



Timothy W. Dore
U.S. Bankruptcy Court
(Dated as of Entered on Docket date above)

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THE UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re

NEAL C. COY,

Debtor.

Case No. 13-20960

ORDER APPROVING OPTION/SALE
OF REAL PROPERTY

This matter having come before the Court on motion of the Debtor, Neal C. Coy (“the Debtor”), in the above-captioned case for an order approving the sale of two real estate parcels, King County tax assessor numbers 1326069057 and 1326069070 (collectively, “the Properties”), to The Quadrant Corporation, and it appearing that proper notice has been given to all creditors and parties of interest, and a partial objection having been received by First Citizens Bank & Trust Company (“First Citizens Bank”), and the parties having resolved the objection through execution of an addendum to the proposed option agreements and the inclusion of the terms set forth in this agreed order, NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

ORDER APPROVING SALE - 1

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2 1. The proposed Real Estate Option Agreements entered into with The Quadrant
3 Corporation, including any addenda, all of which are attached hereto as **Exhibit A** (which
4 includes the legal descriptions of the property to be sold), be and hereby are approved.

5 2. The Debtor is authorized and directed to consummate the sale of the Properties
6 pursuant to and in accordance with the terms and conditions of the Agreements and the
7 Addendum attached as **Exhibit A**.

8 3. Since the option/sale agreement is pursuant to a confirmed plan of reorganization,
9 the excise tax avoidance provisions of 11 U.S.C. § 1146 apply.

10 4. There will be paid from the sale proceeds at closing the usual and necessary
11 miscellaneous expenses including escrow fees and any real estate taxes. The remaining net
12 proceeds shall be paid pursuant to Debtor's confirmed plan.

13 5. With regard to tax parcel number 132606-9057, the option payments received
14 shall be paid first to the attorney fees of Wells and Jarvis, P.S. and James McBride in the
15 aggregate amount of \$6,462.52, with the remainder to be paid to First Citizens Bank until its
16 balance is paid in full.

17 6. The option payments to First Citizens Bank may be delivered to First Citizens
18 Bank without need for any further order of the Court.

19 7. Debtor waives his right to seek modification of First Citizens Bank's treatment
20 under the confirmed plan, to specifically include, but not limited to, paragraph 4 of the Order
21 Confirming Plan, which permits First Citizens Bank to proceed with its state law and contract
22 rights against the property, to include recommencement and/or continuation of the prior, pre-
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2 petition foreclosure sale. Furthermore, Debtor agrees not to seek any continuance of the Trustee's
3 Sale scheduled thereunder, which may occur no earlier than May 12, 2017.

4 8. This Order shall be effective immediately upon entry, and any stay of orders
5 provided for in Bankruptcy Rules 6004(h), 6006(d), 7062 and any other provision of the
6 Bankruptcy Code or Bankruptcy Rules shall not apply and is expressly lifted, and this Order is
7 immediately effective and enforceable.
8

9 /// End of Order ///

10 Presented by:

11 /s/ Emily Jarvis
12 Emily Jarvis, WSBA #41841
13 Wells and Jarvis, P.S.
14 Attorneys for Debtor
15 500 Union Street, Ste. 502
16 Seattle, WA 98101
17 (206) 624-0088

18 Approved for entry:

19 /s/ Darren Krattli
20 Darren Krattli, WSBA # 39128
21 Eisenhower Carlson PLLC
22 Attorneys for First Citizens Bank & Trust Company
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ORDER APPROVING SALE - 3

REAL ESTATE OPTION AGREEMENT
(QPID-12240:Duvall North UGA Assemblage—Coy Property Parcel 070)

THIS REAL ESTATE OPTION AGREEMENT ("Agreement") is made by and between the Seller and the Purchaser identified below as of the date both Seller and Purchaser have signed this Agreement ("Effective Date").

1.00 Basic Terms.

1.01 Seller: NEAL C. COY, a married Washington resident, as to his separate property

1.02 Purchaser: THE QUADRANT CORPORATION, a Washington corporation, and/or its successors or assigns

1.03 Property: Duvall North UGA Assemblage—Coy Property; King County tax parcel no. 1326069070
(See Exhibit A for legal description) hereafter referred to as the "Property."

1.04 Purchase Price: \$100,000 per preliminarily approved Lot in the Assemblage (see § SP-2.0 and § SP-4.0)

1.05 Option Payment (See § 3.0): \$225,000 (see § SP-3.0)

1.06 Escrow Agent: Chicago Title Insurance Company
3002 Colby Ave., Suite 200
Everett WA 98201
Escrow Officer: Lorrie Thompson
Escrow No: _____ **
Tel: 425-259-8220

1.07 Title Company: Chicago Title Insurance Company
701 5th Ave., Suite 2700
Seattle WA 98104
Title Officer: Mike Harris
Title Order No: 0067606-06
Tel: (206) 628-5623

1.08 Option Exercise Date and Closing Date: Option Exercise Date: 5 business days after Preliminary Plat Approval (see § SP-2.0), but not later than December 21, 2017 ("Outside Option Exercise Date"), subject to extension; Closing Date: no later than 5 business days after exercise of the Option

1.09 Feasibility Expiration Date (See § 5.0): 90 days after Court Approval, as provided in Section SP-11.0.

1.10 Mutual Acceptance Deadline (See § 15.14): _____

1.11 Effective Date: _____ *

1.12 Exhibits: The following marked Exhibits are incorporated into and made a part of this Agreement:

- Exhibit A – Legal Description
- Exhibit B – Memorandum of Option
- Exhibit C – Bill of Sale and General Assignment

1.13 Seller's Agent: none

1.14 Purchaser's Agent: none

1.15 Notices: Notices to either party shall be in writing and effective: (a) 3 business days after being mailed by certified mail with return receipt requested; (b) the same day when personally delivered to such party; (c) 1 business

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day after being sent by overnight delivery using a nationally recognized overnight courier service; or (d) the same day when sent by email transmission with confirmed receipt to the email address. In each case, the notice shall be sent or delivered to the address set forth below for such party, directed to the attention of the person identified therein and with a copy sent or delivered to such party's attorney (if identified below) at the same time. A party may change its address for notices by written notice delivered to the other party in accordance with this section.

Seller:

Neal C. Coy
15231 277th PL NE
Duvall WA 98019
Email: nealc03@frontier.com
Tel: ~~206-926-9282~~ *

Seller's Attorney:

James D. McBride, Sr.
11525 Carnation-Duvall Rd. NE
Carnation WA 98014-9523
Email: mcbridelawyer@icloud.com
Tel: 425.788.6234

Purchaser:

The Quadrant Corporation
14725 SE 36th Street, Suite 200
Bellevue WA 98006
Attn: Pete Nichols
Email: pete.nichols@quadranthomes.com
Tel: 425.455.2900

Purchaser's Attorney:

Fikso Kretschmer Smith Dixon Ormseth PS
2025 First Avenue, Suite 1130
Seattle WA 98121
Attn: Bob Fikso
Email: bob@fkso.com
Tel: 206.448.1818

* May be left blank with missing information inserted after the Effective Date.

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Special Provisions. The following Special Provisions are made a part of this Agreement. To the extent these Special Provisions conflict with any other provisions of this Agreement, the Special Provisions shall govern.

SP-1.0 Assemblage. The Property is part of an assemblage of parcels in the Duvall North UGA annexation area ("Assemblage"). This Agreement is one of four similar Option Agreements for the Assemblage ("Option Agreements"). The four Option Agreements are mutually conditional, in that if Purchaser makes any Option Payments, it must make Option Payments concurrently under all Option Agreements, and if Purchaser exercises the Option, it must exercise the Option under all Option Agreements concurrently. If Purchaser exercises the Options, Closing under all of the Option Agreements will occur concurrently. Purchaser's obligation to close under any of the Option Agreements will be subject to the fulfillment by the Seller under each Option Agreement of its obligation to close. The aggregate Purchase Price for the entire Assemblage will be allocated to the Property and the other properties in the Assemblage in accordance with the Allocable Shares determined in accordance with Section SP-4.0.

SP-2.0 Annexation and Preliminary Plat Approval. Purchaser's intent is to purchase the Property and other parcels in the Assemblage following annexation of the Duvall North UGA ("Annexation") and Preliminary Plat Approval for the parcels in the Assemblage.

Under a separate agreement with several owners of parcels in the Duvall North UGA in support of the Annexation, including Seller and the sellers under the other Option Agreements ("Annexation Services Agreement"), Purchaser will represent all such owners in processing the Annexation with the City of Duvall ("City") and King County Boundary Review Board, at Purchaser's expense. Purchaser and Seller will perform their respective obligations under the Annexation Services Agreement, which upon execution will be part of and incorporated into this Agreement.

"Preliminary Plat Approval" means that (a) the City and all other governmental agencies or utilities with jurisdiction have approved Purchaser's application for preliminary plat approval (or other similar subdivision procedure) for subdivision and development of all parcels in the Assemblage into a residential community, and (b) all appeal periods have expired or any appeals have been successfully concluded, as the case may be.

Following Annexation, Purchaser will be responsible for processing the application for Preliminary Plat Approval at Purchaser's expense. Purchaser will use diligent efforts to maximize the number of preliminarily approved lots in the Assemblage ("Lots") based on the current land use designation of R4-4.5 zoning in the City's Comprehensive Plan, consistent in Purchaser's judgment with the avoidance of excessive development costs or impairment of the marketability of Purchaser's residential community. A specific requirement of Purchaser's community design is that all Lots will accommodate 40-foot wide house plans. Purchaser will provide periodic updates to Seller concerning the status of Preliminary Plat Approval, and will furnish Seller with a copy of the application for Preliminary Plat Approval and all similar Preliminary Plat Approval submissions and correspondence from the City, concurrently with the submission of those items, and will provide any other documents pertaining to the application for Preliminary Plat Approval upon request. Seller will provide reasonable cooperation to Purchaser in its efforts to obtain Preliminary Plat Approval, including without limitation providing necessary signatures on applications and other submissions. The site plan and other elements of the proposed Preliminary Plat will be determined by Purchaser in its discretion, subject to the provisions of this Agreement.

It is understood that, as part of the update of its Comprehensive Plan, the City is considering establishing an affordable housing program that, among other things, may require as a condition of Annexation that a percentage of new housing units in the North UGA annexation area be affordable housing units. In the event the City requires as a condition of pre-annexation agreements, annexation, or Preliminary Plat Approval that a certain number of Lots in the Assemblage be improved with affordable housing units ("Required Affordable Unit Lots"), then, notwithstanding Section 1.04, the aggregate Purchase Price shall equal the sum of (a) \$100,000 multiplied by the total number of Lots that are not Required Affordable Unit Lots, plus (b) \$50,000 multiplied by the total number of Required Affordable Unit Lots. Lots that Purchaser elects to improve with affordable housing units without a requirement to do so will not be considered Required Affordable Unit Lots.

Purchaser shall use diligent efforts to obtain Annexation, in accordance with the Annexation Services Agreement, and Preliminary Plat Approval by the target date of July 17, 2017. Whether or not Preliminary Plat Approval as defined

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above has been obtained, the last date for exercise of the Option will be the Outside Option Exercise Date in Section 1.08, as it may be extended under § SP-3.0.

