

FILED FOR RECORD AT THE
REQUEST OF/RETURN TO:

Sam H. Morgan
3533 Chuckanut Drive
Bow, WA 98232



200704120076
Skagit County Auditor

4/12/2007 Page 1 of 11 10:46AM

REAL ESTATE CONTRACT

Grantor (s): SAM H. MORGAN (also shown of record as
SAMSUNG H. MORGAN), a single man
Grantee (s): BRENDAN M. HOWLEY, a single man, as to his 50%
interest and NATHAN G. McCLURE, as to his 50%
interest
Additional Grantor(s) on page(s):
Additional Grantee(s) on page(s):
Abbreviated Legal: Ptn of the SW ¼ of the NW ¼, 22-36N-3E, W.M.
Additional Legal on page(s): 1
Assessor's Tax Parcel No.: 360322-2-013-0208 / P48062

THIS AGREEMENT made this 1 day of April, 2007, by and between SAM H. MORGAN (also shown of record as SAMSUNG H. MORGAN), a single man, ("Seller") and BRENDAN M. HOWLEY, a single man, ("Buyer"), as to his 50% interest and NATHAN G. McCLURE, as to his 50% interest.

WITNESSETH:

That the Seller agrees to sell to the Buyer and the Buyer agrees to purchase from the Seller, upon the terms and conditions hereinafter set forth, the real estate ("Property") situated in Skagit County, Washington, legally described as:

That portion of the Southwest ¼ of the Northwest ¼ of Section 22, Township 36 North, Range 3 East, W.M., lying Westerly of the right of way line of the Great Northern Railway, as established by Deed recorded June 13, 1901 in Volume 42 of Deeds, page 492, and lying Northerly of the right of way of the Legg County Road as it existed on

June 7, 1889 (said right of way having been conveyed to Skagit County by Deeds recorded January 3, 1923 and July 24, 1963, under Auditor's File Nos. 161172 and 638737, in Volume 126 of Deeds, page 205, and Volume 332 of Deeds, page 312, respectively) and lying Easterly of the right of way of the Pacific Highway, also known as Chuckanut Drive, as it existed on June 7, 1889 (said right of way having been conveyed to the State of Washington by Deeds recorded June 5, 1918 and January 14, 1931, under Auditor's File Nos. 126002 and 240277, in Volume 110 of Deeds, page 405, and Volume 156 of Deeds, page 440, respectively).

Situated in the County of Skagit, State of Washington.

SUBJECT TO and TOGETHER WITH easements, reservations, restrictions, covenants, liens, leases, court causes, and other instruments of record.

1. **PURCHASE PRICE** - The purchase price shall be the sum of \$249,900.00 and shall be payable as follows:

a) Buyer shall make a down payment of \$20,000.00, including any earnest money heretofore paid, upon the execution of this contract, receipt of which is hereby acknowledged.

b) The balance of \$229,900.00 shall be paid in monthly installments as follows:

#16,73
SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

APR 12 2007

4453²²
Amount Paid \$
Skagit Co. Treasurer
By Deputy

i) Commencing May 1, 2007, and on the same day of each month thereafter, Buyer shall pay the sum of \$1,500.00 per month, which sum includes interest at the rate of nine percent (9%) per annum computed upon the diminishing principal balances.

ii) Interest shall commence at the date of execution of this contract. Each payment shall be applied first to costs, expenses, and other charges provided for in this contract or incurred by the Holder in realizing on this contract, second to interest then accrued, and then to principal.

iii) A balloon payment of all principal, interest, fees and all other amounts owing to Seller shall be due and payable on October 1, 2008.

c) Payments shall be made to Evergreen Secured Investments, Suite 101,

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Mt. Vernon, WA 98273. Buyer shall pay any collection fees charged by Evergreen Secured Investments, which fee is currently \$10.00 for each monthly installment.

