

RECORDING REQUESTED BY AND WHEN
RECORDED MAIL TO:

Laura Minton Breckenridge
P.O. Box 178
Bow, WA 98232



201204260040
Skagit County Auditor

4/26/2012 Page 1 of 12 2:34PM

THIS SPACE RESERVED FOR RECORDER'S USE

The information contained in this boxed section is for recording purposes only pursuant to RCW 36.18 and RCW 65.04, and is not to be relied upon for any other purpose, and shall not affect the intent of or any warranty contained in the document itself.

Grantor: Padilla Bay, LLC

Grantee: Leatherwood Trust

Reference Number of Documents Assigned or Released: N/A

Abbreviated Legal Description: Grantor Property: (17.3000 ac) O/S#13 AF#766462 1973 TRNSE#807790 PORTION OF SURVEY AF#200010300004 LOCATED IN A PORTION OF THE NW1/4 NW1/4 LYING NORTHLY AND WESTERLY OF THE FOLLOWING DESCRIBED LINE: BEGINNING AT THE NW CORNER OF SAID NW1/4 NW1/4 (NW SECTION CORNER) and Grantee Property: (29.7000 ac) NE1/4 NE1/4 S OF SLO LESS W 5.30AC OPEN SPACE#38 #792933 1975 **Complete Legal Descriptions set forth in Exhibits A, B and C of Document.**

Assessor's Parcel Numbers: Grantor Parcel Number: 350320-2-002-0100 and Grantee Parcel Number: 350319-1-003-0000

EASEMENT AGREEMENT

THIS EASEMENT AGREEMENT ("Agreement") is entered into between PADILLA BAY, LLC ("Grantor") and LEATHERWOOD TRUST ("Grantee"), as of April 24, 2012 ("Effective Date"). The properties that are the subject of this Agreement are:

<u>Grantor Property</u>	<u>Grantee Property</u>	<u>Easement Area</u>
Property Owner: Padilla Bay, LLC P.O. Box 178 Bow, WA 98232 Exhibit A	Property Owner: Leatherwood Trust P.O. Box 178 Bow, WA 98232 Exhibit B	Property Owner: Padilla Bay, LLC P.O. Box 178 Bow, WA 98232 Part of Parcel No: 350320-2-002-0100 P117449 Exhibit C

SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

APR 26 2012

Amount Paid \$
Skagit Co. Treasurer
By *KL* Deputy *D*

RECITALS

A. Grantor is the owner of real property more particularly described in **Exhibit A**, attached hereto and incorporated herein by reference ("Grantor Property"). Grantee is the owner of real property more particularly described in **Exhibit B**, attached hereto and incorporated herein by reference ("Grantee Property").

B. Grantee wishes to obtain from Grantor, and Grantor has agreed to grant to Grantee, an easement over the Grantor Property as described in **Exhibit C**, attached hereto and incorporated herein by reference (the "Easement Area"), upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the parties agree as follows:

AGREEMENT

1. **Grant of Easement.** Grantor, on behalf of itself and its successors and assigns, hereby grants and conveys to Grantee, and its agents, tenants, successors and assigns, a non-exclusive easement over, under, across and through the Easement Area described in **Exhibit C** to install, use, maintain, repair, add to, alter or replace the existing or future septic drainfield serving the residence and office building located on Grantee's Property described in **Exhibit B** (collectively, "Drainfield").

2. **Conditions of Easement.** This Easement is granted subject to and conditioned upon the following terms, conditions and covenants which the parties, their agents, tenants, successors and assigns, promise to faithfully and fully observe and perform:

2.1 **Rights of Easement.** Grantee, its agents, tenants, successors and assigns, shall have the non-exclusive use of the Easement Area, and right of way to and from the Easement Area, for the purposes identified in Section 1 above. Grantee, its agents, tenants, successors and assigns, shall exercise their rights under this Agreement so as to minimize and avoid interference with Grantor and Grantee's use of the Grantor's property, including that of the Easement Area. Grantee shall also take care to minimize any negative impact, whether functional or aesthetic, on the Easement Area.