SP-3.0 Staged Option Payments; Outside Option Exercise Date; Extension. Purchaser will have no obligation or right to purchase the Property unless it timely gives a Feasibility Approval Notice under Section 5.0, and thereafter timely makes all option payments in accordance with this Section SP-3.0 ("Option Payments"), and exercises the Option. Option Payments will be paid to the Escrow Agent, and will be due in installments, with each installment due in the following amount by the following date or event for the entire Assemblage:

Date or Event	Option Payments \$
5 business days after Feasibility Removal Notice (to be delivered no later than the Feasibility Expiration Date in Section 1.09)	25,000
10 days after completion of Annexation	100,000
10 days after notice from the City that Purchaser's application for Preliminary Plat Approval is complete	100,000
5 business days after extension of Outside Option Exercise Date, if any, under Section SP-3.0	60,000

The Option Payments will be nonrefundable to Purchaser once paid, except in the event of a default by Seller as provided in Section 13.3 or as otherwise expressly provided in this Agreement. The Option Payments (other than the Option Payment for an extension of the Outside Option Exercise Date provided for below in this Section SP-3.0) will be applicable to the Purchase Price at Closing. Purchaser will have no obligation to make any Option Payments; provided, however, if Purchaser does not timely make an Option Payment, this Agreement will terminate immediately, Purchaser will have no further rights under this Agreement, and Seller will be entitled to retain any Option Payments previously made.

Purchaser will be entitled to a credit against the Purchase Price at Closing for the amount of the out-of-pocket expenses it has paid or incurred in connection with the application for Preliminary Plat Approval. The amount of the credit will not exceed \$2,000 per approved Lot in the Preliminary Plat Approval. Purchaser will provide each Seller under all Option Agreements with a reasonably detailed written calculation of the credit, including copies of invoices or other reasonable evidence that it has paid or incurred the subject out-of-pocket expenses prior to Closing. The phrase "out-of-pocket expenses" as used in this Agreement shall not include any internal costs, expenses or overhead of Purchaser. The credit will be allocated among the Option Agreements by Allocable Share as defined in Section SP-4.0.

If Preliminary Plat Approval has not been obtained by the Outside Option Exercise Date, Purchaser will have one right to extend the Outside Option Exercise Date for up to 180 days. This right may be exercised by written notice to Seller (and the Sellers under all other Option Agreements) no later than the Outside Option Exercise Date, and the payment within 5 business days after the notice of an additional Option Payment in the amount of \$60,000. The extension Option Payment will be nonrefundable compensation to Seller for extension of the Option Exercise Date, and will not be applicable to the Purchase Price at Closing. If Preliminary Plat Approval has been obtained, Purchaser will not have the right to extend the Outside Option Exercise Date under this paragraph.

Purchaser may exercise the Option at any time prior to the Outside Option Exercise Date, as it may be extended under § SP-3.0. If Purchaser timely exercises the Option, Seller and Purchaser will proceed to Closing. Purchaser will have no obligation to purchase the Property unless it exercises the Option. If Purchaser does not exercise the Option on or before the Option Exercise Date, this Agreement will terminate, and Seller will be entitled to retain the Option Payments made to it.

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SP-4.0 Allocation of Payments among all Option Agreements. The Purchase Price is stated in this Agreement in an aggregate amount for the entire Assemblage. The Purchase Price will be allocated to the Property and the parcels under the other Option Agreements in a fair and equitable manner that reflects the relative contribution of each parcel to the usable area of the entire Assemblage for purposes of Purchaser's residential development.

The allocable share of each parcel in each such payment ("Allocable Share") will be determined as follows: (i) the total area of each parcel shall be reduced by the area of critical areas and wetlands and associated buffer areas, and by other areas rendered unusable by governmental action or regulation (e.g., tree retention tracts, wildlife corridors) with the result being the "net usable area" of each parcel, and (ii) the net usable area of each parcel will be divided by the aggregate net usable area for all parcels, with the result, expressed as a percentage, being the Allocable Share of that parcel. Allocable Shares will not be affected by the location of any approved lots on particular parcels in Purchaser's site plan. For clarity, areas used for roads and other similar infrastructure will be included in "usable area."

Example: Hypothetical Parcel A has 305,400 square feet of gross land area. It contains a wetland that, with required buffers, will be 44,555 square feet in area. The net usable area of Parcel A is 305,400 - 44,555, or 260,845 square feet. If the net usable area for all parcels in the Assemblage is 1,264,929 square feet, then the Allocable Share of Parcel A is 260,845/1,264,929, or 20.621%. The total number of preliminarily approved Lots in the entire Assemblage is 101, and as a condition of Annexation, the City required 10 of those Lots to be improved with affordable housing units. The purchase price for Parcel A under Section SP-4.0 would then equal \$1,979,616 (20.621% of the sum of (a) \$100,000 x the 91 Lots that are not Required Affordable Unit Lots, plus (b) \$50,000 x the 10 Required Affordable Unit Lots).

In the event Purchaser determines in its sole discretion to increase the effective net usable area of any parcel by mitigating wetlands or other critical areas, or making payments in lieu of actual mitigation, or by taking other similar action, then the net usable area of that parcel will be increased accordingly, and the actual out-of-pocket cost so incurred by Purchaser will be deducted from the purchase price for that parcel at Closing.

During the Feasibility Period, Purchaser will furnish each Seller under the Option Agreements with a proposed calculation of Allocable Shares consistent with the foregoing, including reasonable backup information supporting Purchaser's calculation. Purchaser and the Sellers under all Option Agreements will confer in good faith concerning any disagreements over Purchaser's proposal. Unless the parties otherwise agree, the release of the Option Payments to the Sellers under all Option Agreements by the Escrow Agent under Section SP-5.0 will be subject to the condition that Purchaser and all Sellers under all Option Agreements have agreed on the Allocable Shares, and have reduced that agreement to an amendment of all Option Agreements. The Sellers under all Option Agreements will use continuous good-faith efforts to agree on the Allocable Shares, and when they have reached that agreement, any Option Payments that have been made to date will be released by the Escrow Agent as provided in Section SP-5.0. In the event that, in the course of Purchaser's effort to obtain Preliminary Plat Approval, the net usable area of the Assemblage changes after the Sellers have agreed on the Allocable Shares, the Allocable Shares will be subject to further change, subject to the agreement of Sellers, acting reasonably. Purchaser will keep Sellers informed concerning any such change in net usable area.

SP-5.0 Release of Option Payments; Memorandum. The Escrow Agent will release each Option Payment to Seller promptly after it has been paid by Purchaser, and (i) Purchaser and each Seller under all Option Agreements have agreed on the Allocable Shares under Section SP-4.0, and (ii) Seller and Purchaser have executed a memorandum of option in the form attached to this Agreement as Exhibit B, and the memorandum will have been recorded against the Property, giving record notice of the existence of the Option.

SP-6.0 Escrow of Purchase Price. If the Sellers under all Option Agreements have not agreed on the Allocable Shares (or on a change thereof) as provided in Section SP-4.0 by the date for Closing under this Agreement, Purchaser may (i) elect to delay the Closing until the Sellers have reached agreement, or (ii) cause Closing to go forward, in which event Closing will occur as provided in this Agreement, but the portion of the Purchase Price payable to each Seller that is not in dispute, as reasonably determined by Purchaser, will be disbursed to each Seller,

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and the portion of the Purchase Price that is in dispute will be held by Escrow Agent in escrow until such time as the Sellers have agreed on the Allocable Shares. Purchaser or Escrow Agent will propose a form of escrow agreement for the Sellers to agree upon, and each Seller will use diligent commercially reasonable efforts to reach agreement on that form. Under the escrow agreement, the cost of the escrow will be borne by the Sellers, and the Escrow Agent will have the right to interplead the dispute among the Sellers in King County Superior Court.

SP-7.0 Work Product. If this Agreement terminates before Closing for any reason, Purchaser will furnish Seller with copies of all reports, studies, plans, applications, and correspondence prepared by or for Purchaser in connection with the purchase, entitlement, or development of the Property, including Annexation and Preliminary Plat Approval. Purchaser will have no obligation, however, to furnish copies of any material protected by the attorney-client privilege, any internal correspondence or analyses, or any house plans. Purchaser will provide this work product as a courtesy to Seller, without any warranty whatsoever as to its completeness, suitability, compliance with applicable codes and laws, or accuracy, nor whether the work product prepared by consultants may be used by Seller or any other party. Upon any termination of this Agreement, Purchaser shall notify Seller of any pending applications by it with any governmental agency relating to the Property, and will not withdraw such applications without Seller's written consent, but Purchaser will have no obligation to take any further action or incur any further expense related to any such application in order to keep the application effective.

SP-8.0 Tenants; Condition of Property. Seller will cause the Property at Closing to be vacant and free and clear of any leaseholds or rights of tenants or other occupants. Seller will cause the Property at Closing to be free and clear of personal property, vehicles, and paints and other chemicals. Without limiting the foregoing obligation or Purchaser's remedies, any of such items left on the Property at Closing may be disposed of as Purchaser sees fit.

SP-9.0 Seller Disclosure Statement. Purchaser waives receipt of a Seller Disclosure Statement ("Form 17") under Chapter 64.06 RCW, unless the answer to any of the questions in the Environmental section of the Seller Disclosure Statement are "yes," in which event Seller will provide the Environmental section only.

SP-10.0 1031 Like-Kind Exchange. Seller may sell the Property by completing one or more Internal Revenue Code Section 1031 tax-deferred exchanges. If requested by Seller, Purchaser agrees to cooperate with Seller in effecting such exchanges; provided, however, Purchaser shall not incur any additional liability or financial obligations and the Closing Date shall not be extended or accelerated as a consequence of any such exchanges.

SP-11.0 Court Approval. This Agreement is subject to the approval of this Agreement by the court in Seller's Chapter 11 proceeding, in a form satisfactory to Purchaser, acting reasonably ("Court Approval"). Seller will seek Court Approval promptly following the mutual execution of this Agreement, and will keep Purchaser reasonably informed as to the status of its efforts, including furnishing concurrent copies of its pleadings and other submissions and of all court rulings.

SP-12.0 Consent of Spouse. Seller is a married Washington resident dealing in his separate property. At the request of Purchaser or the Title Company, Seller will provide evidence of the separate-property character of the Property and/or the consent of Seller's spouse to this Agreement and the transactions contemplated by this Agreement, and/or the quitclaim conveyance by Seller's spouse of any residual or presumptive community property interest in the Property.

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2.0 OPTION; PURCHASE AND SALE. Seller hereby grants Purchaser the option to purchase the Property ("Option") and Purchaser hereby accepts the Option. If Purchaser exercises the Option, Seller shall sell the Property to Purchaser, and Purchaser shall purchase the Property from Seller, on the terms and conditions of this Agreement.

3.0 EARNEST MONEY. [Intentionally omitted]

4.0 TITLE MATTERS.

4.1 Conveyance of Title. At Closing, Seller will execute and deliver to Purchaser a Statutory Warranty Deed conveying marketable fee title to the Property, subject only to the Permitted Exceptions, as defined in Section 4.4 ("Deed").

4.2 Title Policy. At Closing, Seller will cause Title Company to issue to Purchaser a policy of title insurance (2006 ALTA Owner's Policy of Title Insurance) in the amount of the Purchase Price, insuring Purchaser that it owns fee simple title to the Property, subject only to the Permitted Exceptions ("Title Policy"). The Title Policy will provide owner's extended coverage. Seller will pay the premium for owner's standard coverage, and Purchaser will pay the additional premium for owner's extended coverage. Prior to Closing, Seller will execute such indemnities, affidavits, or other documents that Title Company customarily or reasonably requires from sellers for extended coverage.

4.3 Commitment. Unless it has already been provided by Seller, Purchaser will promptly order from Title Company a preliminary commitment for the Title Policy ("Commitment"), together with copies of any exceptions in Schedule B of the Commitment. Purchaser will pay Title Company's cancellation charges, if any, if this Agreement terminates.

