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JERRY MCINTURFF
SKAGIT COUNTY AUDITOR

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SKAGIT COUNTY WASHINGTON
Real Estate Excise Tax
PAID

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FIRST AMERICAN TITLE CO.

41900-2

9402020092
RECORDED FILE REAL ESTATE CONTRACT
REQUEST OF

Amount Paid \$ 1,836.00
By: Skagit County Treasurer Deputy

THIS AGREEMENT dated this 27th day of January, 1994, by and between SIMPLIFIED EXCHANGE ACCOUNTING SYSTEMS, INC., a Washington corporation, herein called "Seller," and SARAH SPENCE, as her separate property, herein called "Buyer."

Buyer hereby agrees to buy from Seller and Seller hereby agrees to sell to Buyer upon all of the terms and conditions hereinafter set forth, that portion of the south half of the south half of the southwest quarter of Section 12, Township 36 North, Range 3 East, W.M., lying west of the Barrell Springs Road, situated in Skagit County, Washington.

TOGETHER WITH all the rights, easements, tenements, hereditaments and appurtenances presently or hereafter during the continuation of this contract, belonging or appertaining thereto, together with the rents, issues and profits thereof, and all fixtures and property that may now be located on said property or may be hereafter attached to or installed in said property.

1. Purchase Price. The purchase price to be paid by the Buyer to the Seller is ONE HUNDRED TWENTY THOUSAND AND NO/100THS DOLLARS (\$120,000.00), of which the sum of TWENTY FIVE THOUSAND AND NO/100THS DOLLARS (\$25,000.00) has been paid and the receipt of which is hereby acknowledged. The balance of the purchase price shall be paid as follows:

TEN THOUSAND AND NO/100THS DOLLARS (\$10,000.00), or more at Buyer's option, on or before the first day of July, 1994, and TEN THOUSAND AND NO/100THS DOLLARS (\$10,000.00), or more at Buyer's option, on or before the first day of each succeeding July until January 1, 1997, at which time the entire unpaid balance of this contract, principal and interest, shall be due and payable in full. The Buyer further agrees to pay interest on the diminishing balance of said purchase price at the rate of nine percent (9%) per annum from the date of this contract, which interest shall be deducted from each installment payment, and the balance of each payment applied in reduction of principal. All payments to be made hereunder shall be made at P.O. Box 641, Conway, Washington, 98684, or at such other place as the Seller may direct in writing.

2. Taxes and Assessments. The Buyer assumes and agrees to pay before delinquency, and provide Seller with reasonable evidence of such payment within ten (10) days thereafter, all taxes and assessments of any kind or character which may hereafter be assessed against or become a lien on the said real estate.

3. Payments by Seller. In the event Buyer fails to make any tax or other payment as herein required, or to do or perform any other act hereby required of Buyer, Seller may, but is not hereby required to make such payment or do such act, and any amount so paid or expended by Seller in so doing, together with interest thereon at the same rate as provided in this contract for the unpaid balance, from the date of Seller's

payment until repaid, shall be reimbursed by Buyer on demand and secured by this contract, all without prejudice to any other right Seller may have by reason of such default.

4. Representations. Buyer agrees that full inspection of said property has been made and that neither Seller, Seller's assigns nor Seller's representatives have made any representations concerning the condition of the property or the improvements thereon nor has any agreement for alteration, improvement or repair been made unless the same is set forth in this agreement. Buyer acknowledges and agrees that she is purchasing the property "AS IS AND WHERE IS" with regards to its physical condition, governmental restrictions of all kinds which may apply to it, any amenities which may be associated with it, and with regard to all other considerations except as otherwise expressly set out herein.

5. Risk of Loss. Buyer assumes all hazards of damage to or destruction of any improvements now or hereafter located on said real estate and of the taking of said real estate or any part thereof for public use, and agrees that no such damage, destruction or taking shall constitute a failure of consideration.

6. Condemnation Award. In case any part of the real estate is hereafter taken for public use, the portion of the condemnation award or any payment in lieu thereof remaining after payment of reasonable expenses of procuring the same shall be paid to Seller and applied in payment of the principal portion of payments thereafter falling due hereunder in inverse order of their maturity. The foregoing notwithstanding, Seller may elect to allow Buyer to apply all or a portion of such condemnation award to the rebuilding or restoration of any improvements damaged by such taking. The Seller has no knowledge any current or contemplated condemnation proceedings.

7. Use and Maintenance. Buyer covenants to keep the buildings and other improvements, if any, now or hereafter located on said real estate in good repair and not to permit waste nor use nor permit the use of said property for any illegal purpose. Buyer covenants to pay all service, installation or construction charges for water, sewer, electricity, garbage or other utilities furnished to said real estate after Buyer is entitled to possession.