2.2 **Grantor's Rights.** Grantor reserves the right to itself, its agents, tenants, successors and assigns, to make any use of the Easement Area that is not inconsistent with the rights conveyed to Grantee under this Agreement or that does not interfere with the use of the Easement Area by Grantee, including the construction and maintenance of roadways and fencing over the Easement Area and the tilling, planting, harvesting and other uses over the Easement Area. Grantee acknowledges Grantor presently leases the Easement Area to a third party and the Easement Area is planted in blueberries. Nothing in this Agreement shall prevent or preclude Grantor, its tenants, successors or assigns from their use of the Easement Area, or improvement of the existing improvements, or undertaking any future improvements in the Easement Area. Grantor, its agents, tenants, successors and assigns shall not be liable to



Grantee or to Grantee's agents, tenants, successors, assigns or contractors for loss or injury caused to the Drainfield, as defined below, or the Easement Area, directly or indirectly caused by Grantor, its agents, tenants, successors, assigns or contractors.

2.3 Permissible Use. Grantee agrees it will use the Easement Area only for purposes consistent with the rights and usage set forth in this Agreement. Grantee, its agents, successors and assigns shall not use or permit the use of the Easement Area for any purpose prohibited by any law, ordinance or regulation.

2.4 Equipment and Activities. The following provisions shall apply with respect to the Drainfield and Grantee's activities:

2.4.1 Ownership. The Drainfield components installed in the Easement Area shall be the property of Grantee, its successors and assigns.

2.4.2 Maintenance. The expense of installation, construction, operation, maintenance, repair, replacement and use of the Drainfield shall be paid entirely by Grantee.

2.4.3 Approval. From and after the Effective Date of this Agreement, Grantee shall provide to Grantor prior notice of any proposed activity, construction or installation of the Drainfield or any other substantial activity in the Easement Area by Grantee and no work shall be commenced without Landlord's prior written approval which such approval shall not be unreasonably withheld.

2.4.4 Work Standards. Grantee shall coordinate with Grantor the dates of installation, construction and major repair or maintenance of the Drainfield, as well as other major activities. All work to be performed by Grantee in the Easement Area shall be completed in a careful and workmanlike manner, free of claims and liens.

2.4.5 Restoration Obligation. Grantee shall have the right to trim, cut and remove plants, trees, shrubbery, fences, or other facilities in or abutting the Easement Area if they interfere with the installation, operation and maintenance of the Drainfield. Grantee, however, shall, at its own expense, restore, as nearly as possibly, to their original condition, all land and facilities within the Easement Area or abutting the Easement Area that are disturbed in any manner by the installation, operation and maintenance of the Drainfield. This restoration obligation shall extend to, but shall not be limited to, the backfilling of trenches, the replacement of fences, the reseeding or resodding of lawns or pasture areas, the replacement of landscaping, shrubbery, plants and trees with landscaping, shrubbery, plants and trees of the same quality, size and maturity, and the repair and replacement of drainage and roadways and other facilities located within the Easement Area.

2.5 Hazardous Substances and Waste. Both parties, and their successors and assigns, covenant and agree they will not use, store or dispose of any hazardous substances or waste in or around the Easement Area and further covenant and agree they shall strictly comply



with any and all governmental laws, regulations and ordinances regarding the handling, transportation and storage of hazardous substances and hazardous wastes.

2.6 Termination. In the event Grantee, its agents, tenants, successors or assigns, fails to cure a breach or default under this Agreement within twenty (20) days of Grantor giving Grantee written notice of the breach or default, Grantor may terminate Grantee's rights under this Agreement in addition to pursuing any other remedy available to Grantor in law or in equity. In the event Grantee ceases to use the Drainfield for a period of five (5) successive years, this Agreement, and Grantee's rights under this Agreement, shall terminate with no further action required and shall revert to Grantor. Upon termination of this Agreement, Grantee shall, at the option of Grantor, remove the Drainfield and restore the ground to its prior condition, or, in the alternative, restore the Grantor's property or take such other measures to minimize the impact of the Drainfield. This work shall be done at the sole cost and expense of Grantee and in a manner satisfactory to Grantor. In case of Grantee's failure to remove the equipment or take such other mutually agreed upon measures, Grantor may, after reasonable notice to Grantee, remove the Drainfield equipment, restore the ground or take other measures at Grantee's expense.