d) In addition to the payments set forth above, commencing January 25, 2007, Buyer shall make payments equal to 1/12th the annual cost of taxes and insurance for the Property (hereinafter "Reserve Payment"). Said Reserve Payments shall be due and payable simultaneously with each monthly installment referred to in paragraph 1(b) above. Seller shall notify Buyer of any increase in the amount of the Reserve Payment, and Buyer shall pay the increased amount beginning with the next, regular, monthly installment. Seller shall apply the Reserve Payments to the insurance and taxes for the Property. Seller shall have the right to reasonably choose the type and amount of insurance to be purchased and to choose the vendor of the insurance. At the end of every twelve-month period (hereinafter "Annual Review") following the execution of this contract, Seller shall review the total cost of the insurance and taxes for the preceding twelve months. In the event that the sum of the Reserve Payments for that period has not been sufficient to cover the total cost of the taxes and insurance for that period, Buyer shall add the deficiency to the next monthly installment referred to in paragraph 1(b) above. In the event that the sum of the Reserve Payment for that period exceeds the total cost of the taxes and insurance for that period, Seller shall treat the overage as a payment of the amount of the overage made by Buyer at the time of the Annual Review. At the time of the execution of this contract, the amount of the Reserve Payment shall be initially set at the amount of \$101.42 for taxes plus the cost of insurance selected by seller. All payments provided for in this paragraph shall be made to Evergreen Secured Investments, Suite 101, Mt. Vernon, WA 98273.

e) All payments not made when due under this contract shall thereafter bear interest until paid at a default rate, which is the rate then in effect for this contract, plus 4.5% per annum, but not more than the amount allowed by law. In addition to all other remedies available for nonpayment, if any amount due from the Buyer is not received by the Seller on or before the 10th day following the date upon which such amount is due and payable, a late charge of 10% of said amount owed shall become due and payable as additional payment hereunder. In the event that payment of any check given by Buyer to Seller or Trust Accounting Center or other such collection service, is refused by reason of insufficient funds in Buyer's account, Buyer shall also pay a processing fee of \$50.00 to Seller. 4-1-7 4-1-07

f) Seller shall have the right to allocate a portion of the purchase price to the transfer of the mobile home located on the Property that will be



transferred to Buyer pursuant to this contract. Seller and Buyer shall use the value of the mobile home as determined by Seller for reporting to all taxing authorities. Seller shall retain title to the mobile home until Buyer has fully paid all amounts owed under this contract.

2. **POSSESSION** - Buyer shall be entitled to possession of the Property at the date of execution of this contract. Such possession shall continue so long as the terms of this agreement are fully complied with.

3. **PERSONAL PROPERTY** - Title to personal property described above shall remain in Seller until Buyer has fully performed this contract, and Buyer hereby grants to Seller a security interest in all of said property, all insurance and other proceeds relating thereto and all property subsequently acquired by Buyer in substitution thereof as security for the performance of Buyer's obligations herein. Buyer agrees to execute and deliver to Seller such further documents, UCC Financing Statements and Statements of Continuation that Seller may request to further evidence or perfect Seller's security interests in said property. Buyer's rights to the property shall be subject to all applicable terms and conditions of this contract. Personal property shall be maintained in good condition and not disposed of by Buyer without written consent of Seller. All personal property shall remain on the real property described above, provided temporary removal shall be permitted for making of repairs and/or where the intended use of the property, such as vehicles, necessitates temporary removal.

4. **TITLE** - Except as otherwise provided herein, the Seller's title to the Property and any substitutions thereof shall remain in the Seller until the Buyer receives delivery of the Seller's deed. In addition thereto, the Buyer hereby grants to the Seller a security interest in all condemnation awards and insurance proceeds relating to the Property and all of the rights, titles and interests in the personal property conveyed by this contract and subsequently acquired by Buyer in substitutions thereof as security for the performance of Buyer's obligations herein, and the Buyer hereby assigns to the Seller, a security interest in all rents and security deposits derived from or relating to the Property and, except for the initial partial months and last month's rent, and covenants not to collect any rents which are attributable to more than one month of the unexpired lease term. The Buyer agrees to deliver to the Seller such further assurances and UCC financing statements and statements of continuation which the Seller requests to further evidence, perfect or confirm its rights under this contract. The Buyer agrees with the Seller that it shall comply with the terms of all leases of the Property, and shall, upon written request, promptly notify the Seller of any alleged defaults therein by the Buyer or any tenant. After all sums evidenced by this due to the Seller have been paid, the Seller shall deliver its fulfillment deed and Bill of Sale to the Buyer in the form and subject to the exceptions herein agreed to.

