as in good condition. Rust seen on the walls is associated with staining coming from the roof to wall interface. Dark staining is also seen at all plate edges.

Beams are welded directly to the shell. There are no fasteners or shell clips. All beams appear upright and securely attached. No bending or twisting was sighted.

The majority of the beam end coating is in good condition. Dark rust and scale formation is seen on the top of beam angles. Slight to moderate metal loss is suspected.

The secondary support beam is not connected. To large of a gap is noted for this to be a break due to corrosion. It is more likely that this is from original re-

construction. Engineering should be contacted to identify that this condition is acceptable.

17-26) The majority of the roof underside coating on the main surface areas of both the beams and the roof plates is in good condition. Coating cracking with light colored rust can be found primarily by the center dollar plate (#25) and adjacent to several beams (#18). This was not distinct in 1997.

Rust and scale formation are commonly seen on the tops of beams (#21) and at secondary support beams (#17). Metal loss is suspected and it is rated as moderate to heavy at this time. In 1997, the rating was light to moderate.

Roof beams appear securely connected to the center dollar plate. Fasteners are not present.

The columns appear stable and upright. The above water coating is in good condition in all cases. No significant defects were found. Beams are slotted (#19). Fasteners are not present. No indications of movement were sighted.

27-39) The majority of the below water portion of the column coating is in good condition. In 1997, only one patch of light rust was seen mid water on the center column. At this inspection, several others are now more distinct. The patches are approximately 2' tall. All rust points are light in color. Notable metal loss is not found.

The bases are stable and no indications of movement were sighted.

40) The drain enters the tank through the floor. Although the coating at the floor connection is in good condition, moderate size rust tubercles are seen on the pipe internal diameter.

41-54) The floor coating is in good overall condition. In 1997, approximately ten small to moderate size rust tubercles were identified. At this time, at least 20 are found. The majority of the indications are still found along weld seams.

Of note is the size of the rust tubercle which has formed since the corrosion cap was removed in 1997 (#43-46 / the yellow ruler shown in all photographs of this report is 6" long and 1" wide). This indicates that the corrosion rate is considered aggressive.

Metal loss under several of these reformed caps was almost the full thickness of the weld. In one case (#46), the base was exposed and the potential for seepage existed. As a preventative measure, underwater epoxy was applied in the ten most severe cases. Spot welding should be expected at the time of re-work. The majority of the metal loss is 1/16" deep.

Although a lot of the floor is bare, sediment cover measures 1" deep (#47) in the tank center and has increased approximately 1/2". The material is light colored top and bottom. Scale from the roof beam flanges is commonly seen on the floor (#69). Delaminated coating pieces (#42) are from the wall above. No foreign debris from vandalism was found.

55-58) The inlet/outlet ports are clear. The coating in both cases is in good condition.

59-60) There is one round manway present. The exterior of the lip edge has several moderate size rust tubercles. Pitting is slightly deeper than 1/16". The plate body coating is in good condition. The adjacent shell coating is typical and in good condition.

61-65) The internal access ladder appears securely attached. Rust is present on the mid-rails (#61-63) and lower rungs (#65). Pitting is notably more severe on upper rungs. Since this is a tube rung, extreme caution is recommended to all personnel.

66-87) This tank has four plate courses. The top 3' of course #4 was above water at the time of inspection. The underwater coating is rated as good overall with isolated areas of rust points found particularly along weld seams.

Along horizontal weld seams (#79,81,83,85) small rust points are seen scattered around the tank at all

elevations.

Course #3 (#72-78) shows topcoat peeling on the West side only. Rust sighted is still predominately staining and the corrosion is overall unchanged. No significant pitting was found on the walls at any location.

**SUMMARY**  
**STARLIGHT CREST RESERVOIR**

GALLONS .25 MG                      HEIGHT 18'                      WIDTH NA'                      PLATES 4

EXTERIOR WALLS -                      Good to fair - Coating chalking is heavy.  
Damage from rock throwing is minimal.

EXTERIOR ROOF -                      Fair - several small patches of rust points.  
Coating chalking is heavy.

VENT HOOD -                      Good

SCREENING -                      Good

HATCH -                      Southwest side

SAFETY HANDRAIL -                      None

INTERIOR ROOF -                      Roof Plates - good with the exception of by  
the center dollar plate and in isolated cases  
along beam edges. Here, coating cracking is  
seen with light colored rust.  
Beams - upright and appear securely attached.  
Coating is in good condition with the  
exception of flange tops and edges. Scale  
formation is present. Metal loss is suspected  
as moderate to heavy.

ABOVE WALLS -                      Top 3' - good

BELOW WALLS -                      The vast majority of the underwater coating is  
in good condition. Rust points can be seen  
scattered along horizontal weld seams. One  
zone of coating peeling is present on course  
#3. Pitting in all cases is 1/16" deep and  
less.

FLOOR -                      Majority is in good condition. App 20 rust  
tubercles are present. Most are along weld  
seams. Some severe metal loss was found and

patched.

SEDIMENT	-	1" deep in the tank center. The majority of the floor is bare. No foreign debris from vandalism.
FLOAT	-	None
Guide wires	-	None
OVERFLOW	-	Good coating on the front side, poor coating on the inside seam where scale formation and coating peeling is present.
COLUMNS	-	Good - several patches of very small rust points are noted mid-water. Pitting is less than 1/16" deep in all cases. No indications of movement.
INLET	-	Good
OUTLET	-	Good
DRAIN	-	Located by the wall - clear - rust tubercles on the inside of the pipe.
LADDER	-	Rust on the underside of the mid-water rails and on the lower rungs. Corrosion is severe in several cases. Caution is recommended to all employees.
CATHODIC SYST	-	None
MANWAY	-	One - plate good - rust on the lip weld seam.
ANCHOR BOLTS	-	None



## RECOMMENDATIONS

- 1) The exterior shell and roof coating are still working. If there is a lead based primer below, you may want to spot repair as needed to extend the existing life if funds are limited. Coating chalking is heavy, however, rust is not evident at this time and internal coating replacement should not affect the exterior other than that some mechanical damage will be done to the paint during re-work.

Prior to any re-work, testing for the presence of hazardous materials, particularly lead, chromium and/or zinc is recommended. The presence of these materials will greatly alter the methods used and the costs for repair.

- 2) The scale formation on the tops of the beams is moderate to heavy. I do believe that it is still 'paint-able' without structural re-work. However, the full extent of the damage can only be determined after sand-blasting.

Since the roof underside is in poor condition, this tank is not considered a good candidate for Cathodic Protection and has a high priority. The key to the success of the job is to identify with the contractor that the primary area of concern is considered a 'difficult to coat' zone. The re-coating process should not be initiated unless this condition is fully addressed. Anticipate some spot re-welding along the floor seams.

The secondary support beam is not continuous. Consult with engineering to identify if structural upgrades are needed.

Consider cutting hand hole covers for the CP system for a future installation.

These repairs should be performed as soon as funds are available.

- 3) Add safety handrail by the roof hatch. Consider the installation of a safety climb rail on the exterior access ladder.

- 4) The internal access ladder will require re-work. Consider installing a new ladder with solid rungs.
- 5) All piping is fixed. Typically, districts are upgrading any fixed piping with flexible couples for protection during a seismic event. Contact engineering to determine: a) if flexible couples are needed; b) to identify if this tank needs a second manway installed.

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## TANK INSPECTION REPORT

DATE INSPECTED 09/09/03

AGENCY	Mesa Crest WD	TANK NAME	F Green Big
SUPERVISOR	Mr. Tim Flynn	HATCH	East
SIZE	2.00 MG	DATE BUILT	NA
DIVER	Dan Gross	TENDER	L Irvine
LADDER	Yes-Ext / Yes-Int	CP	None
BRIEF	General Survey	LAST INSPECTED	06/02/00

### FOREST GREEN - 2.00 MG - RESERVOIR

The following information corresponds to the numbered photographs in the album provided:

- 1) Forest Green - 2.00 MG Reservoir. This is a steel reservoir four plate courses tall. The lowest course will be referred to as course #1. There are two tanks on this site. The 2.00 MG Reservoir is on the left when entering the tank site and is the larger of the two tanks.
  
- 2-11) The exterior wall coating is still in good to fair condition with the exception of one zone. The lowest 1' of course #1 shows dark rust and scale formation (#5,7) around the circumference. The West side is the most affected. This was noted at the last inspection. Repair is recommended as soon as possible. Coating chalking is heavy.

Presently, water level is approximately 21'. There is no working exterior target.

There two round manways.

The overflow (#2-4) is exterior and exits through the top of course #4. There is a hole in the pipe (#4) at the base. An air gap is recommended.

The inlet (#3) enters through the side. A flexible couple is not present.

The tank drain (#5,6) enters through the side. There is a hole in the pipe (#6). Repair is recommended as soon as possible. A flexible couple is not present.

The lower portion of the exterior access ladder was removed to deter vandalism. Site vandalism is minimal. There is no significant damage from rock and bottle throwing and no graffiti.

12-20) The exterior roof cover coating is in good condition in relation to corrosion. No significant rust points were found. There are several sections where topcoat peeling (#14-16) can be found. Coating chalking is heavy.

The roof vent hood (#13) is secure and the screening is in good condition.

The roof access hatch (#20) was found bolted. Locks are recommended. The access hatch will be referred to as being on the East side for the purposes of this report. The hatch may be undersized according to current standards. There is a partial safety hand rail.

21) The above water portion of the internal access ladder is securely attached and in good condition. The adjacent shell coating is typical and in good condition.

22-24) The overflow pipe is a pipe elbow without a funnel end. The pipe itself is in poor condition. The lower section was deteriorated at the last coating repair and over-coated. The tank begins to overflow three feet from the top.

25-27) The above water walls consist of the top 3' of course #4. The above water shell coating is rated as in good condition. Rust staining, emanating from the roof to

shell interface, is heavy and typical. This was noted at the last inspection. Staining is also seen at roof plate edges (#22).

Beams rest on welded shell clips. There is one fastener at the base of each beam. Dark rust is seen in 20% of the cases. Isolated beams do not have fasteners and may be welded. No significant scale formation is sighted.

Beam coating is in good overall condition. All beams appear upright. No gross bending or indications of 'new' movement was evident.

28-54) The majority of the roof underside coating on the main plates is in good condition. Rust on plates is confined to the dollar plate area (#50-52) and in isolated zones (#38,39).

Rust on beams (#28-30,36,38,39) appears more prevalent. Rust color is light to moderate. Scale formation is not seen at this time.

Beams appear securely connected to the center dollar plate. Fasteners show a light to moderate colored rust, but appear to be in good overall condition.

The columns appear stable and upright. The above water coating is in good condition. No indications of movement were sighted.

55-65) All of the columns, except the center column is a standard double beam design. Here, the majority of the below water portion of the column coating is in good condition. Rust can be seen along the vertical beam splice line (#63) and at base edges (#63,65).

Poor condition is found at the center column brace connections (#56-60). Rust is typically found at the connection and on the inside flange.

The bases appear stable. No indications of movement were sighted.

66-83) The floor surface area is large and the majority of the coating is still in good overall condition. More rust

tubercles are found at this inspection than in 2000. Conditions where rust tubercles are seen remain the same where most of the pitting is 1/16" deep and less.

There were two large tubercles seen at the last inspection (#80,82) where notable pitting to 3/16" deep were found. As a preventative measure, underwater epoxy was applied to these zones.

Rivet heads appear stable. No indications of leakage or seepage were sighted or suspected.

Sediment cover measures 1/8-1/2" deep (#67 / the yellow ruler shown in all photographs of this report is 6" long and 1" wide). The material is light colored. No debris from vandalism was found.

84-86) The inlet/outlet port is clear. The coating is in good condition. Rust tubercles can be seen on the pipe inside diameter. The adjacent shell coating is also in good condition.

87) The tank drain is clear. Rust is emanating from the pipe internal walls. The adjacent shell coating is in good condition.

88-89) There are two round manways present. Both of the interior surfaces are blistered. This condition appears overall unchanged. Corrosion is minimal. The adjacent shell coating is typical and in good condition in both cases.

90-93) The below water portion of the internal access ladder appears securely attached and in good overall condition. Rust is present on the lower rungs (#93) and at bolted connections (#92). No notable changes are seen. Of note is that the ladder does not fully extend to the floor (#93).

The majority of the adjacent shell coating is in good condition. Rust present at the overhand lap (#92) is typical.

94-123) This tank has four plate courses. The top 3' of course #4 was above water at the time of inspection and previously described as being in good condition.

The underwater coating is rated as good with the exception of:

shell to floor weld seams (#97-100);

horizontal plate lap sites (#105-111,119-120);

isolated mid-plate zones (#104,110).

Not noted at the last inspection of 2000, was coating blistering (#112-119) which is beginning to show along the horizontal seams connecting courses #2 and #3. The majority of the blisters are not broken at this time. Blisters along vertical rivet seam edges (#121) are relatively rare.

**SUMMARY**  
**FOREST GREEN - 2.0 MG RESERVOIR**

GALLONS      2.0 MG                      HEIGHT 24'              WIDTH NA'              PLATES 4

EXTERIOR WALLS -      Good - lower 1' of the shell is in poor condition. Rust formation with scale is common. The West side is most affected. Coating chalking is heavy.

EXTERIOR ROOF -      No corrosion - several patches of topcoat peeling are present. Coating chalking is heavy.

VENT HOOD              -      Good  
Screening                -      Good

HATCH                    -      Bolted - East side.  
Safety Handrail-      Good where found.

INTERIOR ROOF -      Roof Plates - good with isolated exceptions along plate lap seams and near the dollar plate.  
Beam coating is showing more deterioration, but is still in good condition overall. The exception is at beam ends by the center column and on secondary support beams. Moderate to dark colored rust is present here.

ABOVE WALLS            -      Top 3' - Good - staining is heavy at the roof to shell connection.

BELOW WALLS            -      Good overall - rust is present at the horizontal lap seams and at the floor to wall connection weld. Coating blisters are forming along the horizontal seam connecting courses #2 and #3. Most indications are small in size. Pitting is 1/16" deep and less. Mid-plate rust points are rare.



FLOOR	-	Good to fair - more deterioration is noted. Most tubercles are 1/16" deep and less. The deepest pits were patched with underwater epoxy.
SEDIMENT	-	1/8-1/2" deep. No foreign debris from vandalism.
FLOAT	-	None
OVERFLOW	-	Pipe elbow - no funnel - pipe is severely deteriorated on the underside. Holes are found on the exterior pipe wall.
COLUMNS	-	Good - rust at the beam splice connections, at rivet heads and base to floor connections. Pitting is less than 1/16" deep in all cases. No indications of movement.
INLET	-	Good - rust is present on the pipe internal diameter.
OUTLET	-	Same as the inlet
NOZZLES	-	Three - one is blocked 80% - remaining 2 are in good condition.
DRAIN	-	Clear - rust is present on the pipe internal diameter. Holes are found on the exterior pipe wall.
LADDER	-	Good - rust at lower rungs and bolt connections. Ladder does not reach the floor.
CATHODIC SYST	-	None
MANWAY	-	Two - both have coating blisters on the inside of the plates.
TANK PAD	-	The retaining strip is in poor condition at several locations.
ANCHOR BOLTS	-	None

## RECOMMENDATIONS

- 1) The exterior shell shows rust and scale formation in the lowest 1'. This should be repaired as soon as possible. Although chalking is heavy, the remainder of the exterior coating is in good condition. Monitor and repair when either rust begins to appear or customers complain concerning appearance. Strongly consider improving site drainage.

Prior to any coating re-work, test all paint systems for the presence of hazardous materials. The presence of these elements will greatly alter the costs and methods of repair.

- 2) The majority of the interior coating is in good overall condition. The worst section is the floor. Deep pitting here was patched as a preventative measure.

If the tank is planned for re-coating in two years, no action is recommended. If repair plans are greater than two years, consider the installation of sacrificial anodes to arrest further corrosion.

- 3) All piping is fixed. Typically, districts are upgrading any fixed piping with flexible couples for protection during a seismic event. Contact engineering to determine: a) if flexible couples are needed; b) if the retaining ring requires replacement; c) if the roof access hatch is undersized; d) if additional drainage can be added to the site; e) if additional roof handrail is required; f) if a new center column can be added in lieu of the difficult to paint column present at this time.
- 4) Replace the internal overflow at the next maintenance cycle.
- 5) Repair piping on the drain line and overflow.

# DIVE / CORR, INC

INDUSTRIAL INSPECTION AND PHOTOGRAPHY SERVICES

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## TANK INSPECTION REPORT

DATE INSPECTED 09/09/03

AGENCY	Mesa Crest WD	TANK NAME	Mview N
SUPERVISOR	Mr. Tim Flynn	HATCH	SWest
SIZE	.500 MG	DATE BUILT	1957
DIVER	Dan Gross	TENDER	L Irvine
LADDER	Yes-Ext / Yes-Int	CP	None
BRIEF	General Survey	LAST INSPECTED	06/02/00

### MEADOW VIEW - NORTH RESERVOIR

The following information corresponds to the numbered photographs in the album provided:

- 1) Meadow View - North Reservoir. This is a steel reservoir three plate courses tall. The lowest course will be referred to as course #1. There are two tanks on this site. The North Reservoir is the first encountered when traveling down the access road.
- 2) The tank nameplate is located over the manway shown in photograph (#3).

FABRICATOR	-	CONSOLIDATED WESTERN STEEL
CONTRACT #	-	68450-00
YEAR BUILT	-	1957
HEIGHT STATED	-	24'1"
EST HT TO OVFL	-	23'
WIDTH	-	60'
SIZE	-	.50 MG

3-12) The exterior wall coating is in good to fair condition. The base of the tank is in the poorest condition. Rust with scale formation is found in the lowest 1' (#7-9). This should be repaired as soon as possible. Site drainage is poor. If ponding is discovered, consider improving site drainage.

Presently, water level is approximately 21'. There is no working exterior target.

There is one round manway (#3). The overflow (#1) is exterior and exits through the top of course #3. The inlet (#5) enters through the side.

The site access gate was found securely locked as was the roof access hatch. The lower portion of the exterior access ladder was removed to deter vandalism. Site vandalism is minimal. There is no significant damage from rock and bottle throwing and no graffiti. The exterior ladder (#1) does not have a safety climb rail or a safety cage. No handrail is present on the roof.

13-20) The exterior roof cover coating is in fair condition. Less than ten small rust points are seen. Coating chalking is heavy.

The roof vent hood (#14) is secure and the screening is in good condition.

The roof access hatch (#20) was found securely locked. The hatch will be referred to as being on the Southwest side for the purposes of this report. There is no safety hand rail.

21-23) The internal access ladder, the remains of the float system and the overflow funnel. The above water portion of the funnel coating and the internal access ladder are in good condition. The adjacent shell coating is typical and also in good condition.

The float guide wires are detached.

24-31) The above water walls consist of the top 3' of course #3. Overflow level is rated as 1' below the roof or 23'. The above water shell coating is rated as in good condition. Rust staining at the roof to wall joint is typical.

Beams are fastened to welded shell clips. There are two fasteners per beam. All beams appear upright and securely attached. No bending or twisting was sighted.

Fasteners show rust and coating peeling. Their condition appears to have worsened since the last inspection of 2000. Scale formation is beginning (#28,29,31).

The majority of the beam end coating is in good condition. Isolated cases (#30) of dark rust and scale formation can be found. Scale formation is evident on upper beam flange edges. This is considered typical (#32-39).

32-48) The roof underside continues to deteriorate. On the roof plates, the only notable failure is at the dollar plate area (#43-44). Coating cracking and rust is evident.

Rust and scale formation are commonly seen on the tops of beams (#32-39), at beam edges and tension arms. The most notable sections are on the tops of the spreader angles (#35,36). Some metal loss is suspected. However, it is still not rated as severe at this time.

Roof beams appear securely connected to the center dollar plate. Several of the fasteners display coating peeling with scale formation (#46-47). Metal loss is suspected. No bending or twisting was sighted.

The center and only column appears stable and upright. The above water coating is in good condition. No significant defects were found. No indications of movement were sighted.

49-56) The below water portion of the column coating is in good condition with the exception of the mid-section. Rust and scale (#49-50) can be seen here at the beam splice line. Rust color appears darker and the area slightly larger.

The base appears stable and the coating is in good to fair condition. Moderate size rust points can be found on the flanges (#54,56). No indications of movement were sighted.

57-70) The floor coating is still rated as in fair overall condition. Blistered areas appear larger. At least 30% of the total surface is covered with blisters (#61-62,69 / the yellow ruler shown in all photographs of this report is 6" long and 1" wide). Blister diameter ranges from 1/4-1" and density is moderate to high. Rust related to blistering at this time is still rare (#62) and slight where found.

