

WHEN RECORDED RETURN TO:
Chaffley Corporation
205 Lake Street South, Ste. 101
P.O. Box 560
Kirkland, WA 98083
Attn: Aileen Zavales



200702080106
Skagit County Auditor

2/8/2007 Page 1 of 15 3:08PM

Chicago Title Insurance Company

3110 Commercial Avenue - Anacortes, Washington 98221

19B2968

DOCUMENT TITLE(s):

1. Agreement Regarding Dedication of Real Property & Grant of Easements
- 2.
- 3.

REFERENCE NUMBER(s) OF DOCUMENTS ASSIGNED OR RELEASED:

ACCOMMODATION RECORDING

Additional numbers on page _____ of the document

Chicago Title Company has placed this document for recording as a customer courtesy and accepts no liability for its accuracy or validity

GRANTOR(s):

1. Chaffley Homes, Inc., a Washington Corp.
- 2.
- 3.

Additional names on page _____ of the document

GRANTEE(s):

1. Sunset View Condominium Developer, LLC, a Wash. Limited Liability Company
- 2.
- 3.

SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

Additional names on page _____ of the document

FEB 08 2007

ABBREVIATED LEGAL DESCRIPTION:

ptn woods Addition to Anacortes
ptn B1 12, First Plat Ship Harbor

Amount Paid \$
By Skagit Co. Treasurer
Deputy

Complete legal description is on page _____ of the document

ASSESSOR'S PROPERTY TAX PARCEL ACCOUNT NUMBER(s):

P58982; P60626; P60628; P60642; P60643; P60647; P60655

(sign only if applicable) I am requesting an emergency nonstandard recording for an additional fee as provided in RCW 36.18.010. I understand that the recording processing requirements may cover up or otherwise obscure some part of the text of the original document.

Signature _____

This cover sheet is for the County Recorder's indexing purposes only. The Recorder will rely on the information provided on the form and will not read the document to verify the accuracy or completeness of the indexing information provided herein.

**AGREEMENT REGARDING
DEDICATION OF REAL PROPERTY
AND
GRANT OF EASEMENTS**

This Agreement Regarding Dedication of Real Property and Grant of Easements ("Agreement"), is entered into as of JANUARY 18, 2006, by and between Chaffey Homes Incorporated, a Washington corporation ("Chaffey"), and Sunset View Condominium Developer LLC, a Washington limited liability company ("Sunset View").

RECITALS

A. Chaffey and Sunset View are each the owners of adjacent parcels of real property located in Anacortes, Washington, and each wishes to develop residential housing projects upon its respective property. Chaffey is the owner of the real property legally described in Exhibit A attached hereto ("Chaffey Property"), and Sunset View is the owner of the real property legally described in Exhibit B attached hereto ("Sunset View Property").

B. In order to further the development of their respective properties, Chaffey and Sunset View wish to dedicate portions of their respective properties to the City of Anacortes (the "City"), and grant the rights and easements as detailed herein.

AGREEMENT

1. Amendment to Petition for Vacation. Chaffey shall amend, or cause to be amended, its pending Petition for Vacation ("Petition"), which has been submitted to the City requesting the vacation of a portion of 5th Street (also known as Coho Lane). The Petition shall be amended to include a request for the vacation of that portion of 5th Street depicted on Exhibit C attached hereto and legally described in Exhibit D hereto ("Sunset View Vacation Area"), consisting of approximately 3,353 square feet. The legal description and/or area of the Sunset View Vacation Area may be modified by Chaffey in connection with the approval of the Petition, as provided in paragraph 7 below. Upon vacation, the Sunset View Vacation Area will vest in Sunset View and become part of the Sunset View Property. For purposes of calculating the allowable density of development on the Sunset View Property, and assuming the vacation is approved by the City, Sunset View may include the Sunset View Vacation Area in the gross area of the Sunset View Property. Chaffey makes no representation or warranty that the Petition will be approved by the City.

