

When Recorded Return To:

David C. Burkett
Burkett & Burdette
600 Stewart, Suite 1500
Seattle, Washington 98101

T
200802290093
Skagit County Auditor
2/29/2008 Page 1 of 6 11:30AM

CHICAGO TITLE CO. 1044691

DOCUMENT TITLE	Mortgage
REFERENCE NO. OF DOCUMENTS ASSIGNED/RELEASED	Not Applicable
GRANTOR	Keith A. Padgett and Sylvia A. Padgett, husband and wife
GRANTEE	Magic Living, Inc., a Nevada corporation
LEGAL DESCRIPTION	Ptn. SW, Sec. 32, T34N, R4EWM
ASSESSOR'S PARCEL NO.	340432-0-011-0005; P29357

MORTGAGE

The mortgagors Keith A. Padgett and Sylvia A. Padgett, husband and wife ("Mortgagors"), mortgage to Magic Living, Inc., a Nevada corporation ("Mortgagees"), to secure the payment of the principal sum of One Million Five Hundred Fifty Thousand Dollars and Zero Cents (\$1,550,000.00), due August 29, 2008 (the "Maturity Date"), plus simple interest at the rate specified in the Promissory Note executed by Mortgagors, with the effective date of February 20, 2008, which evidences the debt secured by this Mortgage, a copy of which is attached hereto as Exhibit 1 and is incorporated herein by this reference for all purposes, and computed on the principal sum hereof remaining from time to time unpaid, plus all costs and expenses of any kind or nature, including but not limited to attorney's fees, expert witness fees, deposition costs, court costs, and other out of pocket expenses, which have been incurred or expended in foreclosing upon this Mortgage or collecting the Promissory Note, the following described real estate (including all after-acquired title of Mortgagors):

Assessor's Tax Parcel Number: 340432-0-011-0005; P29357

Legal Description:

That portion of the East Half of the Southwest Quarter of Section 32, Township 34 North, Range 4 East of the Willamette Meridian, described as follows:

Beginning at a point 1,213 feet North of the Southwest corner of the Southeast Quarter of the Southwest Quarter of said section;
thence North a distance of 563 feet;

MORTGAGE - 1

thence East to center of the slough;
thence Southerly along the center of said slough to a point that is due East of the point of beginning;
thence West to the point of beginning;

EXCEPT that portion thereof conveyed to the State of Washington for Primary State Highway No. 1 by deeds recorded under Auditor's File Nos. 537746 and 764018, records of Skagit County, Washington;

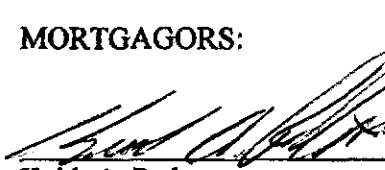
ALSO EXCEPT that portion, if any, lying South of the North line of that tract conveyed to Lars Garavbroth by deed recorded August 31, 1905, under Auditor's File No. 533677, records of Skagit County, Washington.

Situated in Skagit County, Washington.

Mortgagee's remedies shall not be confined to the property described above.

Dated this 20 day of FEBRUARY, 2008.

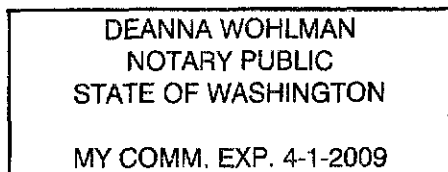
MORTGAGORS:



Keith A. Padgett


Sylvia A. Padgett

On this day personally appeared before me Keith A. Padgett and Sylvia A. Padgett, to me known to be the individuals described in the within and foregoing document and who acknowledged that they were duly authorized to and had in fact executed the within and foregoing document as their free and voluntary act and deed for the uses and purposes therein mentioned.

Given under my hand and official seal this 20 day of February, 2008.




