

OPTION AGREEMENT FOR PURCHASE OF WATER RIGHTS

THIS OPTION AGREEMENT FOR PURCHASE OF WATER RIGHTS ("Agreement") made and entered into this 4th day of August, 2010, between Dillard and Juanita Jensen, a marital community ("Seller"), and the Cities of Olympia, Lacey and Yelm, a collection of Washington Municipal Corporations ("Buyers").

RECITALS

A. Each of the Buyers is an optional municipal code that operates a municipal water system that has a need to acquire water rights for mitigation of predicted impacts to the Deschutes River associated with the Cities' water right applications (the "Project").

B. Seller owns water right certificate No. S2-00972C, priority date January 18, 1971, that authorizes the diversion from the Deschutes River of up to 0.50 cubic feet per second ("cfs") and use of 100 acrefeet annually for irrigation purposes on 50 acres of land (the "Water Right"). Water right certificate No. S2-00972C is attached hereto as Exhibit A.

C. Seller's Water Right is appurtenant to real property located in Thurston County, Washington and within the following legal description: The NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 34 lying northerly and easterly of Neat Road and easterly of Smith Prairie Road, and the S $\frac{1}{2}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 27, all in T. 16 N., R. 2 E.W.M. Said Water Right has been historically used on and is appurtenant to a 50-acre portion of a parcel of real property identified as Thurston County Tax Parcel Number 22634110000 (the "Land").

D. The Water Right contains a condition stating that "All diversion shall cease when the flow of Deschutes River falls below 180 cubic feet per second on May 1 with a linear decrease to 35 cubic feet per second on June 30 and 35 cfs from June 30 to September 15 as measured at the United States Geological Survey Gaging station located near Rainier." This Water Right condition could possibly result in a quantity useful for Project purposes that is less than 100 acrefeet or the annual quantity actually used on the Land. The Parties acknowledge that the amount of mitigation credit may be less than the transferable acre feet and this contract is for purchase of mitigation credit.

E. Buyers need to obtain approval from the Washington State Department of Ecology (the "State") to make use of the Water Right in their respective Projects. The purchase of the Water Right pursuant to this Agreement is expressly conditioned on receipt of the necessary approvals from the State for the purposes of Project mitigation. That approval could take the form of a variety of mechanisms such as such as: a change and transfer application, donation to the State trust water rights program, voluntary relinquishment, quantification of the Water Right for mitigation purposes, or other agency determination. The approval must also contain terms and conditions satisfactory to Buyers in their sole discretion and be final and beyond the time for filing any appeal or further appeal (the Water Right "Approval").

NOW, THEREFORE, in consideration of the above recitals, which are incorporated herein by reference, and the mutual covenants provided herein, Seller and Buyers agree as follows:

ARTICLE I
OPTION TO PURCHASE WATER RIGHTS

1.1 Grant of Option. In consideration of the Option Payments (as defined in Paragraph 2.3 below) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Seller hereby grants Buyers an irrevocable exclusive option (the "Option") to purchase Seller's Water Right.

1.2 Term. The Option shall be effective as of the date hereof and shall be for a term of thirteen (13) months and shall terminate at 5:00 p.m. local time in Thurston County, Washington on September 24, 2011 ("Option Period"). In the event that Buyer experiences delay in obtaining necessary State approval(s), then Buyer may extend the Option Period for such additional time as needed to complete the State review process, but not longer than thirteen (13) months. Buyer will provide written notice to Seller and Escrow Holder of such Option Period extension. In addition, Buyers and Seller may extend the Option Period by mutual agreement, and Buyers will provide written notice to Escrow Holder (defined below) of any such Option Period extension.

1.3 Exercise of Option. The Option may be exercised by Buyers at any time during the Option Period by delivery of written notice of election to exercise the Option to Seller and Escrow Holder.

ARTICLE II
PURCHASE PRICE

2.1 Purchase Price. In the event Buyers exercise the Option, the purchase price for the Water Rights (the "Purchase Price") shall be Three Thousand Dollars (\$3,000.00) per acrefoot that is approved or recognized by the State for mitigation credit associated with the Project; provided, however, that the Purchase Price shall not be less than ~~\$90,000.00~~ ^{150,000.00}. Following the State's determination(s) or decision(s) regarding the requested Approvals, Buyers have no obligation to contest or appeal such determination, and Buyers may, in their sole discretion, exercise the Option to purchase the Water Rights. The Purchase Price shall be paid by Buyers in cash or immediately available funds on the Closing Date (as hereinafter defined).