2. Storm Water Easement. Contemporaneous with the execution of this Agreement, Sunset View shall execute and deliver to Chaffey an easement in favor of Chaffey in the form of Exhibit E, to create a storm water drainage swale and associated drainage features, as well as the right to construct roadway cut and fill slopes, in, over and upon the Sunset View Vacation Area (the "Storm Water Easement"). Chaffey shall place the Storm Water Easement into escrow with Chicago Title Insurance Company ("Escrow Agent"). The legal description and/or area of the Sunset View Vacation Area and the Storm Water Easement may be modified by Chaffey, as may be necessary to satisfy any conditions of approval of development of the Chaffey Property, as provided in paragraph 7 below. At any time after the completion of the vacation of the Sunset



200702080106

Skagit County Auditor

View Vacation Area and the vesting of said property in Sunset View, Chaffey may instruct the Escrow Agent to record the Storm Water Easement with the Skagit County Auditor. Sunset View shall take, or cause to be taken, any and all other actions, including execution and delivery of any other documents, necessary to accomplish the grant of the Storm Water Easement.

3. Cul de Sac Dedication. Contemporaneous with the execution of this Agreement, Sunset View shall execute and deliver to Chaffey a form of dedication, dedicating to the City the property depicted on Exhibit C attached hereto and legally described in Exhibit F, consisting of approximately 917 square feet (the "Cul de Sac Dedication"). The Cul de Sac Dedication is that portion of the Sunset View Property necessary to create the road configuration depicted on Exhibit C attached hereto. Chaffey shall place the Cul de Sac Dedication into escrow with Escrow Agent. The legal description and/or area of the Cul de Sac Dedication may be modified by Chaffey, as may be necessary to satisfy any conditions of approval of development of the Chaffey Property, as provided in paragraph 7 below. At any time after the completion of the vacation of the Sunset View Vacation Area and the vesting of said property in Sunset View, Chaffey may instruct the Escrow Agent to record the Cul de Sac Dedication with the Skagit County Auditor. Sunset View shall take, or cause to be taken, any and all other actions, including execution and delivery of any other documents, necessary to accomplish the Cul de Sac Dedication.

4. Temporary Construction Easement. Contemporaneous with the execution of this Agreement, Sunset View shall execute and deliver to Chaffey a temporary construction and slope easement in favor of Chaffey in the form of Exhibit G, in, over and upon a ten (10) foot wide strip adjacent to, contiguous with and to the east side of the property included in the Cul de Sac Dedication ("Construction Easement"). Chaffey shall place the Construction Easement into escrow with Escrow Agent. The legal description and/or area of the Construction Easement may be modified by Chaffey, as may be necessary to satisfy any conditions of approval of development of the Chaffey Property, as provided in paragraph 7 below. At any time after the completion of the vacation of the Sunset View Vacation Area and the vesting of said property in Sunset View, Chaffey may instruct the Escrow Agent to record the Construction Easement with the Skagit County Auditor. Sunset View shall take, or cause to be taken, any and all other actions, including execution and delivery of any other documents, necessary to accomplish the grant of the Construction Easement.

5. Construction of Utility Facilities.

a. If, within fourteen (14) days following the expiration of the appeal period after final approval of the subdivision or planned unit development ("PUD") of the Chaffey Property, Sunset View has obtained final approval for the subdivision or PUD of the Sunset View Property, then Chaffey shall stub in all necessary utilities to the Sunset View Property; provided, however, that Chaffey shall not be so obligated if doing so would materially delay, stall or hinder the development of the Chaffey Property. For the purposes of this subsection, a material delay, stall, or hindrance shall include, but not be limited to, a delay of more than three (3) days in connection with any work on the development of the Chaffey Property.



200702080106
Skagit County Auditor

b. In the event that the lots created on the Sunset View Property are ready for utility installation on or before the installation of utilities on the Chaffey Property, then
(1) Chaffey shall install all necessary utilities for each lot of the Sunset View Property, and
(2) Sunset View shall, within thirty (30) days after the recording of the subdivision or PUD of the Chaffey Property, reimburse Chaffey in the amount of Fifteen Thousand Dollars (\$15,000.00), plus all "hook-up" fees paid by Chaffey, for each lot in the Sunset View Property for which Chaffey installs utilities.