4.4 Title Review; Permitted Exceptions.

4.4.1 In this Agreement, "Permitted Exceptions" means exceptions to title shown in the Commitment, as it may be updated and supplemented before Closing, and in any survey, other than (i) the Mandatory Removal Exceptions, and (ii) the exceptions that Seller has agreed to remove as provided in this Section 4.4.

4.4.2 In this Agreement, "Mandatory Removal Exceptions" means exceptions for any of the following: (i) real estate contracts, mortgages, deeds of trust, and other instruments evidencing or securing loans; (ii) any real estate excise, sales, conveyance, or stamp taxes payable at Closing under applicable law; (iii) rollback taxes, local improvement district assessments, and other similar assessments, and any delinquent real estate taxes or owners association assessments; (iv) mechanics, materialmen, or construction liens, judgment liens, and lis pendens; (v) other monetary liens and monetary exceptions; (vi) any option or right to purchase all or any part of the Property, other than this Agreement; or (vii) the authority, organization or legal standing of Seller or the authority of any person signing for Seller. Whether Purchaser disapproves them or not, and whether Seller agrees to remove them or not, Seller will cause the removal of all Mandatory Removal Exceptions at or before Closing.

4.4.3 Before the Feasibility Expiration Date, Purchaser may give Seller written notice ("Purchaser's Title Notice") of Purchaser's approval or disapproval of some or all of the exceptions in the Commitment or any survey. Purchaser's Title Notice may also include questions or requests for information about one or more exceptions as to which Purchaser desires to satisfy itself before giving a Feasibility Approval Notice.

4.4.4 Within 5 business days after Purchaser's Title Notice, Seller will respond in writing to Purchaser and indicate whether it agrees to remove any exceptions disapproved by Purchaser. It is understood that, as a practical matter, Seller may not be able to remove certain disapproved exceptions. Seller will also use good-faith efforts to respond to any questions or requests for information in Purchaser's Title Notice.

4.4.5 At or before Closing, Seller will cause to be removed from title the disapproved exceptions that it has agreed to remove, and all Mandatory Removal Exceptions. The removal of all those exceptions will be a condition on Purchaser's obligation to close. As part of its determination whether to give a Feasibility Approval Notice, Purchaser will consider whether it can go forward in light of any disapproved exception that Seller has not agreed to remove. Unless Seller has agreed to remove it, any exception that Purchaser has disapproved will become a Permitted Exception once Purchaser gives a Feasibility Approval Notice, but subject to Section 4.5.

4.5 New Exceptions.

4.5.1 From the Effective Date until Closing, Seller will not, without the prior approval of Purchaser, enter into any lease, contract, declaration or other agreement that would cause there to be any encumbrance on the Property at Closing. If approved by Purchaser, any such new exception will be a Permitted Exception. Without limiting Purchaser's remedies for breach of this Section 4.5.1, Seller will cause the removal at or before Closing of any such new exception that Purchaser has not approved.

4.5.2 If any title exception, other than an exception described in Section 4.5.1 and any Mandatory Removal Exception, is first disclosed to Purchaser after receipt of the Commitment, Purchaser may give a Purchaser's Title Notice for that new exception and the procedure in Section 4.4 may be repeated. However, if Purchaser first receives notice of that new exception later than 5 business days before the Feasibility Expiration Date, then the following procedure will apply to Purchaser's Title Notice: Seller will respond in writing to Purchaser's Title Notice within 5 business days after receiving it. As to each new exception disapproved by Purchaser, Seller will indicate in the response whether it agrees to cause the removal of the exception by Closing. If Seller does not so agree within the 5 business day period, Purchaser will have the right to terminate this Agreement before Closing by written notice to Seller. In the event of that termination, the Option Payments and all other deposits will be returned to Purchaser. If Purchaser does not exercise the right to terminate this Agreement, it will be deemed to have accepted the subject disapproved exception as a Permitted Exception at Closing. The Closing Date will be extended on a day for day basis as necessary to accommodate the foregoing procedure.

4.6 **Survey.** Seller will deliver to Purchaser a copy of each survey of all or part of the Property in Seller's possession within 5 business days after the Effective Date. Purchaser will determine whether it or Title Company will require a separate or updated survey, and will be responsible to obtain any such separate or updated survey prior to Closing. Seller will cooperate at Purchaser's request with any effort to obtain a separate or updated survey. If Purchaser does not arrange for a separate or updated survey that is required by Title Company by Closing, Purchaser will accept a Title Policy that provides extended coverage with a survey exception, or that only provides standard coverage. Purchaser will be responsible for the cost of any separate or updated survey.

5.0 **FEASIBILITY CONTINGENCY.** Purchaser is entering into this Agreement with the intention of acquiring the Property for the purpose of developing, permitting, constructing, marketing and selling detached or attached single family homes on the Property. Purchaser's obligation to purchase the Property in accordance with this Agreement shall be conditioned upon Purchaser's determination, in the exercise of Purchaser's sole discretion, that the Property is suitable for Purchaser's intended use and that the development of the Property for Purchaser's intended use is economically feasible ("Feasibility Contingency"). Purchaser's determination with respect to the satisfaction of the Feasibility Contingency shall be given by written notice from Purchaser to Seller ("Feasibility Approval Notice") on or before the Feasibility Expiration Date. If the Feasibility Approval Notice is not received by Seller on or before the Feasibility Expiration Date, Purchaser shall be deemed to have disapproved the Feasibility Contingency, whereupon this Agreement shall terminate.

6.0 **PROPERTY INFORMATION.** Within 5 business days after the Effective Date, Seller shall provide Purchaser with copies of all contracts, documents and studies of significance to the Property and its development, for Purchaser's information and review ("Property Information"). If Seller fails to timely deliver all Property Information to Purchaser, the Feasibility Expiration Date shall be extended on a day for day basis for each day of Seller's delay in delivering the Property Information to Purchaser. The Property Information is made available to Purchaser for informational purposes only, and except as may be otherwise expressly provided in this Agreement, Seller expressly disclaims all representations and warranties of any kind or nature, express or implied, with regard to the Property Information.

7.0 **RIGHT OF ENTRY.** During the term of this Agreement, Purchaser, its agents, employees and designees shall be entitled to (a) enter upon the Property to conduct investigations and studies and to perform soil, engineering and other studies and investigations, all of which shall be conducted at Purchaser's sole expense, and (b) show the Property to prospective purchasers, homebuyers and lenders. Purchaser shall promptly repair any damage caused to the Property arising from the exercise of Purchaser's rights hereunder and shall indemnify, defend and hold Seller harmless from and against any and all costs, damages, liabilities, claims (including construction liens) and expenses (including attorneys' fees and costs) that arise as a result of Purchaser's conducting of the studies and investigations contemplated by this Section, except this indemnity shall not extend to those matters arising out of Seller's

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negligence or intentional misconduct. Purchaser's obligations under this Section shall survive termination of this Agreement.

8.0 SELLER'S COOPERATION. Seller shall reasonably cooperate at Purchaser's request from time to time with any effort by Purchaser prior to Closing to obtain permits and approvals for the Property from governmental authorities consistent with Purchaser's Intended use, including without limitation preliminary plat approval, binding site plan approval, and other similar subdivision approval, and modifications thereof; engineering or construction plan approval; and grading and building permits. Seller's cooperation shall include without limitation signing applications and other submittals for permits and approvals and attendance at meetings and hearings. Seller shall have no obligation to incur any out-of-pocket cost in providing cooperation under this Section 8.0. Notwithstanding Seller's cooperation, Purchaser shall have the sole responsibility for the processing of all applications for permits and approvals, and for the outcome of those applications.

9.0 CLOSING

9.1 Closing. For purposes of this Agreement, the term "Closing" shall mean the date of delivery and recording of the Deed from Seller to Purchaser and Purchaser's payment of the Purchase Price in the amount specified in Section 1.04 to Seller. Closing shall take place in the offices of Escrow Agent, and Escrow Agent shall perform the duties of escrow agent.

9.2 Closing Date. Closing shall occur on the Closing Date specified in Section 1.08.

9.3 Escrow; Closing Costs. Purchaser and Seller shall place with the Escrow Agent all instruments, documents and moneys necessary to complete the sale in accordance with this Agreement. Seller shall pay the cost of the Title Policy to the extent of owner's standard coverage, real estate excise tax, one-half the escrow fee and other customary seller's closing costs. Purchaser shall pay the cost of the Title Policy in excess of the cost of owner's standard coverage, plus any endorsements to the Title Policy, recording fees for the Deed, one-half the escrow fee, and other customary purchaser's closing costs.

9.4 Prorations. Real property taxes, assessments (to the extent they qualify as Permitted Exceptions) and utilities due and payable in the current year shall be prorated as of Closing.

9.5 Bill of Sale and General Assignment. Seller shall execute and deliver to Purchaser at Closing a Bill of Sale and General Assignment substantially in the form attached as Exhibit C pursuant to which Seller assigns all studies, reports, surveys, design documents, warranties, permits, licenses and any and all other materials or documentation that are related to the Property or Seller's efforts to develop and entitle the Property.

9.6 FIRPTA Affidavit. Seller shall execute and deliver to Escrow Agent at Closing such documentation and other evidence as may be reasonably required to evidence Seller's compliance with or exemption from the requirements of the Foreign Investment in Real Property Tax Act of 1980, as it may be amended, or other comparable laws or regulations.

9.7 Possession. Purchaser shall be entitled to possession of the Property at Closing.

10.0 REPRESENTATIONS AND MAINTENANCE COVENANTS OF SELLER; AS IS DISCLAIMER.

10.1 Seller's Representations. Seller represents, warrants and covenants to Purchaser, as of the Effective Date and as of the Closing Date, that: (a) Seller is not a foreign person as defined by the Foreign Investment in Real Property Tax Act, IRS Section 1445(b)(2), as amended; (b) to Seller's knowledge and except as disclosed in the Property Information, there is no hazardous substance, petroleum, hydrocarbon, underground storage tanks or toxic materials of any kind ("Hazardous Substances") in, on, or about the Property; (c) Seller has not deposited, released, or allowed Hazardous Substances on the Property, and Seller shall not deposit, release, or allow Hazardous Substances on the Property throughout the term of this Agreement; and (d) to Seller's knowledge, the Property Information is complete and accurate and does not fail to state any material fact or circumstance without which the Property Information would be deceptive or misleading.

10.2 Maintenance of Property. Except as otherwise expressly contemplated in this Agreement, Seller shall not change the condition of the Property between the Effective Date and Closing. The foregoing shall not preclude ordinary maintenance or repairs by Seller.

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10.3 As Is Disclaimer. Purchaser acknowledges and agrees that, except as otherwise set forth in this Agreement or in the documents required to be delivered by Seller at Closing ("Closing Documents"), it is acquiring the Property at Closing in an "As Is" condition, with all faults. Purchaser further acknowledges and agrees that, except as otherwise set forth in this Agreement or in the Closing Documents, neither Seller nor any principal, agent, attorney, employee, broker or other representative of Seller has made any representations or warranties of any kind whatsoever regarding the Property, either express or implied, and that, except for those set forth in this Agreement or in the Closing Documents, Purchaser is not relying on any warranty, representation or covenant, express or implied, with respect to the Property, including, without limitation, those relating to: (a) the condition of the soils or groundwater of the Property or the presence or absence of hazardous or toxic materials or substances on or under the Property; (b) the compliance of the Property with applicable statutes, laws, codes, ordinances, regulations, rules or requirements, whether relating to zoning, subdivision, planning, building, fire, safety, health or environmental matters, or otherwise; (c) the compliance of the Property with covenants, conditions and restrictions (whether or not of record); (d) the compliance of the Property with other local, municipal, regional, state or federal requirements; (e) the density that Purchaser may achieve in developing the Property; or (f) the availability of building, excavation and other permits that may be necessary for the construction of improvements on the Property.