2.7 Indemnification.

2.7.1 Right to Indemnification. The parties shall defend, indemnify and hold one another harmless from and against liabilities, claims, actions, damages, demands, costs and expenses of any kind or nature, including but not limited to legal fees and costs and other professional expenses, arising out of or in connection with the other party's acts or omissions. The indemnification rights set forth in this Agreement shall survive the termination date of this Agreement and the termination date of the easement.

2.7.2 Procedure Regarding Indemnification Rights. In the event either party receives notice of a claim or demand against which it is entitled to indemnification pursuant to this Section, it shall immediately give written notice of the claim to the other party. The party obligated to indemnify shall immediately take such measures as may be reasonably required to properly and effectively defend against the claim, and may defend the claim with counsel of its own choosing, approved by the other party provided such approval is not unreasonably withheld or delayed. In the event the party obligated to indemnify fails to properly and effectively defend the claim, then the party entitled to indemnification may defend the claim with counsel of its own choosing at the expense of the party obligated to provide a defense.

2.8 Third Party Rights. Grantor reserves all rights with respect to the Grantor Property, including, without limitation, the right to grant easements, licenses and permits to others subject to the rights granted in this Agreement.

2.9 Assignment and Successors. The rights and obligations of the parties set forth in this Agreement shall inure to the benefit of, and shall be binding upon, their respective successors and assigns.



3. General Provisions. The following general provisions shall apply with respect to this Agreement:

3.1 Successors and Assigns. The rights and obligations created pursuant to this Agreement shall bind all subsequent owners of the Grantor Property, as described in **Exhibit A**, as well as subsequent owners of the Grantee Property, as described in **Exhibit B**.

3.2 Running Covenants. The terms, conditions, covenants and easements in this Agreement shall be deemed to relate to the properties described in **Exhibit A** and **Exhibit B** and shall be deemed to be covenants running with the land and shall inure to and be binding upon successors, assigns, heirs and personal representatives of the parties.

3.3 Entire Agreement; Modifications. This Agreement represents the entire understanding between the parties with respect to the transactions contemplated herein and all prior or contemporaneous agreements, understandings, representations and statements, oral or written, are merged into this Agreement. Neither this Agreement nor any provision in this Agreement may be waived, modified, amended, discharged or terminated, except by an instrument in writing signed by both parties and then, only to the extent set forth in such instrument.

3.4 Notices. Any notice required or permitted to be delivered under this Agreement shall be in writing and shall be validly given and made to another party if delivered either personally or by Federal Express or other overnight delivery service of recognized standing. If such notice is personally delivered, it shall be deemed given and received at the time of such delivery. If such notice is delivered by Federal Express, or other overnight delivery service of recognized standing, it shall be deemed given one (1) business day after the deposit with such delivery service. Each such notice shall be deemed given only if properly addressed to the party to whom such notice is given, as follows:

If to Grantor: Padilla Bay, LLC
12708 Leatherwood Lane
P.O. Box 178
Bow, WA 98232
Attention: Thomas J. Paulus

If to Grantee: Leatherwood Trust
12708 Leatherwood Lane
P.O. Box 178
Bow, WA 98232
Attention: Co-Trustees Thomas J. Paulus
and Laura Minton

Breckenridge

By giving to the other party at least fifteen (15) days written notice, the parties to this Agreement and their respective successors and assigns shall have the right from time to time



and at any time to change their respective address and each shall have the right to specify as its address any other address.

3.5 Attorneys' Fees. Should either party employ an attorney or attorneys to enforce any of the provisions in this Agreement or to protect its interest in any manner arising under this Agreement, or to recover damages for any breach under this Agreement, the breaching party agrees to pay the non-breaching party its reasonable costs, damages, and expenses, including attorneys' fees incurred.

3.6 Severability. If one or more of the provisions of this Agreement, or its application, is determined to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions or any other application shall in no way be affected or impaired.

