

Return Address
Jeffrey H. Capeloto
ANDERSON HUNTER LAW FIRM
2707 COLBY AVENUE, SUITE 1001
P. O. BOX 5397
EVERETT, WA 98206-5397



200111190067

Skagit County Auditor

11/19/2001 Page 1 of 14 11:16:02AM

Document Title(s) (or transactions contained therein):
DEED OF TRUST AND ASSIGNMENT OF RENTS AND SECURITY AGREEMENT

Grantor(s) (Last name first, then first name and initials)
DUSAN MRAK

Additional names on page _____ of document.

Grantee(s) (Last name first, then first name and initials)
DAVID CHRISTIANSON

Additional names on page _____ of document.

Legal description (abbreviated: i.e. lot, block, plat or section, township, range, county)
PTN OF GVMT LOT 5, SEC 12 T 34 N, R 1 E, WM
SKAGIT COUNTY, WASHINGTON

Additional legal is on Exhibit A.

Reference Number(s) of Documents assigned or released:
*

Additional numbers on page _____ of document.

Assessor's Property Tax Parcel/Account Number
340112-0-041-0006 P19271

Property Tax Parcel ID is not yet assigned

Additional parcel numbers on page _____ of document

The Auditor/Recorder will rely on the information provided on the form. The staff will not read the document to verify the accuracy or completeness of the indexing information provided herein.

When recorded return to:

Anderson Hunter Law Firm, P.S. (JHC)
P.O. Box 5397
Everett, WA 98206

**DEED OF TRUST
and
ASSIGNMENT OF RENTS AND SECURITY AGREEMENT**

THIS DEED OF TRUST made this 6th day of ^{November}~~October~~, 2001, between the following:

GRANTOR: DUSAN MRAK, a single man

whose address is: PO Box 606
Anacortes, WA 98221

TRUSTEE: LAND TITLE COMPANY OF SKAGIT COUNTY

whose address is: 111 E. George Hopper Road
Burlington, WA 98233-3127

BENEFICIARY: DAVID CHRISTIANSON

whose address is: 18754 Pederson Lane
Mount Vernon, WA 98273

GRANTOR hereby bargains, sells and conveys to Trustee, in trust, with power of sale, that certain real property, (the "Realty") situated in Skagit County, State of Washington, more fully described in the Property Schedule marked "Exhibit A," attached hereto and by this reference incorporated herein, together with all rights, interest and estate described herein below, and all right, title and estate hereafter acquired by Grantor in or to the Realty or any party thereof, to secure performances of all covenants and agreements of this instrument (this "Deed of Trust"), and to secure payment of the sum of Two Million Dollars (\$2,000,000) (includes all debt owing by

DEED OF TRUST/ASSIGNMENT OF RENTS & 1
SECURITY AGREEMENT

JHC\10544\1328758.v01 (71_6011.DOC) - R-015



200111190067
, Skagit County Auditor

11/19/2001 Page 2 of 14 11:16:02AM

Grantor to Beneficiary), pursuant to the terms of the Debt Restructuring Agreement made by the parties dated September 21, 2001 (the "Agreement") and to secure performance of all other obligations of Grantor in the Agreement, including the four (4) loan obligations described in the Agreement, and to secure payment of any other sums which are or which may become owing by virtue of the provisions of the Agreement or this Deed of Trust. The Agreement and this Deed of Trust are referred to herein as the "Loan Documents," and the sums secured or to be secured hereby being referred to herein as the "Indebtedness". Grantor further warrants, covenants and agrees as follows:

1. **Definitions.** Attached hereto and incorporated herein by this reference is an Appendix of Definitions which sets forth the meanings of words and phrases which appear in initial capitals herein, or identifies the sections herein where such words and phrases are defined.

2. **Not Agricultural.** The Realty is not used principally for agricultural or farming purposes.

