



200804220056

Skagit County Auditor

4/22/2008 Page

1 of

12 11:32AM

RETURN TO:

JOHN W. HICKS
SCHACHT & HICKS
PO BOX 1165
MOUNT VERNON WA 98273

LAND TITLE OF SKAGIT COUNTY 126989-2

DOCUMENT TITLE: OPTION TO PURCHASE REAL ESTATE

GRANTOR: SCHMIDT, WILLIAM P.
SCHMIDT, JANICE T.

GRANTEE: WALKER ROCK, LLC

ABBREVIATED LEGAL DESCRIPTION:

Ptn NE 1/4 SW 1/4; S 1/2 NE 1/4 & SE 1/4 NW 1/4, 33-34-5
E. W.M.

ADDITIONAL LEGAL DESCRIPTION ON EXHIBIT A OF DOCUMENT.

ASSESSOR'S TAX PARCEL NUMBER: P30603, P30606, P107935 and
P30607

OPTION TO PURCHASE REAL ESTATE

This Agreement made this day by and between WILLIAM P.
SCHMIDT and JANICE T. SCHMIDT, husband and wife, hereinafter
"Seller", and WALKER ROCK, LLC, hereinafter "Purchaser",

W I T N E S S E T H :

1. OPTION PAYMENT. Purchaser, upon the execution of
this agreement shall deposit with LAND TITLE ESCROW COMPANY
the sum of One Hundred Thousand Dollars (\$100,000.00), which
shall be a purchase credit. The Seller, in consideration of the
above payment, gives and grants to the Purchaser the exclusive

right and option to purchase the below described tracts of real property.

2. OPTION TERM. The option term shall be for a period of three (3) years.

3. PROPERTY DESCRIPTION. The properties which are the object of this Option Agreement are:

Those parcels listed and described on EXHIBIT "A" attached hereto and by reference made a part hereof.

4. PURCHASE PRICE. The total purchase price for all parcels above described shall be One Million Thirty-seven Thousand Dollars (\$1,037,000.00).

5. TITLE INSURANCE. Seller shall, within twenty (20) days of this agreement date, deliver to Purchaser a title insurance policy. Purchaser shall have seven (7) days from the date of this agreement to approve in writing title status. Purchaser's's failure to approve the title shall constitute a termination of this agreement. The One Hundred Thousand Dollar (\$100,000.00) shall be paid to Seller upon Purchaser's written title approval or returned to Purchaser if title is not approved.

6. PURCHASE TERMS. Purchaser shall pay Seller Two Hundred Fifty Thousand Dollars (\$250,000.00) within thirty (30) days of the date the above properties have been given a mineral resource overlay designation by Skagit County, Washington. This date shall be the closing date. Purchaser shall pay an additional Two Hundred Fifty Thousand Dollars (\$250,000.00) within one (1) year of the date of the first Two Hundred Fifty



Thousand Dollar (\$250,000.00) payment. The balance of the purchase price shall be paid on or before November 30, 2011, or upon the commencement of commercial mineral sales, whichever shall first occur. Interest on the above amount shall bear at the rate of seven percent (7%) per annum. The balance of the purchase price shall be evidenced by a Promissory Note and secured by a Deed of Trust, copies of which are attached.

7. NOTICE OF ELECTION. Purchaser, if it elects to purchase the above property pursuant to this option, shall signify and declare such election by sending a written notice thereof by registered or certified mail to LAND TITLE ESCROW on or before thirty (30) days from the date Seller in Writing notifies Purchaser by certified mail or personal service that the above real properties have been given a mineral resource overlay designation to the following:

LAND TITLE COMPANY
111 E GEORGE HOPPER BLVD
PO BOX 445
BURLINGTON WA 98233

8. COOPERATION. Owner agrees that in the event the option is exercised, he will do everything and anything which may be necessary and convenient to transfer the property above described and rights and privileges appurtenant thereto to the Purchaser according to the terms of this agreement, and will comply with any and all laws of the state of Washington appertaining to the sale of land.

