

When recorded return to:

Land Title and Escrow
P.O. Box 445, 111 East George Hopper Road
Burlington, WA 98233



201103040003
Skagit County Auditor

3/4/2011 Page 1 of 7 9:02AM

Filed for Record at Request of
Land Title and Escrow
Escrow Number: 138893-OE

Grantor: Charles W. Schwab and Sherida A. Schwab
Grantee: SJB Farms LLC

LAND TITLE OF SKAGIT COUNTY
REAL ESTATE CONTRACT
(RESIDENTIAL SHORT FORM)

138893-OE

ANY OPTIONAL PROVISION NOT INITIALED BY ALL PERSONS SIGNING THIS CONTRACT --
WHETHER INDIVIDUALLY OR AS AN OFFICER OR AGENT -- IS NOT A PART OF THIS
CONTRACT.

1. PARTIES AND DATE. This Contract is entered into on March 1, 2011 between
Charles W. Schwab and Sherida A. Schwab, husband and wife as "Seller" and SJB FARMS, LLC, a
Washington Limited Liability Company as "Purchaser."

2. SALE AND LEGAL DESCRIPTION. Seller agrees to sell to Purchaser and Purchaser agrees to purchase
from
Seller the following described real estate in Skagit County, State of Washington:

Abbreviated Legal: ptn Gov. Lot 1 and SE 1/4 of NE 1/4, 6-33-4 E W.M.
Aka Trs. B & C, SP#40-74

See Attached Exhibit "A"

Tax Parcel Number(s): 330406-1-002-0108, P16411, 330406-1-004-0005, P16439

3. PERSONAL PROPERTY. Personal property, if any, included in the sale is as follows:
N/A
No part of the purchase price is attributed to personal property.

4. (a) PRICE. Purchaser agrees to pay:

	\$	<u>160,000.00</u>	Total Price
Less	\$	<u>32,000.00</u>	Down Payment
Less	\$		Assumed Obligation (s)
Results in	\$	<u>128,000.00</u>	Amount Financed by Seller.

SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

636

MAR 04 2011

Amount Paid \$ 2853.⁰⁰
Skagit Co. Treasurer
By *man* Deputy

(b) ASSUMED OBLIGATIONS. Purchaser agrees to pay the above Assumed Obligation(s)
by

~~assuming and agreeing to pay that certain _____ dated _____
(Mortgage, Deed of Trust, Contract)
recorded as AF# _____. Seller warrants the unpaid balance of said obligation is
\$ _____ which is payable \$ _____ on or before the _____
day of _____, _____ interest at the rate of
_____ % per annum on the declining balance thereof, and a like amount on or before the
including or plus day of each and every month or year thereafter until paid in full.~~

Note: Fill in the date in the following two lines only if there is an early cash out date.

NOTWITHSTANDING THE ABOVE, THE ENTIRE BALANCE OF PRINCIPAL AND INTEREST IS
DUE IN FULL NOT LATER THAN March 4th, 2014

ANY ADDITIONAL ASSUMED OBLIGATIONS ARE INCLUDED IN ADDENDUM.

(c) PAYMENT OF AMOUNT FINANCED BY SELLER.

Purchaser agrees to pay the sum of \$ 128,000.00 as follows:
\$ 1080.13 or more at purchaser's option on or before the 5th day of April, 2011,
plus interest from March 4, 2011 at the rate of 6 % per annum
on the declining balance thereof; and a like amount or more on or before the 5th day of each

and every month thereafter until paid in full.

Note: Fill in the date in the following two lines only if there is an early cash out date.

NOTWITHSTANDING THE ABOVE, THE ENTIRE BALANCE OF PRINCIPAL AND INTEREST IS DUE IN FULL NOT LATER THAN March 4, 2014.

Payments are applied first to interest and then to principal. Payments shall be made at Trust Accounting Center, P.O. Box 730, Anacortes, WA 98221 or such other place as the Seller may hereafter indicate in writing.

