

After Recording Return To:

**Law Office of Brian E. Clark
P.O. Box 336
Mount Vernon, WA 98273**



200201180127

Skagit County Auditor

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DEED OF TRUST

GRANTOR: SIMILK, INC., a Washington corporation

TRUSTEE: Land Title Company of Skagit County

BENEFICIARY: MORGAN-TURNER PROPERTIES, L.P.

Legal Description:

Abbreviated Form: Ptn SE1/4 Sec 5 & NE1/4 Sec 8 TWP34 RGE 02
(Golf course)

Additional on Page: Exhibit "A"

Assessor's Tax Parcel Nos: 053402-0-039-0107 & 053402-0-039-0008

THIS Deed of Trust, made this 1st day of December, 2001, between **SIMILK, INC.**, a Washington corporation, whose address is P.O. Box 568, Anacortes, WA 98221, as Grantor; **Land Title Company of Skagit County**, as Trustee, whose address is P.O. Box 445, Burlington, WA 98233; and **MORGAN-TURNER PROPERTIES, L.P.**, as Beneficiary.

WITNESSETH: Grantor hereby bargains, sells and conveys to Trustee in Trust, with power of sale, the following described real property in **Skagit** County, Washington:

That certain tract of land listed and described on Exhibit "A" attached hereto and incorporated herein by this reference as if fully set forth herein.

SUBJECT TO: Easement, covenants, and restrictions of record.

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, issues and profits thereof.

This Deed of Trust is for the purpose of securing performance of each agreement of Grantor herein contained

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and payment of the sum of **SIX HUNDRED THOUSAND DOLLARS (\$600,000)**, 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 his successors or assigns, together with interest thereon at such rate as shall be agreed upon. The term "Grantor" as used in this agreement includes the "Borrower" as defined in RCW 61.24, if the Borrower is a person or entity other than the Grantor.

To protect the security of this Deed of Trust, Grantor covenants and agrees:

1. To keep the property in good condition and repair; to permit no waste thereof; to complete any building, structure or improvements thereon which may be damaged or destroyed; and to comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the property.
2. To pay before delinquent all lawful taxes and assessments upon the property; to keep free and clear of all other charges, liens or encumbrances impairing the security of this Deed of Trust.
3. To keep all buildings now or hereafter erected on the property described herein continuously insured against loss by FIRE, OPEN PERILS/SPECIAL PERILS OR OTHER HAZARDS IN AN AMOUNT NOT LESS THAN THE TOTAL DEBT SECURED BY THIS DEED OF TRUST. All policies shall be held by the Beneficiary, and be in such companies as the Beneficiary may approve, and have loss payable first to the Beneficiary, as their interest may appear, and then to the Grantor. The amount collected under any insurance policy may be applied upon any indebtedness hereby secured in such order as the Beneficiary shall determine. Such application by the Beneficiary shall not cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of the Grantor in insurance policies then in force shall pass to the purchaser at the foreclosure sale. Grantor shall provide proof of insurance upon demand by a Beneficiary. All such insurance shall be issued by carriers acceptable to Beneficiary and shall contain a provision whereby the carrier agrees not to cancel or modify the insurance without twenty (20)-days prior written notice to Beneficiary.
4. To defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of title search and attorneys' 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. If Beneficiary institutes any suit or action to enforce any of the terms of this Deed of Trust, Beneficiary shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and on any appeal. Whether or not any court action is involved, all reasonable expenses incurred by Beneficiary, which, in Beneficiary's opinion, are necessary at any time for protection of their interests or the enforcement of their rights, shall become part of the indebtedness payable on demand and shall bear interest at the same rate as provided in the Promissory Note from the date of expenditure until paid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Beneficiary's attorneys' fees whether or not there is a lawsuit, including attorneys' fees for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction) appeals, and any anticipated post-judgment collection services, the costs of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, appraisal fees (including those related to any action for a deficiency judgment), title insurance fees for the Trustee, to the extent permitted by applicable law. Grantor also will pay any court costs, in addition to all of the sums provided by law.
6. Should Grantor fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances or other charges against the property hereinabove described, Beneficiary may pay the same and the amount so paid, with interest at the rate set forth in the note secured hereby, shall be added to and become a part of the debt secured in this Deed of Trust.

