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Kathy Hill, Skagit County Auditor
6/9/2000 Page 1 of 11 11:39:13AM

AFTER RECORDING RETURN TO:

BANK OF AMERICA, N.A.
NW CLSC REAL ESTATE
P.O. BOX 3545
SEATTLE, WA 98124-3545
Attention: Cheri Hochstrasser

WASHINGTON STATE COUNTY AUDITOR'S/RECORDER'S INFORMATION
(RCW 65.04):

FIRST AMERICAN TITLE CO.

INSTRUMENT TITLES:

62137

1. DEED OF TRUST
2. ASSIGNMENT OF RENTS
3. SECURITY AGREEMENT
4. FIXTURE FILING [IN ACCORDANCE WITH RCW 62A.9-402(6)]

GRANTOR(S):

1. SAM CONTORAVDIS
2. OURANIA CONTORAVDIS

GRANTEE: BANK OF AMERICA, N.A.

LEGAL DESCRIPTION:

ABBREVIATED: LOT 1 AND PTN. LOT 2, BLOCK 6, "CALHOUN'S ADDITION TO LACONNER"

FOR THE FULL LEGAL DESCRIPTION SEE EXHIBIT "A" TO THIS DOCUMENT

ASSESSOR'S PROPERTY TAX PARCEL ACCOUNT NUMBER(S):

4124-006-001-0009 R74130

REFERENCE NUMBER OF RELATED DOCUMENTS:

N/A

Loan No. 606276

DEED OF TRUST WITH ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING

THIS DEED OF TRUST is granted as of **May 22, 2000** by **SAM CONTORAVDIS AND OURANIA CONTORAVDIS**, husband and wife ("**Grantor**") whose address is **4380 Harborview Drive, Blaine, WA 98230**, to Rainier Credit Company, a Washington corporation ("**Trustee**"), whose address is 800 Fifth Avenue, 19th Floor, Seattle, WA 98104 in trust for **BANK OF AMERICA, N.A. ("Bank")** whose address is 800 Fifth Avenue, Floor 13, Seattle, WA 98104, Attention: Commercial Loan Servicing, and is made with reference to the Borrowing Agreement of even date herewith between **CONTOS RESTAURANT, INC., a Washington corporation ("Borrower")** whose address is **201 Morris Street, La Conner, WA 98257**, and Bank, (the "**Agreement**"). Grantor agrees as follows:

1. **CONVEYANCE.** Grantor hereby irrevocably grants, bargains, sells and conveys to Trustee, in trust, with power of sale, all of Grantor's right, title and interest in the real property legally described in **Exhibit A** attached ("**Property**"), whether now owned or later acquired by Grantor, together with all buildings, structures, improvements, equipment, fixtures and articles of property, now or later attached to, or used or adapted for use in the ownership, operation or maintenance of, the Property; all tenements, hereditaments and appurtenances, now or later in any way appertaining to the Property; and all leasehold interests, rents, payments, issues and profits derived from or in any way connected with the Property. The Property is not used principally for agricultural or farming purposes. This Deed of Trust also constitutes a security agreement under the Uniform Commercial Code granting to Bank a security interest in the property, both tangible and intangible, described in this paragraph, or in any UCC Financing Statement filed in connection with the Agreement or this Deed of Trust, to the extent such property shall be deemed to be personal property or fixtures. Such UCC Financing Statement is incorporated herein by this reference as though fully set forth. Grantor represents and warrants to Bank that **THE REAL PROPERTY CONVEYED BY THIS DEED OF TRUST IS NOT USED PRINCIPALLY FOR AGRICULTURAL PURPOSES.**

2. **ASSIGNMENT OF RENTS.**

(a) Assignment. Grantor further assigns to Bank all of Grantor's interest in all existing and future leases, licenses and other agreements for the use or occupancy of the Property ("**Contracts**"), including the immediate and continuing right to collect, in either Grantor's or Bank's name, all rents, receipts, income, accounts and other payments due or to become due under the Contracts ("**Payments**"). As long as there is no default under the Agreement or this Deed of Trust, Grantor is granted a license to collect the Payments, but such license shall not constitute Bank's consent to Grantor's use of the Payments in any bankruptcy proceeding.