11.0 AUTHORITY. Each individual executing this Agreement on behalf of Seller or Purchaser represents and warrants that such individual is authorized to execute this Agreement on behalf of Seller or Purchaser, as applicable, and to thereby bind such party to this Agreement.

12.0 BROKERS AND COMMISSIONS. Each party represents and warrants to the other party, that it has neither agreed to nor authorized any fees or commissions with respect to this transaction and it shall defend, indemnify and hold harmless the other party from and against the claims of any and all brokers or other intermediaries claiming that by or through it they are entitled to a fee or commission in connection with this transaction. The foregoing representation and indemnity shall not apply with respect to Seller's Agent or Purchaser's Agent, if any, as identified in Sections 1.13 and 1.14 ("Designated Agents"), and Seller shall pay any commissions due the Designated Agents in connection with this transaction at Closing.

13.0 REMEDIES.

13.1 Opportunity to Cure and Default. Failure to close without legal excuse shall constitute an immediate default under this Agreement. For the breach of any other covenant, representation or warranty under this Agreement, a party shall only be entitled to declare a default and pursue its rights and remedies for breach and default under this Agreement if notice of the breach has been given to the breaching party and the breaching party fails to cure such breach within 14 days after receiving such notice.

13.2 Seller's Remedies. In the event of any default by Purchaser without legal excuse, Seller shall be entitled to terminate this Agreement and retain the Option Payments paid to date, as liquidated damages. The foregoing shall be Seller's sole and exclusive remedy for any breach or default by Purchaser, and Seller's retention of the Option Payments paid to date shall constitute a waiver of any other rights or remedies that Seller may have at law or in equity.

13.3 Purchaser's Remedies. In the event of any default by Seller without legal excuse, Purchaser may elect to pursue any of the following remedies: (a) terminate this Agreement, in which event the Option Payments made to date shall be immediately returned to Purchaser; or (b) maintain an action for specific performance or other injunctive relief.

14.0 FIN 46 REQUIREMENTS. [intentionally omitted]

15.0 GENERAL PROVISIONS.

15.1 Time. Time is of the essence in the performance of all obligations under this Agreement. Unless this Agreement expressly refers to "business days" or "working days", all references in this Agreement to days shall be deemed to mean calendar days. The time periods under this Agreement shall be computed by excluding the first day and including the last day, but, if the last day falls on a weekend or holiday, or if the computed date for Closing or any other event that requires recording of documents falls on a day on which the applicable county recording office is closed, then the time period or date in question shall extend to the next business day. Holidays shall mean the legal holidays specified in RCW 1.16.050.

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15.2 Condemnation. If, prior to Closing, the Property becomes the subject of a condemnation proceeding affecting a material portion of the Property, Purchaser shall have the right to terminate this Agreement as to all unsold portions of the Property or to just that portion of the Property that is the subject of the taking, provided that Purchaser notifies Seller in writing of its election to so terminate not later than the first to occur of (a) 30 days after it is advised of the condemnation proceeding, or (b) closing of the affected portions of the Property. Upon any such termination, the Purchase Price shall be proportionally adjusted to reflect the removal of the applicable portion of the Property from this Agreement. If Purchaser does not elect to terminate this Agreement, then Seller shall assign to Purchaser at Closing Seller's rights in and to any condemnation proceeds.

15.3 Binding Effect. This Agreement shall inure to the benefit of and be binding on the heirs, executors, administrators, personal representatives, successors and assigns of both Purchaser and Seller.

15.4 No Third Party Beneficiaries. This Agreement is for the sole benefit of, and may be enforced solely by, the parties and their valid successors and assigns. The parties do not intend to create any rights or benefits for any other person or entity.

15.5 No Joint Venture. Nothing in this Agreement is intended to create any partnership, joint venture or other joint ownership, profit-sharing or similar kind of agreement or arrangement between Purchaser and Seller or among the Sellers under all Option Agreements.

15.6 No Merger. The terms of this Agreement shall not merge into the Deed(s) delivered at Closing and shall survive Closing, subject to any restrictions on survival expressly set forth in this Agreement.

15.7 Further Acts. The parties shall execute and deliver such further documents and instruments and take such other further actions as may be reasonably necessary to carry out the intent and provisions of this Agreement.

15.8 Entire Agreement; Amendment. This is the entire agreement of the parties with respect to the Property and supersedes all written or oral agreements or understandings. This Agreement may be modified only in writing signed by both parties.

15.9 Captions. The captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision contained in it.

15.10 Severability. If any part of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect, and shall in no way be affected, impaired or invalidated.

15.11 Attorneys' Fees. In any litigation or other proceeding arising out of this Agreement, the substantially prevailing party shall be entitled to an award of its reasonable attorneys' fees and other costs incurred therein.

15.12 Governing Law and Venue. This Agreement shall be construed according to the internal laws of the State of Washington. Venue for any action arising out of this Agreement shall be in the county in which the Property is located.

15.13 Counterparts; Email. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute the same agreement, whether or not all parties execute each counterpart. Signatures transmitted by email or fax shall have the same effect as original ink signatures.

15.14 Time Period for Mutual Acceptance. This Agreement shall be null and void unless mutually executed and delivered by both parties on or before the Mutual Acceptance Deadline specified in Section 1.10.

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SELLER:

Neal C. Coy
NEAL C. COY

Date: 6/21/2016

PURCHASER:

THE QUADRANT CORPORATION

By: [Signature]

Name: Brian [Signature]

Title: Owner/President

Date: 6/22/16

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**EXHIBIT A
TO
REAL ESTATE OPTION AGREEMENT
(QPID-12240:Duvall North UGA Assemblage—Coy Property Parcel 070)**

LEGAL DESCRIPTION OF PROPERTY

The following described real property in King County, Washington.

Tax Parcel 1326069070

ALL THAT PORTION OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER OF SECTION 13, TOWNSHIP 26 NORTH, RANGE 6 EAST, W.M., IN KING COUNTY, WASHINGTON, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE QUARTER CORNER OF THE EAST LINE OF SECTION 13;
THENCE RUNNING NORTH 0°00'14" WEST ALONG THE SECTION LINE A DISTANCE OF 690.54 FEET;
THENCE NORTH 89°21'50" WEST A DISTANCE OF 416.75 FEET TO THE SEATTLE-TACOMA POWER COMPANY RIGHT-OF-WAY; THENCE SOUTH 0°24'20" EAST ALONG SAID RIGHT-OF-WAY A DISTANCE OF 690.3 FEET;
THENCE SOUTH 89°19'48" EAST A DISTANCE OF 411.95 FEET TO THE POINT OF BEGINNING.

TOGETHER WITH AN EASEMENT FOR INGRESS AND EGRESS AS GRANTED IN INSTRUMENT RECORDED SEPTEMBER 16, 1994 UNDER RECORDING NUMBER 9409160866.

SITUATE IN THE COUNTY OF KING, STATE OF WASHINGTON.

Exhibit A - Page 1

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Last Revised 9/30/15

**EXHIBIT B
TO
REAL ESTATE OPTION AGREEMENT**
(QPID-12240:Duvall North UGA Assemblage—Coy Property Parcel 070)

MEMORANDUM OF OPTION

After Recording Return to:

Fikso Kretschmer Smith Dixon Ormseth PS
Market Place Tower
2025 First Avenue, Suite 1130
Seattle, WA 98121-2100
Attn: Stacy Clark or Tina Lieu

Reference Number of Related Document: N/A
Grantor(s): NEAL C. COY
Grantee(s): THE QUADRANT CORPORATION
Abbreviated Legal Description: PTN NE ¼, SEC 13-26-6E
Additional Legal Description is on Exhibit 1 of Document
Assessor's Property Tax Parcel or Account No.: 132606-9070

MEMORANDUM OF OPTION

THIS MEMORANDUM OF AGREEMENT is being executed and recorded solely for the purpose of providing notice of the Real Estate Option Agreement by and between NEAL C. COY, a married Washington resident, as to his separate property ("Seller"), and THE QUADRANT CORPORATION, a Washington corporation ("Purchaser"), dated _____, _____ ("Agreement"), pursuant to which Seller has granted Purchaser the option to purchase ("Option") and Seller and Purchaser have agreed, upon exercise of the Option, to sell and purchase the real property legally described on Exhibit 1 attached ("Property"), on the terms and conditions more particularly described in the Agreement. The Option must be exercised no later than December 21, 2017, unless extended, in which event a new Memorandum of Option will be recorded. This Memorandum is for the purpose of providing notice of the Agreement and in no way amends, modifies, supplements or otherwise affects any terms or conditions of the Agreement.

SELLER:

[EXHIBIT ONLY - DO NOT SIGN]
NEAL C. COY

PURCHASER:

THE QUADRANT CORPORATION

By: _____
Name: _____
Title: _____

[add appropriate acknowledgments and legal description]

Exhibit B - Page 1

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Last Revised 8/30/15

EXHIBIT C
TO
REAL ESTATE OPTION AGREEMENT
(QPID-12240:Duvall North UGA Assemblage—Coy Property Parcel 070)

BILL OF SALE AND GENERAL ASSIGNMENT

THIS BILL OF SALE AND GENERAL ASSIGNMENT ("Bill of Sale") is made as of the ____ day of _____, _____, by NEAL C. COY, a married Washington resident, as to his separate property ("Assignor"), for the benefit of THE QUADRANT CORPORATION, a Washington corporation and its successors and assigns ("Assignee").

As part of the closing of the Real Property commonly known as King County Tax Parcel 1326069070 and more particularly described on Exhibit 1 attached hereto ("Real Property") pursuant to that certain Real Estate Option Agreement between Assignor and Assignee with an effective date of _____, _____, as amended from time to time ("Option Agreement"), Assignor hereby sells, assigns, conveys and transfers to Assignee any and all right, title and interest of Assignor in and to the following:

1. All existing licenses, permits, approvals and entitlements for development issued or granted by governmental or quasi-governmental bodies or entities having jurisdiction or authority over the Real Property and pending applications therefor related to the development, design and/or construction of the Real Property (collectively, "Governmental Approvals");
2. All warranties, correction rights and guarantees, expressed or implied, written or oral, relating to or arising out of any agreements or contracts related to the development, design and/or construction of the Real Property (collectively, "Warranties"); and
3. All plans and specifications, surveys, environmental studies, soils reports, instruction manuals and procedure manuals, and any other documents, work product or intellectual property related to the development, design and/or construction of the Real Property (collectively, the "Development Materials").

The Governmental Approvals, Warranties, and Development Materials are sometimes collectively referred to as the "Assigned Property."

Assignor represents and warrants that any and all amounts that were due and payable by Assignor to third parties with respect to the Assigned Property through the date of this Bill of Sale ("Pre-Closing Payment Obligations") have been paid in full and Assignor shall indemnify, defend and hold Assignee harmless from any and all claims, liabilities, costs and expenses (including attorneys' fees and the cost to bond around lien claims) arising out of or related to Pre-Closing Payment Obligations.

At the request of Assignee, Assignor agrees to execute, acknowledge and deliver such additional documents and instruments and to take such further actions as may be reasonably necessary or appropriate to effect the assignment of the Assigned Property to Assignee contemplated by this Bill of Sale.

EXECUTED AS OF THE DATE FIRST ABOVE WRITTEN.