6. Right of First Refusal to Purchase Sunset View Property.

a. If at any time after the date of this Agreement, Sunset View desires to sell or otherwise transfer the Sunset View Property, or any portion thereof or lot created thereon ("Proposed Sale Parcel"), then Sunset View shall first obtain from the proposed transferee a bona fide written offer, stating the terms and conditions upon which the sale or transfer is to be made and the consideration offered therefore. Prior to any sale or transfer of the Proposed Sale Parcel to any other person or entity, Sunset View shall offer Chaffey the right to purchase the Proposed Sale Parcel upon the same terms and conditions by giving Chaffey written notice of the specific terms of the offer including price ("Offering Amount"), payment terms, conditions of title, costs of escrow and all other material terms, and a proposed purchase agreement and joint escrow instructions reflecting such terms, executed by Sunset View ("Proposed Agreement").

b. Chaffey shall have thirty (30) days after its receipt of the Proposed Agreement to exercise its right to purchase the Proposed Sale Parcel by executing the Proposed Agreement and transmitting it to Sunset View, or by submitting a counteroffer. If Chaffey counteroffers, then Sunset View and Chaffey shall negotiate diligently and in good faith in order to attempt to reach an agreement within ten (10) days after Sunset View receives Chaffey's counteroffer. If Chaffey does not elect to accept such offer within said thirty (30) day period, or if Sunset View and Chaffey do not reach agreement on Chaffey's counteroffer within said ten (10) day period, then for a period of ninety (90) days thereafter Sunset View may sell or transfer the Proposed Sale Parcel to the third party on the same terms as were set forth in the Proposed Agreement. ~~If Sunset View fails to enter into an agreement in writing on said terms and conditions with any third party during said ninety (90) day period, and if Sunset View again desires to offer the Proposed Sale Parcel for sale, Sunset View shall again follow the foregoing procedure for granting Chaffey the right of first refusal.~~

c. This right of first offer shall remain in full force and effect until midnight on December 31, 2007.

d. As an accommodation to Sunset View, Chaffey agrees, provided that such exchange results in no additional cost, liability or expense to Chaffey and no delay to the close of escrow, to cooperate with Sunset View in effectuating a like-kind exchange of property pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended. Sunset View agrees to:
(i) pay for any costs, expenses, losses or liabilities arising from or in connection with an exchange, including, but not limited to, Chaffey's escrow fees, which are in addition to the purchase price and closing costs Chaffey agrees to pay for as set forth in the purchase agreement;
(ii) to indemnify, protect, defend and hold Chaffey harmless from and against any and all such



200702080106

Skagit County Auditor

costs, expenses, losses or liabilities (including, without limitation, reasonable attorneys' fees and escrow fees) arising there from; and (iii) directly deed the Premises to Chaffey and remain liable for all of the covenants, agreements, representations and warranties made herein.

7. Modification of Legal Descriptions. The parties recognize that the legal descriptions of the Sunset View Vacation Area and Cul de Sac Dedication may be required to be modified in connection with the approval of the Petition or the development of the Chaffey Property. The parties therefore agree that any documents required to complete and implement the vacation, dedication and easements contemplated by this Agreement, including without limitation the Storm Water Easement, Cul de Sac Dedication and Temporary Construction Easement executed as of the date of this Agreement and held in escrow by Escrow Agent, are subject to modification by Chaffey in order to incorporate the final legal descriptions of the Sunset View Vacation Area and Cul de Sac Dedication, and any adjacent properties, as may be approved by the City. Chaffey is hereby authorized to affix all such final legal descriptions to each of the documents described herein prior to recording of such documents with the Skagit County Auditor, at any time after the completion of the vacation of the Sunset View Vacation Area and the vesting of said property in Sunset View, when such final legal descriptions become available.

with sunset view's approval

8. Specific Performance and Injunctive Relief. In the event of a breach or threatened breach of any provision of this Agreement, the respective rights and obligations hereunder shall be enforceable by specific performance, injunction or other equitable remedy, but nothing herein contained is intended to, nor shall it, limit or affect any rights at law or by statute or otherwise of any party aggrieved as against the other for a breach or threatened breach of any provision hereof, it being the intention of the parties to make clear that the respective rights and obligations of the parties hereunder shall be enforceable in equity as well as at law or otherwise. In the event of any sale or transfer or attempted sale or transfer in violation of the provisions of this Agreement, Chaffey shall, in addition to all rights and remedies at law and in equity, be entitled to a decree or order restraining and enjoining such sale or transfer and Sunset View shall not plead in defense thereto that there would be an adequate remedy at law; it being hereby expressly acknowledged and agreed that damages at law will be an inadequate remedy for a breach or threatened breach of the provisions of this Agreement. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy shall not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

9. Mutual Covenants. Chaffey and Sunset View each warrants and represents that as of the date of this Agreement:

a. Each has the legal power, right and authority to enter into this Agreement and the instruments and documents referenced herein, and to consummate the transaction contemplated hereby.

b. All requisite corporate action has been taken by Chaffey or Sunset View, as applicable, in connection with the execution of this Agreement and the individuals executing

bro vero



200702080106
Skagit County Auditor

UNWITNESSED
this Agreement and the instruments and documents referenced herein on behalf of Chaffey or Sunset View have the legal power, right and actual authority to bind the respective party.

