

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT OF PURCHASE AND SALE is entered into this 16th day of FEB., 2018, between **CROSSWOODS WATER COMPANY, INC.** a Washington corporation (“SELLER”), and **SHIRONA WATER COMPANY, LLC**, a Washington limited liability company, (“BUYER”), and is evidence of the following agreement:

1. PREMISES. BUYER agrees to buy the SELLER’S right to provide water and to operate the water system, known as Crosswoods Water Company, together with the well-site parcel situated in Island County, Washington, described as follows:

Tract A, Crosswoods, Division No. 1, as recorded in Volume 11 of Plats, page 87, records of Island County, Washington, (Assessor’s tax parcel no. S6440-00-0000A-0)

together with all of the water system constituent parts which are installed or located at Tract A and/or within utility rights of way serving the water company,

2. PURCHASE PRICE. The total purchase price is fifty thousand dollars, U.S. (\$50,000.00), all of which is allocated to the real property, consisting of Tract A and the water lines and water system apparatus installed within Tract A and/or within utility rights of way serving the water company.

3. METHOD OF PAYMENT. At closing BUYER shall execute and deliver to SELLER a promissory note for the purchase price, i.e., fifty thousand dollars, U.S. (\$50,000.00), secured by a deed of trust affecting the referenced Tract A. The promissory note and deed of trust shall be in the form and contain the terms and conditions as those attached to this agreement as Exhibit “A” and Exhibit “B”, respectively.

4. TRANSFER DOCUMENTS. At closing the SELLER shall sign a Bill of Sale and Assignment of the water system operation and equipment and a Bargain and Sale Deed transferring the referenced Tract A.

5. CLOSING OF SALE. The closing agent shall be James L. Kotschwar, Attorney at Law, 265 NE Kettle Street, Suite #101, P.O. Box 1593, Oak Harbor, Washington 98277, (telephone/fax: 360 675-2207).

5.1 The date of closing shall be such date as designated by the parties herein, but, in any event, **not later than** February 20, 2018, with the effective date of transfer deemed to be January 1, 2018.

5.2 The BUYER and SELLER shall deposit with the closing agent all instruments, documents, and monies necessary to complete the transfer in accordance with this agreement. For purposes of this agreement, “date of closing” shall be construed as the date upon which all appropriate documents are recorded/filed.

5.3 The parties acknowledge that they have been informed that James L. Kotschwar, represents the SELLER, and may not provide legal advice to the BUYER as to any aspect of this transaction. If the BUYER chooses to seek independent legal advice, all documents pertaining to the transfer of the water system shall be made available to BUYER'S attorney.

5.4 At closing, SELLER shall pay the following closing costs and fees pertaining to this transaction: Washington real estate excise tax, title insurance premium, attorney's fees, the Island County fees related to recording the deed of trust, and one-half of the fee for document preparation.

5.5 At closing, BUYER shall pay the Island County fees related to recording the deed to Tract A and one-half of the document preparation fee.

6. POSSESSION. BUYER has been operating the subject water system since January 1, 2018, with formal assumption of operations by BUYER deemed to have occurred on that date. As such, the Bill of Sale and Assignment shall be deemed effective as of January 1, 2018. BUYER shall be entitled to any revenue related to water system operation after January 1, 2018. Further, BUYER shall reimburse SELLER for payments received by BUYER for water service provided by SELLER prior to January 1, 2018, SELLER shall be liable for any water system expenses incurred prior to January 1, 2018.

7. DEFAULT AND ATTORNEYS FEES. In the event that BUYER or SELLER default in any contractual obligations under the terms of this agreement, the non-defaulting party shall be entitled to reimbursement by the defaulting party of any court costs and attorney's fees, which may have been reasonably incurred in the enforcement of the terms of this agreement.

8. CONDITION OF PROPERTY. BUYER offers to purchase the SELLER'S water purveyor rights together with any personal property items and equipment that may be at the well site. No separate value has been allocated for the personal property items. Except as otherwise provided herein, SELLER makes no representations or warranties concerning the subject property.

9. PRORATION OF TAXES. The referenced Tract A is valued and assessed with the lots served with water. As such, there are currently no real property taxes assessed to the water purveyor with respect to the referenced Tract A.