Walking on the floor is not recommended, i.e. during a cleaning operation or coating repair operation. This action may cause the blisters to break and expose the steel below.

Rust tubercles (#58,63,64) are more common and at least 20 are present. Deep pitting is suspected and pit probing was not conducted.

Sediment cover measures 1/8-1/2" deep. The material is light colored top and bottom. No foreign debris from vandalism was found.

71-72) The drain enters the tank through the floor. Although the coating at the floor connection is in good condition, moderate size rust tubercles are seen on the pipe internal diameter.

The adjacent sediment is typical and measures 1/2" deep.

73-79) The inlet/outlet ports are clear. The coating is in good condition.

The nozzle (#76) is blocked with rust forming from the internal pipe walls.

80-81) There is one round manway present. The exterior of the lip edge has several moderate size rust tubercles as well as clusters of small coating blisters. Pitting is suspected as greater than 1/16" deep. Probing was not conducted as this is a sensitive area. The plate body

coating is in good condition.

The adjacent shell coating is in good condition.

82-87) The below water portion of the internal access ladder appears securely attached. Rust and scale (#82) is present on the rail backside and lower rungs (#87). Pitting is 1/8" deep and less. The adjacent shell coating is typical and in good condition.

88) One of the float guide wires has broken free at the base.

89-111) This tank has three plate courses. Only the top 3' of course #3 was above water at the time of inspection. This area was previously described as being in good condition.

The underwater coating is rated as good overall with isolated areas of individual rust points and one zone of coating blisters.

As found in 1997 and 2000, coating blistering is noted on lower course #1 in the lowest 3' of course #1. The area of blistering has expanded along the circumference and slightly in height.

Blistering is moderate to dense in number and blisters are small to moderate in size. The majority are not broken at this time. Where blisters are found in the broken condition (#90,97) a small rust point is evident. In all cases, pitting here was less than 1/16" deep.

Over the entire remaining portion of the underwater shell, minimal isolated cases of slight corrosion were found. Most is along the horizontal weld seam connecting courses #2 and #3 (#104,105). In all cases, pitting is 1/16" deep and less. No other significant defects were sighted.

112-113) The underwater portion of the overflow pipe coating is in good condition. A small rust line is evident at the funnel weld seam and several very small indications can be found at the base of old pit sites.

**SUMMARY**  
**MEADOW VIEW - NORTH RESERVOIR**

GALLONS .50 MG                      HEIGHT 24'                      WIDTH 60'                      PLATES 3

EXTERIOR WALLS -                      Good - lower portion of the shell has rust and scale. Coating chalking is heavy. Damage from rock throwing is minimal.

EXTERIOR ROOF -                      Good - isolated coating chips. Coating chalking is heavy.

VENT HOOD                      -                      Good  
Screening                      -                      Good

HATCH                      -                      Southwest side. No safety handrail.

INTERIOR ROOF -                      Roof Plates - good with the exception of two patches of coating cracking by the dollar plate.  
Beams - upright and appear securely attached. Coating is in good condition on the webs. Scale formation is common to the flange tops and edges. Some metal loss is suspected.

ABOVE WALLS                      -                      Top 3' - Good

BELOW WALLS                      -                      Good overall - one area of coating blistering on course #1. This zone has grown in width and height. The blisters are small to moderate in size. They are densely packed and majority are not broken. Over the remaining walls, less than 20 other independent rust points were seen. Pitting is 1/16" deep and less in areas checked.

FLOOR                      -                      Majority is in good condition. At least 30% of the surface is covered with a moderate number of coating blisters. Blister size is



1/4-1" wide. Most of the blisters are not broken at this time. 20 rust tubercles were located. Two were 1/8-5/32" deep at the last inspection. As this is a sensitive area, pit depth probing was not conducted.

SEDIMENT	-	1/8-1/2" deep. No foreign debris from vandalism.
FLOAT	-	None
Guide wires	-	One disconnected
OVERFLOW	-	Good coating overall - rust at the funnel weld seam and several small points at the bases of previous pits.
COLUMNS	-	Majority is in good condition. Dark rust patch and some scale in the mid-section where the beams connect. Rust tubercles at the base. No indications of movement.
INLET	-	Good - rust tubercle on the lower shroud.
OUTLET	-	Good - clear
NOZZLES	-	One - blocked 60%
DRAIN	-	Enters through the floor - clear - rust tubercles on the inside of the pipe.
LADDER	-	Rust and some scale on the backside of the rails and rust is present on the lower rungs. Pitting is 1/8" deep and less.
CATHODIC SYST	-	None
MANWAY	-	One - plate good - rust and coating blisters on the lip weld seam.
TANK PAD	-	Buried
ANCHOR BOLTS	-	None

## RECOMMENDATIONS

- 1) The exterior shell and roof coating is in fair condition. The worst section is the lowest 1'. Rust and scale formation are seen. Repair is recommended as soon as possible. Consider improving site drainage if specific areas are found. Investigate the floor underside for corrosion in the most affected zone.

Prior to any coating re-work, test all paint systems for the presence of hazardous materials. The presence of these elements will greatly alter the costs and methods of repair.

- 2) The interior coating is in good overall condition with the exception of the scale of the flange edges on the roof underside and the pits on the floor. This tank is not a good candidate for CP at this time due to the deterioration of the beams. However, corrosion is occurring on the floor. Deep pitting is suspected.

If there are no re-coating plans within the next year, 4) All piping is fix either patch underwater or add sacrificial anodes.

- 3) Add safety handrail by the roof hatch. Consider the installation of a safety climb rail on the exterior access ladder.
- 4) Typically, districts are upgrading any fixed piping with flexible couples for protection during a seismic event. Contact engineering to determine: a) if flexible couples are needed; b) to identify if this tank needs a second manway installed; c) if the floor drain should be removed.

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## TANK INSPECTION REPORT

DATE INSPECTED 09/09/03

AGENCY _____	Mesa Crest WD	TANK NAME _____	Mview S
SUPERVISOR _____	Mr. Tim Flynn	HATCH _____	NWest
SIZE _____	.500 MG	DATE BUILT _____	1957
DIVER _____	Dan Gross	TENDER _____	L Irvine
LADDER _____	Yes-Ext / Yes-Int	CP _____	None
BRIEF _____	General Survey	LAST INSPECTED	06/02/00

### MEADOW VIEW - SOUTH RESERVOIR

The following information corresponds to the numbered photographs in the album provided:

- 1) Meadow View - South Reservoir. This is a steel reservoir, with rivets, four plate courses tall. The lowest course will be referred to as course #1. There are two tanks on this site. The South Reservoir is the second encountered when traveling down the access road.
  
- 2-14) The exterior wall coating is in fair condition overall. Notable corrosion, scale formation and moderate metal loss is evident in the lowest 1' around most of the circumference. It is possible that corrosion is present on the underside of the tank as well. Consideration should be given to exposing the top of the tank pad and examining the buried steel around the tank. Repair is suggested as soon as possible. Improving site drainage is strongly recommended.

Presently, water level is approximately 21'. There is no working exterior target.

There is one round manway (#3). The overflow (#1) is exterior and exits through the top of course #4. The inlet (#7) enters through the side. The tank drain enters through the floor.

The site access gate was found securely locked. The lower portion of the exterior access ladder was removed to deter vandalism (#6). Site vandalism is minimal. There is no significant damage from rock and bottle throwing and no graffiti. The exterior ladder does not have a safety climb rail or a safety cage. There is no safety handrail on the roof.

15-21) The exterior roof cover coating is in fair condition. Active rust sites are not found. Coating chalking is heavy.

The roof vent hood (#15) is secure and the screening is in good condition.

The roof access hatch (#20) was found securely bolted. The hatch will be referred to as being on the Northwest side for the purposes of this report. There is no safety hand rail.

22) The above water portion of the access ladder is rusting on the rungs and the rails. The ladder adequately supported the weight of the inspector (220 lbs).

Roof underside rust seen here is dark in color.

23-25) The above water portion of the overflow funnel coating is in poor condition. Coating peeling is typical and scale formation is evident.

It is noted that the overflow level is extremely close to the roof top. An estimated 2" of clearance is present. Engineering should be contacted to determine if this is adequate for current operating conditions.

The adjacent shell coating is typical and in good condition. Dark rust is seen on the roof underside in photograph (#24).

26-28) The above water walls consist of the top 3' of course #4.

Overflow level is rated as 2" below the roof or 23'10". The above water shell coating is rated as in good condition.

Dark rust staining at the roof to shell joint is typical.

Beams rest on welded shell clips. Fasteners are not present. Most beams appear upright and securely attached. No indications of movement were observed.

Approximately 30% of the beam ends (#27), particularly the top of the lower flange, show dark rust and moderate scale formation. Metal loss is suspected. More rust is noted at this time than seen at the last inspection.

The roof plate underside coating has deteriorated and rust patches, some dark in color (#26), are more common rather than isolated instances. Scale formation is beginning.

29-51) The roof underside coating on the main surface areas of both the beams and the roof plates has deteriorated and is in poor. Dark rust and scale formation are commonly found. At least 20% of the roof plates show moderate to dark colored rust deposits (#37-48).

Rust and scale formation are commonly seen on the tops of beams (#31-34,39-41) and at beam edges. The most notable sections are by the center dollar plate (#50). Metal loss is suspected. In comparison to the North Tank, scale formation is rated as more severe.

Most roof beams are bolted to the center dollar plate. However, not all have fasteners. No gross bending or twisting was sighted.

The center and only column appears stable and upright. The above water coating is in good condition on the main braces, but is rusting at all fastener connections.

52-59) The below water portion of the column coating is in good condition on the main flat areas only. Rust and moderate scale formation is seen at brace edges and inside surfaces (#52-56). Broken or loose brace work is not seen.

The base appears stable. Rust tubercles are seen along flange edges. No indications of movement were sighted.

60-74) The floor coating is in fair overall condition. Similar to the North Tank, at least 20% of the total surface is covered with unbroken blisters (#62-65). Blister diameter ranges from 1/4-1" and density is moderate to high. Rust is not associated with blistering at this time. Walking on the floor, i.e. during a cleaning operation or coating repair operation, may cause the blisters to break and expose the steel below.

As at the last inspection of 2000, an estimated 20-30 notable rust tubercles are found. During the first pit depth investigation, a hole was made in the floor when the tubercle top was removed (#70). Patch material was immediately applied and all water flow ceased. Deep pits should be anticipated as other tubercles measure 1/8" deep (#68). Typically floor plates are 1/4" thick.

Sediment cover measures 1/8-1/2" deep (#61 / the yellow ruler shown in all photographs of this report is 6" long and 1" wide). The material is light colored top and bottom. No foreign debris from vandalism was found.

75-76) The inlet/outlet port is clear. The coating is in good condition with the exception of the nozzle underside. Close examination of photograph (#76) shows a very large rust tubercle forming here.

Coating blistering is present on the adjacent shell. Rust is not related to this area at this time. This was noted at the last inspection.

77-79) There is one round manway present. The exterior of the lip edge has many moderate size rust tubercles around the seams. Pitting is suspected at 1/16-1/8" deep. Probing was not performed as this is a sensitive area.

The plate body coating is blistered. Rust is not seen at this time. The adjacent shell coating shows coating blistering.

80) A side drain - the nozzle coating is in poor condition.

81-83) The below water portion of the internal access ladder appears securely attached. Rust is present on most all rungs. Pitting is 1/16-1/8" deep. Not all zones were inspected due to the number of rust tubercles.

84-114) This tank has four plate courses. Only the top 3' of course #4 was above water at the time of inspection. The above water shell coating is in good condition.

The majority of underwater plate coating is rated as good. Dense coating blistering is seen in the lowest 3' of course #1 (#84-92). Some corrosion is related to this condition (#92,94).

One large rust tubercle was found on course #1 (#95-96). Pitting here is 1/8" deep.

The most notable condition is the scale formation on the rivet heads of lower course #4 (#108-114). Metal loss is apparent along the edges, in some cases, loss appears severe. Deep probing was not conducted. No indications of leakage or seepage were sighted or suspected.

**SUMMARY**  
**MEADOW VIEW - SOUTH RESERVOIR**

GALLONS .50 MG                      HEIGHT 24'                      WIDTH NA'                      PLATES 4

- EXTERIOR WALLS - Fair - Where the lower shell is exposed, severe corrosion is noted on both the gravel retaining brace and the floor plate extension. Coating chalking is heavy. Damage from rock throwing is minimal.
- EXTERIOR ROOF - Fair - no active rust sites. Coating chalking is heavy.
- VENT HOOD - Good
- SCREENING - Good
- HATCH - Bolted - Northwest side. No safety handrail.
- INTERIOR ROOF - Poor - moderate to dark colored rust is common. Scale formation is common to beam flanges. Metal loss is suspected.
- ABOVE WALLS - Top 3' - Good
- BELOW WALLS - Fair - coating blistering is typical of the lowest three feet. The majority of the blisters not broken. Blister size is small to moderate and blister number is dense. Mid-level rust indications are commonly found along each row of rivets. The worst condition is the moderate to heavy scale formation seen on the lower rivets of course #4. Metal loss is evident. No indications of leakage or seepage are sighted.
- FLOOR - Majority is in good condition. At least 20% of the surface is covered with a moderate number of coating blisters. Blister size is



1/4-1" wide. Most of the blisters are not broken at this time. An estimated 20 rust tubercles were located. One hole was formed in the tubercle removal process and patched. Deep pits should be anticipated.

- SEDIMENT - 1/8-1/2" deep. No foreign debris from vandalism.
- FLOAT - None
- Guide wires - None
- OVERFLOW - Coating peeling typical. Rust and scale is present where steel is exposed. Reaches close to the roof. No funnel. No flexible couple.
- COLUMNS - Majority is in good condition. Dark rust and scale formation on and adjacent to brace work of the center column. No indications of movement.
- INLET - Good - large rust tubercle found on the nozzle underside.
- OUTLET - Same as the inlet.
- DRAIN - Pipe stub is in poor condition.
- LADDER - Rust on the backside of the rails and rust is present on the upper and lower rungs. Pitting is 1/16-1/8" deep.
- CATHODIC SYST - None
- MANWAY - One - coating on the plate, as well as the attachment lip, is in poor condition. The plate has dense, unbroken coating blisters. The attachment lip has a ring of moderate size rust tubercles.
- TANK PAD - Predominately buried - steel retainer ring is in poor condition where exposed.
- ANCHOR BOLTS - None

## RECOMMENDATIONS

- 1) The exterior shell and roof coating is in fair condition with the exception of the lowest 1' of course #1. Steel here is in very poor condition. This area around the tank should be totally exposed and examined. Consider a small excavation to examine the tank floor plate underside. Repair all poor areas as needed as soon as possible. Improve site drainage.

Prior to any coating re-work, test all paint systems for the presence of hazardous materials. The presence of these elements will greatly alter the costs and methods of repair.

- 2) This tank has notably deteriorated since the inspection of 2000. Scale formation is seen on the roof underside and notable corrosion is present in the floor and on the upper rivets. These require repair as soon as possible. The tank is not considered a good candidate for cathodic protection.

This tank is rated as #1 on the priority list and should be re-coated as soon as possible. Anticipate additional work on rivet heads and floor patches as well as possibly on the exterior shell. Consider replacing the center column and possible repair to roof beams. Make every effort to coat between the beam top and the roof plate underside.

This tank was purchased used and was over-coated on previously pitted steel. Significant problems are present in many areas. Consideration should be given to the cost of replacement with a tank built to current codes versus repair.

- 3) Add safety handrail by the roof hatch. The access hatch may be undersized according to current standards. Consider the installation of a safety climb rail on the exterior access ladder.
- 4) All piping is fixed. Typically, districts are upgrading any fixed piping with flexible couples for protection during a seismic event. Contact engineering to determine: a) if

flexible couples are needed; b) to identify if this tank needs a second manway installed; c) if the overflow level is too close to the roof top; d) if the roof access hatch is undersized.

## Section 4.10(a) of Disclosure Schedules

### Owned Real Property

#### Parcel 1 (a portion of the site know as Starlight Crest):

That portion of Lots 14 and 15 of Tract No. 24134, in the City of La Canada Flintridge, County of Los Angeles, State of California, as per map recorded in book 678 pages 76 to 90 inclusive of maps, in the office of the county recorder of said county.

Beginning at the most Easterly corner of said Lot 15; thence along the Northeasterly line of said Lot 15; North  $64^{\circ} 40' 40''$ : West 54.00 feet; thence South  $8^{\circ} 49' 53''$  West 198.23 feet to a point in the Southerly line of said Lot 15, distant thereon North  $55^{\circ} 21' 47''$  West 7.00 feet from the Southeasterly terminus of that certain course in said Southerly line shown on said map as " North  $55^{\circ} 21' 47''$  West 73 feet"; said last mentioned point being the true point of beginning for this description; thence along the boundary lines of said tract, North  $55^{\circ} 21' 47''$  West 66 feet; South  $79^{\circ} 09' 26''$  West 71.54 feet to the Lynne Ruberto line of Starlight Crest Drive, as shown on said map; thence along said Drive, North  $10^{\circ} 50' 34''$  West 178.38 feet and Northerly along a tangent curve concave Westerly, having a radius of 330 feet, through a central angle of  $0^{\circ} 52' 05''$ , an arc distance of 5.00 feet; thence South  $86^{\circ} 04' 37''$  East 129.61 feet to the above mentioned course having a bearing of South  $8^{\circ} 49' 53''$  West; thence thereon South  $8^{\circ} 49' 53''$  West 48.37 feet to the true point of beginning.

#### Parcel 2 (a portion of the site known as Starlight Crest):

That portion of Lot 6 of Tract No. 10589, in the City of Pasadena, County of Los Angeles, State of California, as per map recorded in book 166 pages 42 to 45 of Maps, in the office of the county recorder of said county, described as follows:

Beginning at the most Northerly corner of Lot 14 of Tract No. 24134, as per map recorded in book 678 pages 76 to 90 inclusive of maps, records of said county; thence along the Easterly line of said Lot 14; South  $32^{\circ} 33' 36''$  East 169.12 feet; thence North  $8^{\circ} 49' 53''$  East 111.40 feet to a point in the Southerly line of Lot 15 of said Tract No. 24134, distant thereon North  $55^{\circ} 21' 47''$  West 7.00 feet from the Southeasterly terminus of that certain course in said Southerly line shown on said last mentioned map as "North  $55^{\circ} 21' 47''$  West 73 feet" thence along the boundary lines of said Lot 15, North  $55^{\circ} 21' 47''$  West, 66 feet and South  $84^{\circ} 38' 13''$  West 54.05 feet to the point of beginning.

#### Parcel 3 (site known as Forest Green):

That portion of Lot 6 in Tract No. 10589, in the City of La Canada Flintridge, County of Los Angeles, State of California, as per map recorded in book 166 pages 42 to 45 inclusive of maps, in the office of the county recorder of said county, described as follows:

Commencing at the Easterly terminus of that certain course in the Northerly line of said Lot 6, having a bearing and distance of South  $71^{\circ} 35' 01''$  East, 1086.20 feet, said course being also in the exterior boundary of the land described in the deed to the City of Pasadena, recorded in Book 10019 Page 322, of Official Records of said County, thence North  $71^{\circ} 35' 01''$  West along the said Northerly line of Lot 6, a distance of 275.00 feet to the true point of beginning; thence leaving said Northerly line South  $21^{\circ} 23' 18''$  East 54.67 feet; thence South  $37^{\circ} 42' 22''$  West 105.95 feet; thence South  $89^{\circ} 15' 38''$  West 91.85 feet; thence North  $71^{\circ} 35' 01''$  West 135.46 feet; thence North  $19^{\circ} 39' 36''$  West 93.99 feet; thence North  $55^{\circ} 50' 36''$  East 123.41 feet to a point in said Northerly line of Lot 6, that bears North  $71^{\circ} 35' 01''$  West 205.00 feet from the true point of beginning; thence South  $71^{\circ} 35' 01''$  East 205.00 feet to the true point of beginning.

**Parcel 4** (a portion of the site known as Meadow View):

That portion of Lot 6 in Tract No. 10589, in the City of La Canada Flintridge, County of Los Angeles, State of California, as per map recorded in book 166 pages 42 to 45 inclusive of maps, in the office of the county recorder of said county, described as follows:

Beginning at the most Northerly corner of Lot 47 in Tract No. 24134, as per map recorded in book 678 pages 76 to 90 inclusive of maps, in the office of the county recorder of said county, thence North 39° 25' 58" West, along the Northeasterly prolongation of the Northwesterly line of said Lot 47 a distance of 174.96 feet, thence South 52° 29' 25" East, 127.15 feet to a point in the Northwesterly line of Meadowview Drive, 42 feet wide, as shown on said map of Tract No. 24134; thence South 37° 30' 35" West along said Northwesterly line of Meadowview Drive 167.42 feet to the Northeasterly line of said Lot 47; thence leaving said Northwesterly line of Meadowview Drive and along said Northeasterly line of Lot 47, North 55 ° 41' 34" West, 133.23 feet to the point of beginning.