2.2 Escrow Holder. The parties designate Thurston County Title Company to serve as Escrow Holder hereunder ("Escrow Holder").

2.3 Option Payment.

(a) Within ten (10) business days after mutual execution and delivery of this Agreement, Buyers will deliver to Seller One Hundred Dollars (\$100.00) (the "Immediate Option Payment"). The Immediate Option Payment is nonrefundable to Buyers. The Immediate Option Payment shall be credited against the Purchase Price due upon Closing in the event that Buyers exercise the Option.

(b) Within ten (10) business days after execution and delivery of this Agreement, Buyers will deliver to Escrow Holder Five Thousand Dollars (\$5,000) (the "Escrow Option Payment"). The Escrow Option Payment shall be held by Escrow Holder in an FDIC

insured bank account. Except as otherwise expressly provided herein, all interest on the Escrow Option Payments shall accrue for the benefit of Buyers. The Escrow Option Payment (together with investment interest accrued thereon, if any) shall be credited against the Purchase Price due upon Closing. Except as otherwise expressly provided herein, in the event Buyers do not exercise the Option during the Option Period or otherwise terminate their obligations hereunder pursuant to a right granted Buyers under this Agreement, then Buyers shall be entitled to a full refund of the Escrow Option Payment (together with investment interest accrued thereon, if any); in such event, Seller retains the Immediate Option Payment as the sole and exclusive remedy available to Seller. In the event Buyers exercise the Option and thereafter fails, without legal excuse to purchase the Water Rights, the Escrow Option Payment made by Buyers (together with investment interest accrued thereon, if any) shall be forfeited to Seller as the sole and exclusive remedy available to Seller for such failure.

ARTICLE III TITLE TO WATER RIGHT

3.1 Title to Water Right. In the event Buyers exercise the Option, Seller shall convey to Buyers at Closing, as hereinafter defined, marketable fee simple title to the Water Right by execution and delivery of a statutory warranty deed to the Water Right substantially the form set forth in Exhibit B, free and clear of all liens, exceptions and other encumbrances except those approved in writing by Buyers during the Option Period. Seller represents and warrants that as of the date of this Agreement, there are no liens, exceptions or other encumbrances which affect the Water Rights except as follows: (if none, write None)
NONE. Buyers shall have the right, at its election and sole cost and expense to obtain a policy of title insurance from a nationally recognized title insurance company selected by Buyers and authorized to issue title insurance policies in the state of Washington ("Title Company") with liability in the amount of the Purchase Price insuring Buyers that upon Closing fee simple title to the Water Rights will be vested in Buyer subject only to such exceptions as Buyers may approve in writing during the Option Period and such endorsements as Buyers may request in its sole and absolute discretion (the "Title Policy"). The parties agree that obtaining a Title Policy is not a condition precedent to Closing.

3.2 Title Review Period. Within ten (10) business days following the receipt of the Immediate Option Payment, Seller shall provide Buyers evidence of marketable title, as described below, for the Water Rights:

(a) Title Report. Seller authorizes Buyers to order a preliminary title commitment for an ALTA Seller's title insurance policy from the Title Company showing all real property to which the Water Rights are appurtenant vested in fee in Seller or Seller's successor-in-interest together with copies of all exceptions noted therein (the "Title Report").

(b) Water Rights. Seller shall provide information that demonstrates to Buyers' satisfaction, in Buyers' sole discretion, that Seller has marketable title in the Water Rights. This information may be obtained from the Title Report, the State, or any other appropriate governmental agency, and from surveys, field inspections and consultations with engineers, hydrologists and other experts in water matters.