10. Time of Essence. Time is of the essence of this Agreement.
11. Attorneys' Fees. In the event either party files any suit or action, or commences any other legal proceeding to enforce the terms of this Agreement, the nonprevailing party shall be required to pay all reasonable attorneys' fees incurred in such suit, action or proceeding by the prevailing party or parties.
12. Assignment. Neither party's rights under this Agreement may be assigned without the prior written consent of the other party, which consent will not be unreasonably withheld; provided, that each party may assign this Agreement to any affiliate of such party, without the other party's consent.
13. Binding Effect. This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors, assigns, heirs and legal representatives.
14. Amendment. The parties hereto reserve the right to amend this Agreement from time to time as they deem necessary. Excepting and notwithstanding any modifications made under Section 7, above, all modifications to this Agreement shall be in writing and signed by an authorized representative of each of the parties hereto.
15. Waivers. The waiver of any of the terms or conditions of this Agreement must be in writing and signed by the authorized representative of the party waiving such term or condition.
16. 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 King County, Washington.
17. Headings. The headings of the paragraphs of this Agreement are inserted solely for the convenience of the parties, and are not a part of and are not intended to govern, limit or aid in the construction of any term or provision hereof.
18. Entire Agreement. There are no verbal or other agreements which modify or affect this Agreement, and the parties agree that this Agreement constitutes the full and complete understanding between Chaffey and Sunset View.
19. Survival. The parties agree that all representations, warranties, agreements and indemnities of any kind contained in this Agreement shall not merge in, but shall survive, the Closing and the delivery of any deed or easement hereunder.
20. Recording. A memorandum of this Agreement, in the form of Exhibit G attached hereto, shall be executed by the parties and recorded with the Skagit County Auditor.



200702080106
Skagit County Auditor

UNWITNESSED
WU
WU
WU

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by having their authorized representatives affix their respective signatures in the spaces below:

CHAFFEY HOMES INCORPORATED,
a Washington Corporation

By: [Signature]
Its: WHD ASSOCIATION MANAGER
[Signature]
WHD ASSOCIATION

SUNSET VIEW CONDOMINIUM
DEVELOPER, LLC, a Washington
limited liability company

By: [Signature]
Its: MEMBER
[Signature]
MEMBER



EXHIBIT A

Legal Description of Chaffey Property

Lots 1 through 16, inclusive, Block 1; Lots 1 through 8, inclusive, Block 2; Lots 1 through 15, inclusive, Block 7; Lots 1 through 16, inclusive, Block 8; Lot 4, Block 9, Lots 2 through 5, inclusive, Block 10; all in PLAT OF WOOD'S ADDITION TO ANACORTES, according to the plat thereof, recorded in Volume 4 of Plats, page 35, records of Skagit County, Washington.

TRC



200702080106
Skagit County Auditor

EXHIBIT B

Legal Description of Sunset View Property

A portion of Block 12, FIRST PLAT OF SHP HARBOR ADDITION TO CITY OF ANACORTES, as per plat recorded in Volume 1 of Plats, page 13, records of Skagit County, Washington, described as follows:

Lots 9, 10, 11, 12, 13, 14, 15, and 16 and the Northerly 40 feet of D Avenue lying southerly and adjacent to Lot 9.

All situated in Skagit County, Washington.

NO
NO
NO
NO



200702080106
Skagit County Auditor

EXHIBIT C
 Site Map of Proposed Street Vacation
 and Dedication of Adjacent Property



0' 25' 50' 100' 150'
 SCALE: 1"=50'

CHAFFEY HOMES
 ANACORTES
 Proposed Street Vacation
 and Dedication of Adjacent Property

22DEC05 JLA - REV'D 03JAN06 JLA



200702080106
 Skagit County Auditor

EXHIBIT D

Legal Description of
Sunset View Vacation Area

That portion of Fifth Street in First Plat of Ship Harbor filed in Volume 1 of Plats at page 13, Records of Skagit County, Washington, lying in front of Block 12 of said plat and northerly of the following described line:

Commencing at the northwest corner of said Block 12; thence S 02°13'36"W along the west line of said Block 12, a distance of 107.54 feet to the initial point of this line description, said point being a point on a curve from which the radius point bears S 38°47'33"W, a distance of 47.00 feet; thence westerly along said curve through a central angle of 42°40'21" and an arc distance of 35.00 feet to the west line of Fifth Street as shown on said First Plat of Ship Harbor and the terminal point of this line description.