(b) Disclaimer. Nothing contained in this Deed of Trust shall be construed as obligating Bank or any receiver to take any action to enforce any provision of the Contracts, expend any money, incur any expense or perform any obligation under the Contracts. Bank's duties are expressly limited to giving of proper credit for all Payments received by it.

3. **SECURED OBLIGATIONS.**

(a) This Deed of Trust secures performance of (i) each agreement of Grantor contained in this Deed of Trust, (ii) each agreement of Borrower contained in the Agreement (but does not secure the independent Hazardous Substances and Building Law Compliance indemnities in the Agreement), (iii) payment of the sum of **\$131,750.91** with interest thereon according to the terms of the Agreement, (iv) payment and performance obligations of Grantor (or of the obligor under the Agreement, if different from Grantor) under any one or more interest rate swap transactions, forward rate transactions, interest rate cap, floor, or collar transactions, swaptions, bond and bond price swaps, options or forwards, treasury locks, any similar transaction, any option to enter into any of the foregoing and any combination of the foregoing, with Bank, whether now existing or hereafter entered into including, without limitation, any master agreement relating to or governing any or all of the foregoing and any related schedules or confirmations, and in which this Deed of Trust is expressly referenced as a credit support document (each, a "**Swap Contract**") and (v) all other existing and future obligations of Grantor and/or Borrower to Bank if the existing or future obligation is made or consented to in writing by Grantor and by its terms states that it is secured by this Deed of Trust (collectively the "**Secured Obligations**"), including all renewals, modifications and extensions thereof and substitutions for any of the Secured Obligations it being the express intent of Grantor and Bank that this Deed of Trust and the estate held by Trustee hereunder shall continue in effect notwithstanding that from time-to-time no Secured Obligations of Grantor and/or Borrower to Bank may exist, and



shall survive as security for all new or additional Secured Obligations of Grantor and/or Borrower to Bank from time-to-time arising. Nothing contained in this Deed of Trust shall be construed as obligating Bank to make any future advance to Grantor and/or Borrower... THE AGREEMENT MAY CONTAIN PROVISIONS ALLOWING FOR CHANGES IN THE INTEREST RATE, PAYMENT TERMS OR BALANCE DUE TO BE INDEXED, ADJUSTED, RENEWED OR RENEGOTIATED.

(b) Grantor hereby (i) waives presentment, demand, protest and notice of acceptance, demand, protest and nonpayment; (ii) waives any and all lack of diligence or delays in collection or enforcement, the right to plead laches and any and all statutes of limitation as a defense to any demand, or any other indulgence or forbearance whatsoever with respect to the Secured Obligations; (iii) waives notice of acceptance hereof by Bank or Trustee under this Deed of Trust; (iv) waives notice of any and all advances made under the Agreement or any other agreement secured by this Deed of Trust; (v) agrees that Bank may make renewals and extensions of the time for payment of the Secured Obligations, may modify the Secured Obligations, may add or release any property directly or indirectly securing the Secured Obligations, and may otherwise deal with the Borrower or any guarantor or hypothecator or collateral as it may elect, without affecting the rights of Bank hereunder, and hereby waives notice thereof; and (vi) in any action or proceeding to recover any sum secured by this Deed of Trust, waives any defense or right that resort must first be had to other security or to any other person.

(c) Grantor's liability for payment and performance of the indebtedness and obligations of Borrower to Bank is not limited to the property encumbered by this Deed of Trust if Grantor has agreed to be liable for such indebtedness and obligations under a guaranty or other agreement with Bank.

4. **AFFIRMATIVE COVENANTS.** Grantor shall, unless waived in writing by Bank:

(a) Maintenance of Property and Title. Maintain and preserve the Property in good condition and repair; and not commit or permit any waste thereof; complete any improvement which may be constructed on the Property; restore any improvement which may be damaged or destroyed; and maintain the Property free and clear of all liens and encumbrances other than the encumbrance of this Deed of Trust and any lien for taxes or assessments not delinquent. Failure to maintain and preserve the Property in good condition and repair shall constitute "waste" by the Grantor as that term is used in R.C.W. 61.24.100.