5. **ASSESSMENTS AND TAXES** - Buyer shall pay before delinquency all taxes, assessments, water rents or water assessments, utility charges, and operation or



construction charges not now delinquent and all levied or assessed against the Property and hereafter falling due; except that real estate taxes for year and personal property taxes for year 2006 shall be prorated. Real and personal property taxes shall be paid in monthly installments to Seller as set forth in Section 1(d) of this contract. In the event any taxes, assessments, rents or charges to be paid by Buyer are paid by Seller, Buyer shall promptly reimburse Seller. Upon failure of Buyer to pay any taxes, assessments, rent or charge, any amount so paid shall be added to and be secured in the same manner as the unpaid purchase price, bear interest at the default rate set forth in Section 1(e) of this contract, and be due immediately.

6. **IMPROVEMENTS** - All improvements now or hereafter made to or placed on the Property shall become a part thereof, including, but not limited to that certain 1986 Liberty Mobile Home, VIN number 09L21047, and shall not be removed without prior written consent of the Buyer.

7. **LIENS, CHARGES AND ENCUMBRANCES** - Buyer shall pay, before a delinquency of any debts secured thereby, all liens, charges or encumbrances hereafter lawfully imposed on the Property, assumed by Buyer in this contract or subject to which this purchase and sale is made, and shall not allow any part of the Property to become subject to liens, charges or encumbrances having priority over the rights of Seller in the Property. Notwithstanding anything to the contrary provided above in this Section 7, Buyer shall not be responsible for any liens or encumbrances (or payment of title obligations secured thereby) imposed upon said Property subsequent to the date of this contract by or through Seller unless such liens, encumbrances or obligations are expressly assumed by Buyer.

8. **EXISTING MORTGAGE OR SECURED OBLIGATION** - Unless otherwise provided herein, if there is a mortgage or other secured obligation on the Property, Seller shall keep the same current at all times, satisfy the same of record upon or prior to satisfaction of this contract and indemnify, defend and hold Buyer harmless with regard thereto. If Seller fails to make any payment thereunder, Buyer may do so and, at Buyer's election, (a) receive credit therefor against the next due payments herein or (b) demand reimbursement from Seller..

9. **CONDITION OF PREMISES AND UPKEEP** -

The real estate and all personal property, equipment and/or fixtures located upon said real estate shall be sold in an "AS IS" condition. Buyer acknowledges that he has made his own inspection of the premises and equipment and relies upon said inspection as to the condition of same and is not relying upon any representations heretofore made by the Seller or any of his agents. There is no warranty or guarantee as to the condition of the premises or any equipment or fixtures on the real estate either express or implied nor is there any guarantee that the same is fit for the particular use to which the Buyer will make of same. Buyer acknowledges that accepting the premises, personal property and equipment in an "AS IS" condition was expressly part of the negotiations in establishing the purchase price and other



terms of this contract. The parties also acknowledge that this contract constitutes the only agreement between them and that no warranties, agreements, or representations have been made or shall be binding upon either of the parties unless set forth herein.

Buyer acknowledges that Buyer has or will be solely responsible for Buyer's own "due diligence" investigation of the Property, for Buyer's own analysis of the merits and risks of the acquisition of the Property, and for the analysis of the fairness and desirability of the terms of this transaction. Buyer assumes all risks relevant to this transaction and Buyer's investigation of the Property or lack thereof. Buyer is not relying upon any statements or representation by Seller, Seller's agents or any other person or entity with respect to the Property, its square footage, soils, improvements, boundaries, encroachments or any other matter of any kind whatsoever, which would give rise to a claim by Buyer against Seller at any time or for termination of this contract.

Buyer shall maintain the Property and all improvements now or later placed on the Property in a good state of repair, shall not make any material alterations without the written consent of Seller and shall not allow or commit any waste. Breach of this provision shall entitle Seller, upon the giving of three (3) days' notice, to go upon the Property and perform such services and acts as are necessary to comply with this provision. The necessary costs and expenses of these services and acts shall be considered an indebtedness immediately payable to Seller, which Seller shall have the right to collect or at Seller's option shall be considered an obligation under the contract, shall be added to the principal of the contract, and shall bear interest at the contract rate from date that the indebtedness was incurred. The methods of giving notice as herein provided shall be in the same manner as provided for in RCW 61.30.050(2)(b) and (3).

10. **USE OF PROPERTY** - Buyer shall not make or allow any unlawful use of the Property.

