

FILED FOR RECORD AT THE REQUEST OF:

PREFERRED FUNDING, INC.

1112 Finnegan Way

Bellingham, WA 98225

ISLAND TITLE COMPANY
SA-14352

9501120098

DEED OF TRUST

THIS DEED OF TRUST, made this 10TH day of JANUARY, 1995

between DANIEL STROBERGER, A SINGLE MAN,

GRANTOR(S) whose address is: 472 SALMON BEACH ROAD ANACORTES, WA 98221

ISLAND TITLE COMPANY, P. O. BOX 1228, ANACORTES, WA 98221
TRUSTEE, and PREFERRED FUNDING, INC.,

BENEFICIARY,

whose address is: 1112 FINNEGAN WAY BELLINGHAM, WA 98225.

Witnesseth: GRANTOR hereby bargains, sells and conveys to TRUSTEE in Trust, with power of sale, the following described real property in Island/Whatcom County, Washington.

SEE LEGAL ATTACHED

Which real property is not used principally for agricultural or farming purposes, together with all the tenements, hereditaments and appurtenances now or hereafter thereunto belonging or in any wise appertaining, and the rents and profits thereof.

This deed is for the purpose of securing performance of each agreement of GRANTOR herein contained, and the payment of the sum of

One Hundred Sixty Thousand Dollars and NO/100 (\$ 160,000.00)
with interest, in accordance with the terms of a promissory note of even date herewith, payable to BENEFICIARY or order, and made by GRANTOR, and all renewals, modifications and extensions thereof, and also such further sums as may be advanced or loaned by BENEFICIARY to GRANTOR, or any of their successors or assigns, together with interest thereon at such rate as shall be agreed upon.

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, GRANTOR COVENANTS AND AGREES:

- (1) To pay, or have paid before delinquency, all lawful taxes and assessments upon the property; to keep the property free and clear of all other charges, liens or encumbrances impairing the security of this DEED OF TRUST.
- (2) To keep the property in good repair and condition; to permit no waste thereof; to complete any building, structure or improvement being built or about to be built thereon within eight months from the date hereon or in accord with other specific written agreements between GRANTOR and BENEFICIARY; to restore promptly any building, structure or improvement thereon which may be damaged or destroyed; and to comply with all laws, ordinances, regulations, covenants and restrictions affecting the property.
- (3) To keep all buildings now or hereafter erected on the property described herein continuously insured against loss by fire and or other hazards BENEFICIARY may require, in an amount not less than the original face amount of the debt secured hereby, or at 100% of assessed value of the improvements, or at the replacement valuation of the improvements, as determined by the insurance carrier, whichever is the higher amount, and in such companies as the BENEFICIARY may approve, and to have loss payable first to the BENEFICIARY then to the GRANTOR. It is understood and agreed that all policies (or approved certified copies thereof) shall be held by BENEFICIARY. The amount collected under any insurance policy may be applied upon any indebtedness hereby secured in such order as the BENEFICIARY shall determine. Such applications by the BENEFICIARY shall not cause discontinuance of any proceedings to foreclose the DEED OF TRUST. In the event of foreclosure, all rights of the GRANTOR in the insurance policies then in force shall pass to the purchaser at the foreclosure sale.
- (4) To defend any action or proceeding purporting to affect the security hereof or the rights or powers of the TRUSTEE or BENEFICIARY, and to pay all costs and expenses, including cost of title search and/or Attorney's fees in a reasonable amount, in any such action or proceeding, and in any suit brought by BENEFICIARY to foreclose this DEED OF TRUST.
- (5) To pay all costs, fees and expenses in connection with this DEED OF TRUST, including the expenses of the TRUSTEE incurred in enforcing the obligations secured hereby, and TRUSTEE'S and Attorney's fees actually incurred, as provided by statute.

IT IS MUTUALLY AGREED THAT:

(6) In the event any portion of the property is taken, or damaged, in an eminent domain proceeding, the entire amount of the award of such portion thereof as may be necessary to fully satisfy the obligation secured hereby, shall be paid to the BENEFICIARY to be applied to said obligation.