ASSIGNOR:

[EXHIBIT ONLY - DO NOT SIGN]
NEAL C. COY

Exhibit C – Page 1

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Last Revised 8/30/15

EXHIBIT 1
TO
BILL OF SALE AND GENERAL ASSIGNMENT
LEGAL DESCRIPTION OF REAL PROPERTY

Exhibit C -- Page 2

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Last Revised 10/08/13

REAL ESTATE OPTION AGREEMENT
(QPID-12240:Duvall North UGA Assemblage—Coy Property Parcel 057)

THIS REAL ESTATE OPTION AGREEMENT ("Agreement") is made by and between the Seller and the Purchaser identified below as of the date both Seller and Purchaser have signed this Agreement ("Effective Date").

1.00 Basic Terms.

1.01 Seller: NEAL COY, a married Washington resident, as to his separate property

1.02 Purchaser: THE QUADRANT CORPORATION, a Washington corporation, and/or its successors or assigns

1.03 Property: Duvall North UGA Assemblage—Coy Property; King County tax parcel no. 1326069057
(See Exhibit A for legal description) hereafter referred to as the "Property."

1.04 Purchase Price: \$100,000 per preliminarily approved Lot in the Assemblage (see § SP-2.0 and § SP-4.0)

1.05 Option Payment (See § 3.0): \$225,000 (see § SP-3.0)

1.06 Escrow Agent: Chicago Title Insurance Company
3002 Colby Ave., Suite 200
Everett WA 98201
Escrow Officer: Lorrie Thompson
Escrow No: _____ **
Tel: 425-259-8220

1.07 Title Company: Chicago Title Insurance Company
701 5th Ave., Suite 2700
Seattle WA 98104
Title Officer: Mike Harris
Title Order No: 0067607-06
Tel: (206) 628-5623

1.08 Option Exercise Date and Closing Date: Option Exercise Date: 5 business days after Preliminary Plat Approval (see § SP-2.0), but not later than December 21, 2017 ("Outside Option Exercise Date"), subject to extension; Closing Date: no later than 5 business days after exercise of the Option

1.09 Feasibility Expiration Date (See § 5.0): 90 days after Court Approval, as provided in Section SP-11.0.

1.10 Mutual Acceptance Deadline (See § 15.14): _____

1.11 Effective Date: _____ *

1.12 Exhibits: The following marked Exhibits are incorporated into and made a part of this Agreement:

- Exhibit A - Legal Description
- Exhibit B - Memorandum of Option
- Exhibit C - Bill of Sale and General Assignment

1.13 Seller's Agent: none

1.14 Purchaser's Agent: none

1.15 Notices: Notices to either party shall be in writing and effective: (a) 3 business days after being mailed by certified mail with return receipt requested; (b) the same day when personally delivered to such party; (c) 1 business

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day after being sent by overnight delivery using a nationally recognized overnight courier service; or (d) the same day when sent by email transmission with confirmed receipt to the email address. In each case, the notice shall be sent or delivered to the address set forth below for such party, directed to the attention of the person identified therein and with a copy sent or delivered to such party's attorney (if identified below) at the same time. A party may change its address for notices by written notice delivered to the other party in accordance with this section.

Seller:

Neal Coy
15231 277th PL NE
Duvall WA 98019
Email: nealc03@frontier.com
Tel: _____*

Seller's Attorney:

James D. McBride, Sr.
11525 Carnation-Duvall Rd. NE
Carnation WA 98014-9523
Email: mcbritelawyer@lcloud.com
Tel: 425.788.6234

Purchaser:

The Quadrant Corporation
14725 SE 36th Street, Suite 200
Bellevue WA 98006
Attn: Pete Nichols
Email: pete.nichols@quadranthomes.com
Tel: 425.455.2900

Purchaser's Attorney:

Fikso Kretschmer Smith Dixon Ormseth PS
2025 First Avenue, Suite 1130
Seattle WA 98121
Attn: Bob Fikso
Email: bob@fksdo.com
Tel: 206.448.1818

* May be left blank with missing information inserted after the Effective Date.

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Special Provisions. The following Special Provisions are made a part of this Agreement. To the extent these Special Provisions conflict with any other provisions of this Agreement, the Special Provisions shall govern.

SP-1.0 Assemblage. The Property is part of an assemblage of parcels in the Duvall North UGA annexation area ("Assemblage"). This Agreement is one of four similar Option Agreements for the Assemblage ("Option Agreements"). The four Option Agreements are mutually conditional, in that if Purchaser makes any Option Payments, it must make Option Payments concurrently under all Option Agreements, and if Purchaser exercises the Option, it must exercise the Option under all Option Agreements concurrently. If Purchaser exercises the Options, Closing under all of the Option Agreements will occur concurrently. Purchaser's obligation to close under any of the Option Agreements will be subject to the fulfillment by the Seller under each Option Agreement of its obligation to close. The aggregate Purchase Price for the entire Assemblage will be allocated to the Property and the other properties in the Assemblage in accordance with the Allocable Shares determined in accordance with Section SP-4.0.

SP-2.0 Annexation and Preliminary Plat Approval. Purchaser's intent is to purchase the Property and other parcels in the Assemblage following annexation of the Duvall North UGA ("Annexation") and Preliminary Plat Approval for the parcels in the Assemblage.

Under a separate agreement with several owners of parcels in the Duvall North UGA in support of the Annexation, including Seller and the sellers under the other Option Agreements ("Annexation Services Agreement"), Purchaser will represent all such owners in processing the Annexation with the City of Duvall ("City") and King County Boundary Review Board, at Purchaser's expense. Purchaser and Seller will perform their respective obligations under the Annexation Services Agreement, which upon execution will be part of and incorporated into this Agreement.

"Preliminary Plat Approval" means that (a) the City and all other governmental agencies or utilities with jurisdiction have approved Purchaser's application for preliminary plat approval (or other similar subdivision procedure) for subdivision and development of all parcels in the Assemblage into a residential community, and (b) all appeal periods have expired or any appeals have been successfully concluded, as the case may be.

Following Annexation, Purchaser will be responsible for processing the application for Preliminary Plat Approval at Purchaser's expense. Purchaser will use diligent efforts to maximize the number of preliminarily approved lots in the Assemblage ("Lots") based on the current land use designation of R4-4.5 zoning in the City's Comprehensive Plan, consistent in Purchaser's judgment with the avoidance of excessive development costs or impairment of the marketability of Purchaser's residential community. A specific requirement of Purchaser's community design is that all Lots will accommodate 40-foot wide house plans. Purchaser will provide periodic updates to Seller concerning the status of Preliminary Plat Approval, and will furnish Seller with a copy of the application for Preliminary Plat Approval and all similar Preliminary Plat Approval submissions and correspondence from the City, concurrently with the submission of those items, and will provide any other documents pertaining to the application for Preliminary Plat Approval upon request. Seller will provide reasonable cooperation to Purchaser in its efforts to obtain Preliminary Plat Approval, including without limitation providing necessary signatures on applications and other submissions. The site plan and other elements of the proposed Preliminary Plat will be determined by Purchaser in its discretion, subject to the provisions of this Agreement.

It is understood that, as part of the update of its Comprehensive Plan, the City is considering establishing an affordable housing program that, among other things, may require as a condition of Annexation that a percentage of new housing units in the North UGA annexation area be affordable housing units. In the event the City requires as a condition of pre-annexation agreements, annexation, or Preliminary Plat Approval that a certain number of Lots in the Assemblage be improved with affordable housing units ("Required Affordable Unit Lots"), then, notwithstanding Section 1.04, the aggregate Purchase Price shall equal the sum of (a) \$100,000 multiplied by the total number of Lots that are not Required Affordable Unit Lots, plus (b) \$50,000 multiplied by the total number of Required Affordable Unit Lots. Lots that Purchaser elects to improve with affordable housing units without a requirement to do so will not be considered Required Affordable Unit Lots.

Purchaser shall use diligent efforts to obtain Annexation, in accordance with the Annexation Services Agreement, and Preliminary Plat Approval by the target date of July 17, 2017. Whether or not Preliminary Plat Approval as defined

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above has been obtained, the last date for exercise of the Option will be the Outside Option Exercise Date in Section 1.08, as it may be extended under § SP-3.0.

SP-3.0 Staged Option Payments; Outside Option Exercise Date; Extension. Purchaser will have no obligation or right to purchase the Property unless it timely gives a Feasibility Approval Notice under Section 5.0, and thereafter timely makes all option payments in accordance with this Section SP-3.0 ("Option Payments"), and exercises the Option. Option Payments will be paid to the Escrow Agent, and will be due in installments, with each installment due in the following amount by the following date or event for the entire Assemblage:

Date or Event	Option Payments \$
5 business days after Feasibility Removal Notice (to be delivered no later than the Feasibility Expiration Date in Section 1.09)	25,000
10 days after completion of Annexation	100,000
10 days after notice from the City that Purchaser's application for Preliminary Plat Approval is complete	100,000
5 business days after extension of Outside Option Exercise Date, if any, under Section SP-3.0	60,000

The Option Payments will be nonrefundable to Purchaser once paid, except in the event of a default by Seller as provided in Section 13.3 or as otherwise expressly provided in this Agreement. The Option Payments (other than the Option Payment for an extension of the Outside Option Exercise Date provided for below in this Section SP-3.0) will be applicable to the Purchase Price at Closing. Purchaser will have no obligation to make any Option Payments; provided, however, if Purchaser does not timely make an Option Payment, this Agreement will terminate immediately, Purchaser will have no further rights under this Agreement, and Seller will be entitled to retain any Option Payments previously made.

Purchaser will be entitled to a credit against the Purchase Price at Closing for the amount of the out-of-pocket expenses it has paid or incurred in connection with the application for Preliminary Plat Approval. The amount of the credit will not exceed \$2,000 per approved Lot in the Preliminary Plat Approval. Purchaser will provide each Seller under all Option Agreements with a reasonably detailed written calculation of the credit, including copies of invoices or other reasonable evidence that it has paid or incurred the subject out-of-pocket expenses prior to Closing. The phrase "out-of-pocket expenses" as used in this Agreement shall not include any internal costs, expenses or overhead of Purchaser. The credit will be allocated among the Option Agreements by Allocable Share as defined in Section SP-4.0.

If Preliminary Plat Approval has not been obtained by the Outside Option Exercise Date, Purchaser will have one right to extend the Outside Option Exercise Date for up to 180 days. This right may be exercised by written notice to Seller (and the Sellers under all other Option Agreements) no later than the Outside Option Exercise Date, and the payment within 5 business days after the notice of an additional Option Payment in the amount of \$60,000. The extension Option Payment will be nonrefundable compensation to Seller for extension of the Option Exercise Date, and will not be applicable to the Purchase Price at Closing. If Preliminary Plat Approval has been obtained, Purchaser will not have the right to extend the Outside Option Exercise Date under this paragraph.

Purchaser may exercise the Option at any time prior to the Outside Option Exercise Date, as it may be extended under § SP-3.0. If Purchaser timely exercises the Option, Seller and Purchaser will proceed to Closing. Purchaser will have no obligation to purchase the Property unless it exercises the Option. If Purchaser does not exercise the Option on or before the Option Exercise Date, this Agreement will terminate, and Seller will be entitled to retain the Option Payments made to it.

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SP-4.0 Allocation of Payments among all Option Agreements. The Purchase Price is stated in this Agreement in an aggregate amount for the entire Assemblage. The Purchase Price will be allocated to the Property and the parcels under the other Option Agreements in a fair and equitable manner that reflects the relative contribution of each parcel to the usable area of the entire Assemblage for purposes of Purchaser's residential development.