**Parcel 5** (a portion of the site known as Meadow View):

That portion of Lot 47 in Tract No. 24134, in the City of La Canada Flintridge, County of Los Angeles, State of California, as per map recorded in book 678 pages 76 to 90 inclusive of maps, in the office of the county recorder of said county lying Northeasterly of a line that is parallel with and distant Southwesterly 23.96 feet measured at right angles from the Northwesterly line of said Lot 47.

**Section 4.10(a)(i) of Disclosure Schedules**

None.

**Section 4.10(a)(ii) of Disclosure Schedules**

None.

**Section 4.10(b) of Disclosure Schedules**

**Leases**

None.



## Section 4.10(c) of Disclosure Schedules

### Easements

#### **Tract 1:**

The land referred to below is situated in the County of Los Angeles, State of California and is described as follows:

Beginning at the intersection of the Northeasterly line of Redwillow Lane (50' wide) with the Northwesterly line of Lot 57, said Tract No. 20270, as shown on a map of said Tract No. 20270; thence along said Northwesterly line of Lot 57 and its North- easterly prolongation N45°32'05"E, a distance of 141.24 feet, to the beginning of a tangent curve concave to the West and having a radius of 55.00 feet being also a point on the Easterly line of a variable width easement to the County of Los Angeles for drainage and access purposes as shown on a map of said Tract No. 20270; thence along said curve through a central angle of 85°33'24" a distance of 82.13' thence tangent to last mentioned curve N40°01'12W a distance of 50.67 feet to the beginning of a tangent curve concave the East and having radius of 122.00 feet, thence along said curve through a central angle of 69°45'32" a distance of 148.55 to the beginning of a compound curve concave to the Southeast and having a radius of 87.00' feet thence along said curve through a central angle of 74°11'00' a distance of 112.64 feet to the beginning of a reverse curve concave to the North and having a radius of 113.00 feet; thence along said curve through a central angle of 34°36'46" a distance of 68.26 feet more or less to the intersection with a line bearing N76°03'47"W and having a distance of 97.57 feet as shown on a map of said Tract No. 20270 sideline of said 20 foot strip of land to be prolonged or shortened so as terminate in the Northeasterly line of said Redwillow Lane and the aforementioned line having a bearing of N76°03'47"W and a distance of 97.57 feet, respectively.

#### **Tract 2:**

The land referred to below is situated in the County of Los Angeles, State of California and is described as follows:

Lot 3, the above easement shall be located on the easterly 15 feet of the north easterly 192.34 feet and the easterly 15 feet of the south easterly 206.88 feet and the south 50 feet thereof measured on the westerly and the south westerly lines.

Lots 39, 43 and 45, the above easement shall be located on the southerly 5 feet thereof.

Lot 42, the above easement shall be located on the northerly 5 feet thereof.

All located in Tract 24072, as per Book 621, pages 68 to 72 inclusive of Maps in the office of the Recorder in said County and State.

#### **Tract 3:**

The land referred to below is situated in the County of Los Angeles, State of California and is described as follows:

A strip of land twenty (20.00) feet wide, lying within Lot 3 of Tract No. 10589. as per map recorded in Book 166. pages 42 to 45, inclusive, of Maps in the office of the County Recorder of said County, the centerline of which is described as follows:

BEGINNING at a point in the Northeasterly line of said Lot 3, shown as having a bearing and length of North  $54^{\circ} 52' 48''$  West 264.98 feet on said map. said point being North  $54^{\circ} 52' 48''$  West 112.67 feet measured along said Northeasterly line from the Southeasterly terminus thereof, said point also being South  $54^{\circ} 52' 48''$  East 152.31 feet measured along said Northeasterly line from the Northwesterly terminus thereof: thence South  $53^{\circ} 35' 55''$  West 14.99 feet: thence South  $83^{\circ} 35' 55''$  West 110.23 feet to the beginning of a tangent curve concave Northerly and having a radius of 201.00 feet; thence Northwesterly along said curve through a central angle at  $42^{\circ} 34' 52''$ ; an arc distance of 149.38 feet to a point in the curved Northwesterly line of said Lot 3 shown on said map as being concave Northwesterly having a radius at 800.00 feet, a central angle of  $70^{\circ} 06' 00''$  and length of 978.78 feet said last mentioned point being Southwesterly 155.66 feet measured along said curved Northwesterly line through a central angle of  $11^{\circ} 08' 53''$ , from said Northwesterly terminus a radial line passing through said last mentioned point bears South  $21^{\circ} 44' 07''$  East.

The sidelines of said strip of land twenty (20.00) feet wide shall be prolonged or shortened so as to terminate in said Northwesterly and Northeasterly lines of said Lot 3.

#### **Tract 4:**

The land referred to below is situated in the County of Los Angeles, State of California and is described as follows:

An easement 10 feet wide along the westerly boundary of Lot 1, Tract 29701 as per map recorded in Book 743, pages 57 to 60 inclusive, of Maps in the office of the County Recorder of said county, said easement to be approximately 150 feet long.

An easement 10 feet wide along the southerly boundary of Lot 26, Tract 29701 as per map recorded in book 743, pages 57 to 60 inclusive, of Maps in the office of the County Recorder of said county, said easement to be approximately 150 feet long.

An easement 8 feet wide along the northerly boundary of Lot 83, Tract 29701 as per map recorded in Book 743, pages 57 to 60 inclusive, of Maps in the office of the county recorder of said county, said easement to be approximately 178 feet long.

#### **Tract 5:**

The land referred to below is situated in unincorporated territory of Los Angeles County, State of California and is described as follows:

An easement five (5) feet wide along the Northeasterly line of Lot 61, Tract 24134 as recorded in Book 678, Pages 76 to 90 inclusive of Maps in the office of the County Recorder or said County.

**Tract 6:**

The land referred to below is situated in the City of La Canada Flintridge, County of Los Angeles, State of California, described as follows:

The Southeasterly 10 feet of Lot 57, Tract 24134.

**Tract 7:**

The land referred to below is situated in unincorporated territory of Los Angeles County, State of California and is described as follows:

That portion of the below-described easement located in Lot 48 of Tract 24134.

An easement for water line construction and maintenance over a strip of land 10.00 feet in width, measured at right angles or radially, in Lots 47 and 48 of Tract No. 24134 in the county of Los Angeles, State of California, as shown on map recorded in Book 678, pages 76 to 90 inclusive, of Maps, in the office of the County Recorder of said County, being 5.00 feet on each side of the following described center-line:

Beginning at the most Northerly corner of said Lot 47; thence South 55°41'34" East 34.00 feet along the Northeasterly line of said Lot 47 to the TRUE POINT OF BEGINNING; thence South 38°05'00" West 111.00 feet; thence South 44° 50'00" West 50.00 feet; thence South 58°40' 00" West 25.00 feet; thence South 42°50'00" West 48.99 feet to the beginning of a tangent curve concave to the East and having a radius of 30.00 feet; thence Southerly and Southeasterly along said curve through a central angle of 106°10'00" an arc distance of 55.59 feet; thence tangent to said curve South 63°20'00" East 76.85 feet to a point on the Southeasterly line of said Lot 48, distant thereon North 48°55'19" East 5.40 feet from the most Southerly corner of said Lot 48, and the point of ending.

The sidelines of said 10 feet wide easement to be lengthened or shortened to terminate at their intersections, and to terminate Northerly at the Northeasterly line of said Lot 47, and Southerly at the Southeasterly line of said Lot 48.

**Tract 8:**

The land referred to below is situated in unincorporated territory of Los Angeles County, State of California and is described as follows:

That portion of the below described easement located in Lot 47 of Tract 24134.

An Easement for water line construction and maintenance over a strip of land 10.00 feet in width, measured at right angles or radially, in Lots 47 and 48 of Tract No. 24134 in the County of Los Angeles, State of California, as shown on map recorded in Book 678, pages 76 to 90 inclusive of Maps, in the office of the County Recorder of said County, being 5.00 feet on each side of the following described centerline:

Beginning at the most Northerly corner of said Lot 47 ; thence South 55 41'34" East 34.00 feet along the Northeasterly line of said Lot 47 to the TRUE POINT OF BEGINNING: thence South 38 05'00" West 111.00 feet; thence South 44 50'00" West 50.00 feet; thence South 58 40'00" West 25.00 feet; thence South 42 50' 00" West 48.99 feet to the beginning of a tangent curve concave to the East and having a radius of 30.00 feet; thence Southerly and Southeasterly along said curve through a central angle of 106 10'00" an arc distance of 55.59 feet; thence tangent to said curve South 63 20'00" East 76.85 feet to a point on the Southeasterly line of said lot 48, distant thereon North 48 55' 19" East 5.40 feet from the most Southerly corner of said Lot 48, and the point of ending.

The sidelines of said 10 feet wide easement to be lengthened or shortened to terminate at their intersections, and to terminate Northerly at the Northeasterly line of said Lot 47, and Southerly at the Southeasterly line of said Lot 48.

**Tract 9:**

**The land referred to below is situated in unincorporated territory of Los Angeles County, State of California and is described as follows:**

Lot 15 in Tract 15265, as per map recorded in Book 412, pages 7 to 10 inclusive of Maps in the office of the County recorder of said County. The above described easement shall be located on the southerly 10 foot and the easterly ten feet of said lot.

Lot 38 in Tract 15265, as per map recorded in Book 412, pages 7 to 10 inclusive of Maps in the office of the County Recorder of said County. The above described easement shall be located on the easterly five feet of said lot.

Lot 39 in Tract 15265, as per map recorded in Book 412, pages 7 to 10 inclusive of Maps in the office of the County Recorder of said County. The above described easement shall be located on the westerly five feet of said lot.

Lot 70 in Tract 3240 as per map recorded in Book 42, Pages 98 and 99 of Maps in the office of the County Recorder of said County. The above described easement shall be located on the westerly ten feet of said property, excepting that portion thereof occupied by the residential structures thereon.

Also a similar and identical easement over, under and upon the northerly ten feet of Lots 70, 71, and the westerly 1.42 feet of Lot 72, Tract 3240 as per Map recorded in Book 42, Pages 98 and 99 of Maps in the office of the County Recorder of said County.

**Tract 10:**

**The land referred to below is situated in unincorporated territory of Los Angeles County, State of California and is described as follows:**

Lot 51 of Tract 20270, as per Book 578, Pages 18 to 24 inclusive of Maps, records of said County.

The above described easement shall be located on the westerly ten (10) feet of said property.

Also a strip of land ten (10) feet in width on Lots Sixty (60) and Sixty-One (61), the center line of which is described as follows:

Beginning at a point in the easterly line of Redwillow Lane ten (10) feet south of the northerly line of Lot Sixty (60), thence easterly to a point in the easterly line of said Lot Sixty (60), fifteen (15) feet south of the southeast corner of Lot Fifty-Nine (59), thence easterly to a point in the northeast line of Lot Sixty-One (61), fifty (50) feet northwest of the most easterly corner of said Lot Sixty-One (61), all in Tract 20270.

**Tract 11:**

**The land referred to below is situated in unincorporated territory of Los Angeles County, State of California and is described as follows:**

An easement being a 10 foot wide strip of land, the southwesterly line of which is the southwesterly line of Lot 32, Tract 33531 as shown on Map filed in Book 992, Pages 3 through 12, inclusive of Maps, Records of said county, shown as having a bearing and distance of north 54° 16' 19" west 147.20 feet on said Map.

**Tract 12:**

**The land referred to below is situated in unincorporated territory of Los Angeles County, State of California and is described as follows:**

An easement, 22 feet wide, the centerline of said easement beginning at a point in the northerly line of Lot 63, Tract 33531, as shown on map recorded in Book 992, Pages 3 through 12, inclusive of Maps, Records of said county, distance South 89° 15' 38" West 58 00 feet, from the easterly line of Lot 63, thence South 5° 16' 24" West 43.34 feet to the southerly line of Lot 63.

**Tract 13:**

The land referred to below is situated in unincorporated territory of Los Angeles County, State of California and is described as follows:

An easement for water line purposes only, over the westerly 5 feet of Lot 19, and the westerly 5 feet of the northerly 105 feet of Lot 1, Tract No. 28054, as per map recorded in book 778, pages 78 to 80 inclusive of Maps, in the office of the county recorder of said county.

**Tract 14:**

Parcel line running N/W parallel to Canon De Paraiso Ln Approx Length 20' between APNs 5817010038 (TRACT NO 28054 LOT 20) and 5817010021(TRACT NO 3240 LOTS 68 AND 69)

**Tract 15:**

Parcel Line running N/E perpendicular to Canon de Paraiso Lane Approx Length 75' between APNs 5817010038 (TRACT NO 28054 LOT 20) and 5817010039(TRACT NO 28054 LOT 21)

**Tract 16:**

Portion of parcel running S/W parallel to Canon De Paraiso Approx Length 380 ' (possibly City of La County Prop) APN 5817008901 (TRACT NO 28054 LOT 24)

**Tract 17:**

Parcel Line running N/E between Knight Way and Canon De Paraiso Approx Length 98 ' Between APNs 5817011018 (TRACT NO 28054 LOT 1) and 5817012001 (TRACT NO 15265 LOT 16) and 5817012023 (TRACT NO 15265 LOT 38)

**Tract 18:**

Parcel Line running N/E perpendicular from Stardust Road, Approx Length 205' Between APNs 5817021001 (TRACT # 24072 LOT 48) and 5817031006 (TRACT NO 30362 LOT 6) and 5817031020 (TRACT NO 30362 EX OF HIKING ANDRIDING TRAIL LOT 93- vacant land)

**Tract 19:**

Parcel Line running N/W from Crown Ave. Approx. Length 160' between APNs 5817018022 (TRACT # 24072 LOT 3) and 5817018014 (TRACT # 20270 LOT COM AT NW COR OF LOT 60)

**Tract 20:**

Parcel Line running N/E from Redwillow Lane Approx. Length 200' between APNs 5817017008 (TRACT # 20270 LOT 50) and 5817017009 (TRACT # 20270 LOTS 51 AND LOT 52)

**Tract 21:**

Parcel Line running N/W parallel to Redwillow Lane Aprox. Length 58' between APNs 5817017017 (TRACT # 24134 LOT 49) and 5817017008 (TRACT # 20270 LOT 50)

**Tract 22:**

Parcel Line running N/E from Redwillow Lane Approx. Length 35' between APNs 5817017016 (TRACT # 24134 LOT 48) and 5817017017 (TRACT # 24134 LOT 49).

**[Tract 23:**

Private Road - Godbey Drive Parcel Approx. Length 1,435' APN 5817001027 (TRACT NO 29152 THAT PART NW OF TR NO 27548 OF LOT 1)

**Tract 24:**

Private Road - Godbey Drive Approx. Length 1,960' APNs 5817033052 9TRACT NO 27548 LOT 52) and 5817033053 (TRACT NO 27548 LOT 53)

**Tract 25:**

Private Roads – Starlight Heights Drive, Star Trek Drive and Galaxy Heights Drive just west of Godbey Drive (Item 10) (within TRACT NO 30327)]

## **Section 4.13(a) of Disclosure Schedule**

### **Legal Proceedings**

1. June 25, 2015, California Public Utilities Commission “Order Instituting Investigation on Commission's Own Motion into the Operations and Practices of Mesa Crest Water Company (U333W) with Respect to a Series of Financial Transactions, and Possible Threats to the Health and Safety of its Ratepayers,” Investigation (“I.”) 15-06-018.

Seller’s Response: Mesa Crest Water Company filed its response to the Commission’s June 25, 2015 order on August 7, 2015.

Status: The Commission’s Consumer Protection and Enforcement Division (CPED) and all respondents, including the Seller, entered into a Settlement Agreement dated August 5, 2016, which fully resolves the proceeding. On August 18, 2015, a joint motion was filed by CPED and the respondents requesting Commission approval of their August 5, 2016 Settlement Agreement. The Commission approved the Settlement Agreement on January 19, 2017 in D.17-01-011. The proceeding remains open pending Seller’s successful conclusion of a sale of the Purchased Assets and the issuance of a Commission decision in a separate proceeding approving such a sale; any such sale agreement and sale must proceed in accordance with the terms of the August 5, 2016 Settlement Agreement, which is attached to D.17-01-011. In D.17-03-013, the Commission extended the deadline to conclude I.15-06-018.

2. In August of 2016, an informal complaint was filed with the Commission regarding a customer serviced by Seller wishing to be released in order to reestablish service with Valley Water Company an adjacent utility. The complaint arises from the issue that the water meter that services this customer is on a different street some 300 feet from his home. Seller has the necessary easement for the running of this service line between two houses on the street where the water meter is situated. Seller responded to the complaint via the Commission website stating that there are no Commission regulations or codes that require Seller to release this customer from their service territory. A copy of the easement will be provided to the customer upon his request.



**Section 4.13(b) of Disclosure Schedule**

**Governmental Orders**

See Schedule 4.13(a)

I.15-06-018 was resolved by the Commission's decision of January 19, 2017, D.17-01-011, which approved the Settlement Agreement between Seller and CPED.

## **Section 4.14(a) of Disclosure Schedule**

### **Compliance with Laws**

None. I.15-06-018 was resolved by the Commission's decision of January 19, 2017, D.17-01-011, which approved the Settlement Agreement between Seller and CPED.

## **Schedule 4.14(b)**

### **Permits**

Seller's FMWD Water Distribution Allocation

Seller's FCC License

Seller's AQMD Permit

Seller's CPCN

Seller's SWRCB Permit

Seller holds Business License Number 06900 issued by the City of La Canada Flintridge, CA which was issued on June 29, 2016 and expires on June 30, 2017. This license is non-transferable.



**FILED**  
4-24-17  
04:59 PM

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# EXHIBIT 3

STATE OF CALIFORNIA



DEPARTMENT OF STATE

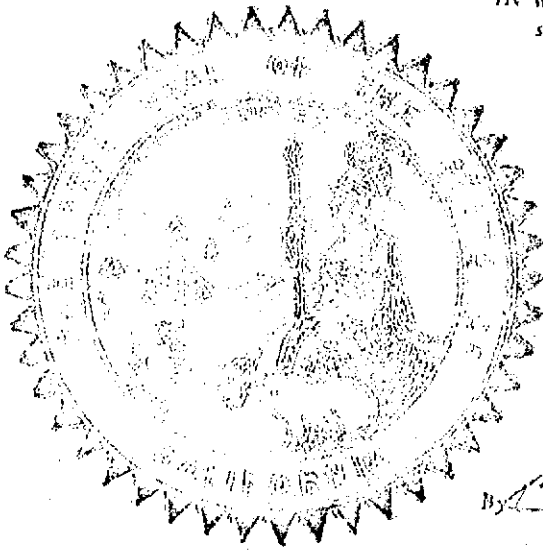
(PHOTOCOPY CERTIFICATION)

I, FRANK M. JORDAN, Secretary of State of the State of California, hereby certify:

That the photographic reproduction hereunto annexed was prepared by and in my office from the record on file of which it purports to be a copy, and that it is full, true and correct.

IN WITNESS WHEREOF, I hereunto set my hand and affix the Great Seal of the State of California

this JAN 6 1967



*Frank M. Jordan*  
Secretary of State

By *Arthur C. Miller*  
Assistant Secretary of State

ARTICLES OF INCORPORATION

OF

MESA-CREST WATER COMPANY

318011

FILED

In the office of the Secretary of State  
of the State of California

MAR 26 1956

FRANK B. JORDAN, Secretary of State

*[Signature]*  
Deputy

KNOW ALL MEN BY THESE PRESENTS:

That we, the undersigned, citizens and residents of the State of California, have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the State of California, AND WE DO HEREBY CERTIFY:

FIRST: That the name of this corporation shall be:

"MESA-CREST WATER COMPANY."