9. ACCESS TO PROPERTY. Purchaser, during the option period, shall have the right of access to the above described



property for the purpose of examining the property to assure Purchaser that the property is appropriate for Purchaser's intended mining use. The Purchaser shall be obligated to pay for any damages resulting from such activities in the event this option is not exercised. The Purchaser shall restore the property in a reasonable condition subsequent to Purchaser's inspection of the property.

10. CLOSING. Closing shall transpire at LAND TITLE ESCROW COMPANY within thirty (30) days of the date that Seller has notified Purchaser that the above properties have been given the mineral resource overlay designation by Skagit County, Washington. The closing date shall be the date upon which Purchaser pays the initial Two Hundred Fifty Thousand Dollars (\$250,000.00).

11. CLOSING COSTS. Purchaser shall pay all closing costs which shall include but not be limited to title insurance, excise tax, recording and escrow fees.

12. POSSESSION. Purchaser shall be given immediate possession of the property upon paying closing.

13. PRO RATA TAXES. The current general taxes shall be prorated between the parties as of the date of delivery of possession.

14. SUCCESSORS. This agreement shall be binding upon and accrue to the benefit of the parties herein named, their heirs, personal representatives, successors and assigns.



15. COSTS OF ENFORCEMENT. In the event the services of an attorney are incurred to enforce any covenant, condition or term of this agreement or to procedure an adjusted or voluntary termination of any party's rights hereunder, including an action to collect any payment required hereunder, the parties agree that the non-prevailing party shall pay a reasonable sum as attorney's fees, whether or not suit is commenced, together with all court costs, costs of searching records, and costs of serving any notices required by law. Failure to pay said attorney's fees and costs incurred shall be deemed a substantial breach of this agreement.

16. WARRANTY DEED. Owner shall convey title at closing to Purchaser by way of Statutory Warranty Deed.

DATED: ~~March~~ and, 2008.
April

William P. Schmidt
WILLIAM P. SCHMIDT

Janice T. Schmidt
JANICE T. SCHMIDT
Seller

WALKER ROCK, LLC

By Jeffrey D. Hamilton
JEFFREY D. HAMILTON,
Managing Member
Purchaser

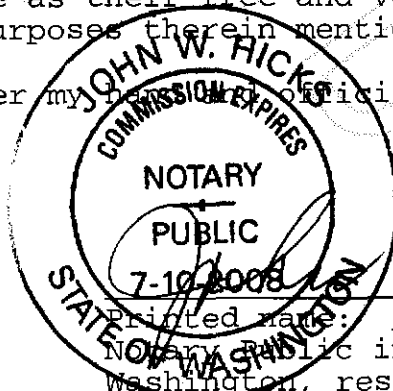


STATE OF WASHINGTON)
)
COUNTY OF SKAGIT) SS.

On this day personally appeared before me WILLIAM P. SCHMIDT and JANICE T. SCHMIDT, husband and wife, to me known to be the individuals described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 2nd day of ~~March~~, 2008.

april



Printed name: John W. Hicks
Notary Public in and for the state of
Washington, residing at: mt. vernon
My appointment expires: 7.10.08



PARCEL "A":

The Southeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$, Section 33 Township 34 North, Range 5 East, W.M.

TOGETHER WITH that portion of the Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of Section 33, Township 34 North, Range 5 East, W.M., described as follows:

Beginning at the center of said Section 33;
thence West along the North line of said Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ to the centerline of the first creek flowing Southwesterly across said North line, said point being the True Point of Beginning;
thence Southwesterly along said centerline following any Southerly most thread of said creek to the West line of said Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$;
thence North along said West line to the Northwest corner of said subdivision;
thence East along the North line of said subdivision to the True Point of Beginning.

Situate in the County of Skagit, State of Washington.