W. J. W.



200702080106
Skagit County Auditor

EXHIBIT E

Form of Storm Water Easement

After recording return to:
Chaffey Corporation
205 Lake Street South, Suite 101
Post Office Box 560
Kirkland, Washington 98083
Attention: Aileen Zavales

Washington State Recorder's Cover Sheet (RCW 65.04)

Document Title(s): Easement Agreement
Reference Number(s) of Related Documents: n/a
Grantor(s): Sunset View Condominium Developer LLC, a Washington Limited Liability Company
Grantee(s): Chaffey Homes Incorporated, a Washington corporation
Abbreviated Legal Description(s): Portion of Fifth Street in First Plat of Ship Harbor filed in Volume 1 of Plats at page 13, Records of Skagit County, Washington <small>Additional legal description on Page 1 of document</small>
Assessor's Property Tax Parcel/Account Number(s): P58982; P60626; P60628; P60642; P60643

W/O
JW



200702080106
Skagit County Auditor

EXHIBIT G

Form of Construction Easement

After recording return to:
Chaffey Corporation
205 Lake Street South, Suite 101
Post Office Box 560
Kirkland, Washington 98083
Attention: Aileen Zavala

Washington State Recorder's Cover Sheet (RCW 65.04)

Document Title(s): Temporary Construction and Slope Easement
Reference Number(s) of Related Documents: n/a
Grantor(s): Sunset View Condominium Developer LLC, a Washington Limited Liability Company
Grantee(s): Chaffey Homes Incorporated, a Washington corporation
Abbreviated Legal Description(s): Portion of Block 12, First Plat of Ship Harbor filed in Volume 1 of Plats at page 13, Records of Skagit County, Washington
<small>Additional legal description on Page J of document</small>
Assessor's Property Tax Parcel/Account Number(s): P58982; P60626; P60628; P60642; P60643

*AWD
2/8*



200702080106

Skagit County Auditor

EXHIBIT F

Legal Description of Cul de Sac Dedication

That portion of Block 12, First Plat of Ship Harbor filed in Volume 1 of Plats at page 13, Records of Skagit County, Washington, described as follows:

Commencing at the northwest corner of said Block 12; thence S 02°13'36"W along the west line of said Block 12, a distance of 107.54 feet to the point of beginning of this description said point being a point on a curve from which the radius point bears S 38°47'33"W, a distance of 47.00 feet; thence southerly along said curve through a central angle of 106°52'07" and an arc distance of 87.66 feet to a point on the west line of said Block 12 which is 75.50 feet from the point of beginning of this description; thence N 02°13'36"E, a distance of 75.50 feet to the point of beginning of this description.

WUD
7/10



200702080106
Skagit County Auditor

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

CHAFFEY HOMES, INC.

SUNSET VIEW:

Sunset View Condominium Developer LLC,
a Washington Limited Liability Company

[Signature]
Lines Acquisition

[Signature]
Member

STATE OF WASHINGTON }
COUNTY OF Washington } ss.

On this 7th day of February, 2007, before me personally appeared Rex Orinney, to me known to be the manager of the corporation that executed the within and 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 on each stated that he w authorized to execute said instrument.

Given under my hand and official seal this 7th day of February, 2007.
[Signature]
Notary Public in and for the State of Washington.
Name printed Jane E. Nelson
Residing at Amtcarter
My commission expires 6/1/09

State of Washington }
County of Skagit } ss

On this 7th day of February, 2007, before me, the undersigned Notary Public, personally appeared William Brock and personally known to me or proved to me on the basis of satisfactory evidence to be a member of the limited liability company that executed the Dedication Easements to be the free and voluntary act and deed of the Limited Liability company by authority of statute, its articles of organization or its operating agreement for the uses and purposes therein mentioned and on oath stated that he was authorized to execute this Dedication and in fact executed the Dedication on behalf of the Limited Liability Company.

By [Signature]
Residing at Amtcarter
Notary Public in and for the State of Washington. My commission expires 6/1/09