SECOND: That the purposes for which said corporation is formed are as follows:

a) To carry on the business of a water company in all of its branches, this being the primary business in which the corporation is intended to initially engage.

b) To acquire, develop, buy or sell water or water rights; to buy, construct, maintain, operate and/or sell pumping plants, reservoirs and pipe lines, and to do all acts and things necessary or convenient to obtain, store, sell, deliver and distribute water for domestic, irrigation or any other purpose.

c) To engage generally in any other business or businesses whether relating to the foregoing or not, in which this

Restriction of Right  
to Amend Articles  
Yes

corporation may lawfully engage under the laws of the State of California.

d) To acquire, by purchase or otherwise, the good will, business, property rights, franchises and assets of every kind, with or without undertaking either wholly or in part the liabilities of any person, firm, association or corporation; and to acquire any business as a going concern or otherwise (i) by purchase of the assets thereof wholly or in part, (ii) by acquisition of the shares or any part thereof, (iii) in any other manner, and to pay for the same in cash or in the shares or bonds or other evidences of indebtedness of this corporation, or otherwise; to hold, maintain and operate, or <sup>in</sup> any manner dispose of, the whole or any part of the good will, business rights and property so acquired, and to conduct in any lawful manner the whole or any part of any business so acquired; and to exercise all the powers necessary or convenient in and about the management of such business.

e) To buy, contract for, lease and in any and all other ways acquire, take, hold and own, and to sell, mortgage, pledge, deed in trust, lease and otherwise dispose of patents, copyrights, licenses and processes or rights, trademarks and franchise rights, and governmental, state, territorial, county and municipal grants and concessions of every character which this corporation may deem advantageous in the prosecution of its business, or in the maintenance, operation, improvement or extension of its properties.

f) To enter into, make, perform and carry out contracts of every kind for any lawful purpose without limit as to amount, with any person, firm, association or corporation.

municipality, county, parish, state, territory, government or other municipal or governmental subdivision.

g) To borrow money; to issue bonds, notes, debentures or other obligations of this corporation from time to time for any of the objects or purposes of this corporation, and to secure the same by mortgage, pledge, deed of trust or otherwise, or to issue the same unsecured.

h) To lend money; to purchase, acquire, own, hold, guarantee, sell, assign, transfer, mortgage, pledge or otherwise dispose of and deal in, shares, bonds, notes, debentures, or other securities or evidences of indebtedness of any other person, corporation or association, whether domestic or foreign, and whether now or hereafter organized or existing; and while the holder thereof, to exercise all the rights, powers and privileges of ownership, including the right to vote thereon, to the same extent as a natural person might or could do.

i) To carry on any business whatsoever which this corporation may deem proper or convenient in connection with any of the foregoing purposes or otherwise, or which may be calculated directly or indirectly to promote the interests of this corporation or to enhance the value of its property or business; to conduct its business in this state, in other states, in the District of Columbia; and in the territories and colonies of the United States, and in foreign countries; to hold, purchase, mortgage and convey real and personal property, either in or out of the State of California, and to exercise all the powers conferred by the laws of California upon corporations formed under the laws of California, and under which this corporation is formed, as such laws may in effect or may at any time hereafter be amended.



j) To carry out all or any part of the foregoing objects and purposes as principal, agent, contractor or otherwise, either alone or in conjunction with any person, firm, association or other corporation, and in any part of the world; and in carrying on its business and for the purpose of attaining or furthering any of its objects or purposes to make and perform such contracts of any kind and description, to do such acts and things, and to exercise any and all such powers as a natural person could lawfully make, perform, do or exercise, provided that the same be not inconsistent with the laws of the State of California.

k) To conduct its business in all or any of its branches in the State of California and in any or all other states, territories, possessions, colonies and dependencies of the United States of America, and in the District of Columbia, and in any or all foreign countries, and to have one or more offices within and outside the State of California.

The foregoing clauses shall be construed to carry out the purposes, objects and powers, and the matters expressed in each clause, shall except as otherwise expressly provided, be in no wise limited or restricted by reference to or inference from the terms of any other clause (or any other matter within the same clause) but shall be regarded as independent powers, purposes and objects, and the enumeration of specific purposes, objects and powers shall not be construed to limit or restrict in any manner the meaning of the GENERAL terms of the general powers of the corporation, nor shall the expression of one thing be deemed to exclude another, although it be of like nature, not expressed. The occurrence within any of the foregoing clauses of any purpose, power or object prohibited

by the laws of the State of California or of any other state or country in which this corporation shall be qualified to do business, shall not invalidate any other purpose, power or object not so prohibited, by reason of its contiguity or apparent association therewith.

THIRD: That the principal office for the transaction of the business of said corporation is to be located in the County of Los Angeles, State of California.

FOURTH: That this corporation is to have perpetual existence.

FIFTH: That the number of directors of said corporation shall be five (5) and that the names and addresses of the directors who are appointed for the first year and to serve until the election and qualification of their successors are as follows:

Matt P. Flynn	4800 Indianola Way La Canada, California
Frances D. Flynn	4800 Indianola Way La Canada, California
Matt P. Flynn, Jr.	4932 Viro Road La Canada, California
Francis P. Flynn	5117 Crown Avenue La Canada, California
Michael D. Flynn	4800 Indianola Way La Canada, California.

SIXTH: This corporation shall be authorized to issue one class of Common Stock and two classes of Preferred Stock. The two classes of Preferred Stock are to be designated as Class "A" and Class "B" respectively. The total number of shares which this corporation shall be authorized to issue

is 100,000, and the aggregate par value of all shares that are to have a par value shall be One Million Dollars (\$1,000,000.00). The number of Common Shares shall be 25,000, of the par value of Ten Dollars (\$10.00) per share and the total par value of Two Hundred Fifty Thousand Dollars (\$250,000.00); the number of Class "A" Preferred Shares shall be 25,000, each of which shall have a par value of Ten Dollars (\$10.00) per share and the total par value of which Class "A" Preferred Shares shall be Two Hundred Fifty Thousand Dollars (\$250,000.00); the number of Class "B" Preferred Shares shall be 50,000, with a par value of Ten Dollars (\$10.00) each, and a total par value of all of said 50,000 shares of Five Hundred Thousand Dollars (\$500,000.00).

SEVENTH: A statement of the preferences, privileges, and restrictions granted to or imposed upon the respective classes of shares and upon the holders thereof is as follows:

a) Dividends: The holders of Class "A" Preferred Shares shall be entitled to receive out of any funds of this corporation at the time legally available for the declaration of dividends, dividends at the rate of five and one-fourth percent (5¼%) per annum of the par value thereof, and no more, payable in cash annually, or at such intervals as the Board of Directors may from time to time determine, when and as declared by the Board of Directors. The holders of Class "B" Preferred Shares shall be entitled to receive out of any funds of this corporation at the time legally available for the declaration of dividends, dividends at the rate of three percent (3%) per annum of the par value thereof, and no more, payable in cash annually, or at such intervals as the Board of Directors may from time to time determine, when and as declared

by the Board of Directors. Such dividends shall accrue from the date of issuance of the respective preferred shares and shall accrue from day to day, whether or not earned or declared. Such dividends shall be payable before any dividends shall be declared or paid upon or set apart for the Common Shares, and shall be cumulative, so that if in any year or years dividends upon the outstanding Preferred Shares as herein provided shall not have been paid thereon or declared and set apart therefor, the amount of the deficiency shall be fully paid or declared and set apart for payment, but without interest, before any distribution, whether by way of dividend or otherwise, shall be declared or paid upon, or set apart for, the common shares.

b) Liquidation: In the event of a voluntary liquidation, dissolution or winding up of this corporation, the holders of Preferred Shares shall be entitled to receive out of the assets of this corporation, whether such assets are capital or surplus of any nature, an amount equal to one hundred percent (100%) of the par value of such Preferred Shares, and in addition to such amount, a further amount equal to the dividends unpaid and accumulated thereon as provided in (a) of this Article Seventh, to the date of distribution, whether earned or declared or not, and no more, before any payment shall be made or any assets distributed to the holders of Common Shares.

In the event of any involuntary liquidation, dissolution or winding up of this corporation, the holders of the Preferred Shares shall be entitled to receive, out of the assets of this corporation, whether such assets are capital or surplus of any nature, an amount equal to one hundred percent

(100%) of the par value of such Preferred Shares and a further amount equal to the dividends unpaid and accumulated thereon as provided in (a) of this Article Seventh to the date of such distribution, whether earned or declared or not, and no more, before any payment shall be made or any assets distributed to the holders of Common Shares.

If upon such liquidation, dissolution or winding up, whether voluntary or involuntary, the assets thus distributed among the holders of the Preferred Shares shall be insufficient to permit the payment to such shareholders of the full preferential amounts aforesaid, then the entire assets of this corporation to be distributed shall be distributed ratably among the holders of Preferred Shares.

In the event of any liquidation, dissolution or winding up of this corporation, whether voluntary or involuntary, subject to all of the preferential rights of the holders of Preferred Shares on distribution or otherwise, the holders of Common Shares shall be entitled to receive, ratably, all remaining assets of this corporation.

A consolidation or merger of this corporation with or into any other corporation or corporations shall not be deemed to be liquidation, dissolution or winding up, within the meaning of this clause.

c) Redemption Provisions: This corporation, at the option of the Board of Directors, may redeem the whole or any part of Class "A" Preferred Shares on any dividend date by paying in cash therefor Ten Dollars (\$10.00) per share, and, in addition to the aforementioned amount, an

amount in cash equal to all dividends on Preferred Shares unpaid and accumulated as provided in (a) of this Article Seventh, whether earned or declared or not, to and including the date fixed for redemption, such sum being hereinafter sometimes referred to as the redemption price. This corporation, at the option of the Board of Directors, may redeem the whole, or from time to time, may redeem any part of the Class "B" Preferred Shares, on any dividend date at Ten Dollars (\$10.00) per share, and, in addition to the aforementioned amounts, an amount in cash equal to all dividends on such Preferred Shares, unpaid and accumulated as provided in (a) of this Article Seventh, whether earned or declared or not, to and including the date fixed for redemption, such sum being hereinafter sometimes referred to as the redemption price. In case of the redemption of a part only of the outstanding Preferred Shares, this corporation shall designate by lot, in such manner as the Board of Directors may determine, the shares to be redeemed, or shall effect such redemption pro rata. Less than all of the Preferred Shares at any time outstanding may not be redeemed until all dividends accrued and in arrears upon all preferred shares outstanding shall have been paid for all past dividend periods, and until full dividends for the then current dividend period on all preferred shares then outstanding, other than the shares to be redeemed, shall have been paid or declared and the full amount thereof set apart for payment. At least thirty (30) days' previous notice by mail, postage prepaid, shall be given to the holders of record of the Preferred Shares to be redeemed, such notice to be addressed to each such shareholder at his post office address as shown by the records of this corporation. On or after the date fixed

for redemption and stated in such notice, each holder of Preferred Shares called for redemption shall surrender his certificate evidencing such shares to this corporation at the place designated in such notice and thereupon be entitled to receive payment of the redemption price. In case less than all the shares represented by any such surrendered certificates are redeemed, a new certificate shall be issued representing the unredeemed shares. If such notice of redemption shall have been duly given, and if on the date fixed for redemption funds necessary for the redemption shall be available therefor, then, notwithstanding that the certificates evidencing any Preferred Shares so called for redemption shall not have been surrendered, the dividends with respect to the shares so called for redemption shall cease to accrue after the date fixed for redemption and all rights with respect to the shares so called for redemption shall forthwith after such date cease and determine, except only the right of the holders to receive the redemption price without interest upon the surrender of their certificates therefor.

If, on or prior to any date fixed for redemption of Preferred Shares, this corporation deposits with any bank or trust company in the City of Los Angeles, State of California, as a trust fund, a sum sufficient to redeem, on the date fixed for redemption thereof, the shares called for redemption, with irrevocable instructions to give the notice of redemption thereof if such notice shall not previously have been given by this corporation, or to complete the giving of such notice if theretofore commenced, and to pay, on and after the date fixed for redemption or prior thereto, the redemption price of the shares to their respective holders upon the surrender of

their share certificates, then from and after the date of the deposit (although prior to the date fixed for redemption), the shares so called shall be deemed to be redeemed and dividends on those shares shall cease to accrue after the date fixed for redemption. The deposit shall be deemed to constitute full payment of the shares to their holders and from and after the date of the deposit the shares shall be deemed to be no longer outstanding; and the holders thereof shall cease to be shareholders with respect to such shares, and shall have no rights with respect thereto except the right to receive from the bank or trust company payment of the redemption price of the shares without interest, upon the surrender of their certificates therefor.

Any moneys deposited by the corporation pursuant to this paragraph and unclaimed at the end of six (6) years from the date fixed for redemption shall be repaid to the corporation upon its request expressed in a resolution of its Board of Directors.

§1 Voting: The holders of Common Shares shall be entitled to one vote for each share of stock held by them. The holders of Preferred Shares shall be entitled to one vote for each share of Preferred Stock held by them.

We, the undersigned, being each of the incorporators hereinbefore named for the purpose of forming a corporation to do business both within and without the State of California, and pursuant to the General Corporation Law of the State of California, do make this certificate, hereby declaring and certifying that the facts herein stated are true and accordingly



hereunto set our hands this 20<sup>th</sup> day of March,  
1956.

Matt P. Flynn  
MATT P. FLYNN

Matt P. Flynn Jr.  
MATT P. FLYNN, JR.

Francis D. Flynn  
FRANCIS D. FLYNN

Francis P. Flynn  
FRANCIS P. FLYNN

Michael D. Flynn  
MICHAEL D. FLYNN

STATE OF CALIFORNIA }  
COUNTY OF LOS ANGELES }

SS

On this 20<sup>th</sup> day of March, 1956,  
before me, the undersigned, a Notary Public in and for the County  
of Los Angeles, State of California, personally appeared MATT  
P. FLYNN, FRANCIS D. FLYNN, MATT P. FLYNN, JR., FRANCIS P. FLYNN,  
and MICHAEL D. FLYNN, known to me to be the persons whose names  
are subscribed to the within and foregoing articles of incor-  
poration, and acknowledged to me that they executed the same.  
WITNESS my hand and official seal.

Raymond A. Fallon  
NOTARY PUBLIC IN AND FOR  
SAID COUNTY AND STATE

My commission expires: 3/7/1957

Amendment No. 1 to the Articles of Incorporation of MESA-CREST WATER COMPANY, a California corporation, authorized by the Board of Directors, dated 1/25/11.

CERTIFICATE OF ADOPTION

OF

ARTICLES OF INCORPORATION

OF

MESA-CREST WATER COMPANY

FILED  
MAY 11 2011  
MESA-CREST WATER COMPANY

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"Be it remembered that Article Six of the Articles of Incorporation of this corporation as amended is amended to read as follows:

"This corporation shall be authorized to issue one class of Common Stock and two classes of Preferred Stock. The two classes of Preferred Stock are to be designated as Class "A" and Class "B" respectively. The total number of shares which this corporation shall be authorized to issue is 175,000, and the aggregate par value of all shares that are to have a par value shall be One Million, Two Hundred and Fifty Thousand Dollars (\$1,250,000.00). The number of Common Shares shall be 50,000, of the par value of Ten Dollars (\$10.00) per share and the total par value of Five Hundred Thousand Dollars (\$500,000.00); the number of Class "A" Preferred Shares shall be 25,000, each of which shall have a par value of Ten Dollars (\$10.00) per share and the total par value of which Class "A" Preferred Shares shall be Two Hundred and Fifty Thousand Dollars (\$250,000.00); the number of Class "B" Preferred Shares shall be 50,000, with a par value of Ten Dollars (\$10.00) each, and a total par value of all of said 50,000 shares of Five Hundred Thousand Dollars (\$500,000.00)."

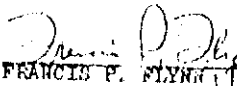
3. That the number of shares which have consented in writing to the adoption of said amendment is 15,500, and the form of written consent is as follows:

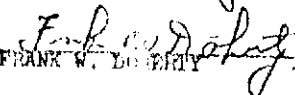
"The undersigned shareholder of MESA-CREST WATER COMPANY, a California corporation, hereby consents that Article SIXTH of the Articles of Incorporation of said corporation

1 be amended in full to read as follows:

2 (at this place in the written consent, the amended  
3 Article was set forth, identical in form to that  
4 set forth in the directors' resolution in paragraph  
5 2 above).

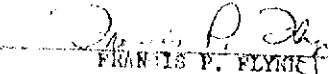
6 4. That the total number of shares entitled to vote on or  
7 21,500.  
8 consent to said amendment is ~~25,000~~

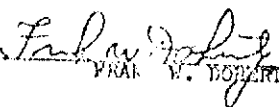
9   
FRANCIS P. FLYNN - President

10   
11 FRANK W. ROBERTS - Secretary

12  
13  
14 Each of the undersigned declares under penalty of perjury  
15 that the matters set forth in the foregoing certificate are true  
16 and correct.

17 Executed at Los Angeles, California, on MARCH 29, 1966.

18  
19   
20 FRANCIS P. FLYNN

21   
22 FRANK W. ROBERTS



**FILED**  
4-24-17  
04:59 PM

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# EXHIBIT 4

Received \_\_\_\_\_

Examined \_\_\_\_\_

CLASS B and C  
WATER UTILITIES

U# \_\_\_\_\_

2016  
ANNUAL REPORT  
OF

MESA CREST WATER COMPANY, INC.

(NAME UNDER WHICH CORPORATION, PARTNERSHIP, OR INDIVIDUAL IS DOING BUSINESS)

P.O. BOX 257 LA CANADA CALIFORNIA  
(OFFICIAL MAILING ADDRESS)

91011  
ZIP

TO THE  
PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA  
FOR THE YEAR ENDED DECEMBER 31, 2016

REPORT MUST BE FILED NOT LATER THAN MARCH 31, 2017

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## GENERAL INSTRUCTIONS

1. Two completed and signed hard copies of this report and one electronic copy must be filed **NOT LATER THAN MARCH 31, 2017**, with:

**CALIFORNIA PUBLIC UTILITIES COMMISSION  
WATER DIVISION  
ATTN: BRUCE DEBERRY  
505 VAN NESS AVENUE, ROOM 3106  
SAN FRANCISCO, CALIFORNIA 94102-3298  
[bmd@cpuc.ca.gov](mailto:bmd@cpuc.ca.gov)**

2. Failure to file the report on time may subject a utility to the penalties and sanctions provided by the Public Utilities Code.
3. The Oath on Page 35, must be signed by an authorized officer, partner, or owner.
4. The report must be prepared in ink or by the use of a typewriter. Computer generated report forms may be substituted.
5. The report must be filled in, and every question answered. **LEAVE NO SCHEDULE BLANK.** Insert the words "none" or "not applicable" or "n/a" when appropriate.
6. Certain balance sheet and income statement accounts refer to supplemental schedules. The totals of the details in the latter must agree with the balances of the accounts to which they refer.
7. Some schedules provide for a "balance at beginning of year." The amount shown should agree with the "balance at end of year" as shown in the report for the previous year. If there is a difference, it should be explained by footnote.
8. When there is insufficient space in a schedule to permit a complete statement of the requested information, insert sheets should be prepared and identified by the number of the schedule to which it refers. Be certain that the inserts are securely attached to the report. If inserts are needed, prepare all inserts in one separate electronic file in Microsoft Excel format and file it with the electronic file of this report.
9. This report must cover the calendar year from January 1, 2016, through December 31, 2016. Fiscal year reports will not be accepted.



### GENERAL INFORMATION

1. Name under which utility is doing business: Mesa Crest Water Company, Inc.

2. Official mailing address:  
P.O. Box 257 La Canada, CA 91011

3. Name and title of person to whom correspondence should be addressed:  
Timothy Flynn Telephone: (818) 790 - 2071

4. Address where accounting records are maintained:  
4533 Rinetti Lane, Unit C, La Canada, CA 91011

5. Service Area (Refer to district reports if applicable): La Canada, CA

6. Service Manager (If located in or near Service Area.) (Refer to district reports if applicable.)

Name: Timothy Flynn Telephone: \_\_\_\_\_  
Address: 4533 Rinetti Lane, Unit C, La Canada, CA 91011

7. OWNERSHIP. Check and fill in appropriate line:

<input type="checkbox"/>	Individual (name of owner)	_____
<input type="checkbox"/>	Partnership (name of partner)	_____
<input type="checkbox"/>	Partnership (name of partner)	_____
<input type="checkbox"/>	Partnership (name of partner)	_____
<input checked="" type="checkbox"/>	Corporation (corporate name)	<u>Mesa Crest Water Company, Inc.</u>
	Organized under laws of (state)	<u>California</u> Date: <u>1956</u>

Principal Officers:

Name: <u>Timothy Flynn</u>	Title: <u>President</u>
Name: <u>Tom Flynn</u>	Title: <u>Vice President</u>
Name: <u>F.P. Flynn</u>	Title: <u>Treasurer / Secretary</u>
Name: _____	Title: _____

8. Names of associated companies: N/A

9. Names of corporations, firms or individuals whose property or portion of property have been acquired during the year, together with date of each acquisition:

Name: <u>N/A</u>	Date: <u>N/A</u>
Name: _____	Date: _____
Name: _____	Date: _____
Name: _____	Date: _____

10. Use the space below for supplementary information or explanations concerning this report:  
N/A

11. List Name, Grade, and License Number of all Licensed Operators:  
N/A

12. This annual report was prepared by:  
Name of firm or consultant: Christian L. Aldinger, CPA

Address of firm or consultant: Peasley, Aldinger & O'Bymachow  
2120 Main Street, Suite 265 Huntington Beach, CA 92648

Phone Number of firm or consultant: (714) 536 - 4418

## INSTRUCTIONS

### FOR PREPARATION OF SELECTED FINANCIAL DATA SHEET FOR ALL WATER UTILITIES

To prepare the attached data sheets, refer to the Balance Sheet, Income Statement and supporting detail schedules in the annual report for the required data.