Buyers shall advise Seller in writing within thirty (30) days after execution of this Agreement or receipt of the Title Report, whichever is later, what exceptions to title, if any, will be accepted by Buyer (all such exceptions are hereinafter referred to as "Permitted Exceptions"). Any liens, encumbrances, restrictions, conditions, covenants, rights, leases, and other matters affecting title to the Water Rights which are created and which may appear of record or be revealed after the date of the Title Report but before the Closing Date (collectively, the "Intervening Liens") shall also be subject to Buyers' written approval and Buyers shall have ten (10) business days after notice in writing of any Intervening Lien, together with a description thereof and a copy of the instrument creating or evidencing the Intervening Lien, if any, to submit written objections thereto. If Buyers fails to notify Seller within the time periods set forth herein, Buyers shall be deemed to have disapproved the condition of title to the Water Rights or the Intervening Lien, as applicable.

(d) Monetary Exceptions. Notwithstanding the provisions of the immediately preceding paragraph, Seller shall remove all liens, mortgages, deeds of trust or other monetary liens and encumbrances from the Water Rights prior to or upon Closing. Escrow Holder is authorized to pay and discharge such monetary liens from the Purchase Price at Closing if they have not been previously released or terminated of record.

ARTICLE IV INSPECTION, EVALUATION AND STATE APPROVAL OF THE WATER RIGHTS

4.1 Inspection of Documents. Seller shall use best efforts to provide or make available to Buyers for inspection and copying, copies of all appraisals, surveys, evaluations, or audits of the Water Rights and all documents reflecting Seller's use of the Water Rights, including, but not limited to, irrigation records, crop records, aerial photographs, energy records or power bills, tax records and any other documents and information in the possession or control of Seller and pertaining to the Water Rights and all other items which Buyers deems reasonably necessary to conduct its review of the Water Rights.

4.2 Buyer's Due Diligence. As provided in Section 4.1 above, Seller acknowledges that Buyers' due diligence review of the Water Rights ("Due Diligence") will include verification by Buyer and confirmation by the State as to the nature, extent, quantity and validity of the Water Rights. Seller shall use best efforts to provide or make available to Buyers documents under Section 4.1 above within ten (10) business days after execution of this Agreement. Due Diligence may include a physical inspection of the real property to which the Water Rights are appurtenant. Seller grants Buyers, its employees, agents, consultants and contractors the right to enter upon such real property to conduct necessary investigations of the Water Rights and supporting documentation. Seller agrees to cooperate with and assist Buyer in such investigation and to assist Buyers in its review of Seller's Water Rights and Seller's documents and information regarding the Water Rights, provided that such investigation shall be conducted during normal business hours or at such other time as is reasonable and necessary to conduct the investigation.

4.3 State Approval. In addition to Due Diligence, Seller will cooperate with Buyers in obtaining State Approval to make use of the Water Right for Buyers' purposes and will, at Buyers' request, sign any applications necessary for such Approval and attend meetings and

hearings. Seller agrees to execute affidavits from one or more individuals attesting to historical use of water to provide evidence regarding the nature, extent and validity of the Water Right or to obtain the same from previous owners and provide to Buyers. In response to any questions or requests for additional information from the State, Seller will cooperate with Buyers by providing additional information or documents, allowing access and physical inspection to the land on which the water rights were used, and other reasonable actions.

4.4 Buyers' Notice. Buyers shall deliver written notice to Seller and Escrow Holder prior to the expiration of the Option Period that it has either (a) approved the condition of the Water Rights, exercised the Option, and intends to proceed with the purchase of the Water Rights, or (b) it has elected to terminate the Option granted under this Agreement whereupon the Escrow Option Payment (together with investment interest accrued thereon, if any) shall be returned to Buyers by Escrow Holder, and Seller shall retain the Immediate Option Payment as full and complete consideration for the grant of the Option, this Agreement shall terminate, and neither party hereto shall have any further rights or obligations under this Agreement.

ARTICLE V CONDITIONS PRECEDENT TO CLOSING

In the event Buyers exercise the Option granted herein, Buyers' obligations under this Agreement are expressly conditioned on, and subject to satisfaction of the following conditions precedent:

5.1 Performance by Seller. Seller shall have timely performed all obligations required by this Agreement to be performed by Seller.

5.2 Representations and Warranties True. The representations and warranties of Seller contained herein shall be true and correct as of the Closing Date.

