

## PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT ("Agreement"), made this date, is by and between the Port of Allyn, a Washington municipal corporation ("Purchaser"), and Jeffrey and Deborah Carey, husband and wife, d/b/a Allyn and Carey Community Water System ("Carey") and Yerac Community Utilities, a Washington nonprofit corporation ("Yerac"). Carey and Yerac are collectively referred to as the "Seller". Individually the Purchaser and Seller may be referred to herein as a "Party" or collectively as the "Parties."

**1. Property.** On the terms and conditions set forth herein, Carey agrees to sell and Purchaser agrees to purchase real property located in the county of Mason, state of Washington and described as follows (the "Property"):

Lots 7, 8, 9 and 10, Block 48, plat of Allyn, Volume 1 of Plats, page 17, records of Mason County, Washington ("Block 48 Lots").

Lots 7, 8, 9 and 10 Block 49, plat of Allyn, Volume 1 of Plats, page 17, records of Mason County, Washington; except for that portion to be retained by Carey pursuant to the Boundary Line Adjustment to be completed by the Parties (see Section 10.5, below) ("Block 49 Lots").

Together with the vacated alley (see Section 10.5, below).

**2. Water System.** Seller agrees to sell and Purchaser agrees to purchase the assets of the Allyn and Carey Community Water System, and all related and necessary appurtenances, including but not limited to, the well, pumps, electrical service, water lines, equipment and other infrastructure necessary to operate said system (the "Water System"). The assets to be acquired are generally described in Exhibit B. The Parties shall review and agree upon a final asset list to be included in the transaction (and attached to the Bill of Sale) during the Inspection Period, defined below.

**3. Earnest Money.** Purchaser shall pay to Aegis Land Title Group earnest money in the amount of Fifteen Thousand and No/100 Dollars (\$15,000.00), within three (3) business days of the effective date of this Agreement. Earnest money shall be in the form of a check made payable to Aegis Land Title Group and credited to the purchase price at Closing, as defined below.

**4. Purchase Price.** The purchase price for the Property shall be Two Hundred Ninety Seven Thousand and No/100 Dollars (\$297,000.00 US), payable in cash at Closing. The purchase price for the Water System shall be One hundred Fifty Thousand and No/100 Dollars (\$150,000.00 US), payable in cash at Closing. The total purchase price of the Property and Water System combined is Four Hundred and Forty Seven Thousand and no/100 (\$447,000.00 US). In the event the closing on the Property occurs in two phases, as set forth in the Holdback Agreement (see Sections 10.5 and 14.2), then the purchase price for the Block 48 Lots shall be \$198,000 and paid at Closing, and the balance of \$99,000 for the Block 49 Lots shall be paid as set forth in the Holdback Agreement.

**5. Deed.** At Closing, Carey shall sign, execute, and deliver a Statutory Warranty Deed for the Property to Purchaser and/or Closing agent (prepared by the Purchaser's attorney consistent with this Agreement). In the event the purchase of the Property is completed in two steps (see Section 10.5), then the Seller shall sign, execute and deliver two Statutory Warranty Deeds, one for the Block 48 Lots at Closing and one for the Block 49 Lots as set forth in the Holdback Agreement (see Section 14.2).

**8.3** Seller has the legal power, right and authority to enter into this Agreement, and all other documents required to be executed by Seller under this Agreement. All requisite (corporate, partnership, limited liability company or otherwise) action has been taken by Seller in connection with executing this Agreement and the documents required hereby. No consent of any other party is required for the performance by Seller of its obligations hereunder.

**8.4** Carey owns good and indefeasible fee simple title to the Property and there are no adverse or other parties in possession of the Property.

**8.5** Seller owns good and clear title to the Water System, free and clear of any third party interest, lien, or encumbrance.

**8.6** The Water System is in good working order, free of any known defects, except as set forth below:

**8.6.1** Seller is not aware of any concealed material defects in the Water System except for a 0.43 gpm distribution loss (leak) which was identified by Seller in July 2023.

**8.7** Seller makes no representations or warranties regarding the Water System other than those specified in this Agreement. Except as set forth in this Agreement, Purchaser takes the Water System "AS-IS", and Purchaser shall otherwise rely on its own pre-Closing inspections and investigations.

**8.8** Careys are the sole corporate officers of Yerac and have the authority to execute documents on behalf of Yerac. Upon request by the Purchaser, Carey and Yerac will execute any and all necessary documents, including but not limited to partial assignment of utility easements, assignment of utility service and road maintenance agreements, assignment of permits and contracts, and the like, if they are assignable, in order to effectuate the sale of the Water System between the Parties.