(b) Compliance with Laws. Comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the Property;

(c) Real Estate Interests. Perform all obligations to be performed by Grantor under the Contracts;

(d) Payment of Debts and Taxes. Pay promptly all obligations secured by the Property; all taxes, assessments and governmental liens or charges levied against the Property; and all claims for labor, materials, supplies or otherwise which, if unpaid, might become a lien or charge upon the Property. If required by Bank and at the time of making each payment to Bank under the Agreement, Grantor shall deposit into a non-interest-bearing reserve account with Bank, hereby pledged to Bank as security for the Secured Obligations, a sum estimated by Bank sufficient to pay when due taxes and assessments on the Property and premiums on required insurance;

(e) Insurance.

(i) Casualty. Insure continuously with premiums prepaid, with



financially sound and reputable insurers acceptable to Bank, all improvements on the Property against all risks, casualties and losses through standard fire and extended coverage insurance or otherwise, including, without limitation, insurance against fire, theft, casualty, vandalism, loss of rents and business interruption and any other risk Bank may reasonably request. The insurance policies shall be in an aggregate amount of not less than the full replacement cost of all improvements on the Property, including the cost of demolition and removal of debris, and shall name Bank as loss payee under a lender loss payable endorsement in form satisfactory to Bank. All deductibles shall be in amounts acceptable to Bank. The amounts collected under the insurance policies may be applied to the Secured Obligations in any manner as Bank determines, and such application shall not cause discontinuance of any proceeding to foreclose upon this Deed of Trust. In the event of foreclosure, all of Grantor's rights in the insurance policies shall pass to purchaser at the foreclosure sale;

(ii) Flood. Obtain flood insurance if the Property is located in a designated flood hazard area (as determined by Bank, with such determination to be made at Grantor's expense) and where federally subsidized flood insurance is available.

(iii) Liability. Maintain comprehensive general public liability insurance insuring against liability from risks associated with the use, ownership and operation of the property.

(iv) Title. Provide to Bank a 1992 A.L.T.A. form of lender's extended coverage title insurance for the full amount of Bank's commitment under the Agreement insuring the first lien priority of this Deed of Trust. Such policy shall be issued by a title company acceptable to Bank. The policy shall contain such endorsements as Bank may reasonably request.

(f) Hazardous Waste. Notify Bank within 24 hours of any release of a reportable quantity of any Hazardous Substance, or of the receipt by Grantor of any notice, order or communication from any governmental authority which relates to the existence or potential for environmental pollution of any kind existing on the Property, or results from the use of the Property or any surrounding property. Grantor shall indemnify, defend and hold Bank and its successors and assigns harmless from and against any and all claims, demands, penalties, fees, liens, damages, losses, expenses, and liabilities arising out of or in any way connected with any alleged or actual past or future presence on or under the Property of any Hazardous Substance from any cause whatsoever; it being intended that Grantor shall be strictly and absolutely liable to Bank without regard to any fault by Grantor; provided that this indemnification shall not apply to any Hazardous Substances which originated on or under the Property after the date Bank or any third party acquires fee title to the Property by foreclosure or deed in lieu of foreclosure. "**Hazardous Substances**" shall mean any substance or material which may be hazardous to the health or safety of any person; including without limitation any substance or material which is now or hereafter becomes regulated under any federal, state, or local statute, ordinance, rule, regulation or other law relating to environmental protection, contamination or cleanup; and

(g) Site Visits, Observation and Testing. Permit Bank and its agents and representatives, at any reasonable time, to enter and visit the Property for the purpose of performing appraisals and/or inspecting the Property, taking and removing soil, groundwater and other samples, and conducting tests on any part of the Property. Grantor agrees that Bank neither has nor undertakes any duty or obligation to examine or inspect the Property, and that any inspection by Bank is solely for the purpose of protecting its security and its rights under this Deed of Trust. If Bank believes it has an obligation to disclose any report or findings made as a result of its inspection of the Property, then Bank may make such disclosure.