5. **FAILURE TO MAKE PAYMENTS ON ASSUMED OBLIGATIONS.** If Purchaser fails to make any payments on assumed obligation(s), Seller may give written notice to Purchaser that unless Purchaser makes the delinquent payment(s) within fifteen (15) days, Seller will make the payment(s), together with any late charge, additional interest, penalties, and costs assessed by the Holder of the assumed obligation(s). The 15-day period may be shortened to avoid the exercise of any remedy by the Holder of the assumed obligation(s). Purchaser shall immediately after such payment by Seller reimburse Seller for the amount of such payment plus a late charge equal to five percent (5%) of the amount so paid plus all costs and attorneys' fees incurred by Seller in connection with making such payment.

6. (a) **OBLIGATIONS TO BE PAID BY SELLER.** The Seller agrees to continue to pay from payments received hereunder the following obligation, which obligation must be paid in full when Purchaser pays the purchase price in full:

That certain _____ dated _____
Recorded as AF # _____

ANY ADDITIONAL OBLIGATION TO BE PAID BY SELLER ARE INCLUDED IN ADDENDUM.

(b) **EQUITY OF SELLER PAID IN FULL.** If the balance owed the Seller on the purchase price herein becomes equal to the balance owed on prior encumbrances being paid by Seller, Purchaser will be deemed to have assumed said encumbrances as of that date. Purchaser shall thereafter make payments direct to the holders of said encumbrances and make no further payments to Seller. Seller shall at that time deliver to Purchaser a fulfillment deed in accordance with the provisions of Paragraph 8.

(c) **FAILURE OF SELLER TO MAKE PAYMENTS ON PRIOR ENCUMBRANCES.** If Seller fails to make any payments on any prior encumbrance, Purchaser may give written notice to Seller that unless Seller makes the delinquent payments within 15 days, Purchaser will make the payments together with any late charge, additional interest, penalties, and costs assessed by the holder of the prior encumbrance. The 15-day period may be shortened to avoid the exercise of any remedy by the holder of the prior encumbrance. Purchaser may deduct the amounts so paid plus a late charge of 5% of the amount so paid and any attorneys' fees and costs incurred by Purchaser in connection with the delinquency from payments next becoming due Seller on the purchase price. In the event Purchaser makes such delinquent payments on three occasions, Purchaser shall have the right to make all payments due thereafter directly to the holder of such prior encumbrance and deduct the then balance owing on such prior encumbrance from the then balance owing on the purchase price and reduce periodic payments on the balance due Seller by the payments called for in such prior encumbrance as such payments become due.

7. **OTHER ENCUMBRANCES AGAINST THE PROPERTY.** The property is subject to encumbrances including the following listed tenancies, easements, restrictions, and reservations in addition to the obligations assumed by Purchaser and the obligations being paid by Seller:

ANY ADDITIONAL NON-MONETARY ENCUMBRANCES ARE INCLUDED IN ADDENDUM.

8. **FULFILLMENT DEED.** Upon payment of all amounts due Seller, Seller agrees to deliver to Purchaser a Statutory Warranty Deed in fulfillment of this Contract. The covenants of warranty in said deed shall not apply to any encumbrances assumed by Purchaser or to defects in title arising subsequent to the date of this Contract by, through, or under persons other than the Seller herein. Any personal property included in the sale shall be included in the fulfillment deed.

9. **LATE CHARGES.** If any payment on the purchase price is not made within 10 days after the date it is due, Purchaser agrees to pay a late charge equal to 5% of the amount of such payment. Such late payment charge shall be in addition to all other remedies available to Seller and the first amounts received from Purchaser after such late charges are due shall be applied to the late charges.

10. **NO ADVERSE EFFECT ON PRIOR ENCUMBRANCES.** Seller warrants that entry into this Contract will not cause in any prior encumbrance (a) a breach, (b) accelerated payments, or (c) an increased interest rate; unless (a), (b), or (c) has been consented to by Purchaser in writing.

11. **POSSESSION.** Purchaser is entitled to possession of the property from and after the date of this Contract or _____, whichever is later, subject to any tenancies described in Paragraph 7.