**8.9** There is no pending or threatened actions, suits, arbitrations, claims, investigations or legal, administrative or other proceedings: (a) with respect to or in any manner affecting the Property, including any condemnation action, proceeding to impose an assessment district, zoning change proceeding or development moratorium; (b) to which Seller is or may be a party by reason of Seller's ownership, use, or operation of the Property or the Water System. Carey may be a party to an unfiled lawsuit with the Mason County Public Utility District No. 3 ("PUD lawsuit") which is not related to the Property or Water System. Carey agrees to indemnify and hold Purchaser harmless from any liability related to the PUD lawsuit.

**8.10** There are no leases, subleases, rental agreements, licenses or other agreements for the lease or occupancy of any portion of the Property. Carey and Yerac have an existing oral lease that affects the Property and Water System which Yerac and Carey shall terminate in writing at Closing, in a form that is reasonably acceptable to the Purchaser.

**8.11** Seller is not a party to any agreements with respect to the ownership, operation, maintenance or repair of the Property or of the Water System that would encumber the Property or bind Purchaser after Closing, except for an agreement Northwest Water Systems, Inc. regarding maintenance of the Water System (Purchaser will evaluate the assignment of this agreement to Purchaser during the feasibility period set forth below), an agreement for electrical services with the PUD, and a currently unrecorded Road Maintenance Agreement. During the Feasibility Period, Purchaser shall have an opportunity to review and approve the road maintenance agreement, which will be recorded at Closing. If approved by

executed at Closing. If the Purchaser does not obtain financing by January 20, 2024, and does not elect in writing to proceed with the promissory note option (i.e. Seller financing) by January 31, 2024, then this Agreement shall terminate and be of no further force or effect between the Parties and the earnest money shall be refunded to Purchaser in its entirety.

**10.2 Due Diligence Materials.** Within ten (10) days of the effective date of this Agreement, Seller agrees to provide or make available to Purchaser, if the items are available to Seller, their agents, consultants and legal counsel, copies of the following documents: all service agreements; customer contact/ billing information; easements; communications with the Washington State Department of Health and Department of Ecology; permits; surveys; Water System plan(s); water system planning documents; Water System maps/ depictions; existing as-built drawings of Water System infrastructure; studies; water quality data; Water System user data; and documents of whatsoever nature reasonably related to the Property and Water System ("Reports").

**10.3 Inspection.** For a period of thirty (30) days, commencing the effective date of this Agreement (the "Inspection Period"), Seller hereby grants to Purchaser, their agents and consultants ("Inspecting Parties"), the right, at any time, to enter upon the Property by providing reasonable advance electronic notice to Seller for the purposes of inspecting the physical condition of the Property and Water System; provided the Inspecting Parties shall not interrupt Seller's operation of the Water System. Seller shall cooperate with the Inspecting Parties and respond to standard questions and information requests necessary to complete an assessment of the Water System. The Inspecting Parties shall have the right to conduct such tests as they shall determine to be reasonable, including water samples, water line locations and the like. The Inspecting Parties shall restore any portion of the Property disturbed by the testing to the condition that existed prior to the testing, or as close thereto that is reasonably practicable. As part of the Purchaser's due diligence and investigation, the Parties agree as follows:

**10.3.1 Water System Review.** During the Inspection Period, Purchaser shall review the condition of the Water System, review all contracts related to the Water System, confirm that Seller has control of the wellhead protection radius required by the Department of Health, and the like. As part of this review, the Purchaser shall confirm, to its satisfaction, that all permits, change applications, and approvals from the Department of Ecology and the Department of Health to add and integrate the Water System and its source well located on the Property as part of the existing water system owned and operated by the Purchaser will occur.

**10.3.2 Water System Management Contract.** During the Inspection Period, Purchaser shall evaluate the current agreement between the Seller and Northwest Water Systems, Inc. and decide prior to the end of the Inspection Period, as may be extended pursuant to Section 10.3.5, below, whether said management contract will be assigned to Purchaser at Closing or whether the Purchaser will enter a separate water system management agreement (if unassignable, or the Purchaser elects to enter a separate management agreement, then the management agreement between Seller and Northwest Water Systems shall terminate as of closing).