Please follow the instructions below:

1. Common plant allocated to water should be indicated with water plant figures in Net Plant Investment.
2. The capitalization section for those reporting on both California Only and Total System Forms should be identical and completed with Total Company Data. Be sure that Advances for Construction include California water data only.
3. Complete the operation section with California water revenues and expenses, but if necessary, remove interdepartmental revenues and expenses.
4. All other utility and nonutility revenues and expenses are netted on Line No. 38.

## BALANCE SHEET AND CAPITALIZATION DATA

Calendar Year 2016

NAME OF UTILITY Mesa Crest Water Company Telephone: (818) 790 - 2071

PERSON RESPONSIBLE FOR THIS REPORT Timothy Flynn

	<u>1/1/2016</u>	<u>12/31/2016</u>	<u>Average</u>
<b>BALANCE SHEET DATA</b>			
1 Intangible Plant	-	-	-
2 Land and Land Rights	34,738	34,738	34,738
3 Depreciable Plant	2,055,501	1,929,695	1,992,598
4 Gross Plant in Service	2,090,239	1,964,433	2,027,336
5 Less: Accumulated Depreciation	(1,726,440)	(1,760,411)	(1,743,426)
6 Net Water Plant in Service	363,799	204,022	283,911
7 Water Plant Held for Future Use	-	-	-
8 Construction Work in Progress	3,250	3,250	3,250
9 Materials and Supplies	9,445	9,445	9,445
10 Less: Advances for Construction	-	-	-
11 Less: Contribution in Aid of Construction	(2,950)	(2,416)	(2,683)
12 Less: Accumulated Deferred Income and Investment Tax Credits	(71,579)	(69,233)	(70,406)
13 Net Plant Investment	301,965	145,068	223,517
<b>CAPITALIZATION</b>			
14 Common Stock	355,000	355,000	355,000
15 Proprietary Capital (Individual or Partnership)	-	-	-
16 Paid-in Capital	-	-	-
17 Retained Earnings	89,528	(55,342)	17,093
18 Common Stock and Equity (Lines 14 through 17)	444,528	299,658	372,093
19 Preferred Stock	60,000	60,000	60,000
20 Long-Term Debt	28,058	8,420	18,239
21 Notes Payable	-	-	-
22 Total Capitalization (Lines 18 through 21)	532,586	368,078	450,332

## INCOME STATEMENT AND OTHER DATA

Calendar Year 2016

NAME OF UTILITY Mesa Crest Water Company

Telephone: (818) 790 - 2071

INCOME STATEMENT	Annual Amount
23 Unmetered Water Revenue	-
24 Fire Protection Revenue	1,987
25 Irrigation Revenue	107,252
26 Metered Water Revenue	1,422,385
27 Total Operating Revenue	1,531,624
28 <u>Operating Expenses</u>	1,636,444
29 Depreciation Expense (Composite Rate: <u>1.624%</u> )	33,437
30 Amortization and Property Losses	-
31 Property Taxes	2,869
32 Taxes Other Than Income Taxes	20,583
33 Total Operating Revenue Deduction Before Taxes	1,693,333
34 California Corp. Franchise Tax	800
35 Federal Corporate Income Tax	(22,813)
36 Total Operating Revenue Deduction After Taxes	1,671,320
37 Net Operating Income (Loss) - California Water Operations	(139,696)
38 Other Operating and Nonoper. Income and Exp. - Net (Exclude Interest Expense)	-
39 Income Available for Fixed Charges	(139,696)
40 Interest Expense	5,174
41 Net Income (Loss) Before Dividends	(144,870)
42 Preferred Stock Dividends	-
43 Net Income (Loss) Available for Common Stock	(144,870)

### OTHER DATA

44 Refunds of Advances for Construction	-
45 Total Payroll Charged to Operating Expenses	267,280
46 Purchased Water	768,395
47 Power	73,409

<u>Active Service Connections</u>	(Exc. Fire Protect.)	Jan. 1	Dec. 31	Annual Average
48 Metered Service Connections		706	705	706
49 Flat Rate Service Connections		3	3	3
50 Total Active Service Connections		709	708	709

**Excess Capacity and Non-Tariffed Services**

NOTE: In D.00-07-018, D.03-04-028, and D. 04-12-023, the CPUC set forth rules and requirements regarding water utilities provision of non-tariffed services using excess capacity. These decisions require water utilities to: 1) file an advice letter requesting Commission approval of that service, 2) provide information regarding non-tariffed goods/services in each companies Annual Report to the Commission.

Based on the information and filings required in D.00-07-018, D.03-04-028, and D.04-12-023, provide the following information by each individual non-tariffed good and service provided in 2016:

Applies to All Non-Tariffed Goods/Services that require Approval by Advice Letter											
Row Number	Description of Non-Tariffed Goods/Services	Active or Passive	Total Revenue Derived from Non-tariffed Goods/ Services (by account)	Revenue Account Number	Total Expenses Incurred to Provide Non-tariffed Goods/ Services (by account)	Expense Account Number	Advice Letter and/or Resolution Number Approving Non-tariffed Goods/ Services	Total Income Tax Liability Incurred Because of Non-tariffed Goods/ Services (by account)	Income Tax Liability Account Number	Gross Value of Regulated Assets Used in the Provision of a Non-tariffed Goods/ Services (by account)	Regulated Asset Account Number

N/A

**SCHEDULE A**  
**COMPARATIVE BALANCE SHEET**  
**Assets and Other Debits**

Line No.	Acct. No.	Title of Account (a)	Schedule Number (b)	Balance End of Year (c)	Balance Beginning of Year (d)
1		<b>UTILITY PLANT</b>			
2	101	Water Plant in Service (Excluding SDWBA/SRF & Prop 50)	A-1 & A-1a	1,964,433	1,960,545
3	101.1	Water Plant in Service - SDWBA/SRF	A-1 & A-1b	129,694	129,694
4	101.2	Water Plant in Service - Prop 50	A-1 & A-1c	-	-
5	103	Water Plant Held for Future Use	A-1 & A-1d	-	-
6	104	Water Plant Purchased or Sold	A-1	-	-
7	105	Construction Work in Progress - Water Plant	A-1	3,250	3,250
8	105.1	Construction Work in Progress - SDWBA/SRF	A-1	-	-
9	105.2	Construction Work in Progress - Prop 50	A-1	-	-
10		Total Utility Plant		2,097,377	2,093,489
11	108	Accumulated Depreciation of Water Plant	A-3	(1,630,717)	(1,596,746)
12	108.1	Accumulated Amortization of SDWBA/SRF loan	A-3	(129,694)	(129,694)
13	108.2	Reserve for Depreciation of Utility Plant - Prop 50	A-3	-	-
14	114	Water Plant Acquisition Adjustments	A-1	-	-
15		Total Amortization and Adjustments		(1,760,411)	(1,726,440)
16		Net utility plant		336,966	367,049
17					
18		<b>INVESTMENTS</b>			
19	121	Non-utility Property and Other Assets		-	-
20	122	Accumulated Depreciation of Non-utility Property	A-3	-	-
21		Net non-utility property		-	-
22	123	Investments in Associated Companies		-	-
23	124	Other Investments		-	-
24		Total Investments		-	-
25					
26		<b>CURRENT AND ACCRUED ASSETS</b>			
27	131	Cash		8,367	17,702
28	131.3	Cash - Miscellaneous Special Deposits - Prop 50		-	-
29	132	Special Accounts		-	-
30	141	Accounts Receivable - Customers		161,818	187,974
31	142	Receivables from Associated Companies		-	-
32	143	Accumulated Provision for Uncollectible Accounts		-	-
33	151	Materials and Supplies		9,445	9,445
34	174	Other Current Assets		337,444	337,832
35		Total current and accrued assets		517,074	552,953
36					
37	180	Deferred Charges	A-5	-	-
38					
39		<b>Total assets and deferred charges</b>		<b>854,040</b>	<b>920,002</b>

**SCHEDULE A**  
**COMPARATIVE BALANCE SHEET**  
**Liabilities and Other Credits**

Line No.	Acct. No.	Title of Account (a)	Schedule Number (b)	Balance End of Year (c)	Balance Beginning of Year (d)
40		<b>CORPORATE CAPITAL AND SURPLUS</b>			
41	201	Common Stock	A-6	355,000	355,000
42	204	Preferred Stock	A-6	60,000	60,000
43	211	Other Paid-in Capital	A-8	-	-
44	215	Retained Earnings	A-9	(55,342)	89,528
45		Total corporate capital and retained earnings		359,658	504,528
46					
47		<b>PROPRIETARY CAPITAL</b>			
48	218	Proprietary Capital	A-10	-	-
49	218.1	Proprietary Drawings		-	-
50		Total proprietary capital		-	-
51					
52		<b>LONG TERM DEBT</b>			
53	224	Long-term Debt	A-11	8,420	28,058
54	225	Advances from Associated Companies	A-12	-	-
55					
56		<b>CURRENT AND ACCRUED LIABILITIES</b>			
57	231	Accounts Payable		363,626	248,390
58	232	Short-term Notes Payable		-	-
59	233	Customer Deposits		151	151
60	235	Payables to Associated Companies	A-13	-	-
61	236	Accrued Taxes		-	-
62	237	Accrued Interest		-	-
63	241	Other Current Liabilities	A-14	80,203	73,546
64		Total current and accrued liabilities		443,980	322,087
65					
66		<b>DEFERRED CREDITS</b>			
67	252	Advances for Construction	A-15	-	-
68	253	Other Credits		-	-
69	255	Accumulated Deferred Investment Tax Credits	A-16	4,200	5,010
70	282	Accumulated Deferred Income taxes - ACRS Depreciation	A-16	65,033	66,569
71	283	Accumulated Deferred Income taxes - Other	A-16	(29,667)	(9,200)
72		Total deferred credits		39,566	62,379
73					
74		<b>CONTRIBUTIONS IN AID OF CONSTRUCTION</b>			
75	266.0	Contributions - Publicly Grant-Funded Plant - Prop 50		-	-
76	266.1	Accumulated Amortization of Contributions - Prop 50		-	-
77		Net Contributions - Public Grant-Funded Plant - Prop 50		-	-
78	271	Contributions in Aid of Construction	A-17	250,495	250,495
79	272	Accumulated Amortization of Contributions		(248,079)	(247,545)
80		Net Contributions in Aid of Construction		2,416	2,950
81		<b>Total liabilities and other credits</b>		<b>854,040</b>	<b>920,002</b>

**SCHEDULE A-1  
UTILITY PLANT**

Line No.	Acct No.	Title of Account (a)	Balance Beg of Year (b)	Plant Additions During year (c)	Plant Retirements During year (d)	Other Debits* or (Credits) (e)	Balance End of year (f)
1	101	Water Plant in Service (Excluding SDWBA/SRF and Prop 50)	1,960,545	3,888			1,964,433
2	101.1	Water Plant In Service - SDWBA/SRF	129,694				129,694
3	101.2	Water Plant In Service - Prop 50	-				-
4	103	Water plant held for future use	-				-
5	104	Water plant purchased or sold	-				-
6	105	Construction Work in Progress - Water Plant	3,250				3,250
7	105.1	Construction Work in Progress - SDWBA/SRF	-				-
8	105.2	Construction Work in Progress - Prop 50	-				-
9	114	Water Plant Acquisition Adjustments	-				-
10		<b>Total utility plant</b>	<b>2,093,489</b>	<b>3,888</b>			<b>2,097,377</b>

\* Debit or credit entries should be explained by footnotes or supplementary schedules

**SCHEDULE A-1a  
Account No. 101 - Water Plant in Service (Excluding SDWBA/SRF & Prop 50)**

Line No.	Acct No.	Title of Account (a)	Balance Beg of Year (b)	Plant Additions During year (c)	Plant Retirements During year (d)	Other Debits* or (Credits) (e)	Balance End of year (f)
1		<b>NON-DEPRECIABLE PLANT</b>					
2	301	Intangible Plant	-				-
3	303	Land	34,738				34,738
4		Total non-depreciable plant	34,738	-	-	-	34,738
5							
6		<b>DEPRECIABLE PLANT</b>					
7	304	Structures	11,960				11,960
8	307	Wells	-				-
9	317	Other Water Source Plant	-				-
10	311	Pumping Equipment	429,346	1,332			430,678
11	320	Water Treatment Plant	-				-
12	330	Reservoirs, Tanks and Sandpipes	459,149				459,149
13	331	Water Mains	567,890				567,890
14	333	Services and Meter Installations	81,232	1,328			82,560
15	334	Meters	121,086	1,228			122,314
16	335	Hydrants	52,184				52,184
17	339	Other Equipment	9,945				9,945
18	340	Office Furniture and Equipment	54,894				54,894
19	341	Transportation Equipment	138,121				138,121
20		Total depreciable plant	1,925,807	3,888	-	-	1,929,695
21		<b>Total water plant in service</b>	<b>1,960,545</b>	<b>3,888</b>			<b>1,964,433</b>

\* Debit or credit entries should be explained by footnotes or supplementary schedules



**SCHEDULE A-1b**  
**Account No. 101.1 - Water Plant in Service - SDWBA/SRF**

Line No.	Acct No.	Title of Account (a)	Balance Beg of Year (b)	Plant Additions During year (c)	Plant Retirements During year (d)	Other Debits* or (Credits) (e)	Balance End of year (f)
1		<b>NON-DEPRECIABLE PLANT</b>					
2	301	Intangible Plant	-				-
3	303	Land	-				-
4		Total non-depreciable plant	-	-	-	-	-
5							
6		<b>DEPRECIABLE PLANT</b>					
7	304	Structures	-				-
8	307	Wells	-				-
9	317	Other Water Source Plant	-				-
10	311	Pumping Equipment	-				-
11	320	Water Treatment Plant	-				-
12	330	Reservoirs, Tanks and Sandpipes	129,694				129,694
13	331	Water Mains	-				-
14	333	Services and Meter Installations	-				-
15	334	Meters	-				-
16	335	Hydrants	-				-
17	339	Other Equipment	-				-
18	340	Office Furniture and Equipment	-				-
19	341	Transportation Equipment	-				-
20		Total depreciable plant	129,694	-	-	-	129,694
21		<b>Total water plant in service</b>	129,694	-	-	-	129,694

\* Debit or credit entries should be explained by footnotes or supplementary schedules

**SCHEDULE A-1c**  
**Account No. 101.2 - Water Plant in Service - Prop 50**

N/A

Line No.	Acct No.	Title of Account (a)	Balance Beg of Year (b)	Plant Additions During year (c)	Plant Retirements During year (d)	Other Debits* or (Credits) (e)	Balance End of year (f)
1		<b>NON-DEPRECIABLE PLANT</b>					
2	301	Intangible Plant					
3	303	Land					
4		Total non-depreciable plant					
5							
6		<b>DEPRECIABLE PLANT</b>					
7	304	Structures					
8	307	Wells					
9	317	Other Water Source Plant					
10	311	Pumping Equipment					
11	320	Water Treatment Plant					
12	330	Reservoirs, Tanks and Sandpipes					
13	331	Water Mains					
14	333	Services and Meter Installations					
15	334	Meters					
16	335	Hydrants					
17	339	Other Equipment					
18	340	Office Furniture and Equipment					
19	341	Transportation Equipment					
20		Total depreciable plant					
21		<b>Total water plant in service</b>					

\* Debit or credit entries should be explained by footnotes or supplementary schedules

**SCHEDULE A-1d**  
**Account No. 103 - Water Plant Held for Future Use**

Line No.	Description and Location of Property (a)	Date of Acquisition (b)	Approximate Date When Property will be placed in Service (c)	Balance End of Year (d)
1				
2				
3	N/A			
4				
5				
6				
7				
8				
9				
10	Total			

**SCHEDULE A-2**  
**Account No. 121 - Non-utility Property and Other Assets**

Line No.	Name and Description of Property (a)	Book Value End of Year (b)
1		
2		
3	N/A	
4		
5		
6		
7		
8		
9		
10	Total	

**SCHEDULE A-3**  
**Account Nos. 108 and 122 - Depreciation and Amortization Reserves**

Line No.	Item (a)	Account 108	Account 108.1	Account 108.2	Account 122
		Water Plant Excluding SDWBA/SRF & Prop 50 (b)	SDWBA/SRF Loans (c)	Prop 50 (d)	Non-utility Property (e)
1	Balance in reserves at beginning of year	1,596,746	129,694		
2	Add: Credits to reserves during year				
3	(a) Charged to Account No. 403 (Footnote 1)	33,437			
4	(b) Charged to Account No 272	534			
5	(c) Charged to clearing accounts				
6	(d) Charged to Account No. 407				
7	(e) Charged to Account No. 266.1				
8	(f) Salvage recovered				
9	(g) All other credits (Footnote 2)				
10	Total Credits	33,971	-		
11	Deduct: Debits to reserves during year				
12	(a) Book cost of property retired				
13	(b) Cost of removal				
14	(c) All other debits (Footnote 3)				
15	Total debits				
16	Balance in reserve at end of year	1,630,717	129,694		
17					
18	(1) COMPOSITE DEPRECIATION RATE USED FOR STRAIGHT LINE REMAINING LIFE 1.624 %				
19					
20	(2) EXPLANATION OF ALL OTHER CREDITS:				
21					
22					
23					
24					
25					
26	(3) EXPLANATION OF ALL OTHER DEBITS:				
27					
28					
29					
30					
31					
32	(4) METHOD USED TO COMPUTE INCOME TAX DEPRECIATION				
33	(a) Straight line		[ X ]		
34	(b) Liberalized		[ ]		
35	(1) Sum of the years digits		[ ]		
36	(2) Double declining balance		[ ]		
37	(3) Other		[ X ]		
38	(c) Both straight line and liberalized		[ X ]		

**SCHEDULE A-3a**  
**Account No. 108 - Analysis of Entries in Depreciation Reserve (Total)**

Line No.	Acct No.	Depreciable Plant (a)	Balance Beginning of Year (b)	Credits to Reserve During Year Excl. Salvage (c)	Debits to Reserve During Year Excluding Costs of Removal (d)	Salvage and Cost of Removal Net (Dr.) or (Cr.) (e)	Balance End of Year (f)
1	304	Structures	11,960				11,960
2	307	Wells	-				-
3	317	Other Water Source Plant	-				-
4	311	Pumping Equipment	411,528	8,022			419,550
5	320	Water Treatment Plant	-				-
6	330	Reservoirs, Tanks and Sandpipes	432,109	9,550			441,659
7	331	Water Mains	428,899	11,188			440,087
8	333	Services and Meter Installations	73,302	1,783			75,085
9	334	Meters	97,000	2,715			99,715
10	335	Hydrants	39,275	713			39,988
11	339	Other Equipment	10,682				10,682
12	340	Office Furniture and Equipment	60,628				60,628
13	341	Transportation Equipment	161,057				161,057
14		<b>Total</b>	<b>1,726,440</b>	<b>33,971</b>			<b>1,760,411</b>

**SCHEDULE A-4**  
**Account No. 174 - Other Current Assets**

Line No.	Item (a)	Amount (b)
1	Misc Receivable	9,838
2	Stockholder Receivable	90,937
3	Officer Receivable	212,205
4	Balancing Account Over-collection	(6,249)
5	Prepaid Taxes	1,082
6	Prepaid Insurance	29,631
7		
8		
9		
10	<b>TOTAL</b>	<b>337,444</b>

**SCHEDULE A-5**

**Accounts Nos. 180 and 253 - Unamortized debt discount and expense and unamortized premium on debt**

1. Report under separate subheadings for Unamortized Debt Discount and Expense and Unamortized Premium on Debt, particulars of discount and expense or premium applicable to each class and series of long-term debt.
2. Show premium amounts in red or by enclosure in parentheses.
3. In column (b) show the principal amount of bonds or other long-term debt originally issued.
4. In column (c) show the discount and expense or premium with respect to the amount of bonds or other long-term debt originally issued.
5. Furnish particulars regarding the treatment of debt discount and expense or premium, redemption premiums, and redemption expenses associated with issues redeemed during the year, also, date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.
6. Set out separately and identify undisposed amounts applicable to issues which were redeemed in prior years.