(7) By accepting payment of any sum secured hereby after its due date, BENEFICIARY does not waive its right to require prompt payment, when due, of all other sums so secured or to declare default for failure to so pay.

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(8) Should GRANTOR fail to pay when due, any taxes, assessments, insurance premiums, liens, encumbrances, or other charges against the property herein above described, BENEFICIARY may pay the same, and each amount so advanced, together with costs and expenses including reasonable attorney fees in connection therewith, and together with \$100.00 or 15% of each amount so advanced (whichever is greater) which shall be due BENEFICIARY for service and handling costs, may be added to the debt which is secured by this DEED OF TRUST and shall bear interest at the rate specified in the note, and all sums so advanced plus costs and expenses may be declared immediately due and payable and upon GRANTOR'S failure to reimburse BENEFICIARY upon demand thereof shall constitute an event of default under this DEED OF TRUST.

PREPAYMENT PENALTY

(9) The note which is secured by this DEED OF TRUST may contain penalties for early payment of principal. During such time as the above referred prepayment penalties are due, and should BENEFICIARY accelerate the maturity of this DEED OF TRUST or note secured hereby, in accord with paragraph #13 herein, then BENEFICIARY at its sole option may include in the total amount due, the additional amounts to satisfy in full the requirements of said prepayment penalties. Should GRANTOR tender payment of the entire indebtedness due prior to the foreclosure sale or TRUSTEE sale said lender shall be deemed a voluntary prepayment and as such shall be inclusive of said prepayment penalties.

ADDITIONAL CHARGE FOR FAILURE TO PAY (BALLOON PAYMENTS)

(10) The note secured by this DEED OF TRUST requires the unpaid principal balance to be repaid by a date certain, and that date certain may require a final installment (Balloon Payment) substantially more than the regular installment(s) as specified in the note secured hereby. GRANTOR'S failure to tender said final installment by its due date shall constitute a default in the terms of this DEED OF TRUST, and BENEFICIARY at its sole option may add its installment late charge (penalty) as called for in the note secured hereby, and upon Beneficiaries acceptance of said final installment beyond its due date, or upon sale of the property at foreclosure (or TRUSTEE sale) per paragraph #13 herein said late charge shall be in addition to all other balances due.

ASSIGNMENT OF RENTS

(11) As additional security hereunder, Grantor hereby assigns to BENEFICIARY the rents of the property, provided that GRANTOR shall, prior to acceleration in accord with paragraph #13 hereof, or abandonment of the property, have the right to collect and retain such rents as they become due and payable. Upon acceleration in accord with paragraph #13 hereof, or abandonment of the property, BENEFICIARY, in person, by agent, or by judicially appointed receiver, shall be entitled to enter upon, take possession of, and manage the property and to collect the rents of the property, including any past due. All rents collected by BENEFICIARY or receiver shall be applied first to payment of costs of the management of the property and collection of rents, including but not limited to, receiver's fees and expenses, reasonable attorney fees, expenses of maintaining the rental flow (utilities, taxes, insurance, maintenance of the property, etc.) and then to the sums secured by this DEED OF TRUST. Lender and/or the receiver shall be liable to account only for those rents actually received.

(12) The TRUSTEE shall reconvey all or any part of the property covered by this DEED OF TRUST to the person entitled thereto, on written request of the GRANTOR and the BENEFICIARY, or upon satisfaction of the obligation secured and written request for reconveyance made by the BENEFICIARY or the person entitled thereto.

(13) Upon default by the GRANTOR in the payment of any indebtedness secured hereby or in the performance of any agreement contained herein, or referred to herein, all sums secured hereby shall immediately become due and payable at the option of the BENEFICIARY. In such event and upon written request of the BENEFICIARY, TRUSTEE shall sell the trust property in accordance with the DEED OF TRUST Act of the State of Washington at public auction to the highest bidder. Any person except TRUSTEE may bid at TRUSTEE'S SALE. TRUSTEE shall apply the proceeds of the sale as follows: (1) to the expense of the sale, including a reasonable TRUSTEE'S fee and Attorney's fees; (2) to the obligation secured by this DEED OF TRUST; (3) the surplus, if any, shall be distributed in accordance with the DEED OF TRUST Act of the State of Washington.