3. **Estates and Interests.** The following described estate, property and rights of Grantor are also included as security for payment of the Indebtedness and the performance of the covenants and agreements herein: (a) all tenements, hereditaments, appurtenances, and privileges belonging or appertaining to the Realty, including without limitation land and rights to land lying in adjoining streets and remainders; and (b) all structures, improvements, and fixtures now or hereafter situated in or upon or attached to the Realty, including without limitation all heating, cooling and air conditioning equipment, generating equipment, plumbing and plumbing fixtures and equipment, cooking and refrigerating fixtures and equipment, hot water heaters, automatic dishwasher, trash compactor, carpeting, drapes, blinds, screens, awnings and other furnishings and equipment. Each and all of the foregoing shall be deemed part of the Realty.

4. **Assignment of Rents.** As part of the consideration for the Indebtedness, Grantor hereby absolutely, irrevocably, and unconditionally assigns and transfers to Beneficiary all the rents and revenues of the Realty, including those now due, past due or to become due by virtue of any lease or other agreement for the occupancy or use of all or any part of the Realty, regardless of to whom the rents and revenues of the Realty are payable. Grantor hereby authorizes Beneficiary or Beneficiary's agents to collect the aforesaid rents and revenues and hereby directs each tenant of the Property to pay such rents to Beneficiary or Beneficiary's agents. It is intended by Grantor and Beneficiary that this assignment of rents constitutes an absolute assignment and not an assignment for additional security only. Upon delivery of written notice by Beneficiary to Grantor and without the necessity of Beneficiary entering upon and taking and maintaining full control of the Realty in person, by agent or by a court appointed receiver, Beneficiary shall immediately be entitled to possession of all rent and revenues of the Realty as specified in this paragraph 4 as the same become due and payable, including but not limited to rents then due and unpaid, and all such rents shall immediately upon delivery of such notice be held by Grantor as trustee for the benefit of Beneficiary only (subject to rights, if any, of other obligees under Permitted Exceptions). Grantor agrees that commencing upon delivery of such written notice of Grantor's breach by Beneficiary to Grantor, each tenant of the Property shall make such rents payable to and pay such rents to



Beneficiary or Beneficiary's agents on Beneficiary's written demand to each tenant therefor, delivered to each tenant personally, by mail or by delivering such demand to each rental unit, without any liability on the part of said tenant to inquire further as to the existence of a default by Grantor.

Grantor hereby covenants that Grantor has not executed any prior assignment of said rents, that Grantor has not performed and will not perform any acts or has not executed and will not execute any instrument which would prevent Beneficiary from exercising its rights under this paragraph 4, and that at the time of execution of this Deed of Trust there has been no anticipation or prepayment of any of the rents of the Realty for more than two months prior to the due dates of such rents. Grantor covenants that Grantor will not hereafter collect or accept payment of any rent of the Realty more than two months prior to the due dates of such rents. Grantor further covenants that Grantor will execute and deliver to Beneficiary such further assignments of rents and revenues of the Realty as Beneficiary may from time to time request.

Upon Grantor's breach of any covenant or agreement of Grantor in this Deed of Trust, Beneficiary may in person, by agent or by a court appointed receiver, regardless of the adequacy of Beneficiary's security, enter upon and take and maintain full control of the Realty in order to perform all acts necessary and appropriate for the operation and maintenance thereof including, but not limited to, the execution, cancellation or modification of leases, the collection of all rents and revenues of the Realty, the making of repairs to the Realty and the execution or termination of contracts providing for the management or maintenance of the Realty, all on such terms as are deemed best to protect the security of this Deed of Trust. In the event Beneficiary elects to seek the appointment of a receiver for the Property upon Grantor's breach of any covenant or agreement of Grantor in this Deed of Trust, Grantor hereby expressly consents to the appointment of such receiver. Beneficiary or the receiver shall be entitled to receive a reasonable fee for so managing the Realty.