Line No.	Designation of Long-Term Debts (a)	Principal Amount of Securities to Which Discount and Expense, or Premium Minus Expense, Relates (b)	Total Discount and Expense or Net Premium (c)	Amortization Period		Balance Beginning of Year (f)	Debits During Year (g)	Credits During Year (h)	Balance End of Year (i)
				From (d)	To (e)				
1									
2	N/A								
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									

**SCHEDULE A-6**  
**Account Nos. 201 and 204 - Capital Stock**

Line No.	Class of Stock (a)	Date of Issue (b)	Number of Shares Authorized by Articles of Incorporation (c)	Par or Stated Value (d)	Number of Shares Outstanding (e)	Amount Outstanding End of Year (f)	Dividends Declared During Year	
							Rate (g)	Amount (h)
1	Common Stock		50,000	\$ 10.00	35,500	355,000		
2	Preferred Stock		75,000	\$ 10.00	6,000	60,000		
3								
4								
5								
6								
7								
8						415,000	Total	

**SCHEDULE A-7**  
**Record of Stockholders at End of Year**

Line No.	COMMON STOCK		PREFERRED STOCK	
	Name (a)	Number of Shares (b)	Name (c)	Number of Shares (d)
1	F. Patrick Flynn	35,500	F. Patrick Flynn	6,000
2				
3				
4				
5				
6				
7				
8				
9				
10	Total number of shares	35,500	Total number of shares	6,000

**SCHEDULE A-8**  
**Account No. 211 - Other Paid in Capital (Corporations only)**

Line No.	Type of Paid in Capital (a)	Balance End of Year (b)
1		
2	N/A	
3		
4		
5		
6		
7		
8	Total	

**SCHEDULE A-9**  
**Account No. 215 - Retained Earnings**  
**(Corporations Only)**

Line No	Item (a)	Amount (b)
1	Balance beginning of year	89,528
2	<b>CREDITS</b>	
3	Net income	
4	Prior period adjustments	
5	Other credits (detail)	
6	Total Credits	-
7		
8	<b>DEBITS</b>	
9	Net losses	(144,870)
10	Prior period adjustments	
11	Dividend appropriations - preferred stock	
12	Dividend appropriations - common stock	
13	Other debits (detail)	
14	Total Debits	(144,870)
15	Balance end of year	(55,342)

**SCHEDULE A-10**  
**Account No. 218 - Proprietary Capital**  
**(Sole Proprietor or Partnership)**

Line No.	Item (a)	Amount (b)
1	Balance beginning of year	
2	<b>CREDITS</b>	<b>N/A</b>
3	Net income	
4	Additional investments during year	
5	Other credits (detail)	
6	Total Credits	
7	<b>DEBITS</b>	
8	Net losses	
9	Withdrawals during year	
10	Other debits (detail)	
11	Total Debits	
12	Balance end of year	

**SCHEDULE A-11**  
**Account No. 224 - Long-Term Debt**

Line No.	Class (a)	Name of Issue (b)	Date of Issue (c)	Date of Maturity (d)	Principal Amount Authorized (e)	Outstanding Per Balance Sheet (f)	Interest Rate (g)	Interest Accrued During Year (h)	Sinking Fund (i)	Interest Paid During Year (j)
1	Tank Project	CDC	2013	2018	\$ 250,000	29,808	4.00%			1,472
2										
3										
4										
5	Less: Current Portion									
6	Total						(21,388)			1,472
						8,420				

**SCHEDULE A-12**  
**Account No. 225 - Advances from Associated Companies**

Line No.	Nature of Obligation (a)	Amount of Obligation (b)	Interest Rate (c)	Interest Accrued During Year (d)	Interest Paid During Year (e)
1					
2	N/A				
3					
4					
5					
6	Totals				

**Schedule A-13**  
**Account No. 235 - Payables to Associated Companies**

Line No.	Nature of Obligation (a)	Balance End of Year (b)	Interest Rate (c)	Interest Accrued During Year (d)	Interest Paid During Year (e)
1					
2	N/A				
3					
4					
5					
6	Totals				



**SCHEDULE A-14**  
**Account No. 241 - Other Current Liabilities**

Line No.	Description (a)	Balance End of Year (b)
1	Current Portion of Long Term Debt	45,235
2	PUC Fee Payable	4,442
3	Insurance Payable	18,345
4	Wells Fargo Credit Line	12,181
5	Total	<b>80,203</b>

**SCHEDULE A-15**  
**Account No. 252 - Advances for Construction**

Line No.	N/A (a)	(b)	Amount (c)
1	Balance beginning of year		
2	Additions during year		
3	Subtotal - Beginning balance plus additions during year		
4	Charges during year:		
5	Refunds		
6	Percentage of revenue basis		
7	Proportionate cost basis		
8	Present worth basis		
9	Total refunds		
10	Transfers to Acct. 271, Contributions in aid of Construction		
11	Due to expiration of contracts		
12	Due to present worth discount		
13	Total transfers to Acct. 271		
14	Securities Exchanged for Contracts (Enter detail below)		
15	Subtotal - charges during year		
16	Balance end of year		

**SCHEDULE A-16**  
**Account Nos. 255, 282, and 283 - Deferred Taxes**

Line No.	Item (a)	Account 255 Investment Tax Credit (b)	Account 282 Income Tax - ACRS Depreciation (c)	Account 283 - Other (d)
1	Deferred Tax - MACRS		62,679	
2	Deferred Tax - ACRS		2,354	
3	Deferred Tax - Bal Acct \$482 / Cash Basis (\$30,149)			(29,667)
4	Deferred ITC's	4,200		
5	Total	4,200	65,033	(29,667)

**SCHEDULE A-17**  
**Account No. 271 - Contributions in Aid of Construction**  
**Instructions for Preparation of Schedule of Contributions in Aid of Construction**

- 1 The credit balance in the account other than that portion of the balance relating to non-depreciable property (column d), to property retired prior to January 1, 1955 (column e), shall be written off through charges to this account and credits to Account No. 108, Accumulated depreciation of water plant, over a period equal to the estimated service life of the property involved. Upon retirement of depreciable property for which a depreciation reserve has been created through charges to this account, the cost thereof shall be credited to the appropriate plant account and concurrently charged to Account No. 108. If the property is retired prior to the service life originally estimated, the balance in this account with respect to the retired property shall be transferred to the depreciation reserve account.
- 2 That portion of the balance applicable to non-depreciable property shall remain unchanged until the property is sold or otherwise retired. Upon retirement, the cost of such non-depreciable property acquired by donation or through use of donated funds shall be credited to the appropriate plant account and charged to this account to clear the credit balance carried herein.
- 3 That portion of the balance representing donations on property retired prior to January 1, 1955 (column e), and the amount of depreciation accrued to January 1, 1955, on property in service (column f), shall not be transferred from this account or otherwise disposed of without first receiving written authorization from the Commission.

Line No.	Description	Total All Columns (b)	Subject to Amortization		Not Subject to Amortization	
			Property in Service After Dec. 31, 1954		Property Retired Before Jan. 1, 1955 <sup>2</sup> (e)	Depreciation Accrued Through Dec. 31, 1954 on Property in Services at Dec. 31, 1954 <sup>3</sup> (f)
			Depreciable (c)	Non-Depreciable <sup>1</sup> (d)		
1	Balance beginning of year	2,950	2,950			
2	Add: Credits to account during year	-				
3	Contributions received during year	-				
4	Other credits*	-				
5	Total credits	-				
6	Deduct: Debits to Account during year	-				
7	Depreciation charges for year	534	534			
8	Non-depreciable donated property retired	-				
9	Other debits*	-				
10	Total debits	534	534			
11	Balance end of year	2,416	2,416			

\* Indicate nature of these items and show the accounts affected by the contra entries

**SCHEDULE B  
INCOME STATEMENT**

Line No.	Acct. No.	Account (a)	Schedule Number (b)	Amount (c)
<b>UTILITY OPERATING INCOME</b>				
1	400	<b>Operating Revenues</b>	B-1	1,531,624
<b>OPERATING REVENUE DEDUCTIONS</b>				
2	401	Operating Expenses	B-2	1,636,444
3	403	Depreciation Expense	A-3	33,437
4	407	SDWBA Loan Amortization Expense	pages 7 & 8	-
5	408	Taxes Other Than Income Taxes	B-3	23,452
6	409	State Corporate Income Tax Expense	B-3	800
7	410	Federal Corporate Income Tax Expense	B-3	(22,813)
8		Total operating revenue deductions		1,671,320
9		Total utility operating income		(139,696)
<b>OTHER INCOME AND DEDUCTIONS</b>				
10	421	Non-utility Income	B-5	-
11	426	Miscellaneous Non-utility Expense	B-5	-
12	427	Interest Expense	B-6	5,174
13		Total other income and deductions		5,174
14		Net income		(144,870)

**SCHEDULE B-1**  
**Account No. 400 - Operating Revenues**

Line No.	Acct. No.	Account (a)	Amount Current Year (b)	Amount Preceding Year (c)	Net Change During Year Show Decrease in (Parenthesis) (d)
		<b>WATER SERVICE REVENUES</b>			
1	460	Unmetered water revenue			
2		460.1 Single-family Residential	-	-	-
3		460.2 Commercial and Multi-residential	-	-	-
4		460.3 Large Water Users	-	-	-
5		460.5 Safe Drinking Water Bond Surcharge	-	-	-
6		460.9 Other Unmetered Revenue	-	-	-
7		Sub-total	-	-	-
8	462	Fire protection revenue			
9		462.1 Public Fire Protection	-	-	-
10		462.2 Private Fire Protection	1,987	1,987	-
11		Sub-total	1,987	1,987	-
12	465	Irrigation revenue	107,252	109,484	(2,232)
13	470	Metered water revenue			
14		470.1 Single-family Residential	1,208,000	1,210,805	(2,805)
15		470.2 Commercial and Multi-residential	-	-	-
16		470.3 Large Water Users	214,385	174,884	39,501
17		470.5 Safe Drinking Water Bond Surcharge	-	-	-
18		470.9 Other Metered Revenue	-	-	-
19		Sub-total	1,422,385	1,385,689	36,696
20		Total water service revenues	1,531,624	1,497,160	34,464
21	480	Other Water Revenue	-	-	-
22		Total operating revenues	1,531,624	1,497,160	34,464

**SCHEDULE B-2**  
**Account No. 401 - Operating Expenses**

Line No.	Acct. No.	Account (a)	Amount Current Year (b)	Amount Preceding Year (c)	Net Change During Year Show Decrease in (Parenthesis) (d)
<b>PLANT OPERATION AND MAINTENANCE EXPENSES</b>					
<b>VOLUME RELATED EXPENSES</b>					
1	610	Purchased Water	768,395	745,737	22,658
2	615	Power	73,409	85,137	(11,728)
3	616	Other Volume Related Expenses	-	-	-
4		Total volume related expenses	841,804	830,874	10,930
<b>NON-VOLUME RELATED EXPENSES</b>					
5	630	Employee Labor	134,780	136,100	(1,320)
6	640	Materials	2,874	2,297	577
7	650	Contract Work	4,499	10,088	(5,589)
8	660	Transportation Expenses	24,611	29,388	(4,777)
9	664	Other Plant Maintenance Expenses	15,365	38,729	(23,364)
10		Total non-volume related expenses	182,129	216,602	(34,473)
11		Total plant operation and maintenance exp.	1,023,933	1,047,476	(23,543)
<b>ADMINISTRATIVE AND GENERAL EXPENSES</b>					
12	670	Office Salaries	-	-	-
13	671	Management Salaries	132,500	136,000	(3,500)
14	674	Employee Pensions and Benefits	56,830	59,117	(2,287)
15	676	Uncollectible Accounts Expense	(81)	(157)	76
16	678	Office Services and Rentals	37,338	34,236	3,102
17	681	Office Supplies and Expenses	25,466	29,086	(3,620)
18	682	Professional Services	273,461	170,167	103,294
19	684	Insurance	76,085	78,226	(2,141)
20	688	Regulatory Commission Expense	4,691	-	4,691
21	689	General Expenses	6,221	13,367	(7,146)
22		Total administrative and general expenses	612,511	520,042	92,469
23	800	Expenses Capitalized	-	-	-
24		Net administrative and general expense	612,511	520,042	92,469
25		Total operating expenses	1,636,444	1,567,518	68,926

**SCHEDULE B-3**  
**Account No. 408, 409, 410 - Taxes Charged During the Year**

Line No.	Type of Tax (a)	Total Taxes Charged During Year (b)	Distribution of Taxes Charged	
			Water (c)	Nonutility (d)
1	Taxes on real and personal property	2,869	2,869	
2	State corporate franchise tax	800	800	
3	State unemployment insurance tax	1,164	1,164	
4	Other state and local taxes	102	102	
5	Federal unemployment insurance tax	451	451	
6	Federal insurance contributions act	18,866	18,866	
7	Other federal taxes	-	-	
8	Federal income taxes	(22,813)	(22,813)	
9	Total	1,439	1,439	

**SCHEDULE B-4**  
**Reconciliation of Reported Net Income for Federal Income Taxes**

1 Report hereunder a reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. The reconciliation shall be submitted even though there is no taxable income for the year. Descriptions should clearly indicate the nature of each reconciling amount.

2 If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, inter-company amounts to be eliminated in such consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax amount the group members.

3 Show taxable year if other than calendar year from \_\_\_\_\_ to \_\_\_\_\_.

Line No.	Particulars (a)	Amount (b)
1	Net income for the year per Schedule B, page 4	(144,870)
2	Reconciling amounts (list first additional income and unallowable deductions,	
3	followed by additional deductions and non-taxable income):	
4	<b>Federal Income Tax Per Books</b>	(22,813)
5	<b>Accrual to Cash Adjustment</b>	136,427
6	<b>Book vs. Tax Depreciation</b>	24,029
7	<b>Non Deductible Items (Meals)</b>	1,083
8	<b>Penalties</b>	102
9	<b>Rounding</b>	1
10		
11	Federal tax net income	(6,041)
12	Computation of tax:	
13		
14		
15		
16		
17		

See Accompanying Accountant's Compilation Report

**SCHEDULE B-5**  
**Accounts No. 421 and 426 - Income from Nonutility Operations**

Line No.	Description (a)	Revenue Acct. 421 (b)	Expense Acct. 426 (c)
1	Misc. Revenue	-	-
2			
3			
4			
5	Total	-	-

**SCHEDULE B-6**  
**Account No. 427 - Interest Expense**

Line No.	Description (a)	Amount (b)
1	CDC Loan	1,472
2	Wells Fargo Credit Line	1,518
3	Wells Fargo Visa	905
4	Insurance Finance	1,279
5		
6		
7		
8		
9		
10	Total	5,174

**SCHEDULE C-1**  
**Compensation of Individual Proprietor, Partners and Employees Included in Expenses**

Line No.	Acct. No.	Account (a)	Number at End of Year (b)	Salaries Charged to Expense (c)	Salaries Charged to Plant Accounts (d)	Total Salaries and Wages Paid (e)
1	630	Employee Labor	1	134,780		134,780
2	670	Office salaries				
3	671	Management salaries	1	132,500		132,500
4						
5						
6		Total	2	267,280		267,280

**SCHEDULE C-2**  
**Loans to Directors, Officers, or Shareholders**

Line No.	Name (a)	Title (b)	Amount (c)	Interest Rate (d)	Maturity Date (e)	Security Given (f)	Date of Shareholder Authorization (g)	Other Information (h)
1.	F.P. Flynn	Shareholder	90,937	2.90%	7/31/2019	None		
2.	Tim Flynn	President	212,205	2.90%	7/31/2019	None		
3.								
4.								
5.								
6.								
7.	Total		303,142					

**SCHEDULE C-3**  
**Engineering and Management Fees and Expenses, etc., During Year**

Give the required particulars of all contracts or other agreements in effect in the course of the year between the respondent and any corporation, association, partnership, or person covering supervision and/or management of any department of the respondent's affairs, such as accounting, engineering, financing, construction or operation, and show the payments under such agreements and also the payments for advice and services to a corporation or corporations which directly or indirectly control respondent through stock ownership.

1. Did the respondent have a contract or other agreement with any organization or person covering supervision and/or management of its own affairs during the year? **Answer:** Yes: \_\_\_\_\_ No: **X**  
(If the answer is in the affirmative, make appropriate replies to the following questions)\*

2. Name of each organization or person that was a party to such a contract or agreement.

3. Date of original contract or agreement: \_\_\_\_\_

4. Date of each supplement or agreement: \_\_\_\_\_

5. Amount of compensation paid during the year for supervision or management: \$ \_\_\_\_\_

6. To whom paid: \_\_\_\_\_

7. Nature of payment (salary, traveling expenses, etc.): \_\_\_\_\_

8. Amounts paid for each class of service: \_\_\_\_\_

9. Basis for determination of such amounts: \_\_\_\_\_

10. Distribution of payments:

(a) Charged to operating expenses	\$ _____
(b) Charged to capital amounts	\$ _____
(c) Charged to other account	\$ _____
Total	\$ _____

11. Distribution of charges to operating expenses by primary accounts:

Number and Title of Account:	Amount
_____	\$ _____
_____	\$ _____
Total	\$ _____

12. What relationship, if any, exists between respondent and supervisory and/or managing concerns?

\* File with this report a copy of every contract, agreement, supplement or amendment mentioned above unless a copy of the instrument in due form has been furnished, in which case a definite reference to the report of the respondent relative to which it was furnished will suffice.



**SCHEDULE D-1  
Sources of Supply and Water Developed**

STREAMS				FLOW IN ..... (Unit) <sup>2</sup>				Annual Quantities Diverted ..... (Unit) <sup>2</sup>	Remarks
Line No.	Diverted Into	From Stream or Creek (Name)	Location of Diversion Point	Priority Right		Diversions			
				Claim	Capacity	Max.	Min.		
1									
2	N/A								
3									
4									
5									
WELLS						Pumping Capacity ..... (Unit) <sup>2</sup>	Annual Quantities Pumped ..... (Unit) <sup>2</sup>	Remarks	
Line No.	At Plant (Name or Number)	Location	No.	Dimensions	Depth to Water <sup>1</sup>				
6									
7	N/A								
8									
9									
10									
TUNNELS AND SPRINGS				FLOW IN ..... (Unit) <sup>2</sup>		Annual Quantities Pumped ..... (Unit) <sup>2</sup>	Remarks		
Line No.	Designation	Location	Number	Maximum	Minimum				
11									
12	N/A								
13									
14									
15									
Purchased Water for Resale									
16	Purchased from <b>Foothill Municipal Water District</b>								
17	Annual Quantities purchased	239,428			(Unit chosen) <sup>2</sup>	CCF			
18									
19									

\* State ditch pipeline reservoir, etc., with name, if any.  
<sup>1</sup> Average depth to water surface below ground surface  
<sup>2</sup> The quantity unit in established use for experiencing water stored and used in large amounts is the acre foot, which equals 43,560 cubic feet; in domestic use the thousand gallon or the hundred cubic feet. The rate of flow or discharge in larger amounts is expressed in cubic feet per second. In gallons per minute, in gallons per day, or in the miner's inch. Please be careful to state the unit used.