(14) TRUSTEE shall deliver to the purchaser at the sale its Deed, without warranty, which shall convey to the purchaser the interest in the property which GRANTOR had or had the power to convey at the time of his execution of this DEED OF TRUST, and such as he may have acquired thereafter. TRUSTEE'S Deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this DEED OF TRUST, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof, in favor of Bona Fide purchasers and encumbrances for value.

(15) The power of sale conferred by this DEED OF TRUST and by the DEED OF TRUST Act of the State of Washington is not an exclusive remedy; BENEFICIARY may cause this DEED OF TRUST to be foreclosed as a mortgage.

PROVISIONS APPLICABLE IF THIS INSTRUMENT IS FORECLOSED AS A MORTGAGE

(16) In the event the BENEFICIARY should cause this DEED OF TRUST to be foreclosed as a Mortgage then it is further agreed with respect to taxes, assessments, insurance premiums, liens and encumbrances, that the BENEFICIARY may make any such additional advances as it may deem appropriate upon any payment that may have or may thereafter become due on any prior encumbrance and BENEFICIARY shall have a separate and further right to make such additional prepayments as it shall deem appropriate on payments it believes may become due during any period of redemption and all such advances together with interest at the rate specified in the note, on each such advance so made shall be secured by this agreement and be included in any foreclosure judgment, and upon completion of any Sheriff's sale whereby BENEFICIARY or its assigns successfully purchases at such sale, BENEFICIARY or its assigns may continue to advance funds on, not only those matters provided by the redemption statute of this state, but, may also make advances for insurance, maintenance, upkeep, and upon any prior encumbrances and that any sums so advanced, plus interest at the rate specified in the judgment on each such advance shall be added to such sums that otherwise would be due

in redemption under the redemption statutes. In the event of such redemption, it is agreed and stipulated the BENEFICIARY may include all such provisions mentioned in this paragraph in any judgment granted in foreclosure. It is also understood that any of the rights granted to BENEFICIARY regarding the making of advancements or prepayments are options only for the benefit of the BENEFICIARY or its assigns and shall not be construed as obligating BENEFICIARY or its assigns to make any such advances or prepayment.

(17) In the event of the death, incapacity, disability or resignation of TRUSTEE, BENEFICIARY may appoint in writing a successor TRUSTEE, and upon the recording of such appointment in the mortgage records of the county where the DEED OF TRUST is recorded, the successor TRUSTEE shall be vested with all powers of the original TRUSTEE. The TRUSTEE is not obligated to notify any party hereto of pending sale under any other DEED OF TRUST or of any action, or proceeding, in which GRANTOR, TRUSTEE or BENEFICIARY shall be a party unless such action, or proceeding is brought by the TRUSTEE.

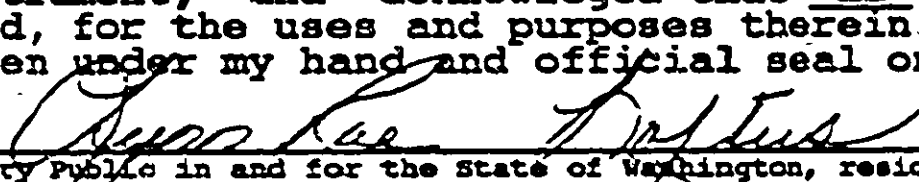
(18) This DEED OF TRUST applies to, inures to the benefit of, and is binding, not only on the parties hereto, but on their heirs, devisees, legatees, administrators, executors, successors, and assigns. The term BENEFICIARY shall mean the holder and owner of the note secured hereby whether or not named as BENEFICIARY herein.

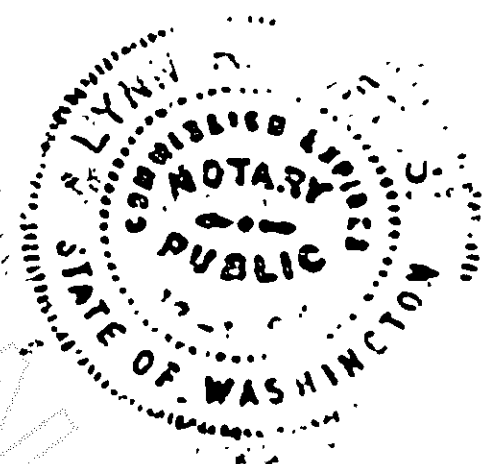
(19) There may be other unrecorded documents which are a part of this transaction, the specific terms of which are hereby incorporated by reference.