10. GUARANTORS. Robert S. Jones and Patricia A. Jones, husband and wife, and Jay P. Jones and Ashley R. Jones, husband and wife, as the sole members of Shirona Water Company, LLC, a Washington limited liability company, guarantee the performance of BUYER'S obligations under this agreement, and shall personally execute, together with BUYER, the promissory note and deed of trust to be signed at the closing of this transaction, as attached to this agreement as Exhibit "A" and Exhibit "B", respectively.

11. GENERAL PROVISIONS.

11.1 In the event of any question or dispute concerning this agreement, the laws of the State of Washington shall be applied for purposes of interpretation and enforcement.

11.2 Time is of the essence of this agreement.

11.3 There are no verbal or other agreements between the SELLER and BUYER concerning the terms of this purchase and sale. This agreement constitutes the full understanding between the BUYER and the SELLERS.

11.4 For the purposes of this agreement, signatures transmitted by e-mail or fax shall be considered to be original signatures.

11.5 Attached to and made a part of this Agreement are the following:

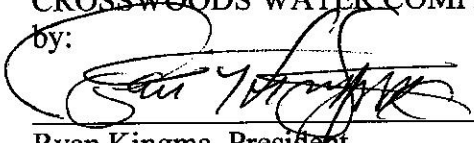
11.5.1 EXHIBIT "C" – Island County Airport and Aircraft Operations Noise Disclosure; and,

11.5.2 EXHIBIT "D" - Noise Zone Map.

SELLERS:

CROSSWOODS WATER COMPANY, INC., :

by:




Ryan Kingma, President

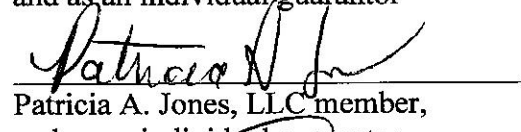
BUYER:

SHIRONA WATER COMPANY, LLC, :

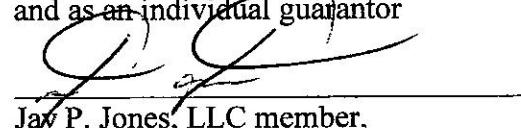
by:



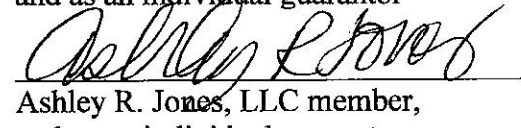
Robert S. Jones, LLC member,
and as an individual guarantor



Patricia A. Jones, LLC member,
and as an individual guarantor



Jay P. Jones, LLC member,
and as an individual guarantor



Ashley R. Jones, LLC member,
and as an individual guarantor

Address:
PO Box 1075
Oak Harbor, Washington 98277
Telephone: (360) 320-0589

Address: ~~1258~~ ¹²⁵² West Beach Road
Oak Harbor, WA 98277
Telephone: (360) 679 - 9755

A2018-C

EXHIBIT "A"

PROMISSORY NOTE

FOR VALUE RECEIVED, on the ____ day of _____, 2018, **SHIRONA WATER COMPANY, LLC**, a Washington limited liability company, its members and individually, hereinafter referred to as "**MAKERS**", promise to pay to **CROSSWOODS WATER COMPANY, INC.**, a Washington corporation, hereinafter referred to as "**HOLDER**", or order, the sum of fifty thousand and 00/100ths dollars U.S. currency (\$50,000.00), together with interest at the rate of five percent (5.00%) per annum, computed on the diminishing principal balance. Interest shall commence on April 1, 2018.

Payments of nine hundred forty-four and 00/100th dollars U.S. (\$944.00), including principal and interest, shall be paid monthly and shall commence on or before the 1st day of May, 2018, and thereafter the same sum on or before the same day of each successive calendar month, until all amounts owing have been paid in full.

MAKERS may at any time, at MAKERS' election, prepay all or a portion of the remaining principal indebtedness of this note without prepayment charge.

Payments shall be mailed or delivered to HOLDER at such place as the HOLDER may designate in writing.

1. **ACCELERATION OF PRINCIPAL BALANCE ON DEFAULT**: If default is made in the payment of any amount required by this note, or default occurs in any covenant contained in this note, and said default is not cured within thirty (30) days of written notice from the HOLDER, the entire principal sum of this note, attorney's fees, and/or costs of collection, at the election of the Holder, shall at once become due and payable. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.