All rents and revenues collected by Beneficiary shall be applied first to the costs, if any, of taking control of and managing the Realty, and collecting the rents, including, but not limited to, attorney's fees, receiver's fees, premiums on receiver's bonds, costs of repairs to the Realty, premiums on insurance policies, taxes, assessments and other charges on the Realty, and the costs of discharging any obligation or liability of Grantor as lessor or landlord of the Realty and then to the sums secured by this Deed of Trust. Beneficiary or the receiver shall have access to the books and records used in the operation and maintenance of the Realty and shall be liable to account only for those rents actually received. Beneficiary shall not be liable to Grantor, anyone claiming under or through Grantor or anyone having an interest in the Realty by reason of anything done or left undone by Beneficiary under this paragraph 4.

If the rents of the Realty are not sufficient to meet the costs, if any, of taking control of and managing the Realty and collecting the rents, any funds expended by Beneficiary for such purposes shall become Indebtedness of Grantor to Beneficiary secured by this Deed of Trust. Unless Beneficiary and Grantor agree in writing to other terms of payment, such amounts shall be payable upon notice from Beneficiary to Grantor requesting payment thereof and shall bear interest from the



date of disbursement at the rate stated in the Loan Documents unless payment of interest at such rate would be contrary to applicable law, in which event such amounts shall bear interest at the highest rate which may be collected from Grantor under applicable law.

Any entering upon and taking and maintaining of control of the Realty by Beneficiary or the receiver and any application of rents as provided herein shall not cure or waive any default hereunder or invalidate any other right or remedy of Beneficiary under applicable law or provided herein. This assignment of rents of the Property shall terminate at such time as this Deed of Trust ceases to secure Indebtedness held by Beneficiary.

5. Grant of Security Interest. As additional security for payment of the Indebtedness and performance of the covenants and agreements herein, Grantor hereby grants to Beneficiary a security interest in all fixtures and in all personal property of Grantor now or hereafter situated in or upon the Realty, and in all present and future contracts and policies of insurance which insure the Realty or any structures or improvements or any fixtures or any such personal property against casualties and theft, and in all monies and proceeds and rights thereto which may be or become payable by virtue of any such insurance contracts or policies, and in all compensation, proceeds or awards for the taking of title in or possession or use of the Realty or any such structures, improvements, fixtures or personal property or any part thereof. With respect to such security interest or interests, Beneficiary shall have all rights and remedies provided for in this instrument and provided for by law, including, but not limited to, those provided in the Uniform Commercial Code, RCW Chapter 62A. If Beneficiary shall so require, Grantor in the event of default will make such collateral available to Beneficiary at a place designated by Beneficiary which is reasonably convenient to both Parties. Grantor shall execute such instruments and documents as Beneficiary from time to time may require to further evidence or perfect any rights and security interests.

6. Warranty of Title. Grantor has and at all times shall have good and marketable title to the Realty in fee simple, and owns all of the fixtures and personal property which are the subject hereof free from liens and encumbrances other than installments of property taxes which are not in arrears and Permitted Exceptions.

7. Pay Indebtedness; Comply With Loan Documents, Etc. Grantor shall pay the Indebtedness and all portions of the Indebtedness and installments thereof when due, and shall comply with and perform all conditions, covenants, agreements and provisions contained herein and in any of the Loan Documents. Grantor shall pay all taxes and assessments which are and which may become payable before the same become delinquent, and shall comply with all obligations under or arising from Permitted Exceptions.