PARCEL "B":

A 60 foot wide easement appurtenant to Parcel "A", for ingress and egress over, under, across a portion of the Southwest $\frac{1}{4}$ of Section 33 Township 34 North, Range 5 East W.M, as conveyed by deed recorded January 13, 1997, under Auditor's File No. 9701130068, records of Skagit County, Washington;

EXCEPT any portion thereof lying South of the road and West of the Anacortes right-of-way as they existed on August 10, 1966.

Situate in the County of Skagit, State of Washington.

PARCEL "C":

The South $\frac{1}{2}$ of the Northeast $\frac{1}{4}$ of Section 33, Township 34 North, Range 5 East, W.M.

Situate in the County of Skagit, State of Washington.

EXHIBIT "A"



200804220056

Skagit County Auditor

PROMISSORY NOTE

\$687,000.00

Mount Vernon, Washington
Dated: _____, 2008

FOR VALUE RECEIVED, without grace, I promise to pay to the order of WILLIAM P. SCHMIDT and JANICE T. SCHMIDT, husband and wife, the sum of Six Hundred Eighty-seven Thousand and no/100 Dollars (\$687,000.00) with interest thereon from date hereof at the rate of seven percent (7%) per annum, payable as follows:

Two Hundred Fifty Thousand Dollars (\$250,000.00) shall be paid within one (1) year of the date of this note. The balance of all sums including principal and interest due hereunder shall be paid on or before November 30, 2011 or upon the sale, conveyance or transfer of any interest in the real property given as security for the payment of this Note and secured by the Deed of Trust, a copy of which is attached hereto, whichever event shall first occur.

Each party signing or endorsing this note hereby waives presentment, notice of presentment, demand, protest and notice of non-payment. Each signatory below executes this note as a maker and not as a guarantor or surety. This note shall be binding upon the heirs, successors and assigns of each signatory below.

The parties agree, that in the event the services of an attorney are incurred to enforce any covenant, condition or term of this Promissory Note or any document securing the payment or the performance of the terms of this Promissory Note or in the event that the services of an attorney are incurred to procure an adjudication or voluntary termination of any party's rights under this Promissory Note or any document securing the performance of the terms of this Promissory Note, including an action to collect any payment required hereunder, then the non-prevailing party shall pay to the prevailing party a reasonable sum as attorney's fees, whether or not suit is commenced, together with all court costs, costs of searching records and costs of serving any



notices required by law. Failure to pay said attorney's fees and costs incurred shall be deemed a substantial breach of this Promissory Note. This shall include attorney's fees incurred in seeking relief in connection with any bankruptcy court proceedings for the collection of the debt evidenced and secured by this note and any security document.

Venue of any suit to collect or enforce the terms and conditions of this note may be in Skagit County, Washington, at the option of the holder.

If Default be made in the payment of this note or any part thereof or any interest thereon, then the principal sum with accrued interest shall at once become due and collectable without notice, time being of the essence of this Promissory Note. The principal sum and interest shall bear interest from such default until paid at the rate of twelve percent (12%) per annum.

Failure to exercise the right of acceleration shall not be deemed a waiver, nor shall acceptance of payments subsequent to default defeat such right of acceleration, but the same may be exercised at any time while any default whatsoever exists or continues, whether said default arises out of the terms, conditions or covenants of any document securing the performance of this Promissory Note.

This note shall be construed according to the laws of the state of Washington and is secured by a Deed of Trust of even date on property situated in Skagit County, Washington.

WALKER ROCK, LLC

By _____

JEFFREY D. HAMILTON,
Managing Member

Acceptance of the terms and conditions of this Promissory Note is evidenced by my signature below:

WILLIAM P. SCHMIDT

JANICE T. SCHMIDT



WHEN RECORDED RETURN TO

Name SCHACHT & HICKS INC PSAddress PO BOX 1165City, State, Zip MOUNT VERNON WA 98273**Land Title Company**

FILED FOR RECORD AT REQUEST OF

Deed of Trust*(For Use in the State of Washington Only)*

THIS DEED OF TRUST, made this day of between
WALKER ROCK, LLC GRANTOR,
 whose address is PO BOX 1126, BURLINGTON WA 98233
 LAND TITLE COMPANY OF SKAGIT COUNTY, a corporation, TRUSTEE, whose address is
P.O. Box 445, Burlington, Washington, and WILLIAM P. SCHMIDT and JANICE T.
SCHMIDT, husband and wife, BENEFICIARY,
 whose address is 689 Gallagher Road, Concrete WA 98237
 WITNESSETH: Grantor hereby bargains, sells and conveys to Trustee in Trust, with power of sale, the
 following described real property in Skagit County, Washington:
 That property described on EXHIBIT A attached.