3.7 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington.

PADILLA BAY, LLC, a Washington
limited liability company

By: [Signature]
Thomas J. Paulus, Co-Manager

By: [Signature]
Suzanne J. Paulus, Co-Manager

LEATHERWOOD TRUST

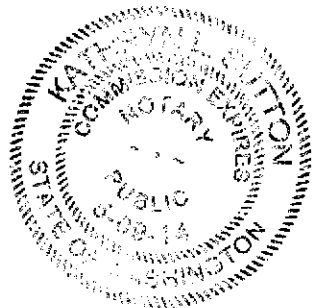
By: [Signature]
Thomas J. Paulus, Co-trustee

By: [Signature]
Laura Minton Breckenridge, Co-trustee

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On April 24, 2012, before me, the undersigned, a Notary Public in and for above said State, duly commissioned and sworn, personally appeared THOMAS J. PAULUS and SUZANNE J. PAULUS, to me known to be the Co-managers of Padilla Bay, LLC, a Washington limited liability company, the company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said company, for the uses and purposes therein mentioned, and on oath stated that the company executed it.

WITNESS my hand and official seal.



[Signature]
Kathryn L. Sutton
Notary Public in and for the State of Washington
Residing at Sedro Woolley
My Commission Expires: May 9, 2014

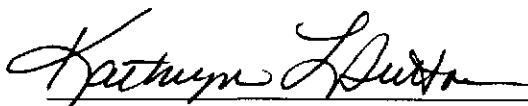


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Skagit County Auditor

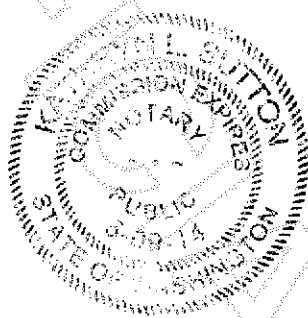
STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On April 24, 2012, before me, the undersigned, a Notary Public in and for above said State, duly commissioned and sworn, personally appeared LAURA MINTON BRECKENRIDGE and THOMAS J. PAULUS, to me known to be Co-trustees of Leatherwood Trust, that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of the trust, for the uses and purposes therein mentioned, and on oath stated that the trust executed it.

WITNESS my hand and official seal.



Kathryn L. Sutton
Notary Public in and for the State of Washington
Residing at Sedro Woolley
My Commission Expires: May 9, 2014



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Skagit County Auditor

EXHIBIT A

GRANTOR PROPERTY

That portion of the Southwest Quarter of the Southwest Quarter of Section 17, Township 35 North, Range 3 East, W.M., and that portion of the Northwest Quarter of the Northwest Quarter of Section 20, Township 35 North, Range 3 East, W.M., described as follows:

Beginning at the Northwest corner of said Northwest Quarter of the Northwest Quarter of Section 20 (Northwest Section corner); thence South 0 Degrees 22'15" West, 1,330.49 feet along the West line of said Northwest Quarter of the Northwest Quarter to the Southwest corner thereof (1/16th corner); thence North 89 Degrees 04'38" East 150.00 feet along the South line of said Northwest Quarter of the Northwest Quarter; thence North 0 Degrees 22'15" West 537.78 feet parallel with said West line of the Northwest Quarter of the Northwest Quarter to the centerline of an existing field ditch; thence along said field ditch South 81 degrees 49'43" East 313.96 feet; thence South 85 degrees 7'10" East 350.28 feet; thence leaving said field ditch, North 0 Degrees 22'15" West 2,210.67 feet, more or less, parallel with said West line of the Northwest Quarter of the Northwest Quarter of Section 20 to the North line of the Southwest Quarter of the Southwest Quarter of Section 17, Township 35 North, Range 3 East, W.M.; thence South 88 Degrees 56'49" West 798.46 feet, more or less, along said North line of the Southwest Quarter of the Southwest Quarter to the Northwest corner thereof; thence South 0 degrees 06'06" West 1,332.26 feet along the West line of said Southwest Quarter of the Southwest Quarter to the Southwest corner of said subdivision (Southwest Section corner) and being the point of beginning.