8. Fulfillment Deed. Seller agrees, upon receipt of full payment of the purchase price and interest in the manner above specified and when all other terms, conditions and covenants of this contract have been met, to convey the above-described real property to Buyer by statutory warranty deed, excepting any part thereof which may hereafter be taken for public use, free and clear of encumbrances except those which may attach after the date hereof through any person other than the Seller or Seller's successors and assigns, except such encumbrances as Buyer has assumed or to which Buyer has purchased subject as stated herein, and except building restrictions and easements of record, current taxes, municipal liens, water rights or rents and public charges assumed or created by or arising out of the occupancy of the premises by Buyer subsequent to the date hereof.

9. Possession. Buyer shall be entitled to possession on the date of closing as hereinafter specified and shall be entitled to retain possession so long as Buyer is not in default hereunder. The closing date shall be the date of this contract.

10. Assignment. Buyer shall not assign this contract nor any interest herein nor sell any interest herein without the written consent of Seller, which consent Seller agrees not to unreasonably withhold.

11. Seller's Remedies. Time is of the essence of this contract. In the event Buyer shall fail to comply with or perform any condition or agreement hereof promptly at the time and in the manner herein specified and shall fail to correct said default together with payment of reasonable costs and attorney's fees for issuing notice of such default with a period of thirty (30) days after personal service or date of mailing of notice thereof as herein provided, the same shall constitute a material breach of this agreement, and thereupon Seller may exercise any of the following optional, cumulative remedies:

(a) Seller may elect to declare this contract null and void and all of Buyer's rights hereunder terminated, and upon so doing, all payments made by Buyer hereunder may be declared forfeited to Seller as liquidated damages, and Seller shall have the right to re-enter and take possession of the real estate, and Buyer in such event agrees to immediately surrender possession of said premises and submit his quit claim deed to the Seller. In the event Buyer refuses to submit his quit claim deed, Seller may foreclose this contract by any appropriate action, and in any of such cases, all the right and interest hereby created or then existing in favor of the Buyer derived under this agreement shall utterly cease and terminate.

(b) Seller may elect to bring action or actions on any intermediate overdue installment or on any payment or payments made by Seller and repayable by Buyer, it being stipulated that the covenants to pay intermediate installments or to pay items repayable by Buyer are independent of the covenant to make a deed, and that every such action is an action arising on contract for the recovery of money only, as if the promise to pay had been expressed in a different instrument. Buyer agrees that no such action shall constitute an election not to proceed otherwise as to any subsequent default, and no waiver by Seller of any default of Buyer shall be construed as a waiver of any subsequent default.

(c) Seller may accelerate and declare the entire unpaid balance immediately due and payable and may commence an action against Buyer for said unpaid balance, together with any other sums due Seller or herein required to be paid by Buyer by virtue of this contract, including but not limited to interest and delinquent taxes or assessments and reasonable attorney's fees.

In addition thereto, and not in limitation thereof, Seller shall have all of the rights granted to Seller by and under the laws of the state in which the above-described property shall be situated. If any of the rights hereinabove given shall be contrary to the laws of such state, such of the rights as shall be so contrary shall be null and void and

of no force or effect, except to the maximum extent thereby permitted. The failure of Seller to bring an action against Buyer at any time upon the violation of any of the terms of this contract by Buyer shall not be construed to be a waiver of any of the rights of Seller specified herein.

12. Costs and Attorney's Fees. In the event either party shall fail to comply with or perform any condition or agreement hereof promptly at the time and in the manner herein specified, the defaulting party shall thereafter pay all costs and expenses, including reasonable attorney's fees, incurred by the non-defaulting party in the enforcement of said non-defaulting party's rights herein whether by notice of default, any judicial action for recession, declaratory judgment, specific performance, foreclosure, or damages, appellate judicial action, arbitration or other means.

13. Notices. All demands, notices and notices of forfeiture may be personally served upon the parties or service thereof may be made by certified mail, addressed to the respective parties at the following addresses:

SELLER:

SIMPLIFIED EXCHANGE ACCOUNTING
SYSTEMS, INC.
P. O. BOX 1667
MT. VERNON, WA 98273

BUYER:

Sarah Spence
1210 Gerard
Bellingham, WA 98225

14. Title Insurance. Seller shall furnish to Buyer a Purchaser's Policy of Title Insurance at this time which shall be the only policy of title insurance Seller is required to furnish. Such policy shall insure Buyer to the full amount of the purchase price against loss or damage by reason of defect in Seller's title as of the date of closing and contain only those exceptions which Buyer is to assume or to which this conveyance is herein expressly made subject; all matters of record; and any existing contract or contracts or mortgage or mortgages or other obligations which Buyer by this contract agrees to pay, none of which shall be deemed defects in Seller's title.