**SCHEDULE D-2  
Description of Storage Facilities**

Line No	Type	No.	Combined Capacity (Gallons or Acre Feet)	Remarks
1	A. Collecting reservoirs			
2	Concrete			
3	Earth			
4	Wood			
5	B. Distribution reservoirs			
6	Concrete			
7	Earth			
8	Wood			
9	C. Tanks			
10	Wood			
11	Metal	6	3,440,000	Gallons
12	Concrete			
13	Total	6	3,440,000	

**SCHEDULE D-3**  
**Description of Transmission and Distribution Facilities**

A. LENGTH OF DITCHES, FLUMES AND LINKED CONDUITS IN MILES FOR VARIOUS CAPACITIES									
Capacities in Cubic Feet Per Second or Miner's Inches (state which) _____									
Line No.	Description	0 to 5	6 to 10	11 to 20	21 to 30	31 to 40	41 to 50	51 to 75	76 to 100
1	Ditch								
2	Flume	N/A							
3	Lined conduit								
4									
5	Total								

A. LENGTH OF DITCHES, FLUMES AND LINKED CONDUITS IN MILES FOR VARIOUS CAPACITIES (Continued)									
Capacities in Cubic Feet Per Second or Miner's Inches (state which) _____									
Line No.	Description	101 to 200	201 to 300	301 to 400	401 to 500	501 to 750	751 to 1000	Over 1000	Total All Lengths
6	Ditch								
7	Flume	N/A							
8	Lined conduit								
9									
10	Total								

B. FOOTAGES OF PIPE BY INSIDE DIAMETERS IN INCHES - NOT INCLUDING SERVICE PIPING										
Line No.	Description	1	1 1/2	2	2 1/2	3	4	5	6	8
11	Cast Iron									
12	Cast iron (cement lined)									
13	Concrete									
14	Copper									
15	Riveted steel									
16	Standard screw									
17	Screw or welded casing									
18	Cement - asbestos						3,410		14,966	7,580
19	Welded steel						425		1,560	225
20	Wood									
21	Other (specify)									
22	Total						3,835		16,526	7,805

B. FOOTAGES OF PIPE BY INSIDE DIAMETERS IN INCHES - NOT INCLUDING SERVICE PIPING - (Continued)									
Line No.	Description	10	12	14	16	18	20	Other Sizes (Specify)	Total All Sizes
23	Cast iron								
24	Cast iron (cement lined)		100						100
25	Concrete								
26	Copper								
27	Riveted steel								
28	Standard screw								
29	Screw or welded casing								
30	Cement - asbestos	4,570	20,376						50,902
31	Welded steel		2,375						4,585
32	Wood								
33	Other (specify)								
34	Total	4,570	22,851						55,587

**SCHEDULE D-4  
Number of Active Service Connections**

Size	Metered - Dec 31		Flat Rate - Dec 31	
	Prior Year	Current Year	Prior Year	Current Year
	5/8 x 3/4 - in	133	133	
3/4 - in	1	1		
1 - in	549	549		
1 1/2 - in	10	9		
2 - in	10	10		
3 - in	3	3		
- in				
- in				
Other			3	3
<b>Total</b>	<b>706</b>	<b>705</b>	<b>3</b>	<b>3</b>

**SCHEDULE D-5  
Number of Meters and Services on  
Pipe Systems at End of Year**

Size	Meters	Services
5/8 x 3/4 - in	134	134
3/4 - in	1	1
1 - in	548	548
1 1/2 - in	12	12
2 - in	10	10
3 - in	3	3
- in		
- in		
Other	3	3
<b>Total</b>	<b>711</b>	<b>711</b>

**SCHEDULE D-6  
Meter Testing Data**

<b>A. Number of Meters Tested During Year as Prescribed in Section VI of General Order No. 103:</b>	
1. New, after being received . . . . .	-
2. Used, before repair . . . . .	-
3. Used, after repair . . . . .	-
4. Found fast, requiring billing adjustment . . . . .	-
<b>B. Number of Meters in Service Since Last Test</b>	
1. Ten years or less . . . . .	-
2. More than 10, but less than 15 years . . . . .	-
3. More than 15 years . . . . .	-

**SCHEDULE D-7  
Water delivered to Metered Customers by Months and Years in CCF (Unit Chosen):**

	During Current Year								Subtotal
	January	February	March	April	May	June	July	Subtotal	
Single-family residential	9,558	9,881	9,390	11,684	12,700	16,083	19,726		89,022
Commercial and Multi-residential	-	-	-	-	-	-	-	-	-
Large water users	430	616	638	1,758	3,269	6,817	9,206		22,734
Public authorities	-	-	-	-	-	-	-	-	-
Irrigation	663	1,177	398	951	1,554	1,972	2,349		9,064
Other (specify)	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>10,651</b>	<b>11,674</b>	<b>10,426</b>	<b>14,393</b>	<b>17,523</b>	<b>24,872</b>	<b>31,281</b>		<b>120,820</b>
	During Current Year							Total	Total Prior Year
	August	September	October	November	December	Subtotal	Total		
Single-family residential	18,676	16,535	15,922	14,549	10,556	76,238	165,260		164,590
Commercial and Multi-residential	-	-	-	-	-	-	-	-	-
Large water users	4,838	6,097	5,411	2,856	443	19,645	42,379		37,930
Public authorities	-	-	-	-	-	-	-	-	-
Irrigation	2,751	2,712	2,444	2,455	1,889	12,251	21,315		22,533
Other (specify)	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>26,265</b>	<b>25,344</b>	<b>23,777</b>	<b>19,860</b>	<b>12,888</b>	<b>108,134</b>	<b>228,954</b>		<b>225,053</b>

<sup>1</sup> Quantity units to be in hundreds of cubic feet, thousands of gallons, acre-feet, or miner's inch-days.

Total acres irrigated: \_\_\_\_\_

Total population served: 2,500



**FOR ALL WATER COMPANIES  
SAFE DRINKING WATER BOND ACT/STATE REVOLVING FUND DATA**

Please provide the following information relating to each Safe Drinking Water Bond Act (SDWBA) or Safe Drinking Water State Revolving Fund (SRF) loan surcharge collection for the calendar year. Please use one page per loan.

1. Current Fiscal Agent: **N/A**

Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 Phone Number: \_\_\_\_\_  
 Account Number: \_\_\_\_\_  
 Date Hired: \_\_\_\_\_

2. Total surcharge collected from customers during the 12 month reporting period:

\$ \_\_\_\_\_

Meter Size	No. of Metered Customers	Monthly Surcharge Per Customer
5/8 X 3/4 inch		
3/4 inch		
1 inch		
1 1/2 inch		
2 inch		
3 inch		
4 inch		
6 inch		
Number of Flat Rate Customers		
<b>Total</b>		

3. Summary of the bank account activities showing:

Balance at beginning of year	\$ _____
Deposits during the year	_____
Interest earned for calendar year	_____
Withdrawals from this account	_____
Balance at end of year	_____

4. Reason or Purpose of Withdrawal from this bank account:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**FOR ALL WATER COMPANIES**  
**SAFE DRINKING WATER BOND ACT/STATE REVOLVING FUND DATA (Continued)**

5. Plant amounts included in Schedule A-1a, Account No. 101--Water Plant in Service which were funded using SDWBA or SRF funds:

Line No.	Acct. No.	Title of Account (a)	Balance Beginning of Year (b)	Plant Additions During Year (c)	Plant Retirements During Year (d)	Other Debits* or (Credits) (e)	Balance End of Year (f)
1		<b>NON-DEPRECIABLE PLANT</b>					
2	301	Intangible plant					
3	303	Land					
4		Total non-depreciable plant					
5		<b>DEPRECIABLE PLANT</b>		<b>See Schedule A-1b</b>			
6	304	Structures					
7	307	Wells					
8	317	Other water source plant					
9	311	Pumping equipment					
10	320	Water treatment plant					
11	330	Reservoirs, tanks and sandpipes					
12	331	Water mains					
13	333	Services and meter installations					
14	334	Meters					
15	335	Hydrants					
16	339	Other equipment					
17	340	Office furniture and equipment					
18	341	Transportation equipment					
19		Total depreciable plant					
20		Total water plant in service					

## FACILITIES FEES DATA

N/A

**Class B:** Please provide the following information relating to Facilities Fees for districts or subsidiaries serving 2,000 or fewer customers for the calendar year (per D.91-04-068).

**Class C:** Please provide the following information relating to Facilities Fees collected for the calendar year, pursuant to Resolution No. W-4110.

1. Trust Account Information:

Bank Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 Account Number: \_\_\_\_\_  
 Date Opened: \_\_\_\_\_

2. Facilities Fees collected for new connections during the calendar year:

**A. Commercial**

NAME	AMOUNT
	\$ _____
	\$ _____
	\$ _____
	\$ _____

**B. Residential**

NAME	AMOUNT
	\$ _____
	\$ _____
	\$ _____
	\$ _____

3. Summary of the bank account activities showing:

Balance at beginning of year	\$ _____
Deposits during the year	_____
Interest earned for calendar year	_____
Withdrawals from this account	_____
Balance at end of year	_____

4. Reason or Purpose of Withdrawal from this bank account:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**DECLARATION**

**(PLEASE VERIFY THAT ALL SCHEDULES ARE ACCURATE AND COMPLETE BEFORE SIGNING)**

I, the undersigned \_\_\_\_\_

\_\_\_\_\_  
Officer, Partner, or Owner (Please Print)

of \_\_\_\_\_

**Mesa Crest Water Company**

\_\_\_\_\_  
Name of Utility

under penalty of perjury do declare that this report has been prepared by me, or under my direction, from the books, papers and records of the respondent; that I have carefully examined the same, and declare the same to be a complete and correct statement of the business and affairs of the above-named respondent and the operations of its property for the period of January 1, 2016, through December 31, 2016.

\_\_\_\_\_  
Title (Please Print)

\_\_\_\_\_  
Signature

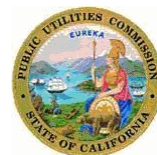
\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
Date



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# EXHIBIT 5

**DEC 19 2011**

**AGREEMENT OF MERGER**

This Agreement of Merger (this "Agreement of Merger") is entered into as of December 19, 2011, by and among Western Water Holdings, LLC, a Delaware limited liability company ("Buyer"), PWC Merger Sub, Inc., a California corporation and wholly owned subsidiary of Buyer ("Merger Sub"), and Park Water Company, a California corporation (the "Company" and together with Merger Sub, the "Constituent Corporations").

**RECITALS**

A. Buyer, Merger Sub, the Company and certain other parties entered into an Agreement and Plan of Merger dated as of December 21, 2010 (the "Plan of Merger"), providing for certain representations, warranties, covenants and agreements in connection with the transactions contemplated herein.

B. The Boards of Directors of the Constituent Corporations deem it advisable and in the best interests of the Constituent Corporations and in the best interest of the shareholders of the Constituent Corporations that the Company be acquired by Parent through a merger (the "Merger") of Merger Sub with and into the Company, with the Company surviving the Merger (the "Surviving Corporation").

C. The shareholders of the Constituent Corporations have approved the Merger.

**AGREEMENT**

NOW, THEREFORE, in consideration of the foregoing and the respective covenants and agreements set forth below, the parties agree as follows:

**ARTICLE I.  
THE CONSTITUENT CORPORATIONS**

**1.1 The Company.**

(a) The Company was incorporated under the laws of the State of California on December 15, 1937.

(b) The Company is authorized to issue 80,000 shares of common stock of the Company, \$25.00 par value per share ("Company Common Stock").

(c) As of the date hereof, an aggregate of 24,415.64 shares of Company Common Stock are issued and outstanding.

**1.2 Merger Sub.**

(a) Merger Sub was incorporated under the laws of the State of California on December 15, 2010.

(b) Merger Sub is authorized to issue an aggregate of 25,000 shares of common stock, \$0.01 par value per share ("Merger Sub Common Stock").

(c) As of the date hereof, 1,000 shares of Merger Sub Common Stock are issued and outstanding.

## ARTICLE II. THE MERGER

2.1 The Merger. Merger Sub shall be merged with and into the Company at the Effective Time (as defined below). Following the Merger, the separate corporate existence of Merger Sub shall cease and the Company shall continue as the surviving corporation (the "Surviving Corporation") in accordance with the California Corporations Code (the "California Law").

2.2 Effective Time. The Merger shall become effective (the "Effective Time") at such time as this Agreement of Merger and the required Officers' Certificates of each Constituent Corporation have been filed with the Secretary of State of the State of California pursuant to the relevant provisions of the California Law.

2.3 Effect of the Merger. At the Effective Time, the effect of the Merger shall be as provided in the Plan of Merger, this Agreement of Merger and the applicable provisions of the California Law and applicable law. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the property, rights, privileges, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation.

## ARTICLE III. ARTICLES OF INCORPORATION AND OFFICERS AND DIRECTORS OF THE SURVIVING CORPORATION

3.1 Articles of Incorporation. Following the Effective Time, the Articles of Incorporation of the Surviving Corporation shall be amended in their entirety to contain the provisions set forth in Exhibit A attached hereto.

3.2 Directors and Officers. The directors of Merger Sub immediately prior to the Effective Time shall be the initial directors of the Surviving Corporation and the officers of Merger Sub immediately prior to the Effective Time shall be the initial officers of the Surviving Corporation, each to hold office in accordance with the Articles of Incorporation and Bylaws of the Surviving Corporation.

## ARTICLE IV. EFFECT OF THE MERGER ON THE SECURITIES OF THE CONSTITUENT CORPORATIONS

4.1 Conversion of Securities. At the Effective Time, by virtue of the Merger and without any action on the part of Merger Sub, the Company or the holders of any of the following securities:

(a) Conversion Generally. Each share of Company Common Stock issued and outstanding immediately prior to the Effective Time (other than any shares of Company Common Stock to be canceled pursuant to Section 4.1(b) and any shares of Company Common Stock which are held by shareholders of the Company exercising appraisal rights pursuant to Chapter 13 under the California Law ("Dissenting Shareholders")), shall be converted, into the right to receive (i) in the case of each of the Henry H. Wheeler, Jr. Trust, as amended, Nyri A. Wheeler and Henry H. Wheeler III (collectively, the "Controlling Shareholders"), \$3,729.40 in cash plus a pro rata portion of any amounts released from the Escrow Account pursuant to the Escrow Agreement, payable to the holder thereof, without interest and (ii) in the case of each other shareholder of the Company, \$4,177.65 in cash (collectively, the "Per Share Merger Consideration"); provided that notwithstanding anything to the contrary contained herein, in no event shall the aggregate of the Per Share Merger Consideration amounts paid by Buyer to the shareholders of the Company pursuant to this Agreement of Merger exceed \$102,000,000 (the "Merger Consideration"). All such shares of Company Common Stock shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each certificate previously representing any such shares shall thereafter represent the right to receive the aggregate Per Share Merger Consideration therefor or the right, if any, to receive payment from the Surviving Corporation of the "fair value" of such shares of Company Common Stock as determined in accordance with Chapter 13 under the California Law. Certificates previously representing shares of Company Common Stock shall be exchanged for the aggregate Per Share Merger Consideration therefor upon the surrender of such certificates (or affidavits in support thereof), without interest.

(b) Cancellation of Certain Shares. Each share of Company Common Stock held in the treasury of the Company immediately prior to the Effective Time shall be canceled and extinguished without any conversion thereof and no payment shall be made with respect thereto.

(c) Merger Sub. Each share of common stock, par value \$0.01 per share, of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into and be exchanged for one newly and validly issued, fully paid and nonassessable share of common stock of the Surviving Corporation.

4.2 Dissenters' Rights.

(a) Notwithstanding anything in this Agreement of Merger to the contrary, if any Dissenting Shareholder shall properly demand payment and appraisal with respect to such Dissenting Shareholder's shares of Company Common Stock, as provided in Chapter 13 of the California Law, such shares shall not be converted into or exchangeable for the right to receive the aggregate Per Share Merger Consideration payable with respect to such Dissenting Shareholder's shares of Company Common Stock except as provided in this Section 4.2, and the Company shall give Buyer notice thereof and Buyer shall have the right to participate in all negotiations and proceedings with respect to any such demands. The Company agrees that,

except with the prior written consent of Buyer, or as required under the California Law, the Company will not voluntarily make any payment with respect to, or settle or offer to settle, any such demand for payment.

(b) If any Dissenting Shareholder shall fail to perfect or shall have effectively withdrawn or lost the right to dissent, the shares of Company Common Stock held by such Dissenting Shareholder shall thereupon be treated as though such shares had been converted into the aggregate Per Share Merger Consideration payable with respect to such Dissenting Shareholder's shares of Company Common Stock in accordance with Section 4.1.

(c) Each Dissenting Shareholder who, pursuant to the provisions of Chapter 13 of the California Law, becomes entitled to payment of the value of the shares of Company Common Stock held by such Dissenting Shareholder will receive payment therefor after the value thereof has been agreed upon or finally determined pursuant to such provisions, and any Per Share Merger Consideration that would have been payable with respect to such shares of Company Common Stock shall be retained by Buyer.

4.3 Escrow Amount. The Company hereby authorizes and instructs Buyer to deduct from the Merger Consideration otherwise payable to the Controlling Shareholders at the Effective Time an aggregate amount of \$10,000,000 (the "Escrow Amount") and deposit such amount into an escrow account (the "Escrow Account") established pursuant to the terms of an Escrow Agreement (the "Escrow Agreement") to be entered into at the Effective Time among Henry H. Wheeler, Jr., in his capacity as the representative of the shareholders of the Company (the "Shareholder Representative"), Buyer and Wells Fargo Bank, N.A., as escrow agent (the "Escrow Agent"). The timing and methodology for the release of the Escrow Amount shall be governed by the terms and subject to the conditions set forth in the Plan of Merger and the Escrow Agreement; provided, however, that each of Buyer and the Shareholder Representative, agrees that it or he will act in good faith and cooperate with one another to execute and deliver such joint written instructions, including with respect to any distributions and further investments of the Escrow Amount, to the Escrow Agent as are required to implement the intent of this Agreement of Merger and the Escrow Agreement.

#### ARTICLE V. MISCELLANEOUS PROVISIONS

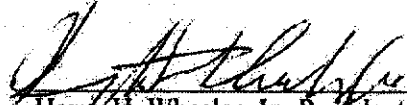
5.1 Termination. This Agreement of Merger may be terminated at any time prior to the Effective Time by mutual agreement of the Boards of Directors of the Constituent Corporations.

5.2 Effect of Termination. In the event of the termination of this Agreement of Merger pursuant to Section 5.1, this Agreement of Merger shall forthwith become void and there shall be no liability or obligation on the part of any party hereto or any of its affiliates, directors, officers or shareholders, except as otherwise provided in the Plan of Merger.

5.3 Amendment. This Agreement of Merger may not be amended except by an instrument in writing signed by the Company and Buyer.

IN WITNESS WHEREOF, the parties have duly executed this Agreement of Merger as of the date first written above.

PARK WATER COMPANY  
a California corporation

  
Henry H. Wheeler, Jr., President

  
Nyri A. Wheeler, Corporate Secretary

WESTERN WATER HOLDINGS, LLC  
a Delaware limited liability company

\_\_\_\_\_  
Robert Dove, President

\_\_\_\_\_  
Bryan Lin, Chief Financial Officer

PWC MERGER SUB, INC.  
a California corporation

\_\_\_\_\_  
Robert Dove, President

\_\_\_\_\_  
Bryan Lin, Secretary

IN WITNESS WHEREOF, the parties have duly executed this Agreement of Merger as of the date first written above.


PARK WATER COMPANY  
a California corporation

\_\_\_\_\_  
Henry H. Wheeler, Jr., President

\_\_\_\_\_  
Nyri A. Wheeler, Corporate Secretary

WESTERN WATER HOLDINGS, LLC  
a Delaware limited liability company

  
\_\_\_\_\_  
Robert D. D'Arce, President

  
\_\_\_\_\_  
Bryan Lin, Chief Financial Officer

PWC MERGER SUB, INC.  
a California corporation

  
\_\_\_\_\_  
Robert D. D'Arce, President

  
\_\_\_\_\_  
Bryan Lin, Secretary



**EXHIBIT A**

**Amended and Restated Articles of Incorporation**

I

The name of this corporation is Park Water Company.

II

The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

III

This corporation is authorized to issue only one class of shares of stock, which shall be Common Stock. The total number of shares of Common Stock which this corporation is authorized to issue is Twenty-Five Thousand (25,000) with a par value of \$0.01 per share.

IV

This corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) through bylaw provisions, agreements with agents, vote of shareholders or disinterested directors or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to the applicable limits set forth in Section 204 of the California Corporations Code with respect to actions for breach of duty to the corporation and its shareholders.

V

The liability of the directors of the corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

**PARK WATER COMPANY**


**OFFICERS' CERTIFICATE OF APPROVAL OF MERGER**

The undersigned, Christopher Schilling and Nyri A. Wheeler, hereby certify that:

1. They are the Co-Chief Executive Officer and Corporate Secretary, respectively, of Park Water Company, a California corporation (the "Corporation").
2. The Corporation has one authorized class of shares, consisting of 80,000 shares of common stock, par value \$25.00 per share ("Common Stock"). As of the date hereof, an aggregate of 24,415.64 shares of Common Stock are issued and outstanding.
3. The Agreement of Merger in the form attached to this Certificate providing for the merger of PWC Merger Sub, Inc., a California corporation, with and into the Corporation, was duly approved by the Board of Directors of the Corporation.
4. The principal terms of the Agreement of Merger in the form attached to this Certificate were duly approved by the shareholders of the Corporation by a vote that equaled or exceeded the vote required.
5. The number of shares of Common Stock outstanding entitled to vote on the merger was 24,415.64 shares. The vote required for such approval of the merger was a majority of the shares of Common Stock.