NOTARY PUBLIC in and for
the State of Washington residing at
Burlington WA
My commission expires: 4-1-2009



PROMISSORY NOTE

\$1,550,000.00

February 20, 2008
Seattle, Washington

FOR VALUE RECEIVED, the undersigned, Keith A. Padgett and Sylvia A. Padgett, husband and wife ("Borrowers"), promise to pay to the order of Magic Living, Inc., a Nevada corporation ("Lender"), whose address is 15303 Dallas Parkway, Suite 800, LB 35, Addison, Texas 75001-4600, or at such other place as Lender may designate to Borrowers in writing from time to time, the principal sum of ONE MILLION FIVE HUNDRED FIFTY THOUSAND and NO/100 DOLLARS (\$1,550,000.00), together with simple interest on so much thereof as is from time to time outstanding and unpaid, from March 1, 2008, at the rate of seven and one half percent (7.5%) per annum (the "Note Rate"), in lawful money of the United States of America, which shall at the time of payment be legal tender in payment of all debts and dues, public and private.

ARTICLE I TERMS AND CONDITIONS

1.01 Payment of Principal and Interest. Said interest shall be computed hereunder based on a 365-day year but paid based on the actual number of days in each calendar month. In computing the number of days during which interest accrues, March 1, 2008 shall be included, and the day on which funds are paid to Lender shall be included unless payment is credited prior to close of business. Interest shall be payable on the last business day of each month, and all then unpaid accrued interest and the entire principal balance shall be due August 29, 2008 (the "Maturity Date"), at which time the entire outstanding principal balance hereof, together with all accrued but unpaid interest thereon, shall be due and payable in full.

1.02 Prepayment. Borrowers may prepay this Note, in whole or in part, without penalty.

1.03 Default. It is hereby expressly agreed that should any default occur in the payment of principal or interest as stipulated above, and such payment is not made within fifteen (15) days of the date such payment is due, then a default shall exist under this Note. In such event the indebtedness evidenced hereby and all unpaid interest accrued thereon, shall, at the option of Lender and without notice to Borrowers, at once become due and payable and may be collected forthwith, whether or not there has been a prior demand for payment and regardless of the stipulated date of maturity. Time is of the essence of this Note. In the event this Note, or any part hereof, is collected by or through an attorney-at-law, Borrowers agree to pay all costs of collection including, but not limited to, reasonable attorney's fees.

ARTICLE II GENERAL CONDITIONS

2.01 No Waiver; Amendment. No failure to accelerate the debt evidenced hereby by reason of default hereunder, acceptance of a partial or past due payment, or indulgences granted

EXHIBIT 1

PROMISSO



200802290093

Skagit County Auditor

from time to time shall be construed (i) as a novation of this Note or as a reinstatement of the indebtedness evidenced hereby or as a waiver of such right of acceleration or of the right of Lender thereafter to insist upon strict compliance with the terms of this Note, or (ii) to prevent the exercise of such right of acceleration or any other right granted hereunder by any applicable laws; and Borrowers hereby expressly waive the benefit of any statute or rule of law or equity now provided, or which may hereafter be provided, which would produce a result contrary to or in conflict with the foregoing. Borrowers consent to any extension of time for the payment hereof, or release of any party liable for this obligation. No extension of the time for the payment of this Note or any installment due hereunder or release of any party, made by agreement with any entity now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability of Borrowers under this Note, either in whole or in part, unless Lender agrees otherwise in writing. This Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

2.02 Waivers. Presentment for payment, demand, protest and notice of demand, notice of acceleration, protest and nonpayment and all other notices are hereby waived by Borrowers. Borrowers hereby further waive and renounce, to the fullest extent permitted by law, all rights to the benefits of any statute of limitations and any moratorium, reinstatement, marshaling, forbearance, valuation, stay, extension, redemption, appraisal, exemption and homestead law now or hereafter provided by the Constitution and laws of the United States of America and of each state thereof, both as to themselves and in and to all of their property, real and personal, against the enforcement and collection of the obligations evidenced by this Note.