12. **TAXES, ASSESSMENTS, AND UTILITY LIENS.** Purchaser agrees to pay by the date due all taxes and assessments becoming a lien against the property after the date of this Contract. Purchaser may in good faith contest any such taxes or assessments so long as no forfeiture or sale of the property is threatened as the result of such contest. Purchaser agrees to pay when due any utility charges which may become liens superior to Seller's interest under this Contract. If real estate taxes and penalties are assessed against the property subsequent to date of this Contract because of a change in use prior to the date of this Contract for Open Space, Farm, Agricultural, or Timber classifications approved by the County or because of a Senior Citizen's Declaration to Defer Property Taxes filed prior to the date of this Contract, Purchaser may demand in writing payment of such taxes and penalties within 30 days. If payment is not made, Purchaser may pay and deduct the amount thereof plus 5% penalty from the payments next becoming due Seller under the Contract.

13. **INSURANCE.** Purchaser agrees to keep all buildings now or hereafter erected on the property described herein continuously insured under fire and extended coverage policies in an amount not less than the balances owed on obligations assumed by Purchaser plus the balance due Seller, or full insurable value, whichever is lower. All policies shall be held by the Seller and be in such companies as the Seller may approve and have loss payable first to any holders of underlying encumbrances, then to Seller as their interests may appear and then to Purchaser. Purchaser may within 30 days after loss negotiate a contract to substantially restore the premises to their condition before the loss. If the insurance proceeds are sufficient to pay the contract price for restoration or if the Purchaser deposits in escrow any deficiency with instructions to apply the funds on the restoration contract, the property shall be restored unless the underlying encumbrances provide otherwise. Otherwise the amount collected under any insurance policy shall be applied upon any amounts due hereunder in such order as the Seller shall determine. In the event of forfeiture, all rights of Purchaser in insurance policies then in force shall pass to Seller.

14. **NONPAYMENT OF TAXES, INSURANCE, AND UTILITIES CONSTITUTING LIENS.** If Purchaser fails to pay taxes or assessments, insurance premiums, or utility charges constituting liens prior to Seller's interest under this Contract, Seller may pay such items and Purchaser shall forthwith pay Seller the amount thereof plus a late charge of 5% of the amount thereof plus any costs and attorney's fees incurred in connection with making such payment.

15. **CONDITION OF PROPERTY.** Purchaser accepts the property in its present condition and acknowledges that Seller, his agents, and subagents have made no representation or warranty concerning the physical condition of the property or the uses to which it may be put other than as set forth herein. Purchaser agrees to maintain the property in such condition as complies with all applicable laws.

16. **RISK OF LOSS.** Purchaser shall bear the risk of loss for destruction or condemnation of the property. Any such loss shall not relieve Purchaser from any of Purchaser's obligations pursuant to this Contract.

17. **WASTE.** Purchaser shall keep the property in good repair and shall not commit or suffer waste or willful damage to or destruction of the property. Purchaser shall not remove commercial timber without the written consent of Seller.

18. **AGRICULTURAL USE.** If this property is to be used principally for agricultural purposes, Purchaser agrees to conduct farm and livestock operations in accordance with good husbandry practices. In the event a forfeiture action is instituted, Purchaser consents to Seller's entry on the premises to take any reasonable action to conserve soil, crops, trees, and livestock.

19. **CONDEMNATION.** Seller and Purchaser may each appear as owners of an interest in the property in any action concerning condemnation of any part of the property. Purchaser may within 30 days after condemnation and removal of improvements, negotiate a contract to substantially restore the premises to their condition before the removal. If the condemnation proceeds are sufficient to pay the contract price for restoration or if the Purchaser deposits in escrow any deficiency with instructions to apply the funds on the restoration contract, the property shall be restored unless underlying encumbrances provide otherwise. Otherwise, proceeds of the award shall be applied in payment of the balance due on the purchase price, as Seller may direct.

20. **DEFAULT.** If the Purchaser fails to observe or perform any term, covenant, or condition of this Contract, Seller may:

- (a) Suit for Installments. Sue for any delinquent periodic payment; or
- (b) Specific Performance. Sue for specific performance of any of Purchaser's obligations pursuant to this Contract; or
- (c) Forfeit Purchaser's Interest. Forfeit this Contract pursuant to Ch: 61.30, RCW, as it is presently enacted and may hereafter be amended. The effect of such forfeiture includes: (i) all right, title, and interest in the property of the Purchaser and all persons claiming through the Purchaser shall be terminated; (ii) the Purchaser's rights under the Contract shall be cancelled; (iii) all sums previously paid under the Contract shall belong to and be retained by the Seller or other person to whom paid and entitled thereto; (iv) all improvements made to and unharvested crops on the property shall belong to the Seller; and (v) Purchaser



shall be required to surrender possession of the property, improvements, and unharvested crops to the Seller 10 days after the forfeiture.