EXCEPT that portion of the Southwest Quarter of the Southwest Quarter of Section 17, Township 35 North, Range 3 East, W.M., lying Northwesterly of the centerline of Joe Leary Slough.

AND EXCEPT that portion of the Northwest Quarter of the Northwest Quarter of Section 20, Township 35 North, Range 3 East, W.M., described as follows:

Beginning at a point on the West line of said Section 20, lying South 1 Degree 10'20" West a distance of 769.81 feet from the Northwest corner of said Section 20; thence continuing South 1 Degree 10'20" West a distance of 560.71 feet to the Southwest corner of said Northwest Quarter of the Northwest Quarter; thence south 89 Degrees 22'47" East along the south line of said Northwest Quarter of the Northwest Quarter, a distance of 150.00 feet; thence North 1 Degree 10'20" East a distance of 537.78 feet; thence North 80 Degrees 40'31" West a distance of 151.52 feet to the Point of Beginning, containing 1.89 acres, more or less.

AND ALSO EXCEPT D'Arcy Road right-of-way.

AND TOGETHER WITH that portion of the Northeast Quarter of the Northeast Quarter



of Section 19, Township 35 North, Range 3 East, W.M., lying Easterly of the West 198.00 feet of the Northeast Quarter of the Northeast Quarter, and lying Southerly of the Joe Leary Slough, and lying Northerly of the following described line:

Beginning at a point on the East line of said Section 19, lying 51 Degrees 10'20" West a distance of 769.81 feet from the Northeast corner of said Section 19; thence

North 80 Degrees 40'31" West a distance of 76.82 feet; thence

North 80 Degrees 43'02" West a distance of 272.16 feet; thence

North 81 Degrees 46'12" west a distance of 126.65 feet; thence

North 69 Degrees 07'00" West a distance of 224.38 feet; thence

North 71 Degrees 15'18" West a distance of 378.56 feet; thence

North 41 Degrees 06'52" West a distance of 113.90 feet to the East line of the West 198.00 feet of said Northeast Quarter of Section 19, being the terminus of said line.



201204260040

Skagit County Auditor

4/26/2012 Page

9 of

12 2:34PM

EXHIBIT B

GRANTEE PROPERTY

That portion of the Northeast Quarter of the Northeast Quarter of Section 19, Township 35 North, Range 3 East, W.M., lying Southerly of the Joe Leary Slough, EXCEPT the tract conveyed to William Esary by deed dated January 21, 1909 and recorded January 21, 1909 under Auditor's File No. 71571, described as follows:

"Commencing at the Southwest corner of the Northeast Quarter of the Northeast Quarter of Section 19, Township 35 North, Range 3 East of the W.M.; thence running East on the South line of said forty, 12 rods; thence North, parallel with the West line of said Forty, to the South bank of said Joe Leary Slough; thence in a Northwesterly direction following along said slough, to the West line of said above described forty; thence South along the West line of said forty to the place or beginning; (said tract of land being 12 rods in width and extending from the South line of said forty North to said Joe Leary Slough)."

TOGETHER WITH an Easement for road purposes over the following described tract:

Commencing at the Southwest corner of the Northeast Quarter of the Northeast Quarter of Section 19, Township 35 North, Range 3 East, W.M.; thence running East on South line of said forty, 12 rods; thence running North parallel with the West line of said forty, to South bank of Joe O'Leary's Slough; thence in a westerly and northerly direction following along the said slough to West line of above described forty; thence South following along the west line of said forty to place or beginning. Said tract of land being 12 rods in width and extending from the South line of said forty to Joe O'Leary's Slough.

AND EXCEPT that portion of the Northeast Quarter of the Northeast Quarter of Section 19, Township 35 North, Range 3 East, W.M., lying Northerly of the following described line:

Beginning at a point on the East line of said Section 19, lying South 1 Degrees 10'20" West a distance of 769.81 feet from the Northeast corner of said Section 19; thence North 80 Degrees 40'31" West a distance of 76.82 feet; thence North 80 Degrees 43'02" West a distance of 272.16 feet; thence North 81 Degrees 46'12" West a distance of 126.65 feet; thence North 69 Degrees 07'00" West a distance of 224.38 feet; thence North 71 Degrees 15'18" West a distance of 378.56 feet; thence North 41 Degrees 06'52" West a distance of 113.90 feet to the East line of the West 198.00 feet of said Northeast Quarter of Section 19, being the terminus of said line.