2.03 Limit of Validity. The provisions of this Note and of all agreements between Borrowers and Lender, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of demand or acceleration of the maturity of this Note or otherwise, shall the amount paid, or agreed to be paid ("Interest"), to Lender for the use, forbearance or retention of the money loaned under this Note exceed the maximum amount permissible under applicable law. If, from any circumstance whatsoever, performance or fulfillment of any provision hereof or of any agreement between Borrowers and Lender shall, at the time performance or fulfillment of such provision shall be due, exceed the limit for Interest prescribed by law or otherwise transcend the limit of validity prescribed by applicable law, then ipso facto the obligation to be performed or fulfilled shall be reduced to such limit and if, from any circumstance whatsoever, Lender shall ever receive anything of value deemed Interest by applicable law in excess of the maximum lawful amount, an amount equal to any excessive Interest shall be applied to the reduction of the principal balance owing under this Note in the inverse order of its maturity (whether or not then due) or at the option of Lender be paid over to Borrowers, and not to the payment of Interest. All Interest (including any amounts or payments deemed to be Interest) paid or agreed to be paid to Lender shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full period until payment in full of the principal balance of this Note so that the Interest thereof for such full period will not exceed the maximum amount permitted by applicable law. This Section 2.03 will control all agreements between Borrowers and Lender.

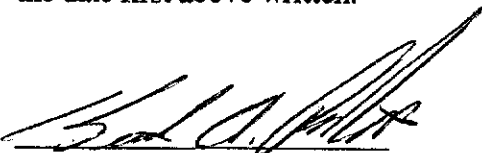


2.04. Unconditional Payment. Borrowers are and shall be obligated to pay principal, interest and any and all other amounts which become payable hereunder absolutely and unconditionally and without any abatement, postponement, diminution or deduction and without any reduction for counterclaim or setoff. In the event that at any time any payment received by Lender hereunder shall be deemed by a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under any bankruptcy, insolvency or other debtor relief law, then the obligation to make such payment shall survive any cancellation or satisfaction of this Note or return thereof to Borrowers and shall not be discharged or satisfied with any prior payment thereof or cancellation of this Note, but shall remain a valid and binding obligation enforceable in accordance with the terms and provisions hereof, and such payment shall be immediately due and payable upon demand.

2.05 Security. Borrowers have duly executed a Mortgage, in the form attached hereto as Exhibit 1, to secure payment of this Promissory Note. Lender's remedies shall not be confined to the Property.

2.06. Miscellaneous. This Note shall be interpreted, construed and enforced according to the laws of the State of Washington. Jurisdiction and venue for any action arising out of or related in any way to the negotiation, performance, or breach of this Note shall be in Skagit County Superior Court, Mt. Vernon, Washington. The terms and provisions hereof shall be binding upon and inure to the benefit of Borrowers and Lender and their respective heirs, executors, legal representatives, successors, successors-in-title and assigns, whether by voluntary action of the parties or by operation of law. As used herein, the terms "Borrowers" and "Lender" shall be deemed to include their respective heirs, executors, legal representatives, successors, successors-in-title and assigns, whether by voluntary action of the parties or by operation of law. All personal pronouns used herein, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural and vice versa. Titles of articles and sections are for convenience only and in no way define, limit, amplify or describe the scope or intent of any provisions hereof. Time is of the essence with respect to all provisions of this Note. This Note contains the entire agreements between the parties hereto relating to the subject matter hereof and thereof and all prior agreements relative hereto and thereto which are not contained herein or therein are terminated.

IN WITNESS WHEREOF, Borrowers have executed this Note under seal effective as of the date first above written.


Keith A. Padgett


Sylvia A. Padgett

On this day personally appeared before me Keith A. Padgett and Sylvia A. Padgett, husband and wife, to me known to be the individuals described in the within and foregoing document and who acknowledged that they were duly authorized to and had in fact executed the

PROMISSORY NOTE - 3



200802290093
Skagit County Auditor

within and foregoing document as their free and voluntary act and deed for the uses and purposes therein mentioned.

Given under my hand and official seal this 20 day of February, 2008.

DEANNA WOHLMAN
NOTARY PUBLIC
STATE OF WASHINGTON
MY COMM. EXP. 4-1-2009

Deanna Wohlman
NOTARY PUBLIC in and for
the State of Washington residing at

Burlington WA
My commission expires: 4-1-2009



200802290093
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