2. **COSTS OF COLLECTION; ATTORNEY'S FEES**: If suit is brought to collect this note, the HOLDER shall be entitled to collect all reasonable costs and expenses of such suit and any appeal thereof, including, but not limited to, reasonable attorney's fees and court costs.

3. **DEED OF TRUST**: The indebtedness evidenced by this note is to be secured by a certain Deed of Trust of even date affecting a parcel of real property described therein which is located in Island County, Washington.

4. **OTHER EVENTS THAT MAY CAUSE NOTE TO BE DUE IN FULL**: MAKERS shall pay the remaining principal balance in full, upon the first of the following events to occur:

4.1 The final payment due on this note; or,

4.2 The sale, transfer, or assignment of any type or nature of any interest in the water purveyor business at the subject property, except to an entity wholly owned by the MAKERS.

5. **INTERPRETATION**: This note is to be interpreted in all respects and enforced according to the laws of the State of Washington.

MAKERS:

Shirona Water Company, LLC,
a Washington limited liability company, by:

Robert S. Jones, LLC member,
and as an individual guarantor

Patricia A. Jones, LLC member,
and as an individual guarantor

Jay P. Jones, LLC member
and as an individual guarantor

Ashley R. Jones, LLC member,
and as an individual guarantor

[do not sign until closing]

EXHIBIT "B"

DEED OF TRUST

THIS DEED OF TRUST, made this ____ day of _____, **2018**, between **SHIRONA WATER COMPANY, LLC**, a Washington limited liability company **GRANTOR**, whose address is _____; **FIRST AMERICAN TITLE INSURANCE COMPANY**, a California corporation, **TRUSTEE**, whose address is 121 NE Midway Blvd, Oak Harbor, WA 98277, and **CROSSWOODS WATER COMPANY, INC.**, a Washington corporation, **BENEFICIARY**, whose address is PO Box 1075, Oak Harbor, Washington 98277.

WITNESSETH: Grantor hereby bargains, sells, and conveys to Trustee in trust, with power of sale, the real property situated in Island County, Washington, fully described as follows: Tract A, Crosswoods, Division No. 1, as recorded in Volume 11 of Plats, page _____, also known as Island County Assessor's tax parcel no. S6440-00-0000A-0, which real property is not used principally for agricultural or farming purposes, together with all the tenements, hereditaments, and appurtenances now or hereafter thereunto belonging or in any wise appertaining, and the rents, issues, and profits thereof.

This deed is for the purpose of securing performance of each agreement of Grantor herein contained, and payment of all sums owing, with interest, in accordance with the terms of a promissory note of even date herewith, payable to Beneficiary or order, and made by Grantor, and all renewals, modifications and extensions thereof, and also such further sums as may be advanced or loaned by Beneficiary to Grantor, or any of their successors or assigns, together with interest thereon at such rate as shall be agreed upon. The initial principal balance of this Deed of Trust is fifty thousand dollars, U.S. (\$50,000.00).

The promissory note contains due-on-sale provisions. Reference is made to the promissory note for complete terms and conditions.

To protect the security of this Deed of Trust, Grantor covenants and agrees:

1. To keep the property in good condition and repair; to permit no waste thereof; to complete any building, structure or improvement being built or about to be built thereon; to restore promptly any building, structure, or improvement thereon which may be damaged or destroyed; and to comply with all laws, ordinances, regulations, covenants, conditions, and restrictions affecting the property.
2. To pay before delinquent all taxes and assessments upon the property; to keep the property free of all such charges or liens impairing the security of this Deed of Trust.
3. To keep all buildings now or hereafter erected on the property described herein continuously insured against loss by fire or other hazards in an amount not less than the total debt secured by

this Deed of Trust. Such insurance shall be placed in such companies as the Beneficiary may approve and have loss payable first to the Beneficiary, as their interest may appear, and then to the Grantor. The amount collected under any insurance policy may be applied upon any indebtedness hereby secured in such order as the Beneficiary shall determine. Such application by the Beneficiary shall not cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of the Grantor in insurance policies then in force shall pass to the purchaser at the foreclosure sale.

4. To defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including costs of title search and attorney's fees in a reasonable amount, in any such action or proceeding, and in any suit brought by Beneficiary to foreclose this Deed of Trust.

5. To pay all costs, fees, and expenses in connection with this Deed of Trust, including the expenses of the Trustee incurred in enforcing the obligation secured hereby and Trustee's and attorney's fees actually incurred, as provided by statute.