DANIEL STROBERGER

STATE OF WASHINGTON)
COUNTY OF Whatcom) ss.
On this day personally appeared before me
DANIEL STROBERGER

to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged that HE signed the same as HIS free and voluntary act and deed, for the uses and purposes therein mentioned.
Given under my hand and official seal on this 10 day of January, 1995.
 Bellevue 12-1-95
Notary Public in and for the State of Washington, residing at _____ Commission Expires.



REQUEST FOR FULL RECONVEYANCE
DO NOT RECORD. TO BE USED ONLY WHEN NOTE HAS BEEN PAID.
TO: TRUSTEE.
The undersigned is the legal owner and holder of the note and all other indebtedness secured by the within DEED OF TRUST. Said Note, together with all other indebtedness secured by the within DEED OF TRUST, has been fully paid and satisfied; and you are hereby requested and directed, on payment to you upon any sums owing to you under the terms of said DEED OF TRUST, to cancel said note above mentioned, and all other evidences of indebtedness secured by said DEED OF TRUST, and to reconvey, without warranty, to the parties designated by the terms of said DEED OF TRUST, all the estate now held by you thereunder.

Dated 9501120098 BR1436783377

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EXHIBIT "A"

PARCEL A:

A portion of Block 221, and that portion of vacated Highland Avenue lying Easterly of Block 221, PLAT OF FIDALGO CITY, according to the plat thereof recorded in Volume 2 of Plats, page 113, records of Skagit County, Washington, described as follows:

Beginning at the Northeast corner of Block 221 of said plat of Fidalgo City;
thence South $1^{\circ}04'$ East along the East line of said Block 221 a distance of 152.97 feet to the true point of beginning;
thence South $26^{\circ}25'$ East a distance of 78.66 feet to the East line of vacated Highland Avenue (being the West line of vacated Doris Street in the plat of Salmon Beach Tracts according to the plat thereof recorded in Volume 5 of Plats, page 55, records of Skagit County, Washington);
thence South $0^{\circ}49'$ West along the East line of vacated Highland Street a distance of 82.03 feet;
thence North $17^{\circ}20'28''$ West a distance of 154.38 feet;
thence North $67^{\circ}15'00''$ East a distance of 13.22 feet of the true point of beginning.

PARCEL B:

That portion of vacated Highland Avenue, in the plat of CITY OF FIDALGO SKAGIT COUNTY & TERRITORY OF WASHINGTON, according to the plat thereof recorded in Volume 2 of Plats, page 113, records of Skagit County, Washington, described as follows:

Beginning at a point on the East line of Block 221 of said plat of Fidalgo City, said point South $1^{\circ}04'$ East a distance of 152.97 feet from the Northeast corner of said Block 221;
thence North $49^{\circ}43'$ East a distance of 47.77 feet to a point on the Westerly line of Doris Street as shown on the plat of Rensink-Whipple Salmon Beach Tracts, according to the plat thereof recorded in Volume 5 of Plats, Page 55, records of Skagit County, Washington;
thence South $0^{\circ}49'$ West along the West line of said Doris Street a distance 101.35 feet;
thence North $26^{\circ}25'$ West a distance of 78.66 feet to the point of beginning.