(h) Costs and Expenses. Pay, reimburse and indemnify Bank for all of Bank's reasonable costs and expenses incurred in connection with the enforcement of Bank's rights and Grantor's obligations under this Deed of Trust, foreclosing upon this Deed of Trust, defending any action or proceeding purporting to affect the rights or duties of Bank or Trustee under this Deed of Trust, or managing the Property and collecting the Payments, including, without limitation, all reasonable attorneys' fees and value of the services of staff counsel, legal expenses, collection costs, costs of title search, and trustee's and receiver's fees.

5. **NEGATIVE COVENANTS.** Grantor shall not, without Bank's prior written consent:

(a) Payments. Accept or collect Payments more than one month in advance of the due date;

(b) Contracts. Terminate, modify or amend any provision of the Contracts or enter into a Contract with a term, including options or renewal rights, of more than 3 years and/or containing an option to purchase;

(c) Use. Change the present use or intended use of the Property, or scope of the development or improvements of the Property, or permit or consent to any restriction that would prevent or otherwise impair the use or development of the Property, or permit thereon the generation, processing, storage or disposal of any Hazardous Substance; or

Restrictions on Conveyances. Cause, permit or allow the transfer, conveyance or encumbrance of the Property or of any interest in the Property, or the transfer of any interest in the Grantor, whether voluntary, involuntary or by operation of law.

6. **EMINENT DOMAIN.** In the event any portion of the Property is taken through eminent domain, the amount of the award to which Grantor is entitled shall be applied to the Secured Obligations.

7. **PROTECTION OF BANK'S INTEREST.** If Grantor shall fail to pay any amounts which may become a lien on the Property, pursuant to Section 4.(d), or fail to maintain adequate insurance on the Property, as required by Section 4.(e), Bank may at its sole option pay such obligations and/or obtain such insurance.

8. **ADDITIONS TO SECURED OBLIGATIONS.** Any payments required under Sections 4.(d), 4.(e), 4.(f), 4.(g) or 4.(h), but not made when demanded, shall immediately be deemed added to the Secured Obligations, and shall accrue interest at the highest rate of interest accruing from time to time under the Secured Obligations.

9. **RECONVEYANCE.** Trustee shall reconvey such portion of the Property to the person entitled thereto upon written request of Bank, or upon satisfaction of the Secured Obligations and written request for reconveyance made by Bank or any person interested in the Property, accompanied by Trustee's standard reconveyance fee, which fee shall be Grantor's obligation.

10. **SUCCESSOR TRUSTEE.** In the event of death, incapacity, disability, dissolution, resignation or refusal to act by the Trustee, Bank may appoint a successor trustee and, upon the recording of such appointment in the records of the county in which this Deed of Trust is recorded, the successor trustee shall be vested with all powers of the original Trustee.



11. **EVENTS OF DEFAULT.** The occurrence of any of the following events shall, at Bank's option, and at any time without regard to any previous knowledge on Bank's part, constitute a default under the terms of this Deed of Trust, the Agreement, the Secured Obligations, and all related loan documents:

(a) Non-payment of Principal or Interest. Any payment of principal or interest on the Secured Obligations is not made when due; or

(b) Failure to Perform. Any tax, assessment, insurance premium, lien, encumbrance or other charge against the Property is not paid when due; or any other term, covenant or agreement of Grantor contained in this Deed of Trust, the Agreement, or in any other document with Bank, or in which Grantor grants a security interest in the Property, is not promptly performed or satisfied.