6. Should Grantor fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances or other charges against the property herein above described, Beneficiary may pay the same, and the amount so paid, with interest at the rate set forth in the note secured hereby, shall be added to and become a part of the debt secured in this Deed of Trust.

IT IS MUTUALLY AGREED THAT:

1. If any portion of the property is taken or damaged in an eminent domain proceeding, the entire amount of the award or such portion as may be necessary to fully satisfy the obligation secured hereby, shall be paid to Beneficiary to be applied to said obligation.

2. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive their right to require prompt payment when due of all other sums so secured or to declare default for failure to so pay.

3. The Trustee shall reconvey all or any part of the property covered by this Deed of Trust to the person entitled thereto, on written request of the Grantor and the Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiary or the person entitled thereto.

4. Upon default by Grantor in the payment of any indebtedness secured hereby or in the performance of any agreement contained herein, all sums secured hereby shall immediately become due and payable at the option of the Beneficiary. In such event and upon written request of Beneficiary, Trustee shall sell the trust property, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (1) to the expense of the sale, including a reasonable Trustee's fee and attorney's fee; (2) to the obligation secured by this Deed of Trust; and (3) the surplus, if any, shall be distributed to the persons entitled thereto.

5. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser the interest in the property which Grantor had or had the power to convey at the time of his execution of this Deed of Trust, and such as he may have acquired thereafter. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchaser and encumbrances for value.

6. The power of sale conferred by this Deed of Trust and by the Deed of Trust Act of the State of Washington is not an exclusive remedy; Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage.

7. In the event of the death, incapacity, disability or resignation of Trustee, Beneficiary may appoint in writing a successor trustee, and upon the recording of such appointment in the mortgage records of the county in which this Deed of Trust is recorded, the successor trustee shall be vested with all powers of the original trustee. The trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Grantor, Trustee, or Beneficiary shall be a party unless such action or proceeding is brought by the Trustee.

8. This Deed of Trust applies to, inures to the benefit of, and is binding not only on the parties hereto, but on their heirs, devisees, legatees, administrators, executors, and assigns. The term Beneficiary shall mean the holder and owner of the note secured hereby, whether or not named as Beneficiary herein.

SHIRONA WATER COMPANY, LLC.:

by:

Robert S. Jones, LLC member,
and as an individual guarantor

Jay P. Jones, LLC member,
and as an individual guarantor

Patricia A. Jones, LLC member,
and as an individual guarantor

Ashley R. Jones, LLC member,
and as an individual guarantor

[do not sign until closing]

REQUEST FOR FULL RECONVEYANCE
Do not record. To be used only when note has been paid.

TO: TRUSTEE

The undersigned is the legal owner and holder of the note and all other indebtedness secured by the within Deed of Trust. Said note, together with all other indebtedness secured by said Deed of Trust, has been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note above mentioned, and all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you thereunder.

Dated _____, 20__

Beneficiary:

Mail reconveyance to: _____

*Do not lose or destroy this Deed of Trust OR THE NOTE which it secures.
Both must be delivered to the Trustee before cancellation will be made.*

STATE OF WASHINGTON)
) ss:
COUNTY OF ISLAND)

I certify that I know or have satisfactory evidence that Robert S. Jones and Ashley R. Jones, are the persons who appeared before me, and that they acknowledged that they signed this instrument and acknowledged it to be their free and voluntary act for the uses and purposes mentioned in this instrument.

Dated: _____, 2018

(printed name)
NOTARY PUBLIC in and for the State of
Washington, residing at _____.
My commission expires: _____.

STATE OF WASHINGTON)
) SS:
COUNTY OF ISLAND)

I certify that I know or have satisfactory evidence that Jay P. Jones and Patricia A. Jones, are the persons who appeared before me, and that they acknowledged that they signed this instrument and acknowledged it to be their free and voluntary act for the uses and purposes mentioned in this instrument.

Dated: _____, 2018

(printed name)
NOTARY PUBLIC in and for the State of
Washington, residing at _____.
My commission expires: _____.