5.3 Title. Buyers shall have reviewed and approved the condition of title to the Water Rights during the Option Period.

5.4 State Approval. Buyers shall have determined in their sole discretion that they have obtained all necessary State Approvals for use of the Water Right for Project purposes during the Option Period.

The foregoing conditions contained in this Article V are intended solely for the benefit of Buyer. If any of the foregoing conditions are not satisfied, Buyers shall have the right at its sole election either to waive the condition in question and proceed with the purchase or to terminate this Agreement upon written notice to Seller and Escrow Holder whereupon this Agreement shall automatically terminate, the Option Payment shall be distributed as otherwise provided in this Agreement, and neither party hereto shall have any further rights or obligation hereunder.

ARTICLE VI OPERATIONS PENDING CLOSING

6.1 Operations Pending Closing. Seller hereby agrees from and after the date hereof until the Closing or the termination of this Agreement to perform all of its material obligations

under any existing mortgages, leases, contracts, licenses and permits that may be applicable to the real property to which the Water Rights are appurtenant.

6.2 Seller Actions Regarding Water Rights. Seller shall not take or permit any action that could be construed as abandonment or relinquishment of the Water Rights in whole or in part. Seller shall not take or permit any action that encumbers the Water Rights, including any lease of the Water Rights, in whole or in part, without the prior written consent of Buyer, which Buyer may grant or withhold in its sole and absolute discretion. During the Option Period, Seller shall not market the Water Right or solicit or accept any offers regarding the Water Right.

6.4 Condition of Title. Seller hereby agrees from and after the date hereof until the Closing or the termination of this Agreement that it will not:

- (a) take any action that will adversely affect title to the Water Rights or the Land; and
- (b) lease, rent, mortgage, encumber or permit the encumbrance of all or any portion of the Water Rights or the Land,

without the prior written consent of Buyers, which Buyers may grant or withhold in its sole and absolute discretion.

ARTICLE VII CLOSING AND ESCROW

7.1 Closing. In the event Buyers exercise the Option, the Closing hereunder ("Closing") shall be held and delivery of all items to be made at the Closing under the terms of this Agreement shall be made at the offices of Escrow Holder ten (10) business days following the exercise of the Option or such other date prior thereto as Buyers and Seller may mutually agree in writing (the "Closing Date"). Such date may not be otherwise extended without the prior written approval of Seller and Buyers except as otherwise expressly provided in this Agreement. All documents shall be deemed delivered on the date that the Deed conveying the Water Rights is recorded.

7.2 Delivery by Seller. On or prior to the Closing Date, Seller shall deposit with Escrow Holder the following:

- (a) Statutory Warranty Deed conveying fee simple title to the Water Rights free and clear of all liens, encumbrances or other defects except Permitted Exceptions in substantially the form set forth in Exhibit B duly executed and acknowledged by Seller in recordable form, and ready for recordation on the Closing Date together with a duly executed real estate excise tax affidavit;
- (b) Affidavit executed by Seller that satisfies Section 1445 of the United States Internal Revenue Code regarding foreign investors (the "FIRPTA Affidavit");
- (c) Confirmation of warranties made by Seller under this Agreement;

(d) Such resolutions, authorizations, certificates or other documents or agreements relating to Seller as shall be reasonably required by Buyer, Escrow Holder or Title Company in connection with this transaction.

7.3 Delivery by Buyer. On or prior to the Closing Date, Buyers shall deposit with Escrow Holder the Purchase Price (less the Option Payment and investment interest, if any) and as adjusted pursuant to Section 7.4.

7.4 Costs and Expenses. Seller shall pay any and all real estate excise taxes and the cost of any documentary or other transfer taxes applicable to the sale of the Water Rights. Buyers shall pay the cost of the premium for a policy of title insurance, if any, and the cost of any endorsements it requests, and the cost to record the Statutory Warranty Deed. Each party shall pay ½ the escrow fees payable to Escrow Holder and the fees and expenses of their respective legal counsel, consultants and agents.