AND ALSO EXCEPT that portion of the Northeast Quarter of the Northeast Quarter of Section 19, Township 35 North, Range 3 East, W.M., described as follows:



Commencing at the Southeast corner of said Northeast Quarter of the Northeast Quarter; thence North 88 Degrees 34'47" West, along the South line of said Northeast Quarter of the Northeast Quarter, a distance of 320.17 feet to the **TRUE POINT OF BEGINNING**; thence continuing North 88 Degrees 34'47" West a distance of 277.26 feet; thence North 01 Degrees 25'13" East a distance of 53.16 feet; thence South 88 Degrees 34'47" East a distance of 277.26 feet; thence South 1 Degree 25'13" West a distance of 53.16 feet to the **TRUE POINT OF BEGINNING**, containing 0.34 acres, more or less.

AND TOGETHER WITH that portion of the Northwest Quarter of the Northwest Quarter of Section 20, Township 35 North, Range 3 East, W.M., described as follows:

Beginning at a point on the West line of said Section 20, lying South 1 Degree 10'20" West a distance of 769.81 feet from the Northwest corner of said Section 20; thence continuing South 1 Degree 10'20" West a distance of 560.71 feet to the Southwest corner of said Northwest Quarter of the Northwest Quarter; thence South 89 Degrees 22'47" East along the South line of said Northwest Quarter of the Northwest Quarter, a distance of 150.00 feet; thence North 1 Degree 10'20" East a distance of 537.78 feet; thence North 80 Degrees 40'31" West a distance of 151.52 feet to the Point of Beginning, containing 1.89 acres, more or less.



201204260040
Skagit County Auditor

4/26/2012 Page 11 of 12 2:34PM

EXHIBIT C

EASEMENT AREA

Two drainfield easements for the construction and maintenance of a septic system, the location of which is described as follows:

1. That portion of the Northeast Quarter of the Northeast Quarter of Section 19, Township 35 North, Range 3 East, W.M., described as follows:

Beginning at a point on the East line of said Section 19, lying South 1 Degrees 10'20" West a distance of 769.81 feet from the Northeast corner of said Section 19; thence North 80 Degrees 40'31" West, a distance of 30.31 feet to the **TRUE POINT OF BEGINNING**; thence North 80 Degrees 40'31" West a distance of 46.51 feet; thence North 80 Degrees 43'02" West a distance of 54.51 feet; thence North 1 Degree 10'21" East a distance of 243.10 feet; thence South 88 Degrees 49'39" East a distance of 100.00 feet; thence South 1 Degree 10'21" West a distance of 257.39 feet to the **TRUE POINT OF BEGINNING**.

2. That portion of the Northeast Quarter of the Northeast Quarter of Section 19, Township 35 North, Range 3 East, W.M., described as follows:

Beginning at a point on the East line of said Section 19, lying South 1 Degrees 10'20" West a distance of 769.81 feet from the Northeast corner of said Section 19; thence

North 80 Degrees 40'31" West, a distance of 76.82 feet; thence
North 80 Degrees 43'02" West a distance of 272.16 feet; thence
North 81 Degrees 46'12" West a distance of 126.65 feet; thence
North 69 Degrees 07'00" West a distance of 224.38 feet; thence
North 71 Degrees 15'18" West a distance of 22.35 feet to the **TRUE POINT OF**

BEGINNING; thence

North 71 Degrees 15'18" West a distance of 165.39 feet; thence
North 08 Degrees 26'03" East a distance of 107.89 feet; thence
North 57 Degrees 33'23" East a distance of 169.92 feet; thence
South 00 Degrees 35'38" West a distance of 251.05 feet to the **TRUE POINT OF**

BEGINNING.



201204260040

Skagit County Auditor

4/26/2012 Page 12 of 12 2:34PM