EXHIBIT "C"
ISLAND COUNTY, WASHINGTON
AIRPORT AND AIRCRAFT OPERATIONS NOISE DISCLOSURE

In reference to the Purchase and Sale Agreement including the real property commonly known as Island County Assessor's Tax Parcel No. S6440-00-0000A-0 between the undersigned Seller and Buyer, notice is given as follows:

NOTICE

The property is or may be located within Airport Environs mapped impacted area. There are currently five active airport facilities in Island County. The Oak Harbor Airpark, the South Whidbey Airpark, and the Camano Airpark are the general aviation facilities and are identified on the attached map. Ault Field and OLF Coupeville are tactical military jet aircraft facilities and are also identified on the attached map. Both Ault Field and OLF Coupeville are used for Field Carrier Landing Practice (FCLP) purposes. Practice sessions are routinely scheduled during day and night periods.

Property in the vicinity of Ault Field and OLF Coupeville will routinely experience significant jet aircraft noise. As a result, airport noise zones have been identified in the immediate area of Ault Field and OLF Coupeville. Jet aircraft noise is not however, confined to the boundaries of these zones.

Additionally, the noise generated by the single flyover of a military jet may exceed the average noise level depicted by the airport noise zones and may exceed 100 dba.

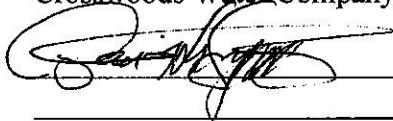
More specific information regarding airport operation and aircraft noise can be obtained by calling the Community Planning Liaison Office at NAS Whidbey Island and the Island County Planning and community Development Department.

(Island County Ordinance No. 0-32-92; 9.44.050 Disclosure Statement)

This notice, upon its execution by both parties, is herewith made an integral part of the aforementioned agreement.

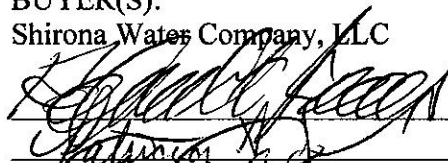
Dated: 2/12/2018

SELLER(S):
Crosswoods Water Company, Inc.



Dated: 2/16/18

BUYER(S):
Shirona Water Company, LLC



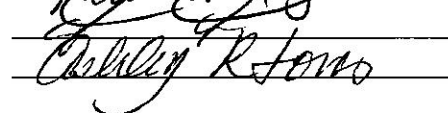
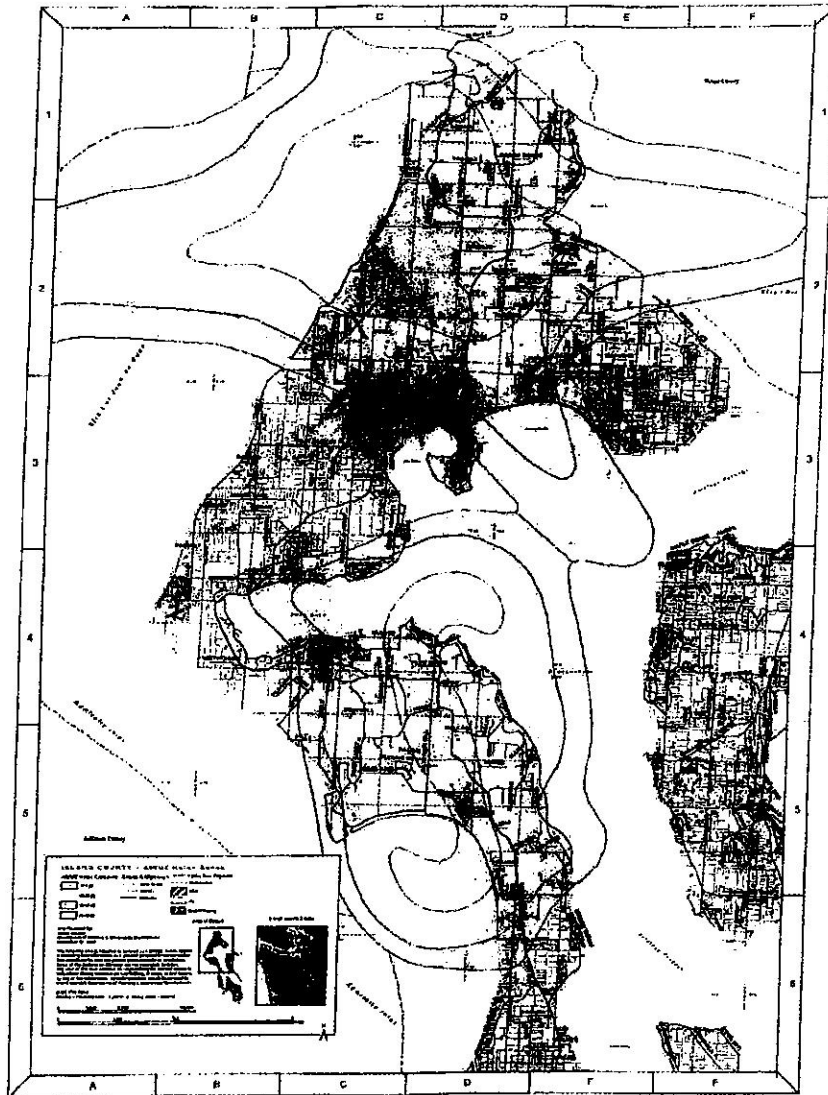