11. **INSURANCE** - Buyer shall insure with companies satisfactory to Seller the buildings now or hereafter placed on the Property and any personal property included in this contract in the sum of not less than its full insurable value, with loss thereunder payable first to any mortgagee who is such at the time of the execution hereof, then to Seller, then to Buyer, as their respective interests may appear. The policy shall be held by Seller or mortgagee. In the event of destruction of or damage to any of said buildings or personal property and the collection of insurance during the life of this contract, the money received on said insurance may, at the option of Buyer, be used in the restoration of said improvements: provided, that Buyer is not at the time in default under the provisions of this contract and subject to the terms of any mortgage on the Property. If Buyer fails to procure insurance, as required in this contract, Seller is authorized to do so and the cost may be added to the balance due hereunder and shall bear interest at the default rate set forth in Section 1(e) of this contract and shall become due immediately, or Seller may, at Seller's option, forfeit this contract for the failure of Buyer to procure insurance. The costs of any insurance shall be paid in monthly



installments to Seller as set forth in Section 1(d) of this contract.

12. **CONDEMNATION** - If the Property or any part shall be taken and condemned, such taking shall be a ground for rescission of this contract. The award made for the taking shall be deemed to be the Property of Buyer, but shall be paid to Seller to apply upon the purchase price, not exceeding any amounts then unpaid hereunder.

13. **ASSIGNMENT OR TRANSFER** - This contract shall not be voluntarily or involuntarily assigned or transferred to or for the benefit of any third party without the written consent of Seller, which may be granted or denied in Seller's sole and absolute discretion, nor shall the contract or the Property be encumbered in any form nor leased without said consent. Any such unauthorized transfer or assignment or encumbrance shall be null and void and shall constitute an event of default under this contract.

14. **DUE ON SALE** - If the Buyer of the Property described herein or his successor conveys or contracts to convey all or any part of the Property, without the prior written consent of the Seller, then the whole unpaid principal sum and all accrued interest shall, at the option of the Holder, immediately become due and payable without notice and thereafter bear interest at the default rate set forth in Section 1(e) of this contract, until the default is cured; or in the case of a conveyance or contract to convey, the Seller may consent to the conveyance or contract to convey and increase the interest rate provided for herein.

15. **DESTRUCTION OF PROPERTY** - In the event of damage to or destruction of any buildings or improvements upon the Property, such damage as between the parties shall be the loss of Buyer and shall not be a ground for rescission of this contract or abatement of purchase price.

16. **DEED** - When Buyer has fully performed this contract, Seller shall execute and deliver to buyer a statutory warranty deed conveying the Property free and clear of all encumbrances except any encumbrances agreed to by Buyer. Warranties of Seller are limited to the date of this contract except for affirmative acts of Seller thereafter.

17. **TITLE** - Seller shall obtain a standard buyer's form policy of title insurance showing insurable title in Seller as of the date of this contract, excepting matters herein expressly agreed to by Buyer or herein expressly provided to be satisfied hereafter by Seller, and insuring Buyer for the amount of the purchase price of the real property to be sold.

18. **REMEDIES** - Time is of the essence of this contract. If Buyer fails to make any payment or perform any obligation hereunder, Seller shall be entitled to exercise all rights and remedies as allowed by law or equity, including the right to elect one or more of the following remedies:

(1) To forfeit this contract under Ch. 61.30 RCW, in which event, without



limiting any remedies of Seller as provided by the said statute, all right, title and interest of Buyer and parties claiming an interest in the real and/or personal property subject to this contract shall be canceled and terminated, all prior payments shall be retained by the payee thereof, all improvements shall be forfeited, and Seller shall be entitled to possession of the real and/or personal property, which right may be enforced under the provisions of Ch. 59.12 RCW.

(2) To declare all amounts payable under this contract immediately due and payable and institute suit to collect such amounts, together with reasonable attorney fees; provided, if within thirty (30) days after commencement of such action, Buyer cures the default(s) and pays to Seller. Seller's actual attorneys' fees incurred and other taxable costs of suit, this contract shall be reinstated.

(3) To commence all action for the collection of past due payments or obligations arising prior to the date of judgment.

(4) To commence an action for specific performance of Buyer's obligations under this contract (including redress by either a mandatory or prohibitive injunction).

(5) If Buyer is in default under this contract and abandons the real and personal property, if any, subject hereto, pending the exercise of other rights or remedies as provided for herein, Seller may take immediate possession of the real and/or personal property for the purpose of preserving or otherwise protecting the Property from loss, damage or waste.

19. **NONWAIVER** - Failure of Seller to insist upon strict performance of Buyer's obligations hereunder (e.g., accepting late or partial payments) shall not be construed as a waiver by Seller of strict performance thereafter of all of Buyer's obligations hereunder and shall not prejudice Seller's remedies as provided herein or by law or equity.