(d) Acceleration of Balance Due. Give Purchaser written notice demanding payment of said delinquencies and payment of a late charge of 5% of the amount of such delinquent payments and payment of Seller's reasonable attorney's fees and costs incurred for services in preparing and sending such Notice and stating that if payment pursuant to said Notice is not received within thirty (30) days after the date said Notice is either deposited in the mail addressed to the Purchaser or personally delivered to the Purchaser, the entire balance owing, including interest, will become immediately due and payable. Seller may thereupon institute suit for payment of such balance, interest, late charge, and reasonable attorneys' fees and costs.

(e) Judicial Foreclosure. Sue to foreclose this contract as a mortgage, in which event Purchaser may be liable for a deficiency.

21. RECEIVER. If Seller has instituted any proceedings specified in Paragraph 20 and Purchaser is receiving rental or other income from the property, Purchaser agrees that the appointment of a receiver for the property is necessary to protect Seller's interest.

22. PURCHASER'S REMEDY FOR SELLER'S DEFAULT. If Seller fails to observe or perform any term, covenant, or condition of this Contract, Purchaser may, after 30 days' written notice to Seller, institute suit for damages or specific performance unless the breaches designated in said notice are cured.

23. NON-WAIVER. Failure of either party to insist upon strict performance of the other party's obligations hereunder shall not be construed as a waiver of strict performance thereafter of all of the other party's obligations hereunder and shall not prejudice any remedies as provided herein.

24. ATTORNEYS' FEES AND COSTS. In the event of any breach of this Contract, the party responsible for the breach agrees to pay reasonable attorney's fees and costs, including costs of service of notices and title searches, incurred by the other party. The prevailing party in any suit instituted arising out of this Contract and in any forfeiture proceedings arising out of this Contract shall be entitled to receive reasonable attorney's fees and costs incurred in such suit or proceedings.

25. NOTICES. Notices shall be either personally served or shall be sent certified mail, return receipt requested, and by regular first class mail to Purchaser at P.O. Box 826, Conway, WA 98238 and to Seller at 18266 Grouse Lane Mount Vernon, WA 98274 or such other addresses as either party may specify in writing to the other party. Notices shall be deemed given when served or mailed. Notice to Seller shall also be sent to any institution receiving payments on the Contract.

26. TIME FOR PERFORMANCE. Time is of the essence in performance of any obligations pursuant to this Contract.

27. SUCCESSORS AND ASSIGNS. Subject to any restrictions against assignment, the provisions of this Contract shall be binding on the heirs, successors, and assigns of the Seller and the Purchaser.

28. OPTIONAL PROVISION -- SUBSTITUTION AND SECURITY ON PERSONAL PROPERTY. Purchaser may substitute for any personal property specified in Paragraph 3 herein other personal property of like nature which Purchaser owns free and clear of any encumbrances. Purchaser hereby grants Seller a security interest in all personal property specified in Paragraph 3 and future substitutions for such property and agrees to execute a financing statement under the Uniform Commercial Code reflecting such security interest.

SELLER

INITIALS:

PURCHASER

29. OPTIONAL PROVISION -- ALTERATIONS. Purchaser shall not make any substantial alteration to the improvements on the property without the prior written consent of Seller, which consent will not be unreasonably withheld.