EXHIBIT "D"

ISLAND COUNTY
AICUZ NOISE ZONES



DISCLOSURE AND INDEMNITY

TO: Seller: Crosswoods Water Company, Inc.

Date 2/12/, 2018

Buyer: Shirona Water Company, LLC

Date 2/12, 2018

RE: PURCHASE AND SALE TRANSACTION – transfer of water purveyor rights and Tract A (wellsite)
Parcel No. S6440-00-0000A-0

1. James L. Kotschwar, in closing the herein-referenced transaction, is acting as the attorney for the Seller. In closing this transaction, as the Seller’s attorney, Mr. Kotschwar may not ethically provide legal advice to the Buyer concerning any aspect of the closing.

2. Mr. Kotschwar, as attorney for the Seller will, in the course of this transaction prepare documents that will affect the legal rights of all the parties to the transaction.

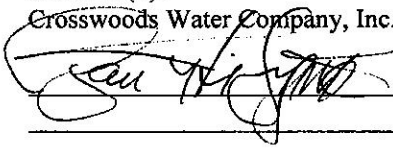
3. The Buyer has been informed that the documents related to this transaction are available for review by its own attorney prior to the closing of this transaction, should it elect to retain an attorney.

4. The parties have instructed Mr. Kotschwar to prepare a Bill of Sale and Assignment, a Bargain and Sale Deed, a Promissory Note, and a Deed of Trust between the Seller and the Buyer for the purchase of the referenced water purveyor rights. The purchase price shall be \$50,000.00, in the form of a promissory note and a deed of trust affecting Tract A signed by Buyer and the individual members of the LLC as guarantors. There shall be no down-payment from Buyer.

5. The parties, on behalf of themselves and their successors, hold Mr. Kotschwar harmless from any claim relating to conflict of interest and/or arising from his preparation of the indicated documents for the referenced transaction.

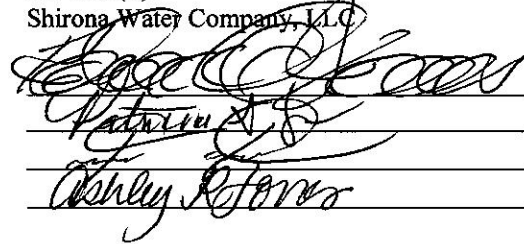
SELLER(S):

Crosswoods Water Company, Inc.



BUYER(S):

Shirona Water Company, LLC



Address:

PO Box 1075
Oak Harbor, WA 98277

Telephone: (360) 320-0589

Address:

~~1262~~ 1258 West Beach Road
Oak Harbor, WA 98277

Telephone: 360 679-9755

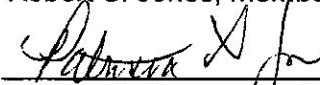
BUYER ESTIMATED CLOSING STATEMENT

RE: Buyer: Shirona Water Company LLC
 Assignment of Rights re Crosswoods water system


	<u>DEBIT</u>	<u>CREDIT</u>
Sale price	\$ 50,000.00	
Deposit to escrow		
Promissory Note		\$ 50,000.00
Recording fee (Bargin and Sale Deed)	\$ 81.00	
James L. Kotschwar - doc prep (1/2)	\$ 250.00	
Subtotal	<u>\$ 50,331.00</u>	<u>\$ 50,000.00</u>
Funds due from Buyer at closing	\$ (331.00)	
Total	<u>\$ 50,331.00</u>	<u>\$ 50,000.00</u>

Buyers:


 Robert S. Jones, member Date


 Patricia S. Jones, member Date


 Jay P. Jones, member Date


 Ashley R. Jones, member Date

81-3802675
 Tax identification no.