8. Reserves. If Beneficiary so requires, upon the conditions set forth below in this Section, Grantor at the time of making installment payments upon the Indebtedness shall deposit with Beneficiary such sum as Beneficiary may reasonably estimate to be necessary to pay taxes and assessments and premiums for insurance required by this instrument. All such sums may be held by Beneficiary and applied in such order as Beneficiary may elect to payment upon taxes, assessments, and insurance premiums or upon delinquent portions of the Indebtedness. Such sums



shall constitute additional collateral security for Grantor's obligations secured by this instrument and Beneficiary shall have no obligations with respect to such sums other than to account for the same, without interest, to Grantor. Upon any assignment by Beneficiary of this Deed of Trust and security agreement, Beneficiary may turn over such sums to the assignee and thereafter all of Beneficiary's responsibilities with respect thereto shall terminate. Upon any transfer of the Realty, such sums as Beneficiary then holds shall be deemed to be automatically transferred to the grantee of the Realty.

9. **Late Charge.** Not applicable.

10. **Repair and Maintenance.** Grantor shall maintain all improvements and structures on the Realty and all fixtures and personal property which are the subject hereof in good and tenantable condition and in good repair at all times, and shall not commit or suffer any waste with respect thereto. Grantor shall comply with all laws, regulations, rules and ordinances affecting such property or the use thereof and shall pay all fees and charges with respect thereto and all fees and charges for utilities or other services to such properties. In the event of any damage to or destruction of improvements, structures, fixtures or personal property, Grantor at its expense shall restore or replace the same within thirty (30) days of such damage or destruction or, if it is physically impossible to restore or replace the same within such thirty days, Grantor shall commence such restoration or replacement within thirty (30) days and pursue the same diligently to completion. If there shall be no breach or default with respect to the Loan Documents or any Loan Documents or this instrument, Beneficiary shall permit the proceeds of any casualty insurance which may be payable by reason of such damage or destruction to be disbursed to pay for the cost of such restoration or replacement if such cost can be paid in full from such proceeds, or if Grantor shall make available additional funds in such form and manner as may be satisfactory to Beneficiary so that such cost can be paid in full from such insurance proceeds and additional sums provided by Grantor.

11. **No Alteration.** Grantor shall not alter or demolish or remove from the Realty any structures, improvements or fixtures unless Beneficiary first shall have consented thereto in writing. Grantor shall not remove from the Realty any fixture or personal property which is the subject of this deed of trust and security agreement, without prior written consent from the Beneficiary, unless Grantor shall replace the same immediately with like personal property of at least equal value.

12. **Insurance.** At all times Grantor at its expense shall keep all structures, improvements, fixtures and personal property which are the subject of this instrument insured against loss or damage by reason of such casualties and contingencies and in such amounts as Beneficiary may require from time to time, and shall maintain liability insurance in such amounts and against such risks as Beneficiary may require from time to time. All such insurance shall be in such insurance company or companies as may be satisfactory to Beneficiary. Grantor shall pay all premiums for such insurance and shall furnish Beneficiary (upon request and only after there has been evidence of delinquency by Grantor) with receipts or other evidences of payment before such premiums would become delinquent or before such insurance would lapse by reason of nonpayment of premiums. Such insurance, contracts and policies shall be in such form as



Beneficiary shall approve and shall provide for loss being payable to Beneficiary. Unless otherwise expressly provided in this Deed of Trust, Beneficiary shall be entitled to receive all proceeds of insurance against loss of or damage to property and, at Beneficiary's option, entitled to apply the same to any expenses of Beneficiary with respect thereto and then to the Indebtedness, or to any part thereof in Beneficiary's discretion, whether then due and payable or not. Grantor shall deliver to Beneficiary all such policies or certificates of the insurers evidencing such policies. Such policies shall also provide that they shall not be subject to cancellation or termination until Beneficiary shall first have been given thirty (30) days written notice thereof.

13. **Taxes, Encumbrances, Permitted Encumbrances Etc.** Grantor shall pay before delinquent all taxes, levies, assessments of all kinds, or other charges heretofore or hereafter arising, and installments thereof, which may be or become payable upon or with respect to the Realty, structures, improvements, fixtures or personal property which are the subject hereof before the same become delinquent, and shall pay when due all sums secured by any Permitted Encumbrances and perform and comply with all terms, conditions, provisions and agreements thereof; and Grantor shall furnish Beneficiary upon request with receipts or other written evidence satisfactory to Beneficiary evidencing such payment and performance.