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7. Beneficiary may, at their option, declare immediately due and payable all sums secured by this Deed of Trust upon the sale or transfer of all or any part of the real property, or any interest therein, without the Beneficiary's prior written consent. A "sale" or "transfer" means the conveyance of any property or any right, title or interest therein, whether legal or equitable, whether voluntary or involuntary, by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than three (3) years, lease option contract, sale, assignment or transfer of any beneficial interest in or to any land trust holding title to the real property; or any other method of conveyance of real property interests. A sale of the partnership or any portion thereof by the existing partners shall also constitute a "sale" or "transfer." However, this option shall not be exercised by Beneficiary if exercise is prohibited by federal or Washington law.

IT IS MUTUALLY AGREED THAT:

1. In the event any portion of the property is taken or damaged in an eminent domain proceeding, the entire amount of the award or such portions as may be necessary to fully satisfy the obligation secured hereby shall be paid to Beneficiary to be applied to said obligation.
2. 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.
3. 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.
4. Upon default by Grantor in the payment of any indebtedness secured hereby or in the performance of any agreement contained 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 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. Pursuant to RCW 62A.9-501(4), if this Deed of Trust encumbers both real and personal property, the Trustee is authorized to sell all or any portion of the Grantor's interest in the real and personal property at the Trustee's sale. 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 attorneys' fees; (2) to the obligation secured by this Deed of Trust; and, (3) the surplus, if any, shall be distributed to the persons entitled thereto.
5. 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 execution of this Deed of Trust, and such as he/they may have acquired thereafter. Trustee's deeds 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 bonafide purchaser and encumbrances for value.
6. 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.
7. 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 in which this 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.



8. 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 and assigns. The term "Beneficiary" shall mean the holder and owner of the Note secured hereby, whether or not named as Beneficiary herein.

9. As additional security, Grantor hereby gives and confers upon Beneficiary the right, power and authority during the continuance of this trust to collect the property income, reserving to Grantor the right, prior to any default by Grantor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such property income as it becomes due and payable. Upon any such default, Beneficiary may at any time, without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property, or any part thereof, in their own name, sue for, or otherwise collect such property income, including that past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, upon any indebtedness secured hereby and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such property income, and the application thereof, as aforesaid, shall not cure or waive any default or notice of Trustee's sale hereunder or invalidate any act done pursuant to such notice.

10. Grantor hereby releases and waives all rights and benefits of the Homestead Exemption laws of the state of Washington as to all indebtedness secured by this Deed of Trust.

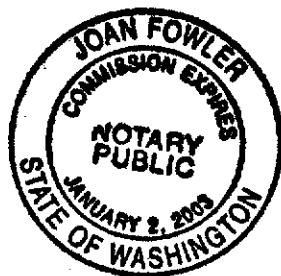
SIMILK, INC.

By: Thomas E. Cleland
Its: President

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

I certify that I know or have satisfactory evidence that THOMAS E. CLELAND 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 acknowledged it as the PRESIDENT of Similk, Inc., a Washington corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

GIVEN under my hand and official seal this 1st day of DECEMBER, 2001.



Joan Fowler
Notary Public
My commission expires: 1-2-2003

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EXHIBIT "A"

The land referred to herein is situated in the County of , State of Washington, and is described as follows:

Those portions of Sections 5 and 8 of Township 34 North, Range 2 East, W.M. described as follows:

Beginning at a point which is the East 1/4 corner of said Section 5; thence South 2 degrees 12'20" West on the East line of said Section 5 a distance of 2,632.62 feet to the Southeast corner of said Section 5; thence North 88 degrees 21'40" West 1308.93 feet to the Northwest corner of the North 1/2 of the Northwest 1/4 of the Northeast 1/4 of the Northeast 1/4 of said Section 8; thence South 0 degrees 29'45" West a distance of 327.26 feet to the Southwest corner of said North 1/2 of the Northwest 1/4 of the Northeast 1/4 of the Northeast 1/4 of Section 8; thence South 88 degrees 14'20" East along the South boundary of said North 1/2 of the Northwest 1/4 of the Northeast 1/4 of the Northeast 1/4 of Section 8, a distance of 370.0 feet plus or minus to the centerline of "Similk Beach Road"; thence Southerly along said centerline of "Similk Beach Road" to the North boundary of "Fairway Drive Road" as platted in the plat of "SIMILK BEACH, SKAGIT CO., WASH.", according to the plat recorded in Volume 4 of Plats, page 51, records of Skagit County, Washington; thence South 76 degrees 22' West along the North boundary of "Fairway Drive Road" a distance of 900.0 feet plus or minus to the South corner of Block 8, "BEACH VIEW ADDITION TO SIMILK BEACH" plat; thence Northwesterly along the North boundary of "Fairway Drive Road" and the Easterly boundary of "Green Street North" to the Southwest corner of Lot 1, Block 4, "BEACH VIEW ADDITION TO SIMILK BEACH" plat;