12. **REMEDIES UPON DEFAULT.** If any default occurs and is continuing, and subject to any applicable notice and cure period provided for in the Agreement, Bank may, at its option:

(a) Terminate Commitment. Terminate any outstanding and unfulfilled commitment to Grantor;

(b) Accelerate. Declare any or all of the Secured Obligations, together with all accrued interest, to be immediately due and payable without presentment, demand, protest or notice of any kind, all of which are expressly waived by Grantor;

(c) Payments. Pay such sums as may be necessary to obtain a current appraisal, to inspect and test the Property, and to pay any tax, assessment, insurance premium, lien, encumbrance or other charge against the Property, all without prejudice to Bank's right to accelerate the Secured Obligations and foreclose upon this Deed of Trust. Grantor shall reimburse Bank upon demand, for all such amounts paid by Bank, with interest thereon from the date of such payment at the highest rate that is, from time to time, applicable on any of the Secured Obligations. All unreimbursed amounts shall be added to and become a part of the Secured Obligations;

(d) Collection of Payments. Terminate the license granted to Grantor to collect the Payments; take possession of, manage and operate the Property under the terms of the Contracts; and demand and collect all Payments, including endorsing in the name of Grantor any check, draft or other instrument given as payment, either by itself or through an agent or judicially-appointed receiver. The Payments shall be applied first to payment of the costs of managing the Property and collecting the Payments, and then to the Secured Obligations;

(e) Trustee's Sale. Direct the Trustee, upon written request, to sell the Property and apply the sale proceeds in accordance with Washington's Deed of Trust Act (RCW §61.24.010, *et seq.*). Any person, except Trustee, may bid at the Trustee's sale; and

(f) Other Remedies. Pursue all other available legal and equitable remedies, including, without limitation, foreclosing upon this Deed of Trust as a mortgage.

Grantor expressly waives any defense or right, in any action or proceeding in connection with the Secured Obligations, that Bank must first resort to any other security or person.

13. **FIXTURE FILING.** This Deed of Trust also constitutes a fixture filing financing statement pursuant to the Uniform Commercial Code of the State of Washington and RCW 62A.9-402(6). The Grantor is the Debtor, the Bank is the Secured Party, and their respective addresses for the purpose of this fixture filing and the giving of any notice under or in connection with this Deed of Trust is as first stated above. The mailing address


of the Bank is as shown at the top of this Deed of Trust. This fixture financing statement covers items of property which are or are to become fixtures with respect to the real property described in Exhibit A hereto.

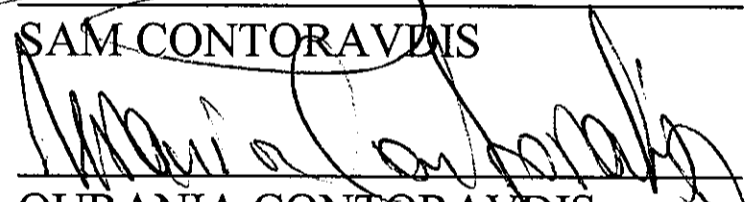
14. **WAIVER.** No waiver by Bank of any deviation by Grantor from full performance of this Deed of Trust or the Secured Obligations, as the case may be, shall constitute a waiver of Bank's right to require prompt payment or to assert any other right or remedy provided for in this Deed of Trust or the Secured Obligations on the basis of the same or similar failure to perform.

15. **SUCCESSORS/APPLICABLE LAW.** This Deed of Trust shall be binding upon the Grantor and the Grantor's successors and assigns. If there is more than one Grantor, then the obligations of each Grantor shall be joint and several. The enforcement of this Deed of Trust and Bank's rights hereunder shall be governed by and construed in accordance with the laws of the State of Washington.

16. **HYPOTHECATION DEED OF TRUST - AGREEMENT OF BORROWER.** Borrower (defined above), and each of them if more than one, by its execution of this Deed of Trust, agrees that it shall be subject to, bound by, and personally obligated to pay, observe and perform, jointly and severally with Grantor, each and every of the terms, covenants, and conditions of this Deed of Trust as if Borrower had executed this Deed of Trust as Grantor; provided that any limitation of liability on the part of or applicable to Grantor shall not be applicable to or for the benefit of Borrower, it being understood that Borrower's obligations to Bank under this Deed of Trust or the Loan Documents or otherwise are without limit to liability except as may be expressly and specifically set forth in a separate written agreement signed by Bank.