14. **Preserve Leases and Tenancies.** Grantor at its expense shall perform all duties owing and to become owing to tenants and shall comply with all terms, conditions and provisions of any leases for any portion of the Realty.

15. **Inspection of Records and Realty.**

a. **Inspection of Records.** Grantor shall maintain complete and accurate financial records for all financial activity of the Realty. Said records, including all leases, contracts, correspondence and other documents and notices relating to the Realty shall be open to inspection, review and copying by the Beneficiary, or the authorized agent of the Beneficiary, at the offices of the Grantor in Skagit County, Washington, on any business day, upon at least twenty-four (24) hours notice to the Grantor; said notice shall be deemed given upon verbal telephone notice to any of the undersigned Grantors, or their successors or assigns, by facsimile transmittal to any of the undersigned Grantors, or upon notice by mail as set forth below.

b. **Inspection of Realty.** Beneficiary shall be entitled to inspect the Realty upon reasonable notice to Grantor and any existing tenant of any portion of the Realty to be inspected. All leases and lease extensions hereafter executed by Grantor with respect to any portion of the Realty shall provide that Beneficiary, or its successors and assigns in interest, shall have the right to inspect the Realty, upon reasonable notice to the tenant. The parties agree that five (5) business days written notice sent by first class mail, postage prepaid, to Grantor and tenant, at tenant's last known address, or tenant's address at the Realty shall be presumed to be reasonable notice.



16. **Hazardous Substances.**

a. **None Existing.** Grantor is not aware of the existence of any Hazardous Substances in or upon the Realty or of the release or deposit of any such substances in, to or upon the Realty. Grantor has not been advised of and has not been given notice of, and to the best of Grantor's knowledge no predecessor in interest in the Realty has been advised of or given notice of the existence of any Hazardous Substances in or upon the Realty or of the release or deposit of any Hazardous Substances in, to or upon the Realty.

b. **Hazardous Substances — Correction.** If Grantor becomes aware of the existence of any Hazardous Substance in or upon the Realty, or of the release or deposit of any Hazardous Substance in, to or upon the Realty, or of any violation of any law, regulation, rule, order or decision relating to Hazardous Substances with respect to or affecting the Realty, or the use and enjoyment or value thereof or becomes aware of any claim, assertion or notice of any such existence, release or deposit of Hazardous Substances affecting the Realty, Grantor immediately shall give Beneficiary written notice thereof, and Grantor shall do all things necessary to correct any such violation, or to dismiss any such claim or assertion or notice, and to remove such substances from the Realty.

Hazardous Substances shall mean any substance or material defined as hazardous or toxic by any public authority (state, federal or local) whether by law, regulation, rule or judicial or administrative decision.

17. **Condemnation.** If the Realty or any part or appurtenance thereof or any right or interest therein shall be taken by eminent domain or subjected to any taking or condemnation, Beneficiary, at its option, may commence or appear in or prosecute in its own name any action or proceeding with respect thereto and shall be entitled to obtain all compensation, awards or other relief therefor. Such compensation, awards, damages or other relief shall be applied first to payment of Beneficiary's expenses with respect to the foregoing, then to any indebtedness secured hereby, whether then due and payable or not. Grantor hereby irrevocably assigns all such sums to Beneficiary.