**10.3.3 Cultural Resource Study.** Purchaser may elect to conduct a cultural resource study for the Property during the Inspection Period. The results of the cultural resource study must be satisfactory to Purchaser, in its sole discretion. The Parties agree to share the costs of the cultural resources study, if any.

then this Agreement shall terminate and be of no further force or effect between the Parties and the earnest money shall be refunded to Purchaser in its entirety.

**11.1 Removal of Materials.** Seller's completion of the following items related to the Property: (1) removal of all stored ecology blocks, (2) removal of all propane tanks, (3) removal of 5,000 gallon water tank, (4) removal of security system, including cameras, (5) filling and grading of utility trenches, (6) removal of brush and grading of Property, and (7) removal of all excess debris and miscellaneous items on Property (such as poles and pipes).

**11.2 NW Water Systems Agreement.** Upon notice from Purchaser to Seller that Purchaser has elected to take an assignment of the Contract for Management and Operation of a Satellite Water System (No. 10060801), Seller shall assign its interests in said contract to Purchaser at Closing. The form of the assignment must be mutually agreed upon by the Parties during the Inspection Period, as may be extended. Alternatively, if Purchaser elects to enter a new contract with NW Water Systems, effective at Closing, then a new contract must be approved by the Purchaser and NW Water Systems as a condition to Closing.

**11.3 Water/Utilities Service Agreements.** Seller shall assign (if assignable) to Purchaser its interest in all water service agreements, of any kind or nature, entered between Seller and customers of the Water System (that exist as of the date of Closing). The form of the assignment must be mutually agreed upon by the Parties during the Inspection Period, as may be extended. Alternatively, if the contracts are not assignable, then the entry of new customer service contracts between the Purchaser and all parties connected to the Water System is a condition to Closing.

**11.4 Utilities Easement.** Seller shall assign to Purchaser, in whole or in part, its interest in all easements necessary to operate and own the Water System, including but not limited to the Utilities Easement, recorded under Mason County Auditor's File No. 2178574 (the assignment of said Utilities Easement shall be a partial assignment and limited to easements necessary for the Water System). The form of the assignment must be mutually agreed upon by the Parties during the Inspection Period, as may be extended.

**11.5 Assignment/ Transfer of Water Rights.** Seller agrees to assign or transfer any water right(s) associated with the Water System to the Purchaser at Closing. Such assignment or transfer may be signed or filed with the Washington State Department of Ecology as part of Closing.

**12. Transition Assistance.** As part of the consideration for this Agreement, Jeffrey Carey will voluntarily provide assistance regarding the operation of the Water System for two (2) years limited to four hours per month following Closing, as requested by Purchaser, to help transition the Water System to new ownership. No employee or agency relationships shall be created by Jeffrey Carey providing assistance to the Purchaser, if requested by Purchaser. Carey shall have no authority to and shall not act on behalf of the Port of Allyn and shall not make any representations or participate in any communications regarding the Water System to any third party.

**13. Default.** Time is of the essence of this Agreement. If the Seller defaults (that is, fails to perform the acts required of it) in its contractual performance herein, then the Purchaser may pursue damages and bring suit for specific performance of this Agreement. If the Purchaser defaults, the earnest money shall be forfeited and paid to Seller as Seller's sole and exclusive remedy. In the event of default by either Party, the non-defaulting Party shall provide the defaulting Party written notice of said default, and shall

**16. Possession.** Seller shall deliver possession of the Property and the Water System to Purchaser on Closing.

**17. Merging of Systems and Line Extension.** The Parties agree to cooperate and evaluate the merging of the Water System and the Purchaser's water system with the goal of combining the two to better serve the populations served by both systems. As part of the cooperative evaluation process, the Parties shall evaluate and negotiate a line extension and or booster system agreement for land currently owned by Carey and others in Blocks 29, 34, 35, 49, 50, 51, and 52 of the Plat of Ally, and Mason County Assessor's Parcel No. 12217-43-90020. The line extension agreement shall address future water service to the property described in this Section 10.7 and if the Parties successfully negotiate the line extension agreement, the Parties agree to sign the line extension agreement at Closing. If the Parties are unable to successfully negotiate said agreement during the Inspection Period, then this Section shall lapse and be of no further force or effect between the Parties. Neither Party shall assert any claim against the other arising from the inability to successfully negotiate said agreement during the Inspection Period.

**18. Risk of Loss.** If prior to Closing, improvements on the Property or any Water System improvements shall be destroyed or materially damaged by fire or other casualty, this Agreement, at option of Purchaser, shall become null and void. If Purchaser elects to continue, all insurance proceeds, if any, shall be payable to Purchaser.