GRANTOR:

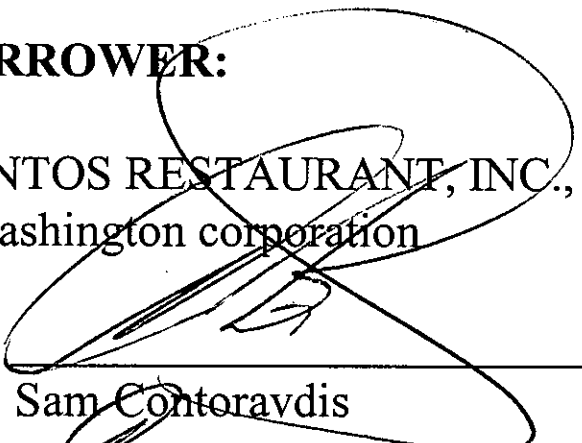


SAM CONTORAVDIS


OURANIA CONTORAVDIS

BORROWER:

CONTOS RESTAURANT, INC.,
a Washington corporation

By: 

Sam Contoravdis
Its: _____

STATE OF WASHINGTON)
)§
COUNTY OF Whatcom)

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

Dated: 6-1-2000



Katrina M. Wilson
(Print Notary Name) KATRINA M. WILSON
Notary Public in and for the State of Washington
residing at Bellingham
My appointment expires 3/18/2004

STATE OF WASHINGTON)
)§
COUNTY OF Whatcom)

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

Dated: 6-1-2000



Katrina M. Wilson
(Print Notary Name) KATRINA M. WILSON
Notary Public in and for the State of Washington
residing at Bellingham
My appointment expires 3/18/2004



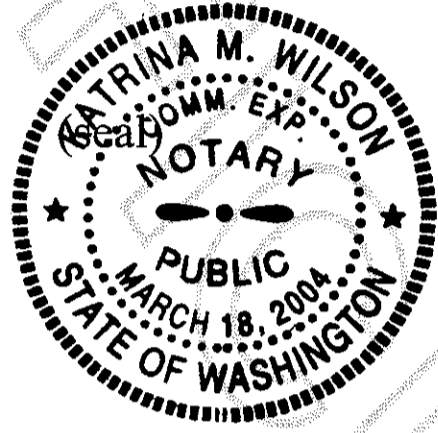
STATE OF WASHINGTON)
)§
COUNTY OF Whatcom)

I certify that I know or have satisfactory evidence that Sam Contoravdis is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledge it as the president of CONTOS RESTAURANT, INC., a Washington corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 6/1/2000

Katrina M. Wilson

(Print Notary Name) KATRINA M. WILSON
Notary Public in and for the State of Washington
residing at Prum
My appointment expires 3/18/2004



REQUEST FOR FULL RECONVEYANCE

To be used only when all obligations have been paid under the Borrowing Agreement and this Deed of Trust

TO TRUSTEE:

The undersigned is the legal owner and holder of the Borrowing Agreement and the obligations secured by this Deed of Trust. All obligations under the Borrowing Agreement and this Deed of Trust have been paid or otherwise satisfied and you are hereby requested and directed to reconvey, without warranty, to the person or persons entitled thereto, all of the estate now held by you hereunder.

Dated _____, _____

Mail reconveyance to: _____



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Kathy Hill, Skagit County Auditor
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EXHIBIT A

EXHIBIT ATTACHED TO AND FORMING A PART OF THAT DEED OF TRUST DATED MAY 22, 2000 GIVEN BY SAM CONTORAVDIS AND OURANIA CONTORAVDIS HUSBAND AND WIFE, AS GRANTOR.

LEGAL DESCRIPTION:

LOT 1 AND THE SOUTH 25 FEET OF LOT 2, BLOCK 6, "CALHOUN ADDITION TO THE TOWN OF LACONNER", AS PER PLAT RECORDED IN VOLUME 1 OF PLATS, PAGE 14, RECORDS OF SKAGIT COUNTY, WASHINGTON.



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**Kathy Hill, Skagit County Auditor
6/9/2000 Page 11 of 11 11:39:13AM**