18. **Suits, Actions, Etc.** If any action or proceeding shall be commenced which might affect any security interest granted by this instrument or the value of the same or the rights of powers of Beneficiary or Trustee, Beneficiary or Trustee may at its election appear in such action or proceeding and do such things as Beneficiary may elect for the purpose of protecting or preserving its rights and remedies, security interests and the value thereof. Grantor, upon demand, shall reimburse Beneficiary for all costs and expenses which Beneficiary may incur by reason thereof, including without limitation, attorneys' fees and fees for other services or advice, including costs of title searches and reports, and costs, expenses and fees of accountants, engineers, appraisers and other professional assistance or advisers, and all such sums shall be secured hereby. Without limiting the foregoing, Beneficiary and Trustee shall be entitled to reimbursement of all attorney's fees, costs and expenses which may be incurred in protecting or preserving their rights and remedies and security interest, as they deem necessary or beneficial, on account of the bankruptcy,



reorganization, assignment for the benefit of creditors, receivership or similar actions or proceedings, with respect to any of the Grantors, their successors or assigns in interest, or any underlying lienholders with respect to the Realty.

19. Reimburse Beneficiary for Expenses. If Grantor shall fail to perform any covenant or agreement herein at any time or from time to time, Beneficiary at its election may perform the same or cause the same to be performed, Grantor shall repay Beneficiary for all expenditures Beneficiary may make and for all costs and expenses Beneficiary may incur by reason thereof, including reasonable attorney's fees and costs, together with interest thereon at the rate provided in the Loan Documents, but not to exceed the highest rate permitted by law, from the date incurred until repaid, and the same shall be secured hereby.

20. No Transfer or Encumbrance of Realty. On sale or transfer of all or any part of the Realty, or any interest therein Beneficiary may, at Beneficiary's option, declare all of the sums secured by this Deed of Trust to be immediately due and payable, and Beneficiary may invoke any remedies permitted by this Deed of Trust.

21. Further Assurances. On demand of Beneficiary, Grantor shall do any act or execute any additional documents that Beneficiary reasonably may require to secure the Loan, to confirm the lien of the Deed of Trust or to further implement, effect or perfect any lien or security interest or rights under any Loan Document.

22. Payment of Costs. Grantor shall pay all costs and expenses, other than Beneficiary's normal operating expenses, relating to the Loan and the collateral security therefore. Without limiting the generality of the foregoing, Grantor will pay all taxes and recording expenses, including stamp or transfer taxes, if any, incurred in connection with the Loan; any fees and commissions lawfully due to any brokers in connection with this transaction and shall indemnify Beneficiary against and hold Beneficiary harmless against all such claims.

23. Default. Each of the following shall be an event of default: any Event of Default under the Agreement or any Loan Document; failure to pay any other sum secured hereby or any installment or other portion thereof after the same shall be due or payable; failure to comply with or perform any other condition, covenant, agreement or provision hereof or of any Loan Document; the failure or inability of Grantor to pay debts or other obligations in the ordinary course of business, the making of any general assignment for the benefit of creditors by any Grantor; the appointment of a receiver for any property which is subject hereto or for any Grantor; the commencement of any proceedings by or against Grantor under any bankruptcy, insolvency or debtor relief law. For the purposes hereof, the word "Grantor" shall be deemed to include any successor in interest of any Grantor.

Upon any event of default, all sums secured hereby at the option of Beneficiary shall become due and payable immediately without demand or notice, or, if a Loan Document expressly provides for notice and an opportunity to cure defaults, then after such notice and failure to so cure, and Beneficiary shall have the right to have the property sold by Trustee pursuant to the provisions



of the laws of the State where the Realty is situated with respect to Trustee's sales pursuant to deeds of trust or, at Beneficiary's option, to have this Deed of Trust foreclosed in judicial proceedings as a mortgage, and Beneficiary shall have the right to exercise all other rights and remedies which may be provided for herein and rights and remedies which may be applicable pursuant to the Uniform Commercial Code of the State where the Realty is situated. Beneficiary may exercise such rights and remedies at such times and in such order as Beneficiary may elect. All rights and remedies provided for in this instrument and in any Loan Document, and rights and remedies provided by law, shall be cumulative. If this Deed of Trust shall be foreclosed as a mortgage in judicial proceedings, any judgment which Beneficiary may recover shall bear interest at the Rate provided in the Loan Documents, not to exceed, however, the highest rate permitted by law.