All sums due under the Promissory Note secured by this Deed of Trust shall be due and payable in full upon the sale, conveyance or transfer of any interest in the real property described herein.

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 the sum of Six Hundred Eighty-seven Thousand and no/100-----
 Dollars (\$ 687,000.00) 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.

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 lawful taxes and assessments upon the property; to keep the property free and clear of all other charges, liens or encumbrances 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. All policies shall be held by the Beneficiary, and be in such companies as the Beneficiary may approve and have loss payable first to the Beneficiary, as its 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 and to pay all costs and expenses, including cost of title search and att proceeding, and in any suit brought by Beneficiary to foreclose this De



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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 hereinabove 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 by this Deed of Trust.

IT IS MUTUALLY AGREED THAT:

1. In the event 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 its 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; (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 encumbrancers 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.

WALKER ROCK, LLC

By
JEFFREY D. HAMILTON
Managing Member

STATE OF WASHINGTON }
COUNTY OF Skagitli } ss.

STATE OF WASHINGTON }
COUNTY OF } ss.

On this day personally appeared before me
JEFFREY D. HAMILTON, Managing
member of WALKER ROCK, LLC
to me known to be the individual described in and who
executed the within and foregoing instrument and acknowledged that he signed the same as his
free and voluntary act and deed, for the uses and purposes
therein mentioned, and as managing member
of WALKER ROCK, LLC

On this day of before me, the undersigned, a
Notary Public in and for the State of Washington, duly commissioned and
sworn, personally appeared and

to me known to be the President and Secretary,
respectively of the corporation that
executed the foregoing instrument, and acknowledged the said instrument to
be the free and voluntary act and deed of said corporation, for the uses and
purposes therein mentioned, and of each stated that
authorized to execute the said instrument and that the seal affixed is the
corporate seal of said corporation.

Witness my hand and official seal hereto affixed the day and year first
above written.

Notary Public in and for the State of Washington,
residing at
My appointment expires

Notary Public in and for the State of Washington,
residing at
My appointment expires

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



200804220056
Skagit County Auditor

PARCEL "A":

The Southeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$, Section 33 Township 34 North, Range 5 East, W.M.

TOGETHER WITH that portion of the Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of Section 33, Township 34 North, Range 5 East, W.M., described as follows:

Beginning at the center of said Section 33;
thence West along the North line of said Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ to the centerline of the first creek flowing Southwesterly across said North line, said point being the True Point of Beginning;
thence Southwesterly along said centerline following any Southerly most thread of said creek to the West line of said Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$;
thence North along said West line to the Northwest corner of said subdivision;
thence East along the North line of said subdivision to the True Point of Beginning.

Situate in the County of Skagit, State of Washington.

PARCEL "B":

A 60 foot wide easement appurtenant to Parcel "A", for ingress and egress over, under, across a portion of the Southwest $\frac{1}{4}$ of Section 33 Township 34 North, Range 5 East W.M, as conveyed by deed recorded January 13, 1997, under Auditor's File No. 9701130068, records of Skagit County, Washington:

EXCEPT any portion thereof lying South of the road and West of the Anacortes right-of-way as they existed on August 10, 1966.

Situate in the County of Skagit, State of Washington.

PARCEL "C":

The South $\frac{1}{2}$ of the Northeast $\frac{1}{4}$ of Section 33, Township 34 North, Range 5 East, W.M.

Situate in the County of Skagit, State of Washington.

EXHIBIT "A"



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Skagit County Auditor