PARCEL C:

All that portion of vacated Doris Street as shown on the plat of RENSINK-WHIPPLE SALMON BEACH TRACTS, according to the plat thereof recorded in Volume 5 of Plats, page 55, records of Skagit County, Washington, and as vacated November 20, 1961, under Skagit County Commissioners Resolution No. 3118.

continued

SECOND COMMITMENT

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EXHIBIT "A"
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PARCEL D:

An easement for the purpose of ingress and egress over a certain roadway within the following described tract:

Beginning at the Northwest corner of Tract A of RENSINK-WHIPPLE SALMON BEACH TRACTS, according to the plat thereof recorded in Volume 5 of Plats, page 55, records of Skagit County, Washington; thence West across vacated Doris Street, vacated Highland Street and Block 221 all in the plat of Fidalgo City, to the West line of said Block 221; thence South a distance of 16 feet; thence East across said Block 221, vacated Highland Street and vacated Doris Street to the West line of said Tract A; thence North 16 feet to the point of beginning,

EXCEPT that portion thereof lying with the boundaries of Parcel C described above;

ALSO EXCEPT that portion thereof lying West of the West line of Doris Street, as shown on said plat of Rensink-Whipple Salmon Beach Tracts.

PARCEL E:

Tract A, RENSINK-WHIPPLE SALMON BEACH TRACTS, according to the plat thereof recorded in Volume 5 of Plats, page 55, records of Skagit County, Washington;

TOGETHER WITH tidelands of the second class situate in front of, adjacent to and abutting upon said premises.

PARCEL F:

A non-exclusive easement right over, across and upon the following described property;

That portion of Block 221, and vacated alley and Highland Avenue, plat of CITY OF FIDALGO SKAGIT COUNTY & TERRITORY OF WASHINGTON, according to the plat thereof recorded in Volume 2 of Plats, page 113, records of Skagit County, Washington, described as follows:

Beginning at the Northwest corner of said Block 221; thence South along the West line of said Block 221, a distance of 195.19 feet to the true point of beginning for this description; thence East 70.00 feet; thence North 80°55' East 91.14 feet; thence North 68°19' East 75.35 feet to the east line of said Block 221; thence North 48°39' East 47.77 feet to the West line of Doris Street as shown on plat of Rensink-Whipple Salmon Beach Tracts, according to the plat thereof, recorded in Volume 5 of Plats, page 55, records of Skagit County, Washington;

continued

SECOND COMMITMENT

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EXHIBIT "A", Parcel F, continued
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thence North 1°53' East along the West line of Doris Street extended
(plat course is North 0°49' East) a distance of 27.47 feet;
thence South 48°39' West 63.16 feet;
thence South 68°19' West 69.63 feet;
thence South 80°55' West 87.344 feet;
thence West 68.411 feet to the West line of Block 221;
thence South 20.00 feet to the true point of beginning;
being a strip of land 20 feet in width.

PARCEL G:

That portion of Block 221 and of the vacated alley in said Block 221
and of vacated Front Street lying South of said Block 221 and of
vacated Highland Street lying East of said Block 221 in CITY OF
FIDALGO SKAGIT COUNTY & TERRITORY OF WASHINGTON, according to the
plat thereof recorded in Volume 2 Plats, page 113, records of
Skagit County, Washington, described as follows:

Beginning at a point on the West line of said Block 221, a distance
of 144.81 feet North of the Southwest corner thereof;
thence East 70.0 feet;
thence North 80°55' East 45.57 feet to the center line of the vacated
alley in said Block 221 and the true point of beginning of this
description;
thence North 80°55' East 45.57 feet;
thence North 68°19' East 62.13 feet, more or less, to the Westerly
line of that certain tract conveyed to L. Allen Perkins and
Norma Perkins, husband and wife, by deed dated June 27, 1966 and
recorded under Auditor's File No. 684709, records of Skagit County,
Washington;
thence South 16°16'28" East along the Westerly line of said Perkins
tract to the meander line or the line of extreme high tide (whichever
is furthest out);
thence Westerly along said meander line or line extreme high tide to
a point that bears South 9°05' East from the true point of beginning;
thence North 9°05' West to the true point of beginning;

5. The land referred to in this Commitment is described as follows:

Lot 20, Block 324, MAP OF THE FIRST ADDITION TO THE TOWN OF NEW WHATCOM,
WHATCOM COUNTY, WASHINGTON, according to the plat thereof recorded in
Volume 2 of Plats, page 36, records of Whatcom County, Washington;

EXCEPT that portion conveyed for railroad right of way by Auditor's
File No. 56291, records of Whatcom County, Washington;

Situated in Whatcom County, Washington.

SECOND COMMITMENT

BK 1406 PG 0080

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