The allocable share of each parcel in each such payment ("Allocable Share") will be determined as follows: (i) the total area of each parcel shall be reduced by the area of critical areas and wetlands and associated buffer areas, and by other areas rendered unusable by governmental action or regulation (e.g., tree retention tracts, wildlife corridors) with the result being the "net usable area" of each parcel, and (ii) the net usable area of each parcel will be divided by the aggregate net usable area for all parcels, with the result, expressed as a percentage, being the Allocable Share of that parcel. Allocable Shares will not be affected by the location of any approved lots on particular parcels in Purchaser's site plan. For clarity, areas used for roads and other similar infrastructure will be included in "usable area."

Example: Hypothetical Parcel A has 305,400 square feet of gross land area. It contains a wetland that, with required buffers, will be 44,555 square feet in area. The net usable area of Parcel A is 305,400 - 44,555, or 260,845 square feet. If the net usable area for all parcels in the Assemblage is 1,264,929 square feet, then the Allocable Share of Parcel A is 260,845/1,264,929, or 20.621%. The total number of preliminarily approved Lots in the entire Assemblage is 101, and as a condition of Annexation, the City required 10 of those Lots to be improved with affordable housing units. The purchase price for Parcel A under Section SP-4.0 would then equal \$1,979,616 (20.621% of the sum of (a) \$100,000 x the 91 Lots that are not Required Affordable Unit Lots, plus (b) \$50,000 x the 10 Required Affordable Unit Lots).

In the event Purchaser determines in its sole discretion to increase the effective net usable area of any parcel by mitigating wetlands or other critical areas, or making payments in lieu of actual mitigation, or by taking other similar action, then the net usable area of that parcel will be increased accordingly, and the actual out-of-pocket cost so incurred by Purchaser will be deducted from the purchase price for that parcel at Closing.

During the Feasibility Period, Purchaser will furnish each Seller under the Option Agreements with a proposed calculation of Allocable Shares consistent with the foregoing, including reasonable backup information supporting Purchaser's calculation. Purchaser and the Sellers under all Option Agreements will confer in good faith concerning any disagreements over Purchaser's proposal. Unless the parties otherwise agree, the release of the Option Payments to the Sellers under all Option Agreements by the Escrow Agent under Section SP-5.0 will be subject to the condition that Purchaser and all Sellers under all Option Agreements have agreed on the Allocable Shares, and have reduced that agreement to an amendment of all Option Agreements. The Sellers under all Option Agreements will use continuous good-faith efforts to agree on the Allocable Shares, and when they have reached that agreement, any Option Payments that have been made to date will be released by the Escrow Agent as provided in Section SP-5.0. In the event that, in the course of Purchaser's effort to obtain Preliminary Plat Approval, the net usable area of the Assemblage changes after the Sellers have agreed on the Allocable Shares, the Allocable Shares will be subject to further change, subject to the agreement of Sellers, acting reasonably. Purchaser will keep Sellers informed concerning any such change in net usable area.

SP-5.0 Release of Option Payments; Memorandum. The Escrow Agent will release each Option Payment to Seller promptly after it has been paid by Purchaser, and (i) Purchaser and each Seller under all Option Agreements have agreed on the Allocable Shares under Section SP-4.0, and (ii) Seller and Purchaser have executed a memorandum of option in the form attached to this Agreement as Exhibit B, and the memorandum will have been recorded against the Property, giving record notice of the existence of the Option.

SP-6.0 Escrow of Purchase Price. If the Sellers under all Option Agreements have not agreed on the Allocable Shares (or on a change thereof) as provided in Section SP-4.0 by the date for Closing under this Agreement, Purchaser may (i) elect to delay the Closing until the Sellers have reached agreement, or (ii) cause Closing to go forward, in which event Closing will occur as provided in this Agreement, but the portion of the Purchase Price payable to each Seller that is not in dispute, as reasonably determined by Purchaser, will be disbursed to each Seller,

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and the portion of the Purchase Price that is in dispute will be held by Escrow Agent in escrow until such time as the Sellers have agreed on the Allocable Shares. Purchaser or Escrow Agent will propose a form of escrow agreement for the Sellers to agree upon, and each Seller will use diligent commercially reasonable efforts to reach agreement on that form. Under the escrow agreement, the cost of the escrow will be borne by the Sellers, and the Escrow Agent will have the right to interplead the dispute among the Sellers in King County Superior Court.

SP-7.0 Work Product. If this Agreement terminates before Closing for any reason, Purchaser will furnish Seller with copies of all reports, studies, plans, applications, and correspondence prepared by or for Purchaser in connection with the purchase, entitlement, or development of the Property, including Annexation and Preliminary Plat Approval. Purchaser will have no obligation, however, to furnish copies of any material protected by the attorney-client privilege, any internal correspondence or analyses, or any house plans. Purchaser will provide this work product as a courtesy to Seller, without any warranty whatsoever as to its completeness, suitability, compliance with applicable codes and laws, or accuracy, nor whether the work product prepared by consultants may be used by Seller or any other party. Upon any termination of this Agreement, Purchaser shall notify Seller of any pending applications by it with any governmental agency relating to the Property, and will not withdraw such applications without Seller's written consent, but Purchaser will have no obligation to take any further action or incur any further expense related to any such application in order to keep the application effective.

SP-8.0 Tenants; Condition of Property. Seller will cause the Property at Closing to be vacant and free and clear of any leaseholds or rights of tenants or other occupants. Seller will cause the Property at Closing to be free and clear of personal property, vehicles, and paints and other chemicals. Without limiting the foregoing obligation or Purchaser's remedies, any of such items left on the Property at Closing may be disposed of as Purchaser sees fit.

SP-9.0 Seller Disclosure Statement. Purchaser waives receipt of a Seller Disclosure Statement ("Form 17") under Chapter 64.06 RCW, unless the answer to any of the questions in the Environmental section of the Seller Disclosure Statement are "yes," in which event Seller will provide the Environmental section only.

SP-10.0 1031 Like-Kind Exchange. Seller may sell the Property by completing one or more Internal Revenue Code Section 1031 tax-deferred exchanges. If requested by Seller, Purchaser agrees to cooperate with Seller in effecting such exchanges; provided, however, Purchaser shall not incur any additional liability or financial obligations and the Closing Date shall not be extended or accelerated as a consequence of any such exchanges.

SP-11.0 Court Approval. This Agreement is subject to the approval of this Agreement by the court in Seller's Chapter 11 proceeding, in a form satisfactory to Purchaser, acting reasonably ("Court Approval"). Seller will seek Court Approval promptly following the mutual execution of this Agreement, and will keep Purchaser reasonably informed as to the status of its efforts, including furnishing concurrent copies of its pleadings and other submissions and of all court rulings.

SP-12.0 Consent of Spouse. Seller is a married Washington resident dealing in his separate property. At the request of Purchaser or the Title Company, Seller will provide evidence of the separate-property character of the Property and/or the consent of Seller's spouse to this Agreement and the transactions contemplated by this Agreement, and/or the quitclaim conveyance by Seller's spouse of any residual or presumptive community property interest in the Property.

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2.0 OPTION; PURCHASE AND SALE. Seller hereby grants Purchaser the option to purchase the Property ("Option") and Purchaser hereby accepts the Option. If Purchaser exercises the Option, Seller shall sell the Property to Purchaser, and Purchaser shall purchase the Property from Seller, on the terms and conditions of this Agreement.

3.0 EARNEST MONEY. [Intentionally omitted]

4.0 TITLE MATTERS.

4.1 Conveyance of Title. At Closing, Seller will execute and deliver to Purchaser a Statutory Warranty Deed conveying marketable fee title to the Property, subject only to the Permitted Exceptions, as defined in Section 4.4 ("Deed").

4.2 Title Policy. At Closing, Seller will cause Title Company to issue to Purchaser a policy of title insurance (2006 ALTA Owner's Policy of Title Insurance) in the amount of the Purchase Price, insuring Purchaser that it owns fee simple title to the Property, subject only to the Permitted Exceptions ("Title Policy"). The Title Policy will provide owner's extended coverage. Seller will pay the premium for owner's standard coverage, and Purchaser will pay the additional premium for owner's extended coverage. Prior to Closing, Seller will execute such indemnities, affidavits, or other documents that Title Company customarily or reasonably requires from sellers for extended coverage.

4.3 Commitment. Unless it has already been provided by Seller, Purchaser will promptly order from Title Company a preliminary commitment for the Title Policy ("Commitment"), together with copies of any exceptions in Schedule B of the Commitment. Purchaser will pay Title Company's cancellation charges, if any, if this Agreement terminates.

4.4 Title Review; Permitted Exceptions.

4.4.1 In this Agreement, "Permitted Exceptions" means exceptions to title shown in the Commitment, as it may be updated and supplemented before Closing, and in any survey, other than (i) the Mandatory Removal Exceptions, and (ii) the exceptions that Seller has agreed to remove as provided in this Section 4.4.

4.4.2 In this Agreement, "Mandatory Removal Exceptions" means exceptions for any of the following: (i) real estate contracts, mortgages, deeds of trust, and other instruments evidencing or securing loans; (ii) any real estate excise, sales, conveyance, or stamp taxes payable at Closing under applicable law; (iii) rollback taxes, local improvement district assessments, and other similar assessments, and any delinquent real estate taxes or owners association assessments; (iv) mechanics, materialmen, or construction liens, judgment liens, and lis pendens; (v) other monetary liens and monetary exceptions; (vi) any option or right to purchase all or any part of the Property, other than this Agreement; or (vii) the authority, organization or legal standing of Seller or the authority of any person signing for Seller. Whether Purchaser disapproves them or not, and whether Seller agrees to remove them or not, Seller will cause the removal of all Mandatory Removal Exceptions at or before Closing.

4.4.3 Before the Feasibility Expiration Date, Purchaser may give Seller written notice ("Purchaser's Title Notice") of Purchaser's approval or disapproval of some or all of the exceptions in the Commitment or any survey. Purchaser's Title Notice may also include questions or requests for information about one or more exceptions as to which Purchaser desires to satisfy itself before giving a Feasibility Approval Notice.

4.4.4 Within 5 business days after Purchaser's Title Notice, Seller will respond in writing to Purchaser and indicate whether it agrees to remove any exceptions disapproved by Purchaser. It is understood that, as a practical matter, Seller may not be able to remove certain disapproved exceptions. Seller will also use good-faith efforts to respond to any questions or requests for information in Purchaser's Title Notice.

4.4.5 At or before Closing, Seller will cause to be removed from title the disapproved exceptions that it has agreed to remove, and all Mandatory Removal Exceptions. The removal of all those exceptions will be a condition on Purchaser's obligation to close. As part of its determination whether to give a Feasibility Approval Notice, Purchaser will consider whether it can go forward in light of any disapproved exception that Seller has not agreed to remove. Unless Seller has agreed to remove it, any exception that Purchaser has disapproved will become a Permitted Exception once Purchaser gives a Feasibility Approval Notice, but subject to Section 4.5.

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4.5 New Exceptions.

4.5.1 From the Effective Date until Closing, Seller will not, without the prior approval of Purchaser, enter into any lease, contract, declaration or other agreement that would cause there to be any encumbrance on the Property at Closing. If approved by Purchaser, any such new exception will be a Permitted Exception. Without limiting Purchaser's remedies for breach of this Section 4.5.1, Seller will cause the removal at or before Closing of any such new exception that Purchaser has not approved.