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EXHIBIT "A"

thence South 89 degrees 54' East along the South boundary of said Lot 1, 100.0 feet to the Southeast corner thereof; thence North 0 degrees 06' East along the East boundary of said Lot 1, 40.0 feet to the Northeast corner thereof; thence North 4 degrees 01' East a distance of 605.0 feet to the Northeast corner of Lot 1, Block 1 of the "WEST GOLF ADDITION TO SIMILK BEACH" plat; thence North 18 degrees 0' West a distance of 431.35 feet to the Northeast corner of said West Golf Addition; thence North 85 degrees 59' West along the North boundary of said West Golf Addition to the Northwest corner of "Greens Street North" where it terminates at the North boundary of "WEST GOLF ADDITION" to said "SIMILK BEACH" PLAT; thence North 18 degrees 0' West a distance of 306.32 feet; thence West a distance of 309.50 feet; thence North a distance of 705.55 feet; thence North 88 degrees 21'40" West a distance of 489.0 feet to the centerline of the county road which is also the centerline of Section 8, Township 34 North, Range 2 East, W.M.; thence North 0 degrees 05'30" East along said Section 8 centerline a distance of 408.02 feet to the South 1/4 corner of Section 5, Township 34 North, Range 2 East, W.M. thence North 1 degree 38'20" East along the centerline of said Section 5 a distance of 1583.08 feet to the Northwest corner of the South 15 rods of Government Lot 2, Section 5, Township 34 North, Range 2 East, W.M.;

thence South 87 degrees 56'32" East a distance of 359.0 feet; thence North 1 degree 38'20" East a distance of 748.36 feet; thence East a distance of 404.0 feet; thence North 28 degrees 45' West a distance of 105.0 feet plus or minus; thence North 13 degrees 33' West a distance of 225.4 feet; thence North 8 degrees 05' West a distance of 270.0 feet plus or minus to the South right-of-way line of Washington State Highway 536; thence Easterly along said South right-of-way line projected to the East section line of Section 5, Township 34 North, Range 2 East, W.M.; thence South 1 degree 56' West along said East section line to the East 1/4 corner of said Section 5, the point of beginning.

EXCEPT therefrom the six following described tracts:

A) The right-of-way of the Skagit County Road known both as The Christianson Road and as the Similk Beach Road;

B) Block 8 of "SIMILK BEACH, SKAGIT CO., WASH." as per plat recorded in Volume 4 of Plats, page 51, records of Skagit County, Washington;



EXHIBIT "A"

C) Begin at the Southeast corner of Lot 1, Block 4, "SIMILK BEACH, SKAGIT CO. WASH."; thence South 02 degrees 27' East a distance of 20 feet; thence South 87 degrees 33' West a distance of 100 feet more or less to the East line of Greens Street North; thence North 01 degree 28' East a distance of 20 feet more or less to the Southwest corner of Lot 1, Block 4, Plat of Similk Beach; thence North 87 degrees 33' East a distance of 100 feet to the point of beginning;

D) The road rights-of-way along the West line thereof known as the Gibraltar Road and State Highway No. 20;

E) That portion thereof, if any, lying within those certain premises conveyed to Daniel A. Swanson, et al, by that certain Purchaser's Assignment of Contract and Deed recorded October 22, 1981 as Auditor's File No. 8110220019;

F) The right-of-way for State Highway No. 20 along the North line thereof.

TOGETHER WITH: The North 1/2 of the Northwest 1/4 of the Northeast 1/4 of Section 8, Township 34 North, Range 2 East, W.M., EXCEPT County Road AND EXCEPT the South 100 feet of that portion of said property lying Easterly of the County Road.

ALL SITUATE IN THE COUNTY OF SKAGIT, STATE OF WASHINGTON.

Skagit County Property Tax Numbers:

P19984	340205-0-039-0008
P19985	340205-0-039-0107
P20146	340208-1-002-0006

Situs Address: Similk Beach Golf Course
12518 Christianson Road, Anacortes, WA



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