If Beneficiary invokes the power of sale, Beneficiary shall execute a written notice of the occurrence of an event of default and of Beneficiary's election to cause the Realty to be sold, as may be required by applicable law of the State of Washington. Trustee shall give notice of default and notice of sale and shall sell the Realty according to the law of Washington. Trustee may sell the Realty at the time and place and under the terms designated in the notice of sale in one or more parcels and in such order as Trustee may determine. Trustee may postpone sale of all or any parcel of the Realty by public announcement at the time and place of any previously scheduled sale. Beneficiary or Beneficiary's designee may purchase the Realty at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Realty so sold without any covenant or warranty expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made herein. Trustee shall apply the proceeds of the sale in the following order: (a) to all costs and expenses of the sale, including, but not limited to, Trustee's and attorneys' fees and costs of title evidence and guarantee; (b) to all sums secured by this Deed of Trust in such order as Beneficiary, in Beneficiary's sole discretion, directs; and (c) the excess, if any, to the person or persons legally entitled thereto in accordance with applicable law and procedure.

24. Non-Waiver. Neither the acceptance by Beneficiary of any payment or any other performance, nor any act or failure of Beneficiary to act or to exercise any rights, remedies or options in any one or more instances shall be considered as a waiver of any such right, remedy or option or of any other then existing or thereafter accruing right, remedy or option, or of any breach or default then accrued or thereafter accruing. No claimed waiver by Beneficiary of any rights, remedies or options shall be binding unless the same shall be in writing and signed by Beneficiary.

25. Notices. Notices from one party to another shall not be effective unless given in writing by personal delivery or by mailing in the manner provided herein, except as expressly set forth above concerning review of records and inspection of the Realty. A notice to Grantor may be given by delivery to a corporate officer of Grantor. A notice to the Beneficiary may be given by delivery to the president of Beneficiary at Beneficiary's Stated Address. A notice may be given by postpaid first class mail, registered or certified, with return receipt requested, addressed to the party at that party's Stated Address. A party's "Stated Address" shall mean its address set forth in the opening paragraph hereof or, in either case, such other address as the party may specify in a written



notice of change of address. A notice, other than a notice of change of address, so mailed shall be deemed given on the first business day following the date of mailing if it is deposited in the mail in Washington state, and otherwise shall be deemed given on the third business day following the date of mailing. A notice of change of address shall be deemed given when received by the addressee. A "business day" shall mean any day which is not a Saturday or Sunday, or other day when banks in Seattle, Washington, are not open for the conduct of general banking business or a day when the postal service does not deliver mail in the city where the addressee-party's then Stated Address is located.

26. Reconveyance. Upon payment of all sums secured by this Deed of Trust, Beneficiary shall request Trustee to reconvey the Realty and shall surrender this Deed of Trust and all notes evidencing indebtedness secured by this Deed of Trust to Trustee. Trustee shall reconvey the Realty without warranty to the person or persons legally entitled thereto. Such person or persons shall pay Trustee's reasonable costs incurred in so reconveying the Realty.

27. Severability. If any provision of this instrument or of any Loan document shall be invalid or unenforceable at any time, such invalidity or unenforceability shall not affect the remaining portions and provisions of this instrument or of such Loan Document, all of which remaining portions and provisions shall be and remain in full force and effect.

28. Application of Payments. Notwithstanding anything to the contrary herein and subject to Beneficiary's absolute discretion to apply payments in any other order it determines, payment shall be credited first to reimbursement of any amounts due under the Loan Documents for advances by Beneficiary to cure Grantor's defaults (if any), second to interest on any such amounts as set forth in the Loan Documents, third to any other costs, expenses or charges chargeable to Grantor pursuant to this Deed of Trust or any Loan Document, fourth to late charges (if any) set forth in the Loan Documents, fifth to interest and sixth to principal payable under the Loan Documents.