4.5.2 If any title exception, other than an exception described in Section 4.5.1 and any Mandatory Removal Exception, is first disclosed to Purchaser after receipt of the Commitment, Purchaser may give a Purchaser's Title Notice for that new exception and the procedure in Section 4.4 may be repeated. However, if Purchaser first receives notice of that new exception later than 5 business days before the Feasibility Expiration Date, then the following procedure will apply to Purchaser's Title Notice: Seller will respond in writing to Purchaser's Title Notice within 5 business days after receiving it. As to each new exception disapproved by Purchaser, Seller will indicate in the response whether it agrees to cause the removal of the exception by Closing. If Seller does not so agree within the 5 business day period, Purchaser will have the right to terminate this Agreement before Closing by written notice to Seller. In the event of that termination, the Option Payments and all other deposits will be returned to Purchaser. If Purchaser does not exercise the right to terminate this Agreement, it will be deemed to have accepted the subject disapproved exception as a Permitted Exception at Closing. The Closing Date will be extended on a day for day basis as necessary to accommodate the foregoing procedure.

4.6 **Survey.** Seller will deliver to Purchaser a copy of each survey of all or part of the Property in Seller's possession within 5 business days after the Effective Date. Purchaser will determine whether it or Title Company will require a separate or updated survey, and will be responsible to obtain any such separate or updated survey prior to Closing. Seller will cooperate at Purchaser's request with any effort to obtain a separate or updated survey. If Purchaser does not arrange for a separate or updated survey that is required by Title Company by Closing, Purchaser will accept a Title Policy that provides extended coverage with a survey exception, or that only provides standard coverage. Purchaser will be responsible for the cost of any separate or updated survey.

5.0 **FEASIBILITY CONTINGENCY.** Purchaser is entering into this Agreement with the intention of acquiring the Property for the purpose of developing, permitting, constructing, marketing and selling detached or attached single family homes on the Property. Purchaser's obligation to purchase the Property in accordance with this Agreement shall be conditioned upon Purchaser's determination, in the exercise of Purchaser's sole discretion, that the Property is suitable for Purchaser's intended use and that the development of the Property for Purchaser's intended use is economically feasible ("Feasibility Contingency"). Purchaser's determination with respect to the satisfaction of the Feasibility Contingency shall be given by written notice from Purchaser to Seller ("Feasibility Approval Notice") on or before the Feasibility Expiration Date. If the Feasibility Approval Notice is not received by Seller on or before the Feasibility Expiration Date, Purchaser shall be deemed to have disapproved the Feasibility Contingency, whereupon this Agreement shall terminate.

6.0 **PROPERTY INFORMATION.** Within 5 business days after the Effective Date, Seller shall provide Purchaser with copies of all contracts, documents and studies of significance to the Property and its development, for Purchaser's information and review ("Property Information"). If Seller fails to timely deliver all Property Information to Purchaser, the Feasibility Expiration Date shall be extended on a day for day basis for each day of Seller's delay in delivering the Property Information to Purchaser. The Property Information is made available to Purchaser for informational purposes only, and except as may be otherwise expressly provided in this Agreement, Seller expressly disclaims all representations and warranties of any kind or nature, express or implied, with regard to the Property Information.

7.0 **RIGHT OF ENTRY.** During the term of this Agreement, Purchaser, its agents, employees and designees shall be entitled to (a) enter upon the Property to conduct investigations and studies and to perform soil, engineering and other studies and investigations, all of which shall be conducted at Purchaser's sole expense, and (b) show the Property to prospective purchasers, homebuyers and lenders. Purchaser shall promptly repair any damage caused to the Property arising from the exercise of Purchaser's rights hereunder and shall indemnify, defend and hold Seller harmless from and against any and all costs, damages, liabilities, claims (including construction liens) and expenses (including attorneys' fees and costs) that arise as a result of Purchaser's conducting of the studies and investigations contemplated by this Section, except this indemnity shall not extend to those matters arising out of Seller's

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negligence or intentional misconduct. Purchaser's obligations under this Section shall survive termination of this Agreement.

8.0 SELLER'S COOPERATION. Seller shall reasonably cooperate at Purchaser's request from time to time with any effort by Purchaser prior to Closing to obtain permits and approvals for the Property from governmental authorities consistent with Purchaser's intended use, including without limitation preliminary plat approval, binding site plan approval, and other similar subdivision approval, and modifications thereof; engineering or construction plan approval; and grading and building permits. Seller's cooperation shall include without limitation signing applications and other submittals for permits and approvals and attendance at meetings and hearings. Seller shall have no obligation to incur any out-of-pocket cost in providing cooperation under this Section 8.0. Notwithstanding Seller's cooperation, Purchaser shall have the sole responsibility for the processing of all applications for permits and approvals, and for the outcome of those applications.

9.0 CLOSING

9.1 Closing. For purposes of this Agreement, the term "Closing" shall mean the date of delivery and recording of the Deed from Seller to Purchaser and Purchaser's payment of the Purchase Price in the amount specified in Section 1.04 to Seller. Closing shall take place in the offices of Escrow Agent, and Escrow Agent shall perform the duties of escrow agent.

9.2 Closing Date. Closing shall occur on the Closing Date specified in Section 1.08.

9.3 Escrow; Closing Costs. Purchaser and Seller shall place with the Escrow Agent all instruments, documents and moneys necessary to complete the sale in accordance with this Agreement. Seller shall pay the cost of the Title Policy to the extent of owner's standard coverage, real estate excise tax, one-half the escrow fee and other customary seller's closing costs. Purchaser shall pay the cost of the Title Policy in excess of the cost of owner's standard coverage, plus any endorsements to the Title Policy, recording fees for the Deed, one-half the escrow fee, and other customary purchaser's closing costs.

9.4 Prorations. Real property taxes, assessments (to the extent they qualify as Permitted Exceptions) and utilities due and payable in the current year shall be prorated as of Closing.

9.5 Bill of Sale and General Assignment. Seller shall execute and deliver to Purchaser at Closing a Bill of Sale and General Assignment substantially in the form attached as Exhibit C pursuant to which Seller assigns all studies, reports, surveys, design documents, warranties, permits, licenses and any and all other materials or documentation that are related to the Property or Seller's efforts to develop and entitle the Property.

9.6 FIRPTA Affidavit. Seller shall execute and deliver to Escrow Agent at Closing such documentation and other evidence as may be reasonably required to evidence Seller's compliance with or exemption from the requirements of the Foreign Investment in Real Property Tax Act of 1980, as it may be amended, or other comparable laws or regulations.

9.7 Possession. Purchaser shall be entitled to possession of the Property at Closing.

10.0 REPRESENTATIONS AND MAINTENANCE COVENANTS OF SELLER; AS IS DISCLAIMER.

10.1 Seller's Representations. Seller represents, warrants and covenants to Purchaser, as of the Effective Date and as of the Closing Date, that: (a) Seller is not a foreign person as defined by the Foreign Investment in Real Property Tax Act, IRS Section 1445(b)(2), as amended; (b) to Seller's knowledge and except as disclosed in the Property Information, there is no hazardous substance, petroleum, hydrocarbon, underground storage tanks or toxic materials of any kind ("Hazardous Substances") in, on, or about the Property; (c) Seller has not deposited, released, or allowed Hazardous Substances on the Property, and Seller shall not deposit, release, or allow Hazardous Substances on the Property throughout the term of this Agreement; and (d) to Seller's knowledge, the Property Information is complete and accurate and does not fail to state any material fact or circumstance without which the Property Information would be deceptive or misleading.

10.2 Maintenance of Property. Except as otherwise expressly contemplated in this Agreement, Seller shall not change the condition of the Property between the Effective Date and Closing. The foregoing shall not preclude ordinary maintenance or repairs by Seller.

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10.3 As Is Disclaimer. Purchaser acknowledges and agrees that, except as otherwise set forth in this Agreement or in the documents required to be delivered by Seller at Closing ("Closing Documents"), it is acquiring the Property at Closing in an "As Is" condition, with all faults. Purchaser further acknowledges and agrees that, except as otherwise set forth in this Agreement or in the Closing Documents, neither Seller nor any principal, agent, attorney, employee, broker or other representative of Seller has made any representations or warranties of any kind whatsoever regarding the Property, either express or implied, and that, except for those set forth in this Agreement or in the Closing Documents, Purchaser is not relying on any warranty, representation or covenant, express or implied, with respect to the Property, including, without limitation, those relating to: (a) the condition of the soils or groundwater of the Property or the presence or absence of hazardous or toxic materials or substances on or under the Property; (b) the compliance of the Property with applicable statutes, laws, codes, ordinances, regulations, rules or requirements, whether relating to zoning, subdivision, planning, building, fire, safety, health or environmental matters, or otherwise; (c) the compliance of the Property with covenants, conditions and restrictions (whether or not of record); (d) the compliance of the Property with other local, municipal, regional, state or federal requirements; (e) the density that Purchaser may achieve in developing the Property; or (f) the availability of building, excavation and other permits that may be necessary for the construction of improvements on the Property.

11.0 AUTHORITY. Each individual executing this Agreement on behalf of Seller or Purchaser represents and warrants that such individual is authorized to execute this Agreement on behalf of Seller or Purchaser, as applicable, and to thereby bind such party to this Agreement.

12.0 BROKERS AND COMMISSIONS. Each party represents and warrants to the other party, that it has neither agreed to nor authorized any fees or commissions with respect to this transaction and it shall defend, indemnify and hold harmless the other party from and against the claims of any and all brokers or other intermediaries claiming that by or through it they are entitled to a fee or commission in connection with this transaction. The foregoing representation and indemnity shall not apply with respect to Seller's Agent or Purchaser's Agent, if any, as identified in Sections 1.13 and 1.14 ("Designated Agents"), and Seller shall pay any commissions due the Designated Agents in connection with this transaction at Closing.

13.0 REMEDIES.

13.1 Opportunity to Cure and Default. Failure to close without legal excuse shall constitute an immediate default under this Agreement. For the breach of any other covenant, representation or warranty under this Agreement, a party shall only be entitled to declare a default and pursue its rights and remedies for breach and default under this Agreement if notice of the breach has been given to the breaching party and the breaching party fails to cure such breach within 14 days after receiving such notice.

13.2 Seller's Remedies. In the event of any default by Purchaser without legal excuse, Seller shall be entitled to terminate this Agreement and retain the Option Payments paid to date, as liquidated damages. The foregoing shall be Seller's sole and exclusive remedy for any breach or default by Purchaser, and Seller's retention of the Option Payments paid to date shall constitute a waiver of any other rights or remedies that Seller may have at law or in equity.

13.3 Purchaser's Remedies. In the event of any default by Seller without legal excuse, Purchaser may elect to pursue any of the following remedies: (a) terminate this Agreement, in which event the Option Payments made to date shall be immediately returned to Purchaser; or (b) maintain an action for specific performance or other injunctive relief.

14.0 FIN 46 REQUIREMENTS. [Intentionally omitted]

15.0 GENERAL PROVISIONS.

15.1 Time. Time is of the essence in the performance of all obligations under this Agreement. Unless this Agreement expressly refers to "business days" or "working days", all references in this Agreement to days shall be deemed to mean calendar days. The time periods under this Agreement shall be computed by excluding the first day and including the last day, but, if the last day falls on a weekend or holiday, or if the computed date for Closing or any other event that requires recording of documents falls on a day on which the applicable county recording office is closed, then the time period or date in question shall extend to the next business day. Holidays shall mean the legal holidays specified in RCW 1.16.050.