7.5 Recordation. Provided that Escrow Holder has not received prior written notice that any condition set forth herein has not been fulfilled or that either party has elected to terminate its rights and obligations hereunder pursuant to Article IV or Article V, Escrow Holder is authorized and instructed at 8:00 a.m. (or as soon thereafter as possible) on the Closing Date to:

(a) Record the Statutory Warranty Deed in the official records of Thurston County, Washington;

(b) Deliver the FIRPTA Affidavit and all other documents described in Sections 7.2 and 7.3 to Buyers;

(c) Deliver to the parties their respective closing statements in the form customarily prepared by Escrow Holder.

ARTICLE VIII REPRESENTATIONS AND WARRANTIES

In order to induce Buyers to enter into this Agreement and the transactions contemplated hereby, Seller makes the following representations and warranties as of the date of this Agreement and again as of the Closing Date:

8.1 Title. As of the Closing Date, Seller shall have good, marketable title to the Water Rights, free and clear of all liens, encumbrances and exceptions except those approved by Buyers in writing during the Option Period, and Seller is aware of no matters which adversely affect title thereto. Seller has perfected the Water Rights and the Water Rights have neither been abandoned nor relinquished and there is no impediment, legal or otherwise to the use of the Water Rights.

8.2 No Litigation. There is no claim, litigation, action, arbitration, legal, administrative or other proceeding, investigation or inquiry pending or threatened against the Water Rights or the Land, or pending or threatened against Seller which could affect Seller's title to the Water Rights or the Land, or affect the value or use of the Water Rights, or subject a Seller

of the Water Rights, to liability, nor is there any basis known to Seller for any such claim, litigation, action, arbitration, proceeding, investigation or inquiry.

8.3 No Leases. There are no leases, licenses, permits, assignments or other agreements granting any person the right to use the Water Rights or any portion thereof.

8.4 No Prior Options, Sales, Leases, or Assignments. Seller has not granted any options, right of first refusal or entered into any other agreement that would commit or obligate Seller in any manner whatsoever to sell or lease the Water Rights, or any portion thereof, to any party other than Buyer.

8.5 No Defaults. Neither the execution of this Agreement, the consummation of the transactions contemplated hereby (so long as the Water Right Approvals are issued by the State), nor the fulfillment of the terms hereof, will conflict with or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, any agreement or instrument which affects Seller or the Water Rights or any portion thereof or to which Seller or the Water Rights are subject or any applicable law, rule or regulation of any governmental body having jurisdiction over Seller or the Water Rights.

8.6 Reports. All certificates and documents containing factual information to be delivered by Seller or by Seller's agents in connection with this Agreement, are and shall, to the best of Seller's knowledge, be true and correct and do not and shall not contain any untrue statement of material fact or omit to state any material fact the disclosure of which is necessary to make the statements contained therein and herein, in light of the circumstances under which they are made, not misleading.

8.7 Brokerage Commissions. Seller represents to Buyers that it has not engaged any brokers in connection with the transaction contemplated by this Agreement. Fees and costs of consultant WestWater Research LLC are to be borne by Buyers.

Each of the above representations and warranties is material and has been relied upon by Buyer in making its decision to enter into this Agreement, and shall survive the Closing of the purchase of the Water Rights contemplated by this Agreement.

ARTICLE IX MISCELLANEOUS

9.1 Notices. All notices to be given by either party to the other pursuant to this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally, sent by nationally recognized overnight delivery service, or by certified or registered mail, return receipt requested and addressed as set forth below. Notices shall be deemed to have been given and delivered upon receipt if hand delivered. Any party, by written notice to the other as above described, may alter the address for receipt by it and its agents of written notices hereunder.

To Seller:

Dillard Jensen
19207 Neat Road SE
Yelm, WA 98597

With a copy to: _____

To Buyer: Richard T. Hoey
Director of Water Resources
Public Works Department
P.O. Box 1967
Olympia, WA 98507

With a copy to: Tom Morrill
City Attorney, City of Olympia
P.O. Box 1967
Olympia, WA 98507

To Buyer: Peter Brooks
Water Resources Manager
Public Works Department
P.O. Box 3400
Lacey, WA 98509

With a copy to: Kenneth R. Ahlf
City Attorney, City of Lacey
1230 Ruddell Rd. SE, Suite 201
Lacey, WA 98503

To Buyer: Shelly Badger
Yelm Administrator
105 W. Yelm Avenue
Yelm, WA 98587

With a copy to: Steve DiJulio
Attorney at Law
Foster Pepper PLLC
1111 Third Avenue, Suite 3400
Seattle, WA 98101-3299

9.2 Risk of Loss. All risk of loss shall remain with Seller until Closing, including diminution in the quantity of the Water Rights through any cause whatsoever, including amendment to laws or regulations.