29. Miscellaneous Provisions. The term "Beneficiary" shall mean the original beneficiary hereunder and any future owner or holder, including pledgees or assignees of the Indebtedness. The term "Grantor" shall mean an original Grantor hereunder and any successor in interest thereof. The term "Trustee" shall mean the original Trustee hereunder and any successor in interest and any successor trustee. Whenever the context requires, any gender shall include all other genders, and the singular number shall include the plural, and the plural shall read as the singular. All captions and sections and Paragraph divisions in this instrument are for convenience of reference only, and shall not affect the construction, interpretation or meaning of this instrument or of any provisions hereof.

30. Governing Law, Jurisdiction, Construction. This instrument and all Loan Documents shall be governed by the law of the State of Washington. Jurisdiction and venue for any legal proceedings relating to or arising from this instrument or the Loan Documents shall be in the courts of Skagit County, Washington, subject to the right to the Beneficiary to utilize non-judicial remedies as set forth above. The Grantor acknowledges and agrees that it has had an



APPENDIX OF DEFINITIONS

(All section citations are references to sections in this Deed of Trust)

Beneficiary. The original beneficiary of this Deed of Trust and any transferee, assignee and successor-in-interest.

Business Day. See Section 25.

Deed of Trust. This Deed of Trust, Assignment of Rents, Security Agreement and Financing Statement (Fixture Filing), together with any amendments which may be made hereto.

Event(s) of Default. See Section 23.

Grantor. The original Grantor in this Deed of Trust and any grantee, transferee and successor-in-interest to the Realty.

Hazardous Substances. Any material which now is or hereafter may be defined by any public authority, whether by law, regulation, rule or judicial or administrative decision, as hazardous or as dangerous or deleterious to the environment or to human beings or to animal or plant life if released to or deposited upon or into land and improvements thereon.

Indebtedness. All sums which are and which at any time may be secured by this Deed of Trust.

Loan. All loans secured by this Deed of Trust.

Note. A promissory note, however denominated, which now or at any time hereafter evidences Indebtedness, including the notes referenced in the Agreement.

Permitted Exceptions. The Deed of Trust made by Grantor in favor of Earl and Janette Dralle, Ruth I. McMoran and David Christianson against the Realty dated December 8, 2000 and recorded under Skagit County Auditor's No. 200012080169, which remains in full force and effect as written; and disputed mechanics lien against the property by well installer in the amount of Two Thousand Five Hundred Dollars (\$2,500).

Stated Address. See Section 25.

Trustee. The original Trustee named in this Deed of Trust and any successor trustee.



EXHIBIT A

LEGAL DESCRIPTION

That portion of Government Lot 5 in Section 12, Township 34 North, Range 1 East W.M., described as follows:

Beginning at a point on the South line of the county road as the same existed on November 20, 1950, that is 561 feet West of the East line of the said Section; (said point being on the West line of a tract of land conveyed to William H. Halpin by deed recorded in Volume 9 of Deeds, Page 19, records of Skagit County, Washington); thence West on the South line of said county road 300 feet to the Northeast corner of a tract of land conveyed to Anton Christenson by deed recorded under Auditor's File No. 52514, records of Skagit County, Washington; thence South 937 feet, more or less, to the meander line of Lake Campbell; thence Easterly on the said meander line to a point due South of the point of beginning; thence North 950 feet, more or less, to the point of beginning; EXCEPT the East 200 feet thereof; ALSO EXCEPT that portion conveyed to Skagit County for road purposes by deed recorded September 21, 1954 under auditor's File No. 506778, records of Skagit County, Washington.

TOGETHER WITH shore lands of the second class as conveyed by the State of Washington, situate in front of, adjacent to and abutting upon said tract.



200111190067
, Skagit County Auditor
11/19/2001 Page 14 of 14 11:16:02AM