20. **VENUE** - If either party commences an action to enforce rights under this contract, venue of such action, at the option of Seller, shall lie in Skagit County, Washington.

21. **ATTORNEY FEES AND COSTS** - In the event of a lawsuit between the parties to this contract, the prevailing party shall be entitled to recover judgment against the other party for reasonable attorney fees and costs (including title and lien searches) either at trial or on appeal. If either party exercises any non-judicial right or remedy to enforce such party's rights hereunder, it shall be a condition for the cure of the default that the defaulting party pay the nondefaulting party's reasonable attorney fees incurred and all reasonable costs, including costs of service of notices and title and lien searches. Failure to pay such costs and reasonable attorney fees shall constitute an event of default under this contract.

22. **BINDING EFFECT** - This agreement shall be binding upon and shall inure to

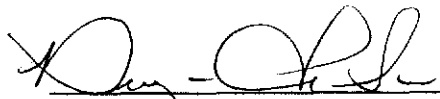
the benefit of the legal representatives and property assigns and successors of the parties.

23. **TITLE INSURANCE** - Buyer has examined preliminary commitment for title insurance issued by First American Title Insurance, order number B88817 and update and agrees to waive title insurance.


24. **EMINENT DOMAIN**: If the Property or any part thereof is condemned or taken by power of eminent domain by any public or quasi-public authority, then Seller or the Buyer or both may appear and defend or prosecute in any such proceeding. All compensation or awards received from the condemning authority by either the Seller or the Buyer shall be applied first to the payments of the expenses of litigation, next to the reduction of the unpaid balance of this contract in the inverse order of its maturity, next to any other sums then due to the Seller (including accrued and unpaid interest and reimbursable advances and expenses), and the surplus, if any, shall be paid to the Buyer.

IN WITNESS WHEREOF, the parties hereto have executed this agreement the day and year first above written.

SELLER:


DEYMIAN LESAR
POA FOR SAM H. MORGAN


AS ATTORNEY IN FACT
FOR SAM H. MORGAN


AS POWER OF ATTORNEY
FOR SAM H. MORGAN

BUYER:


BRENDAN M. HOWLEY

BUYER:

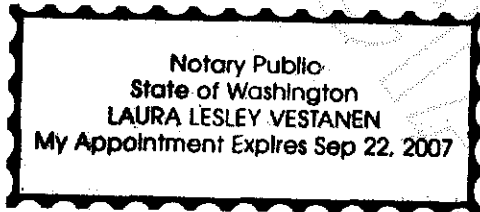

NATHAN G. McCLURE



State of Washington)
) ss
County of Skagit)

I certify that I know or have satisfactory evidence that DEYMIAN LESAR, POA for SAM H. MORGAN is the person who appeared before me and said person acknowledged that he signed this instrument and acknowledged it to be his free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: 1 April, 2007.



Laura Lesley Vestanen
(Signature)
NOTARY PUBLIC
Printed Name: LAURA LESLEY VESTANEN
My appointment expires: 9/22/07
Residing in Bellingham, WA



Notary Public
State of Washington
LAURA LESLEY VESTANEN
My Appointment Expires Sep 22, 2007

State of Washington)
) ss
County of Skagit)

I certify that I know or have satisfactory evidence that BRENDAN M. HOWLEY is the person who appeared before me and said person acknowledged that he signed this instrument and acknowledged it to be his free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: 1 April, 2007.

Notary Public
State of Washington
LAURA LESLEY VESTANEN
My Appointment Expires Sep 22, 2007

Laura Lesley Vestanen
(Signature)

NOTARY PUBLIC

Printed Name: LAURA LESLEY VESTANEN

My appointment expires: 9/22/07

Residing in Bellingham, WA

State of Washington)
) ss
County of Skagit)

I certify that I know or have satisfactory evidence that NATHAN G. McCLURE is the person who appeared before me and said person acknowledged that he signed this instrument and acknowledged it to be his free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: 1 April, 2007.

Notary Public
State of Washington
LAURA LESLEY VESTANEN
My Appointment Expires Sep 22, 2007

Laura Lesley Vestanen
(Signature)

NOTARY PUBLIC

Printed Name: LAURA LESLEY VESTANEN

My appointment expires: 9/22/07

Residing in Bellingham, WA

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