9.3 Time of the Essence. Time is of the essence of this Agreement.

9.4 Entire Agreement; Modification; Waiver. This Agreement constitutes the entire agreement between Buyers and Seller pertaining to the subject matter contained herein and supersedes all prior and contemporaneous agreements, representations, and understandings. No

modification, termination or amendment of this Agreement may be made except by written agreement signed by both parties. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver. All terms, provisions and conditions of this Agreement shall inure to the benefit of and be enforceable by Seller, Buyers and their respective heirs, successors and permitted assigns.

9.5 Survival. All provisions of this Agreement which involve obligations, duties or rights which have not been determined or ascertained as of the Closing Date or the recording of the Deed to the Water Rights and all representations, warranties and indemnifications made in or to be made pursuant to this Agreement shall survive the Closing Date and/or the recording of the Deed to the Water Rights.

9.6 Captions. The captions of this Agreement are for convenience of reference only and in no way define, limit or describe the scope or intent of this Agreement.

9.7 Memorandum of Agreement. Seller shall execute, acknowledge and deliver to Buyer, simultaneous with the execution hereof, a memorandum of this Agreement in a form acceptable to Buyers, which shall, at Buyers' option, be recorded in the real property records of Thurston County.

9.8 Severability. Should any provision(s) of this Agreement be found to be invalid, illegal or unenforceable by any court of competent jurisdiction, such provision shall be stricken and the remainder of this Agreement shall nonetheless remain in full force and effect unless striking such provision shall materially alter the intention of the parties.

9.9 No Merger. The obligations contained in this Agreement, except for those specifically discharged in escrow (such as conveyance of title to the Water Rights and delivery of money and documents in the escrow), shall not merge with transfer of title but shall remain in effect until fulfilled.

9.10 Remedies Upon Default. In the event that Seller defaults in the performance of any of Seller's obligations under Article VI of this Agreement, or in the event that Buyers exercises the Option and Seller thereafter defaults in the performance of any of Seller's obligations under this Agreement, Buyers shall have the right to (a) demand and have specific performance of this Agreement, or (b) terminate this Agreement upon written notice without liability to Seller in which event Escrow Holder shall promptly return the Escrow Option Payment, together with any investment interest thereon, to Buyers as liquidated damages and not as a penalty. In the event Buyers default, without legal excuse, in the performance of any of its obligations under this Agreement, the Escrow Option Payment made by Buyers shall be forfeited to Seller as liquidated damages and not as a penalty for Buyers' breach as the sole and exclusive remedy available to Seller for such default.

9.11 Attorneys' Fees. If any legal action is brought by either party to enforce any provision of this Agreement, the prevailing party shall be entitled to recover from the other party reasonable attorneys' fees and court costs in such amounts as shall be allowed by the court.

9.12 Assignment of Buyer's Interest. Buyers reserve the right to assign its interest under this Agreement, in whole or in part, to purchase the Water Rights or any portion thereof to one or more persons or entities at any time prior to Closing upon written notice to Seller. In the event Buyers elect to exercise the right to assign, Buyers shall provide Seller with a copy of all such assignments including the name, address, and telephone number of assignee(s).

9.15 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington. Venue shall be in Thurston County Superior Court.

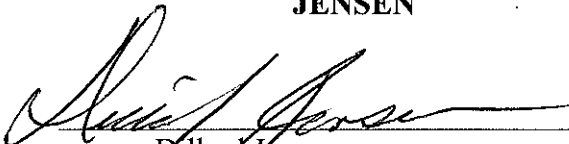
9.16 Confidentiality. Excluding the contents of the Memorandum of Agreement provided for in Section 9.7 of this Agreement, Seller shall keep the terms and conditions of this Agreement confidential and shall not in any manner, directly or indirectly, disclose, communicate, or otherwise make available such terms and conditions to any third party without the prior consent of the Buyer, except as required by law.