**19. Notices.** Notice hereunder shall be in writing and may be mailed or delivered. If mailed, such notices shall be sent postage prepaid, certified or registered mail, return receipt requested, and the date marked on the return receipt by the United States Postal Service shall be deemed to be the date on which the Party received the notice. Notices shall be mailed or delivered as follows:

TO PURCHASER:	Port of Allyn 18560 E. State Route 3 P.O. Box 1 Allyn, WA 98524 Attn: LeAnn Dennis, Interim Executive Director
TO SELLER:	Jeffrey and Deborah Carey Allyn & Carey Community Water System 890 E. Cedar Street Belfair, WA 98528

**20. Governing Law and Venue.** This Agreement shall be governed by and interpreted in accordance with Washington law. Any litigation arising out of or in connection with this Agreement shall be conducted in Mason County, Washington.

**21. Successors.** This Agreement shall be binding upon and shall inure to the benefit of the respective successors, heirs and assigns of each of the Parties.

**22. Encumbrance During Interim.** Seller may not financially encumber the Property or the Water System prior to Closing, unless the encumbrance is discharged or satisfied at Closing.

**31. General Provisions.** Time is of the essence. There are no verbal agreements which modify this Agreement. This Agreement constitutes the full understanding between Seller and Purchaser. Parties agree that if the matter proceeds to litigation of any kind that either party shall be able to enter evidence regarding the mutual intent of the parties. Any and all modifications of this Agreement must be in writing and signed by both Parties in order to be binding on the Parties. Purchaser may assign this Agreement, without restriction to another public entity or a nonprofit or similar entity comprised solely of public entities. The "effective date of this Agreement" shall mean the date of the last signature set forth below.

DATED: 11/29/23


DATED: 11/29/2023


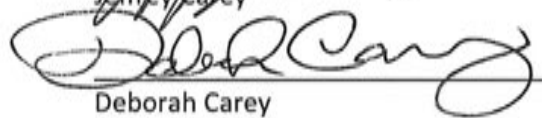
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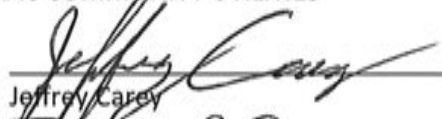
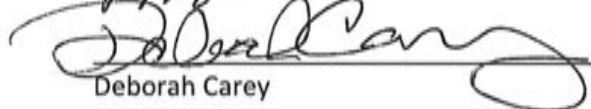
PORT OF ALLYN

JEFFREY AND DEBORAH CAREY  
DBA ALLYN & CAREY COMMUNITY WATER  
SYSTEM

By:   
LeAnn Dennis, Interim Executive Director

  
Jeffrey Carey  
  
Deborah Carey

YERAC COMMUNITY UTILITIES

  
Jeffrey Carey  
  
Deborah Carey

## Exhibit B

### The Asset Schedule as of November 2023 of the Allyn & Carey Community Water System (ACCWS)

- **What Assets & Services make up the sale of the ACCWS :**
  - 1) **Infrastructure**, The 6-inch 397ft. Well With a 20 foot perforated screening.
    - a. About 190-200ft of drop pipe.
    - b. Wired with 6ga. Pump wiring
    - c. 5 hp 240v Pump at 49gpm at 60 psi.
    - d. 5 hp pump Controller
    - e. Spare 5hp pump controller
  
  - 2) **Water System Performance/Capability Currently**
    - a. Currently ACCWS runs in front of a grand total of 52-54 lots/users
    - b. Currently Serves **15 Users**
  
  - 3) **Infrastructure**, Approximately 2,445ft of 4-inch distribution lines.
    - a. (6) four-inch Distribution valves
    - b. (2) 2in. blow off valves
    - c. (1) frost free blow off valve
  - 4) **Infrastructure**, Well house of 12 by 16ft.
    - a. Insulated
    - b. Concrete Floor
    - c. Heated
    - d. 200 amp 120/240v Electrical service (Adding additional or larger pumps will require PUD3 review)
  - 5) **Water Service connects:**
    - a. With 15 active connections
  
  - 6) **Miscellaneous Items:**
    - a. Approx 80ft. retaining block wall along Blackwell St.
    - b. Utility Vehicle Parking area away & downhill from well.
    - c. Empty Conduits running to Blackwell st.