

When Recorded, Return to:

Quadrant Homes
Attn: Sales Lien Coordinator
14725 SE 36th St. Suite 200
Bellevue, WA 98009



200612080160

Skagit County Auditor

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LAND TITLE OF SKAGIT COUNTY

121305-5

DECLARATION OF LIEN RIGHTS

Grantor: 1) <u>Michael Backlund</u> 2) <u>Cassandra Backlund</u> <input type="checkbox"/> Additional on page _____
Grantee: 1) <u>Quadrant Homes</u> 2) _____ <input type="checkbox"/> Additional on page _____
Legal Description: Lot 5, "PLAT OF SKAGIT HIGHLANDS DIVISION 3," as per plat recorded under Auditor's File No. 200605150163, records of Skagit County, Washington. Situate in the City of Mount Vernon, County of Skagit, State of Washington.
Additional on : <u>N/A</u>
Assessor's Tax Parcel ID #: <u>4892-000-005-000/P1245-38</u>
Reference Nos. of Documents Released or Assigned: _____

NOTICE IS HEREBY GIVEN that, pursuant to the Purchase and Sale Agreement by and between Grantor and Grantee dated as of May 10, 2006 (the "Purchase Agreement"), this Declaration of Lien Rights is made by the undersigned against certain property located in Skagit County as more specifically described above and incorporated by this reference (the "Property").

Grantor has agreed that the Property shall be used as Grantor's primary residence for one calendar year immediately following the date of recording of the deed conveying the Property to Grantor (the "Occupancy Milestone"). Grantor has also agreed that if Grantor does not use the property as Grantor's primary residence until the Occupancy Milestone, then Grantee shall have a valid and perfected lien upon the Property in an amount equal to: (i) in the case of a sale or other transfer of fee title to the Property, the amount of the appreciation of the Property since the date on which Grantor acquired title to the Property, or (ii) in the case of a lease or other occupancy

agreement (a "Lease"), the greater of: (a) the actual rent or economic consideration, or (b) fair market rental value of the Property (in either case, "Rent") payable to or for the benefit of Grantor during the term of the Lease. For purposes of these provisions, the term "appreciation" shall mean the difference between (i) the fair market value of the Property at the time of Grantor's transfer thereof, less customary costs of such transfer, and the consideration paid by Grantor to Grantee to acquire the Property. The foregoing amounts are collectively referred to herein as the "Community Preservation Lien", which in no case shall be less than \$25,000.00. The Community Preservation Lien shall be inchoate upon recording of this Declaration of Lien Rights.

If Grantor does not occupy the Property as Grantor's primary residence until the Occupancy Milestone, the Community Preservation Lien shall be automatically executing, automatically perfected, and relate back to the recording of this Declaration of Lien Rights upon the earlier of: (i) one day prior to a transfer of any legal or beneficial interest in or to the Property from Grantor to any other person or entity *except* any transfer by Grantor: (a) to a family trust controlled by the Grantor; (b) made by Grantor's estate, surviving spouse or child upon the death of any Grantor; (c) of a security interest granted to a licensed and regulated institutional lender pursuant to a deed of trust or upon foreclosure of such security interest; (d) where the spouse of Grantor becomes the only co-owner of the Property; (e) relating to a decree of dissolution of marriage or legal separation, or property settlement agreement relating thereto; (f) necessary to accommodate a job transfer required by Grantor's employer (not including Grantor if Grantor is self-employed); (g) necessitated by a medical or financial emergency, proof of which has been delivered to Grantee and has been approved by Grantee in its reasonable discretion, or (h) necessitated by another "hardship" situation, proof of which has been delivered to Grantee and has been approved by Grantee in its reasonable discretion, or (ii) the date on which Grantor ceases to use the Property as Grantor's primary residence.

This Declaration of Lien Rights and the Community Preservation Lien shall at all times be and remain subordinate to any security interest granted by Grantor to any licensed and regulated institutional lender in connection with the purchase of the Property, and to any refinance of the obligation secured by such security interest. The Community Preservation Lien may be foreclosed by Grantee in the same manner as foreclosure of a deed of trust pursuant to Revised Code of Washington Title 61, Chapter 24. Grantee shall be entitled to collect all reasonable attorneys' fees and costs incurred by Grantee in enforcing and foreclosing this Lien.

Should the Grantor continuously use the Property as the Grantor's primary residence until expiration of the Occupancy Milestone, upon such expiration this Declaration of Lien Rights and Community Preservation Lien shall automatically terminate and be released.



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EXECUTED as of the day and year first above written.

QUADRANT HOMES, Grantee

By BreAnn Cline
Name BreAnn Cline
Its Regional Sales Operations Manager



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Reviewed, Acknowledged and Accepted

By Michael R. Backlund
Name Michael R. Backlund
Grantor

Reviewed, Acknowledged and Accepted

By Cassandra A. Backlund
Name Cassandra A. Backlund
Grantor

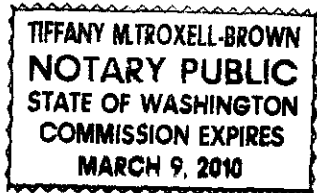
STATE OF WASHINGTON

COUNTY OF KING

} ss.

On this day personally appeared before me BreAnn Cline, to me known to be the individual described in and who executed the foregoing instrument, and acknowledged such instrument to be the free and voluntary act and deed of such corporation, for the uses and purposes therein mentioned, and on oath stated that he/she was duly authorized to execute such instrument.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this 11th day of October, 2006



Tiffany M. Troxell-Brown
Printed Name Tiffany M. Troxell Brown
NOTARY PUBLIC in and for the State of Washington, residing at
Maple Valley
My Commission Expires March 9, 2010

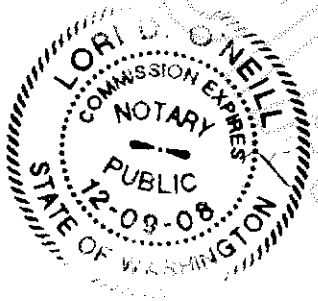


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Skagit County Auditor

STATE OF WASHINGTON }
COUNTY OF Skagit } ss.

On this day personally appeared before me Michael R. Backford,
to me known to be the individual described in and who executed the within and foregoing
instrument, and acknowledged that he/she/they signed the same as his/her/their free and
voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this 7th day of
December, 2006.



Lori D O'Neill
Printed Name Lori D O'Neill
NOTARY PUBLIC in and for the State of Washington,
residing at EVERETT
My Commission Expires 12-09-08

STATE OF WASHINGTON }
COUNTY OF _____ } ss.

On this day personally appeared before me _____,
to me known to be the individual described in and who executed the within and foregoing
instrument, and acknowledged that he/she/they signed the same as his/her/their free and
voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this _____ day of
_____, 200 .

Printed Name _____
NOTARY PUBLIC in and for the State of Washington,
residing at _____
My Commission Expires _____



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Skagit County Auditor