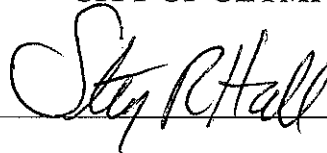
9.17 Authority. The individuals signing below represent and warrant that they have authority to execute this Agreement on behalf of their respective organizations and that the signature below is effective to bind their respective organizations to the Agreement without any further or subsequent approvals or ratifications.

IN WITNESS WHEREOF, The parties hereto have executed and delivered this Agreement the day and year above mentioned.

"Seller"
JENSEN

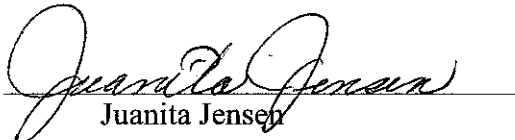
"Buyer"
CITY OF OLYMPIA


Dillard Jensen

By:  _____

Date: 7/26/10

Its: CITY MANAGER
Date: 8-12-10


Juanita Jensen

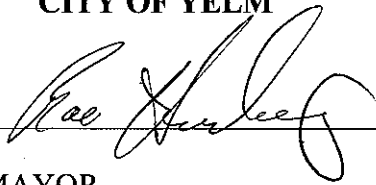
APPROVED AS TO FORM:

Date: 7/26/10


CITY ATTORNEY

Date: 8-12-10

CITY OF YELM

By: 

Its: MAYOR

Date: 8/24/10

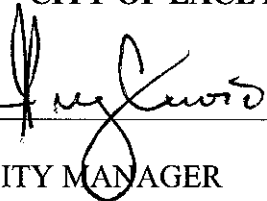
APPROVED AS TO FORM:



SPEC. AST. CITY ATTORNEY

Date: 8/24/10

CITY OF LACEY

By: 

Its: CITY MANAGER

Date: 8-18-10

APPROVED AS TO FORM:


CITY ATTORNEY

Date: 8-19-10

STATE OF WASHINGTON)
) ss.
COUNTY OF THURSTON)

I certify that I know or have satisfactory evidence that DILLARD JENSEN and JUANITA JENSEN, husband and wife, are the persons who appeared before me, and said persons acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this 26 day of July, 2010.



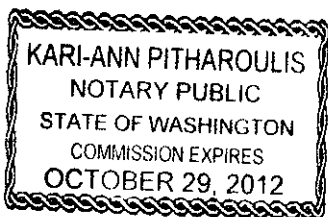
Deanne M. Hardy
Notary Public

Deanne M. Hardy
[Printed Name]
My appointment expires July 29, 2012

STATE OF WASHINGTON)
 : ss.
COUNTY OF Thurston)

I certify that I know or have satisfactory evidence that Steven R. Hall is the person who appeared before me, and said person acknowledged that s/he signed this instrument, on oath stated that s/he was authorized to execute the instrument and acknowledged it as the City Manager of the CITY OF OLYMPIA, a municipal corporation of the State of Washington, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this 12th day of August, 2010.



Kari-Ann Pitharoulis
[Signature of Notary]

(seal or stamp)
Kari-Ann Pitharoulis
[Print Name of Notary]

Notary Public in and for the State of
Washington, residing at Olympia.
My appointment expires: 10-29-2012.

STATE OF WASHINGTON)

COUNTY OF THURSTON)^{SS.}

I certify that I know or have satisfactory evidence that RON HARDING is the person who appeared before me, and said person acknowledged that s/he signed this instrument, on oath stated that s/he was authorized to execute the instrument and acknowledged it as the MAYOR of the CITY OF YELM, a municipal corporation of the State of Washington, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this 24th day of August, 2010.



Dana Spivey
[Signature of Notary]
(seal or stamp)
DANA SPIVEY
[Print Name of Notary]

Notary Public in and for the State of Washington, residing at RAINIER.
My appointment expires: 11-1-11.

STATE OF WASHINGTON)

COUNTY OF THURSTON)^{SS.}

I certify that I know or have satisfactory evidence that GREG CUOIO is the person who appeared before me, and said person acknowledged that s/he signed this instrument, on oath stated that s/he was authorized to execute the instrument and acknowledged it as the CITY MANAGER of the CITY OF LACEY, a municipal corporation of the State of Washington, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this 18 day of AUGUST, 2010.