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6/21/2016*

15.2 Condemnation. If, prior to Closing, the Property becomes the subject of a condemnation proceeding affecting a material portion of the Property, Purchaser shall have the right to terminate this Agreement as to all unsold portions of the Property or to just that portion of the Property that is the subject of the taking, provided that Purchaser notifies Seller in writing of its election to so terminate not later than the first to occur of (a) 30 days after it is advised of the condemnation proceeding, or (b) closing of the affected portions of the Property. Upon any such termination, the Purchase Price shall be proportionally adjusted to reflect the removal of the applicable portion of the Property from this Agreement. If Purchaser does not elect to terminate this Agreement, then Seller shall assign to Purchaser at Closing Seller's rights in and to any condemnation proceeds.

15.3 Binding Effect. This Agreement shall inure to the benefit of and be binding on the heirs, executors, administrators, personal representatives, successors and assigns of both Purchaser and Seller.

15.4 No Third Party Beneficiaries. This Agreement is for the sole benefit of, and may be enforced solely by, the parties and their valid successors and assigns. The parties do not intend to create any rights or benefits for any other person or entity.

15.5 No Joint Venture. Nothing in this Agreement is intended to create any partnership, joint venture or other joint ownership, profit-sharing or similar kind of agreement or arrangement between Purchaser and Seller or among the Sellers under all Option Agreements.

15.6 No Merger. The terms of this Agreement shall not merge into the Deed(s) delivered at Closing and shall survive Closing, subject to any restrictions on survival expressly set forth in this Agreement.

15.7 Further Acts. The parties shall execute and deliver such further documents and instruments and take such other further actions as may be reasonably necessary to carry out the intent and provisions of this Agreement.

15.8 Entire Agreement; Amendment. This is the entire agreement of the parties with respect to the Property and supersedes all written or oral agreements or understandings. This Agreement may be modified only in writing signed by both parties.

15.9 Captions. The captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision contained in it.

15.10 Severability. If any part of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect, and shall in no way be affected, impaired or invalidated.

15.11 Attorneys' Fees. In any litigation or other proceeding arising out of this Agreement, the substantially prevailing party shall be entitled to an award of its reasonable attorneys' fees and other costs incurred therein.

15.12 Governing Law and Venue. This Agreement shall be construed according to the internal laws of the State of Washington. Venue for any action arising out of this Agreement shall be in the county in which the Property is located.

15.13 Counterparts; Email. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute the same agreement, whether or not all parties execute each counterpart. Signatures transmitted by email or fax shall have the same effect as original ink signatures.

15.14 Time Period for Mutual Acceptance. This Agreement shall be null and void unless mutually executed and delivered by both parties on or before the Mutual Acceptance Deadline specified in Section 1.10.

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6/16/2016

SELLER:

Neal C Coy
NEAL COY

Date: 6/21/2016

PURCHASER:

THE QUADRANT CORPORATION

By: [Signature]

Name: Barry Hill

Title: Unit President

Date: 6/22/16

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6/21/2016

EXHIBIT A
TO
REAL ESTATE OPTION AGREEMENT
(QPID-12240:Duvall North UGA Assemblage—Coy Property Parcel 057)

LEGAL DESCRIPTION OF PROPERTY

The following described real property in King County, Washington.

Tax Parcel 9057

THAT PORTION OF THE SOUTH HALF OF THE NORTH HALF OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER OF SECTION 13, TOWNSHIP 26 NORTH, RANGE 6 EAST, WILLAMETTE MERIDIAN, LYING WEST OF THE RIGHT-OF-WAY OF THE SEATTLE TACOMA POWER COMPANY; EXCEPT THEREFROM A STRIP OF LAND 40 FEET WIDE ALONG THE EAST SIDE THEREOF.

Exhibit A - Page 1

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Last Revised 9/30/15

EXHIBIT B
TO
REAL ESTATE OPTION AGREEMENT
(QPID-12240:Duvall North UGA Assemblage—Coy Property Parcel 057)

MEMORANDUM OF OPTION

After Recording Return to:

Fikso Kretschmer Smith Dixon Ormseth PS
Market Place Tower
2025 First Avenue, Suite 1130
Seattle, WA 98121-2100
Attn: Stacy Clark or Tina Lieu

Reference Number of Related Document: N/A
Grantor(s): NEAL COY
Grantee(s): THE QUADRANT CORPORATION
Abbreviated Legal Description: PTN NE 1/4 SEC 13-26-6E
Additional Legal Description is on Exhibit 1 of Document
Assessor's Property Tax Parcel or Account No.: 1326069057

MEMORANDUM OF OPTION

THIS MEMORANDUM OF AGREEMENT is being executed and recorded solely for the purpose of providing notice of the Real Estate Option Agreement by and between NEAL COY, a married Washington resident, as to his separate property ("Seller"), and THE QUADRANT CORPORATION, a Washington corporation ("Purchaser"), dated _____, _____ ("Agreement"), pursuant to which Seller has granted Purchaser the option to purchase ("Option") and Seller and Purchaser have agreed, upon exercise of the Option, to sell and purchase the real property legally described on Exhibit 1 attached ("Property"), on the terms and conditions more particularly described in the Agreement. The Option must be exercised no later than December 21, 2017, unless extended, in which event a new Memorandum of Option will be recorded. This Memorandum is for the purpose of providing notice of the Agreement and in no way amends, modifies, supplements or otherwise affects any terms or conditions of the Agreement.

SELLER:

[EXHIBIT ONLY - DO NOT SIGN]
NEAL COY

PURCHASER:

THE QUADRANT CORPORATION

By: _____
Name: _____
Title: _____
[EXHIBIT ONLY - DO NOT SIGN]

[add appropriate acknowledgments and legal description]

Exhibit B - Page 1

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Last Revised 9/30/15

EXHIBIT C
TO
REAL ESTATE OPTION AGREEMENT
(QPID-12240:Duvall North UGA Assemblage—Coy Property Parcel 057)

BILL OF SALE AND GENERAL ASSIGNMENT

THIS BILL OF SALE AND GENERAL ASSIGNMENT ("Bill of Sale") is made as of the ____ day of _____, _____, by NEAL COY, a married Washington resident, as to his separate property ("Assignor"), for the benefit of THE QUADRANT CORPORATION, a Washington corporation and its successors and assigns ("Assignee").

As part of the closing of the Real Property commonly known as King County Tax Parcel 1326069057 and more particularly described on Exhibit 1 attached hereto ("Real Property") pursuant to that certain Real Estate Option Agreement between Assignor and Assignee with an effective date of _____, _____, as amended from time to time ("Option Agreement"), Assignor hereby sells, assigns, conveys and transfers to Assignee any and all right, title and interest of Assignor in and to the following:

1. All existing licenses, permits, approvals and entitlements for development issued or granted by governmental or quasi-governmental bodies or entities having jurisdiction or authority over the Real Property and pending applications therefor related to the development, design and/or construction of the Real Property (collectively, "Governmental Approvals");
2. All warranties, correction rights and guarantees, expressed or implied, written or oral, relating to or arising out of any agreements or contracts related to the development, design and/or construction of the Real Property (collectively, "Warranties"); and
3. All plans and specifications, surveys, environmental studies, soils reports, instruction manuals and procedure manuals, and any other documents, work product or intellectual property related to the development, design and/or construction of the Real Property (collectively, the "Development Materials").

The Governmental Approvals, Warranties, and Development Materials are sometimes collectively referred to as the "Assigned Property."

Assignor represents and warrants that any and all amounts that were due and payable by Assignor to third parties with respect to the Assigned Property through the date of this Bill of Sale ("Pre-Closing Payment Obligations") have been paid in full and Assignor shall indemnify, defend and hold Assignee harmless from any and all claims, liabilities, costs and expenses (including attorneys' fees and the cost to bond around lien claims) arising out of or related to Pre-Closing Payment Obligations.

At the request of Assignee, Assignor agrees to execute, acknowledge and deliver such additional documents and instruments and to take such further actions as may be reasonably necessary or appropriate to effect the assignment of the Assigned Property to Assignee contemplated by this Bill of Sale.

EXECUTED AS OF THE DATE FIRST ABOVE WRITTEN.

ASSIGNOR:

[EXHIBIT ONLY - DO NOT SIGN]
NEAL COY

Exhibit C – Page 1

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Last Revised 9/30/16

EXHIBIT 1
TO
BILL OF SALE AND GENERAL ASSIGNMENT
LEGAL DESCRIPTION OF REAL PROPERTY

Exhibit C – Page 2

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Last Revised 10/08/13

**FIRST AMENDMENT OF
REAL ESTATE OPTION AGREEMENT**
(QPID-12240:Duvall North UGA Assemblage—Coy Property Parcel 057)

FIRST AMENDMENT OF REAL ESTATE OPTION AGREEMENT (this "Amendment") dated as of August 25, 2016, by and between NEAL COY, a Washington resident, as to his separate property ("Seller"), and THE QUADRANT CORPORATION, a Washington corporation ("Purchaser")

RECITALS

- A. Seller and Purchaser are parties to a Real Estate Option Agreement dated as of June 22, 2016 ("Agreement"), for the purchase and sale of the real property described in the Agreement.
- B. The parties desire to amend the Agreement to modify the amounts and schedule of the Option Payments to be made by Purchaser.

AMENDMENT

Seller and Purchaser amend the Agreement and agree as follows:

1. **Timing of Option Payments.** The first three Option Payments to be made by Purchaser under Section SP-3.0 of the Agreement will be due following Purchaser's delivery of the Feasibility Approval Notice under Section 5.0, on or before (i) the dates set forth in the table in Section SP-3.0, or (ii) March 24, 2017, whichever occurs first. The requirement of Section SP-1.0 of the Agreement that if Purchaser makes any Option Payments, it must make Option Payments under all Option Agreements concurrently will not apply to the extent Purchaser makes Option Payments to Seller under Section 1(i) above.
2. **Increase in Amount.** The third Option Payment to be made by Purchaser under Section SP-3.0 will be increased to such amount as, together with the first two Option Payments, pays the secured claim of First Citizens Bank & Trust Company ("First Citizens Bank") in Seller's bankruptcy proceeding in full, to include all post-petition accrued interest, loan fees, and attorney's fees and costs recoverable under the subject claim.
3. **Payment to Secured Lienholder; No Escrow.** Purchaser may make the first three Option Payments by direct payment to First Citizens Bank. Purchaser may condition the final payment to First Citizens Bank on reasonable evidence that the secured claim of First Citizens Bank is satisfied, and that the lien of the deed of trust on the Property in favor of First Citizens Bank has been reconveyed or will be reconveyed immediately following the payment. The requirement of Section SP-5.0 that Option Payments will be held in escrow until the Sellers under all Option Agreements have agreed on the Allocable Shares will not apply to the first three Option Payments under the Agreement.
4. **Adequate Protection Payments.** Seller will continue to make monthly adequate protection payments to First Citizens Bank at the times and in the manner required by the Plan in his bankruptcy proceeding.
5. **Bankruptcy Court Approval.** This Amendment is subject to approval by the bankruptcy court of the Agreement as amended hereby. Purchaser may revoke this Amendment in its discretion at any time before bankruptcy court approval.

MCC
8/25/2016

6. **Terms; Effect.** Capitalized terms in this Amendment that are not defined in this Amendment will have the same meanings as in the Agreement. Except as amended by this Amendment, the Agreement remains in full force and effect.

7. **Counterparts; Delivery.** This Amendment may be executed in identical counterparts and each counterpart may be delivered by email or fax transmission.

EXECUTED as of the date first written above.

SELLER:

Neal C. Coy
NEAL COY

Date: 8/25/2016

PURCHASER:

THE QUADRANT CORPORATION

By: _____

Name: _____

Title: _____

Date: _____