Each of the undersigned declares under penalty of perjury that the statements contained in the foregoing certificate are true of his own knowledge. Executed on December 17, 2011

  
\_\_\_\_\_  
Christopher Schilling  
Co-Chief Executive Officer

  
\_\_\_\_\_  
Nyri A. Wheeler  
Corporate Secretary


**PWC MERGER SUB, INC.**

**OFFICERS' CERTIFICATE OF APPROVAL OF MERGER**

The undersigned, Robert Dove and Bryan Lin, hereby certify that:

1. They are the President and Secretary, respectively, of PWC Merger Sub, Inc., a California corporation and wholly owned subsidiary of Western Water Holdings, LLC, a Delaware limited liability company (the "Corporation" and "Parent", respectively).
2. The Corporation has one authorized class of shares, designated common stock, par value \$0.01 per share ("Common Stock"). The number of shares of Common Stock outstanding and entitled to vote on the merger was 1,000.
3. The Agreement of Merger in the form attached to this Certificate providing for the merger of the Corporation with and into Park Water Company, a California corporation, was duly approved by the Board of Directors of the Corporation.
4. The principal terms of the Agreement of Merger in the form attached to this Certificate were duly approved by Parent as the sole shareholder of the Corporation owning 100% of the outstanding shares of Common Stock.

Each of the undersigned declares under penalty of perjury that the statements contained in the foregoing certificate are true of his own knowledge. Executed on December 19, 2011.

  
\_\_\_\_\_  
Robert Dove  
President

  
\_\_\_\_\_  
Bryan Lin  
Secretary



I hereby certify that the foregoing transcript of 10 page(s) is a full, true and correct copy of the original record in the custody of the California Secretary of State's office.

DEC 19 2011

Date: \_\_\_\_\_

*Debra Bowen*  
DEBRA BOWEN, Secretary of State



**FILED**  
4-24-17  
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# EXHIBIT 6

Park Water Company  
Balance Sheet as of December 31, 2016  
(Unaudited)

	Corporate and Central Basin Division	Central Basin Division
<b>Assets and Other Debits</b>		
<b>Utility Plant</b>		
Utility Plant in Service	\$ 110,578,719	\$ 102,697,218
Construction in Progress	9,358,541	9,229,679
Total Utility Plant	<u>119,937,260</u>	<u>111,926,897</u>
Reserve for Depreciation of Utility Plant	(28,151,510)	(22,377,274)
Accumulated Amortization-Plant in Service	(4,802)	(4,802)
Utility Plant Adjustments	<u>0</u>	<u>0</u>
Total Utility Plant Less Reserve	91,780,948	89,544,821
<b>Current and Accrued Assets</b>		
Cash	171,583	4,700
Temporary Investments	0	0
Receivables	6,460,139	5,108,304
Inventory	166,328	166,328
Prepays	978,491	607,382
Regulatory Accounts	1,769,631	1,769,631
Other Work in Progress	73,975	73,975
Nonutility Property	48,052	0
Deferred Debits and Miscellaneous	<u>4,017,284</u>	<u>105,927</u>
Total Current and Accrued Assets	13,685,483	7,836,247
Regulatory Accounts	8,533,946	8,533,946
Deferred Debits	4,108,493	548,385
Investment-Associate Company	19,639,526	137,484
Other Assets	<u>1,025,686</u>	<u>0</u>
Total Assets and Other Debits	<u>\$ 138,774,082</u>	<u>\$ 106,600,883</u>

Park Water Company  
Balance Sheet as of December 31, 2016  
(Unaudited)

	Corporate and Central Basin Division	Central Basin Division
<b>Liabilities and Other Credits</b>		
<b>Capital Stock and Surplus</b>		
Common Stock	\$ 10	\$ 0
Miscellaneous Paid in Capital	3,154,374	0
Earned Surplus	0	
Beginning of the Year	(19,552,649)	9,631,294
Current Year Net Income(Loss)	16,395,325	6,551,010
Dividends Paid	0	0
<b>Total Capital Stock and Surplus</b>	<b>(2,940)</b>	<b>16,182,304</b>
<b>Long Term Debt</b>		
Miscellaneous Long Term Debt	85,500,000	0
<b>Total Capitalization</b>	<b>85,497,060</b>	<b>16,182,304</b>
<b>Current and Accrued Liabilities</b>		
Accounts Payable	4,082,162	1,111,231
Current Portion L/T Debt	1,000,000	0
Taxes Accrued	10,237,095	4,552,397
Interest Accrued	1,269,740	0
Regulatory Accounts	553,430	553,430
Other Current and Accrued Liabilities	2,022,562	1,206,484
<b>Total Current and Accrued Liabilities</b>	<b>19,164,989</b>	<b>7,423,542</b>
<b>Deferred Credits</b>		
Advances for Construction	1,044,968	1,044,968
Advances from Associated Companies	3,989,499	53,845,323
Other Deferred Credits	22,468,543	21,495,723
<b>Total Deferred Credits</b>	<b>27,503,010</b>	<b>76,386,014</b>
Contributions in Aid of Construction	6,609,023	6,609,023
<b>Total Liabilities and Other Credits</b>	<b>\$ 138,774,082</b>	<b>\$ 106,600,883</b>

Park Water Company  
Income Statement for the Nine Months ending December 31, 2016  
(Unaudited)

	Corporate and Central Basin Division	Central Basin Division
<b>Operating Revenues</b>		
<b>Water Service Revenue</b>		
<b>Metered Sales to General Customers:</b>		
Residential Sales	\$ 22,879,553	\$ 22,879,553
Commercial Sales	6,991,830	6,991,830
Sales to Public Authorities	1,618,186	1,618,186
Subtotal	<u>31,489,569</u>	<u>31,489,569</u>
<b>Unmetered Sales to General Customers</b>		
Residential Sales		
Private Fire Protection Service	229,763	229,763
Sales to Other Water Utilities for Resale	0	0
Regulatory Balancing Account	(323,257)	(323,257)
Subtotal	<u>(93,494)</u>	<u>(93,494)</u>
<b>Total Water Service Revenues</b>	<b>31,396,075</b>	<b>31,396,075</b>
<b>Other Water Revenues</b>		
Miscellaneous Service Revenues	350,203	350,203
Other Water Revenues	<u>845,350</u>	<u>845,350</u>
<b>Other Operating Revenues</b>	<b>1,195,553</b>	<b>1,195,553</b>
<b>Total Operating Revenues</b>	<b>32,591,628</b>	<b>32,591,628</b>
<b>Operating Expenses</b>		
<b>Source of Supply Expense</b>		
<b>Operation:</b>		
Purchased Water	6,329,946	6,329,946
Purchased Power	297,910	297,910
Leased Water Rights	452,574	452,574
Replenishment Charge	1,150,825	1,150,825
Chemicals	<u>38,589</u>	<u>38,589</u>
<b>Total Source of Supply Expense</b>	<b>8,269,844</b>	<b>8,269,844</b>
<b>Payroll-Including Paid Time Off &amp; Temporary Labor</b>		
Regular	3,338,263	3,338,263
Paid Time Off	651,835	651,835
Temporary Labor - Agency	<u>67,558</u>	<u>67,558</u>
<b>Total Payroll Including Paid Time Off &amp; Temporary Labor</b>	<b>4,057,656</b>	<b>4,057,656</b>
<b>Payroll Related Costs</b>		
Payroll Taxes	386,569	386,569
Workers' Compensation Insurance	90,230	90,230
Employees Benefits Excluding Paid Time Off	<u>980,545</u>	<u>980,545</u>
<b>Total Payroll Related Costs</b>	<b>\$ 1,457,344</b>	<b>\$ 1,457,344</b>



Park Water Company  
Income Statement for the Year ending December 31, 2016

	Corporate and Central Basin Division	Central Basin Division
<b>Administrative &amp; General</b>		
Utilities	\$ 167,951	\$ 167,951
Travel & Business Meals	26,643	26,643
Training and Educational	28,658	28,658
Dues-Industry & Professional	51,245	51,245
Postage	115,112	115,112
Office Supplies	20,357	20,357
Bank Fees	24,279	24,279
Miscellaneous A & G	2,923	2,923
Professional Services	88,437	88,437
Insurance	195,854	195,854
Franchise Requirements	130,190	130,190
Regulatory Commission Expense	221,428	221,428
Administrative Transfer Credit	(900,461)	(900,461)
Corporate A & G Allocation	50,233	50,233
<b>Total Administrative &amp; General Expense</b>	<b>222,849</b>	<b>222,849</b>
<b>Operations and Maintenance Other</b>		
Contracted Services	1,128,627	1,128,627
Materials	30,638	30,638
Operating Supplies & Parts	93,749	93,749
Permits	(31,317)	(31,317)
Uniforms	49,680	49,680
<b>Total Operations and Maintenance Other</b>	<b>1,271,377</b>	<b>1,271,377</b>
<b>Customer Service and Information</b>		
Collection Agency	12,582	12,582
Uncollectibles	108,514	108,514
Deposit Over and Under	(7,538)	(7,538)
Customer Service Forms	1,454	1,454
<b>Total Customer Service and Information</b>	<b>115,012</b>	<b>115,012</b>
<b>Depreciation and Amortization</b>		
Depreciation	2,228,390	2,228,390
Amortization	1,674	1,674
<b>Total Depreciation and Amortization</b>	<b>2,230,064</b>	<b>2,230,064</b>
<b>Taxes Other Than Income</b>		
Property Taxes	717,701	717,701
Taxes Other	55,779	55,779
<b>Total Taxes Other Than Income</b>	<b>\$ 773,480</b>	<b>\$ 773,480</b>

Park Water Company  
Income Statement for the Year ending December 31, 2016  
(Unaudited)

	Corporate and Central Basin Division	Central Basin Division
Clearing Accounts		
Stores Excluding Labor	\$ 7,484	\$ 7,484
Transportation Excluding Labor	235,074	235,074
Tools/Work Equipment Excluding Labor	<u>64,799</u>	<u>64,799</u>
Total Clearing Accounts	307,357	307,357
Allocations		
Main Office-Four Factor	3,476,811	3,476,811
Maintenance General Plant-Downey	<u>(121,869)</u>	<u>(121,869)</u>
Total Allocations	3,354,942	3,354,942
Total Admin. & General Expense	8,275,081	8,275,081
Total Operating Expenses	22,059,924	22,059,924
Total Utility Operating Income	10,531,704	10,531,704
Non-Operating Revenue		
Income from Nonutility Operations (A)	21,326,235	0
Investment Income	145	0
Miscellaneous Non-operating Revenues	<u>650,197</u>	<u>650,197</u>
Total Other Income	21,976,578	650,197
Non-Operating Expenses		
Miscellaneous Income Deductions	165,771	78,215
Interest Expense	4,549,043	280
Amortization of Debt Discount & Expense	<u>4,781</u>	<u>0</u>
Total Income Deductions	4,719,595	78,495
Net Income Before Income Taxes	27,788,887	11,103,406
Income Taxes (B)	<u>(11,393,362)</u>	<u>(4,552,396)</u>
Net Income (Loss)	<u>\$ 16,395,325</u>	<u>\$ 6,551,010</u>

(A) Includes writeoff of receivable

(B) Actual income taxes will be calculated in audited financial statements.

PARK WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

Stocks Authorized

The Articles of Incorporation authorized 25,000 shares of \$00.01 per value common stock of which 1,000 are outstanding as of December 31, 2016

Long Term Debt

Long Term Debt outstanding as of December 31, 2016 is as follows:

Holder of Obligation	Date of Issue	Date of Maturity	Principal Amt. Authorized	Outstanding Dec. 31, 2016	Rate	Interest Paid 2016
Nationwide Life Insurance Co.	1995	2025	\$ 10,000,000	\$ 10,000,000	7.59%	\$ 759,000
American United Life Insurance Co.	2000	2020	\$ 6,000,000	\$ 3,428,574	8.82%	\$ 189,000
The State Life Insurance Co.	2000	2020	\$ 500,000	\$ 285,713	8.82%	\$ 15,750
Pioneer Mutual Life Insurance Co.	2000	2020	\$ 500,000	\$ 285,713	8.82%	\$ 15,750
Pacific Life Insurance Co.	2006	2036	\$ 12,000,000	\$ 12,000,000	5.99%	\$ 718,800
Pacific Life & Annuity Co.	2006	2036	\$ 3,000,000	\$ 3,000,000	5.99%	\$ 179,700
American United Life Insurance Co.	2008	2033	\$ 8,000,000	\$ 8,000,000	7.56%	\$ 604,800
The State Life Insurance Co.	2008	2033	\$ 1,500,000	\$ 1,500,000	7.56%	\$ 113,400
Pioneer Mutual Life Insurance Co.	2008	2033	\$ 500,000	\$ 500,000	7.56%	\$ 37,800
Pacific Life Insurance Co.	2008	2038	\$ 7,000,000	\$ 7,000,000	7.65%	\$ 535,500
Pacific Life & Annuity Co.	2008	2038	\$ 3,000,000	\$ 3,000,000	7.65%	\$ 229,500
American United Life Insurance Co.	2013	2043	\$ 5,500,000	\$ 5,500,000	4.53%	\$ 249,150
The State Life Insurance Co.	2013	2043	\$ 1,000,000	\$ 1,000,000	4.53%	\$ 45,300
Pioneer Mutual Life Insurance Co.	2013	2043	\$ 1,000,000	\$ 1,000,000	4.53%	\$ 45,300
Pacific Life Insurance Co.	2013	2043	\$ 7,500,000	\$ 7,500,000	4.53%	\$ 339,750
CoBank	2014	2019	\$ 30,000,000	\$ 22,500,000	Varies	\$ 352,529
<b>Totals</b>			<b>\$ 97,000,000</b>	<b>\$ 86,500,000</b>		<b>\$4,431,029</b>

Additional information concerning this long-term debt is available in the following Commission files:

<u>Application No.</u>	<u>Decision #</u>	<u>Date of Decision</u>
54321	81891	09-14-73
56631	87220	04-19-77
58856	90653	08-14-79
83-09-47	84-05-058	05-16-83
87-10-022	87-12-001	12-09-87
90-09-038	90-11-074	11-21-90
90-08-054	91-05-024	05-08-91
92-09-048	93-01-022	01-08-93
95-05-027	95-08-060	08-11-95
96-11-017	97-03-018	03-07-97
97-03-032	98-02-020	02-04-98
99-03-023	99-05-024	05-13-99
01-02-036	01-04-032	04-19-01
01-12-011	02-02-042	02-21-02
05-09-028	06-01-019	01-12-06
06-01-004	06-08-015	08-24-06
09-01-001	09-12-001	12-03-09
02-01-001	13-09-005	09-05-13

## Dividends

1990	No dividends were paid
1991	No dividends were paid
1992	Dividends were paid on the 27,609 shares of common stock in the amount of \$1,499,997
1993	No dividends were paid
1994	No dividends were paid
1995	No dividends were paid
1996	No dividends were paid
1997	No dividends were paid
1998	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$5,000,000
1999	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$2,200,000
2000	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$3,480,000
2001	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$1,513,000
2002	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$332,000
2003	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$1,200,000
2004	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$2,000,000
2005	No dividends were paid
2006	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$1,200,000
2007	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$700,000
2008	No dividends were paid
2009	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$330,000
2010	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$2,000,000
2011	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$251,356
2012	Dividends were paid on the 1,000 shares of common stock in the amount of \$2,000,000
2013	Dividends were paid on the 1,000 shares of common stock in the amount of \$4,000,000
2014	Dividends were paid on the 1,000 shares of common stock in the amount of \$5,050,000
2015	No dividends were paid
2016	No dividends were paid

## Nature of Obligation

**First Mortgage Bonds:** The Company has pledged substantially all of its property as collateral for the bonds under trust indentures dated August 31, 1995, June 1, 2000, January 27, 2006, October 6, 2008, June 4, 2013 and August 26, 2014 due to American United, Nationwide Life Insurance, State Life Insurance Company, Pioneer Mutual Life Insurance Company, Pacific Life Insurance Company, Pacific Life & Annuity Insurance Company, and CoBank as shown in the table on the preceding page.



**FILED**  
4-24-17  
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# EXHIBIT 7

Notice of Proposed Acquisition of  
Mesa-Crest Water Company by Liberty Utilities (Park Water) Corp.  
Application No.17-xx-xxx

Dear Mesa-Crest Water Company Customer:

Mesa-Crest Water Company (Mesa-Crest) and Liberty Utilities (Park Water) Corp. (Liberty Park Water) have filed a joint application with the California Public Utilities Commission (Commission) requesting authorization for Mesa-Crest to sell its water utility assets to Liberty Park Water. The proposed sale will close after the Commission authorizes the transaction, if it decides to authorize the transaction.

Mesa-Crest believes that this purchase is in the best interest of its customers for the following reasons. First, this acquisition will provide the Mesa-Crest customers with increased operational efficiencies and economies of scale, all of which ultimately benefit current and future customers. Second, the acquisition will further the Commission's Water Action Plan objective for larger investor-owned water utilities to acquire and upgrade small water systems throughout the state of California to maintain the highest standards of water quality and water service.

In this application, Mesa-Crest and Liberty Park Water are also requesting authorization, following the sale, for Liberty Park Water to incorporate Mesa-Crest customers into Liberty Park Water's Service Area rate structure in a future General Rate Case Application, to be filed in 2021. The Liberty Park Water customers are served under three rate schedules, Schedule No. PR-1-R (Residential General Metered Water Service), Schedule No. PR-1-NR (Non-Residential General Metered Water Service), and Schedule No. PR--6 (Reclaimed Water Service).

Mesa-Crest Water Company serves approximately 709 metered connections in its service territory located in the Los Angeles County community of La Cañada Flintridge.

Liberty Park Water serves approximately 29,149 customers in the southeastern portion of Los Angeles County.

A copy of the application and related exhibits may be examined at the California Public Utilities Commission offices at 320 West 4<sup>th</sup> Street, Suite 500, Los Angeles, California 90013, or 505 Van Ness Avenue, San Francisco, California 94102. A copy of the application is also available for review at Mesa-Crest Water Company at 4532 Rinetti Lane #C La Cañada Flintridge, CA 91011. If you have any comments about the proposed acquisition, you may submit them in writing to:

\_\_\_\_\_, Administrative Law Judge  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, California 94102

Correspondence should refer to Application No. 17-xx-xxx. To be considered, such communications must be received within 20 days of the date of this notice.

Dated \_\_\_\_\_, 2017

MESA-CREST WATER COMPANY



BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

FILED
4-24-17
04:59 PM

In the Matter of the Application of Mesa-Crest Water Company (U 333 W) and Liberty Utilities (Park Water) Corp. (U 314 W) for an Order Authorizing Mesa-Crest Water Company to Sell and Liberty Utilities (Park Water) Corp. to Purchase the Utility Assets of Mesa-Crest Water Company )
)A1704024
) APPLICATION NO.
)

CERTIFICATE OF SERVICE

I, Juliet Quiambao, hereby declare:

I am over the age of 18 years and not a party to or interested in the within entitled cause. I am an employee of Friedman & Springwater LLP and my business address is 350 Sansome Street, Suite 210, San Francisco, California 94104. On April 21, 2017, at my place of business as listed above, the following document(s):

JOINT APPLICATION OF MESA-CREST WATER COMPANY (U333W) AND LIBERTY UTILITIES (PARK WATER) CORP. (U314W) FOR AN ORDER AUTHORIZING MESA-CREST WATER COMPANY TO SELL, AND LIBERTY UTILITIES (PARK WATER) CORP. TO PURCHASE, THE PUBLIC UTILITY ASSETS OF MESA-CREST WATER COMPANY, AND REQUEST FOR EXPEDITED CONSIDERATION

was (were) sent:

- (BY FIRST CLASS MAIL) I am familiar with the business practice at my place of business for collection and processing of correspondence for mailing with the United States Postal Service. Correspondence so collected and processed is deposited with the United States Postal Service that same day in the ordinary course of business. The document(s) was (were) placed for deposit in the United States Postal Service in a sealed envelope(s), with postage fully prepaid, addressed as set forth on the attached service list.
(BY MESSENGER) By handing a copy of said documents for personal service by its agent to the persons at the addresses set forth on the attached service list.
(BY PUC E-MAIL SERVICE) By transmitting such document(s) electronically from Friedman & Springwater LLP, San Francisco, California, to the electronic mail addresses attached. I am readily familiar with the practice of Friedman & Springwater, LLP for transmitting document(s) by electronic mail, said practice being that in the ordinary course of business, such electronic mail is transmitted immediately after such document has been tendered for filing. Said practice also complies with Rule 1.10(b) of the Public Utilities Commission of the State of California and all protocols described therein.

I declare under penalty of perjury, under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed at San Francisco, California on April 21, 2017.

/s/ Juliet Quiambao  
Juliet Quiambao



I.15-06-018

**SERVICE LIST WAS LAST UPDATED ON MARCH 2, 2017**

(List taken from CPUC Website on April 21, 2017)

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California  
Public Utilities  
Commission



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