NOTARY PUBLIC
STATE OF WASHINGTON
CAROL A LITTEN
COMMISSION EXPIRES 6-28-2012

Carol A. Litten
[Signature of Notary]
(seal or stamp)
CAROL A. LITTEN
[Print Name of Notary]

Notary Public in and for the State of Washington, residing at LACEY.
My appointment expires: 6.28.2012.

Exhibit A

Water Right Certificate No. S2-00972C

Exhibit B

RETURN ADDRESS:

Richard T. Hoey
Director of Water Resources
Public Works Department
P.O. Box 1967
Olympia, WA 98507

WASHINGTON STATE RECORDER'S Cover Sheet (RCW 65.04)

DOCUMENT TITLE(S) (or transactions contained therein): Statutory Warranty Deed
REFERENCE NUMBER(S) OF DOCUMENTS ASSIGNED OR RELEASED: _____
<input type="checkbox"/> Additional reference #s on page _____ of document(s)
GRANTOR(S) (Last name first, then first name and initials) JENSEN, Dillard and Juanita Jensen, a marital community
<input type="checkbox"/> Additional names on page _____ of document
GRANTEE(S) (Last name first, then first name and initials) CITY OF OLYMPIA, a municipal corporation of the State of Washington CITY OF LACEY, a municipal corporation of the State of Washington CITY OF YELM, a municipal corporation of the State of Washington
<input type="checkbox"/> Additional names on page _____ of document
LEGAL DESCRIPTION (abbreviated: i.e., lot, block, plat or section, township, range) The NE¼ NE¼ of Section 34 lying northerly and easterly of Neat Road and easterly of Smith Prairie Road, and the S½ SE¼ SE¼ of Section 27, all in T. 16 N., R. 2 E.W.M.
<input checked="" type="checkbox"/> Additional legal is on Exhibit A of document
ASSESSOR'S PROPERTY TAX PARCEL/ACCOUNT NUMBER Tax Parcel Number 22634110000 <input type="checkbox"/> Assessor Tax # not yet assigned

STATUTORY WARRANTY DEED

GRANTOR, Dillard and Juanita Jensen, a marital community, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby conveys and warrants to **GRANTEES**, CITY OF OLYMPIA, CITY OF LACEY, and CITY OF YELM, each a municipal corporation of the State of Washington, all right, title and interest in and to Certificate of Water Right No. S2-00972C, with priority date January 18, 1971, which Certificate is attached hereto as **Exhibit A** and incorporated herein, (the "Water Right"), situated in Thurston County, Washington.

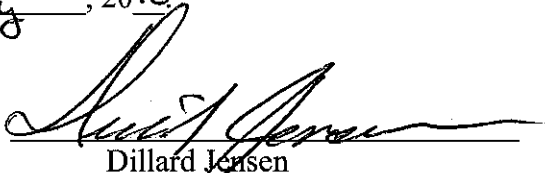
Grantor's Water Right conveyed hereunder was historically appurtenant to approximately 245.3 acres of real property located in Thurston County, Washington and within the following legal description:

The NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 34 lying northerly and easterly of Neat Road and easterly of Smith Prairie Road, and the S $\frac{1}{2}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 27, all in T. 16 N., R. 2 E.W.M.

The interest conveyed hereby consists solely of the Water Right and does not constitute a conveyance of the above-described real property. By this conveyance, the Water Right is severed from said real property and held by Grantees for beneficial use as may be approved by the State of Washington.

The individuals signing below represent and warrant that they have authority to execute this Statutory Warranty Deed and that the signatures below are effective without any further or subsequent approvals or ratifications.

DATED this 26th day of July, 2010.


Dillard Jensen


Juanita Jensen

STATE OF WASHINGTON)
) ss.
COUNTY OF THURSTON)

I certify that I know or have satisfactory evidence that DILLARD JENSEN and JUANITA JENSEN, husband and wife, are the persons who appeared before me, and said persons acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this 26th day of July, 2010.

Deanne M. Hardy
Notary Public



Deanne M. Hardy
[Printed Name]
My appointment expires July 29, 2012