15. Miscellaneous. This agreement is and shall be deemed to be an integrated agreement, superseding all prior oral or written agreements between the parties relative to the subject matter hereof and shall be binding upon the respective parties, their heirs, successors and assigns. If any part of this agreement shall be found or held to be invalid, such finding shall not affect the validity of any other part hereof. Unless some other meaning and intent are apparent from the context, the plurals shall include the singular and vice versa, and masculine, feminine and neuter words shall be used interchangeably.

SEE PARAGRAPH 16 ATTACHED HERETO.

IN WITNESS WHEREOF, said parties have executed this instrument in duplicate the day and year above written.

16. Tax-Deferred Exchange. It is the intent of the Taxpayer, PUGET SOUND TIMBER COMPANY, a Washington corporation, to accomplish a 1031 tax deferred exchange pursuant to the Assignment and Release and Warranty Agreement dated January 25, 1994. Any dispute arising in the matter of this Real Estate Contract shall be between the taxpayer, PUGET SOUND TIMBER COMPANY, and the Purchaser, SARAH SPENCE. Simplified Exchange Accounting Systems, Inc., a Washington corporation, signs as a principal without personal or corporate liability.

SELLER:

SIMPLIFIED EXCHANGE ACCOUNTING
SYSTEMS, INC.

BUYER:

BY Marcie K. Paleck
ADMINISTRATIVE ASST.
TAXPAYER:

PUGET SOUND TIMBER COMPANY

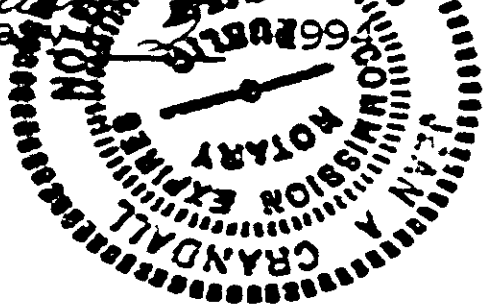
BY: David M. Kurtz
DAVID M. KURTZ, President

BY: Mary C. Kurtz
MARY C. KURTZ, Secretary-Treasurer

STATE OF WASHINGTON)
COUNTY OF Chelan) SS

I certify that I know or have satisfactory evidence that Marcie K. Paleck signed this instrument, on oath stated that she is authorized to execute the instrument and acknowledged it as the Administrative Asst. of SIMPLIFIED EXCHANGE ACCOUNTING SYSTEMS, INC., to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: January 25, 1994

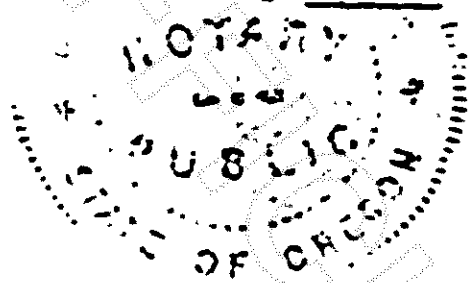


Jean A. Crandall
Printed Name: Jean A. Crandall
NOTARY PUBLIC in and for the State of
Washington, residing at Wellpelt
My commission expires 7-15-97

STATE OF WASHINGTON)
COUNTY OF multnomah) SS

I certify that I know or have satisfactory evidence that DAVID M. KURTZ and MARY C. KURTZ signed this instrument, on oath stated that they are authorized to execute the instrument and acknowledged it as the President and Secretary-Treasurer, respectively, of PUGET SOUND TIMBER COMPANY to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: January 25, 1994

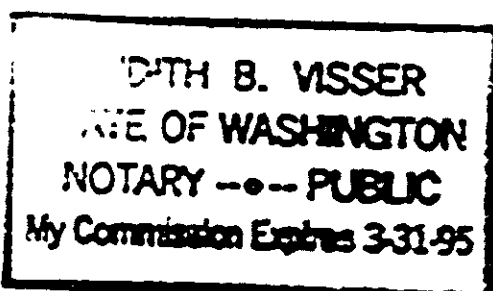


Ginger L. Spencer
Printed Name: Ginger L. Spencer
NOTARY PUBLIC in and for the State of
Washington, residing at Wellpelt, OR
My commission expires 3-25-94

STATE OF WASHINGTON)
COUNTY OF WHATCOM) SS

I certify that I know or have satisfactory evidence that SARAH SPENCE is the person who appeared before me, and said person acknowledged that she signed this instrument and acknowledged it to be her free and voluntary act for the uses and purposes mentioned in this instrument.

Dated: January 31, 1994



Judith B. Visser
Printed Name: JUDITH B. VISSER
NOTARY PUBLIC in and for the State of
Washington, residing at Bellingham.
My commission expires 3/31/95

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