SELLER

INITIALS:

PURCHASER

30. OPTIONAL PROVISION -- DUE ON SALE. If Purchaser, without written consent of Seller, (a) conveys, (b) sells, (c) leases, (d) assigns, (e) contracts to convey, sell, lease or assign, (f) grants an option to



buy the property, (g) permits a forfeiture or foreclosure or trustee or sheriff's sale of any of the Purchaser's interest in the property or this Contract, Seller may at any time thereafter either raise the interest rate on the balance of the purchase price or declare the entire balance of the purchase price due and payable. If one or more of the entities comprising the Purchaser is a corporation, any transfer or successive transfers in the nature of items (a) through (g) above of 49% or more of the outstanding capital stock shall enable Seller to take the above action. A lease of less than 3 years (including options for renewals), a transfer to a spouse or child of Purchaser, a transfer incident to a marriage dissolution or condemnation, and a transfer by inheritance will not enable Seller to take any action pursuant to this Paragraph; provided the transferee other than a condemn or agrees in writing that the provisions of this paragraph apply to any subsequent transaction involving the property entered into by the transferee.

SELLER	INITIALS:	PURCHASER
 <hr/> SAS		 <hr/> SB

31. **OPTIONAL PROVISION -- PRE-PAYMENT PENALTIES ON PRIOR ENCUMBRANCES.** If Purchaser elects to make payments in excess of the minimum required payments on the purchase price herein, and Seller, because of such prepayments, incurs prepayment penalties on prior encumbrances, Purchaser agrees to forthwith pay Seller the amount of such penalties in addition to payments on the purchase price.

SELLER	INITIALS:	PURCHASER
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32. **OPTIONAL PROVISION -- PERIODIC PAYMENTS ON TAXES AND INSURANCE.** In addition to the periodic payments on the purchase price, Purchaser agrees to pay Seller such portion of the real estate taxes and assessments and fire insurance premium as will approximately total the amount due during the current year based on Seller's reasonable estimate.

The payments during the current year shall be \$ _____ per _____.

Such "reserve" payments from Purchaser shall not accrue interest. Seller shall pay when due all real estate taxes and insurance premiums, if any, and debit the amounts so paid to the reserve account. Purchaser and Seller shall adjust the reserve account in April of each year to reflect excess or deficit balances and changed costs. Purchaser agrees to bring the reserve account balance to a minimum of \$10 at the time of adjustment.

SELLER	INITIALS:	PURCHASER
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33. **ADDENDA.** Any addenda attached hereto are a part of this Contract.

34. **ENTIRE AGREEMENT.** This Contract constitutes the entire agreement of the parties and supersedes all prior agreements and understandings, written or oral. This Contract may be amended only in writing executed by Seller and Purchaser.



IN WITNESS WHEREOF the parties have signed and sealed this Contract the day and year first above written.

[Signature]
Charles W. Schwab

[Signature]
Sherida A. Schwab

SJB Farms LLC
[Signature]
By: Steven E. Boon, Member

[Signature]
By: Jeffrey S. Boon, Member

STATE OF Washington }
COUNTY OF Skagit } SS:

I certify that I know or have satisfactory evidence that Charles W. Schwab and Sherida A. Schwab the person(s) who appeared before me, and said person(s) acknowledged that he/she/they signed this instrument and acknowledge it to be his/her/their free and voluntary act for the uses and purposes mentioned in this instrument.

Dated: March 3, 2011

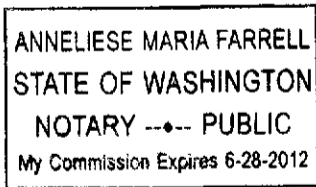


[Signature]
Karen Ashley
Notary Public in and for the State of Washington
Residing at Sedro-Woolley
My appointment expires: 9/11/2014

STATE OF Washington }
County of Skagit } SS:

I certify that I know or have satisfactory evidence Steven E. Boon and Jeffrey S. Boon are the person who appeared before me, and said persons acknowledged that they signed this instrument, on oath stated They are authorized to execute the instrument and Are the Members of SJB Farms, LLC to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

Dated: 3/2/11



[Signature]
Notary Public in and for the State of Washington
Residing at [Signature]
My appointment expires: 6/28/12



EXHIBIT "A"

Tracts "B" and "C" of Skagit County Short Plat No. 40-74, approved September 5, 1974 and recorded September 6, 1974, under Auditor's File No. 806842, being a portion of Government Lot 1 and of the Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of Section 6, Township 33 North, Range 4 East, W.M.

Situate in the County of Skagit, State of Washington.

Abbreviated Legal:

