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Skagit County Auditor

10/17/2002 Page 1 of 9 3:50PM

WHEN RECORDED RETURN TO:

William R. Allen
504 East Fairhaven, Suite 201
Burlington, WA 98233

Document Title: Deed of Trust
Grantor: Madrona Real Estate Investors One, LLC
Grantee: 1. Michael J. Felt
2. Suzanne E. Felt
3. Elisha S. Harris
4. Judith E. Harris

Legal Description:

Abbreviated Legal Description: Lots 1-8, 16 and 18-20 and portions of Lot 17, Block. 46, Map of the City of Anacortes, Skagit County, Washington.

Full Legal Description: See Exhibit 1 attached

Assessor's Tax Parcel Nos.: 3772-046-020-0009 and 3772-046-008-0005

ISLAND TITLE CO.

QB2250

ACCOMMODATION RECORDING**DEED OF TRUST**

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT, is made this 17 day of October, 2002 between Grantor, Madrona Real Estate Investors One, LLC, a Washington limited liability company whose mailing address is 500 Union Street, Suite 900, Seattle, Washington 98101-4052, Island Title Company, Trustee, whose mailing address is P.O. Box 1228, Anacortes, Washington 98221 and Michael J. Felt and Suzanne E. Felt, husband and wife, and Elisha S. Harris and Judith E. Harris, husband and wife, Beneficiary, whose mailing address is 1321 Deane Drive, Anacortes, WA 98221.

WITNESSETH: Grantor hereby bargains, sells and conveys to Trustee in Trust, with power of sale, the real property located in the City of Anacortes, County of Skagit, State of Washington that is described in Exhibit 1 hereto (the "property"), which real property is not used principally for agricultural 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 subordinate to a deed of trust recorded under Auditor's File No. 199911020042, records of Skagit County, Washington, in the original amount of \$1,717,500 in favor of Everett Mutual Bank.

This Deed of Trust is for the purpose of securing performance of each agreement of Grantor herein contained, and the payment of a promissory note dated September 27, 1999 in original amount of One Hundred Fifty Thousand Dollars (\$150,000), with interest, from Grantor, as maker, payable to Beneficiary or order, and all renewals, modifications and extensions thereof, and also such further sums as may be advanced or loaned by Beneficiary to Grantor or to Madrona Real Estate Investors One, LLC, 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 keep the property in good condition and repair; to permit no waste thereof; to complete any building, structure or improvement being built or about to be built thereon; to restore promptly any building, structure or improvement 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 the property 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 or other hazards in an amount not less than the total debt secured by this Deed of Trust. Copies of all policies shall be provided to the Beneficiary, and be in such companies as the Beneficiary may approve and have loss payable and additional insured clause naming Beneficiary as well as Grantor. Grantor's construction and permanent financing lenders may also be named loss payable additional insured thereon. In the event of foreclosure, all rights of the Grantor in insurance policies then in force shall, if permitted by the terms of any policy, 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 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.

Island Title Company has placed
this document for recording as a
customer courtesy and accepts no
liability for its accuracy or validity



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 obligation secured hereby and Trustee's and attorney's fees actually incurred, as provided by statute.

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.

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 portion as may be necessary to fully satisfy the obligation secured hereby, and which shall remain after application to any prior secured debt on the property, 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 or by Madrona Real Estate Investors One, LLC, 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. 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 fee; (2) to the obligation secured by this Deed of Trust; (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 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 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.

ADDITIONAL TERMS AND PROVISIONS

The Grantor and Beneficiary agree to the following additional terms and conditions to the Deed of Trust:

1. This Deed of Trust is subject and subordinate to the Deed of Trust in favor of Citicorp Mortgage, Inc., in the amount of One Hundred Thousand Dollars (\$100,000.00).

The above referenced Deed of Trust and Note will be referred to below as "Underlying Deed of Trust" and "Note."

2. Grantor agrees to comply with all of the terms and conditions of the underlying Deed of Trust and Note and shall immediately comply with any notice sent to it by the holder of the underlying Note, subject to any grace period. Any default under this Deed of Trust shall entitle the Beneficiary to exercise, at it's option, any other remedy provided herein:

- a) To declare the Note secured hereby immediately due and payable in full upon demand.
- b) To judicially or nonjudicially foreclose this Deed of Trust.
- c) To perform such terms and conditions as are in default.
- d) To make full or partial payments of principal or interest on the underlying Note.
- e) To purchase, discharge, compromise, or settle the underlying Note and/or Deed of Trust or any other lien or encumbrance, including liens for taxes and assessments.



In the event that the Beneficiary elects to make any payment as set out above, or to perform any act on which the Grantor has defaulted, then, at the option of the Beneficiary, any money so paid and all costs and expenses incurred thereby, including a reasonable attorney's fee and any court costs, shall be added to the principal balance of the present Note and Deed of Trust. Such monies may then, at the option of the Beneficiary, be declared immediately due and payable (including interest and penalties specified in the present Note) and failure to immediately pay the same shall constitute a default on the present Note and Deed of Trust and shall allow Beneficiary to judicially or nonjudicially foreclose this present Deed of Trust.

3. Grantor and Beneficiary agree to send promptly to the other copies of any notices of default received by them from the holder of the underlying Note and Deed of Trust.

4. Grantor will furnish to Beneficiary, upon demand, proof of payment of all items (including, without limitation, real estate taxes and insurance premiums) which are required to be paid by Grantor pursuant to the underlying Deed of Trust and any other proof of payment which is required to be given under the underlying Deed of Trust.

5. Grantor will execute and deliver, upon request, to the Beneficiary, such instruments deemed useful or necessary to permit Beneficiary to cure any default under the underlying Note or Deed of Trust.

6. Grantor shall maintain insurance in an amount equal to the full replacement value of all improvements, furnishings and fixtures owned by the grantor on the property encumbered hereby. The Beneficiary shall be named as an additional insured and the Beneficiary shall be provided with a certificate of insurance.

7. **PERSONAL PROPERTY ENCUMBERED AND SECURITY AGREEMENT.** All personal property and fixtures used in connection with operating, possessing and/or enjoying the premises, and located therein, whether attached or unattached thereto including all personal property hereinafter acquired by Grantor or any subsequent owner of the premises in addition to, substitution for, or replacement of any personal property now in, or used in connection with the premises are encumbered by this deed of trust as additional security for the note secured hereby. This instrument shall constitute a security agreement with respect to any and all of the above included personal property. At the request of the beneficiary, the Grantor shall join in executing one or more financing statements pursuant to the Uniform Commercial Code, in a form satisfactory to the Beneficiary, and will pay for filing the same in the proper public office or offices.

8. **HAZARDOUS SUBSTANCES.** Grantor shall not cause or permit the presence, use, disposal, storage or release of any hazardous substance. As used herein, the term "hazardous substances" means any hazardous waste, substance or toxic materials regulated under any environmental laws or regulations applicable to the premises. The preceding two sentences shall not apply to the presence, use, or storage on the property of



small quantities of hazardous substances that are generally recognized as appropriate for the normal maintenance of the property or normal operations of a business, including the business of any tenant on the property. Grantor shall not do, nor allow anyone else to do anything, or anything affecting the property, that is in violation of any environmental law. The Grantor shall promptly give Beneficiary written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the property and any hazardous substance or environmental law of which the Grantor has actual knowledge. If the Grantor learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any hazardous substance affecting the property is necessary, the Grantor shall promptly take all necessary remedial actions in accordance with environmental law.

9. ASSIGNMENT OF RENTS AND PROFITS. As additional security under this deed of trust, Grantor hereby absolutely and unconditionally assigns and transfers to Beneficiary all the income, rents, royalties, revenue, issues, profits, and proceeds of the property, hereafter called "the rents," whether now due, past due, or to become due, and hereby confers upon and gives to Beneficiary the right, power, and authority during the continuance of the interest created by this deed of trust to do any or all of the following:

(a) To collect the issues, rents, and profits of the premises, reserving to Grantor the right, prior to any default by the Grantor in payment of any indebtedness secured by this deed of trust, to collect and retain all rents, issues and profits as they become due and payable.

(b) On any such default, the Beneficiary may at any time without notice, either in person, by agent, or by court appointed receiver, and without regard to the adequacy of any security for the indebtedness secured, enter on and take possession of the premises, or any part of the premises, in its own name sue for or otherwise collect the rents, issues and profits less costs and expenses of operation and collection, including reasonable attorney's fees, on any indebtedness secured by this deed of trust, and in such order as the Beneficiary may determine. Grantor agrees that on any such default, upon demand by the Beneficiary, Beneficiary's agent, or receiver to immediately deliver possession of the premises to Beneficiary, agent, or receiver and provide said Beneficiary, agent, or receiver with all books, accounting records, and other records maintained in the operation of any business on the premises.

(c) The entering and taking possession of the premises, the collection of rents, issues and profits, and the application of rents, issues, and profits as stated herein, shall not cure or waive any default or notice of default under the provisions of this deed of trust or invalidate any act done pursuant to such notice.

(d) It is agreed that neither the assignment of rents to the Beneficiary, nor the exercise by the Beneficiary of any of its rights or remedies under the covenants of this Deed of Trust, nor the appointment of a receiver or possession of the property by a receiver shall make the Beneficiary a "mortgagee-in-possession" or otherwise responsible or liable in any manner with respect to the property or the use, occupancy or enjoyment or operation of all or any portion thereof, other than as a result of the negligence or unlawful actions of the beneficiary or its agents or receiver.

(e) This assignment of rents is intended to be perfected, absolute, and choate upon the recording.

10. **APPOINTMENT OF RECEIVER.** During any default under this deed of trust or the note it secures, the Beneficiary shall be entitled to appointment of a receiver, either separately or in an action to foreclose this deed of trust. Grantor stipulates that the Beneficiary shall have the the absolute right to the appointment of a receiver of the premises covered by this deed of trust, including all the income, profits, issues, and revenues from whatever source derived, without notice and without regard to the adequacy of any security for the indebtedness secured, any waste or deterioration of the property. If in default, Grantor agrees that it will, upon demand by Beneficiary, immediately provide to the Beneficiary, agent or receiver, all books, accounting records and any other records kept in the operation of any business operated on the property and shall immediately deliver possession of the property to Beneficiary, Beneficiary's agent or receiver so that Beneficiary, Beneficiary's agent, or receiver may thereafter operate any business on the premises and collect all income, profits, issues and revenues from whatever source derived. The receiver shall have the full rights to operate any business on said premises and incur such costs and expenses of operation and collection therefor, including reasonable fees for the receiver and reasonable attorney's fees. In addition to all the rights customarily given to and exercised by such a receiver, the receiver shall have the all rights and powers granted to the Beneficiary by the covenants herein. Once appointed, at the Beneficiary's option, such receiver may remain in place until all amounts secured hereby are paid in full.

11. **DUE ON SALE.** If all or any part of the property described in this Deed of Trust, or any interest therein, is sold or transferred without the prior written consent of the Beneficiary, which consent shall not be unreasonably withheld, then the Beneficiary, its successors or assigns, at its sole option, may declare immediately due and payable the entire balance then due on the present Note secured by this Deed of Trust.



Dated: October 10, 2002

MADRONA REAL ESTATE INVESTORS ONE, LLC

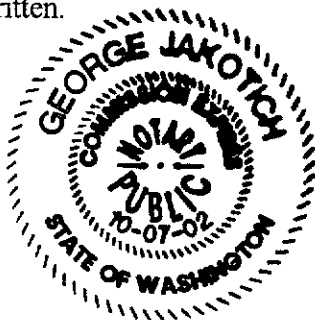
By [Signature]
Its Managing Member

STATE OF WASHINGTON)
) ss.
COUNTY OF King)

On this 10th day of October, 2002, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn personally appeared MADRONA REAL ESTATE INVESTORS ONE, LLC, known to me to be the Managing Member of **MADRONA REAL ESTATE INVESTORS ONE, LLC**, the limited liability company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the purposes therein mentioned, and on oath stated that he/she was authorized to execute said instrument.

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgment is the person whose true signature appears on this document.

WITNESS my hand and official seal hereto affixed the day and year in the certificate above written.



Signature

Print Name

GEORGE YAKOTICH
NOTARY PUBLIC in and for the State of
Washington, residing at _____
My commission expires _____



DESCRIPTION:

EXHIBIT 1

PARCEL "A":

Lots 1 through 8, inclusive, the East 24 feet of Lot 17 and all of Lot 18 through 20, inclusive, Block 46, "MAP OF THE CITY OF ANACORTES, SKAGIT COUNTY, WASHINGTON", as per plat recorded in Volume 2 of Plats, page 4, records of Skagit County, Washington.

Situate in the City of Anacortes, County of Skagit, State of Washington.

PARCEL "B":

Lot 17, EXCEPT the East 24 feet thereof, and all of Lot 16, Block 46, "MAP OF THE CITY OF ANACORTES, SKAGIT COUNTY, WASHINGTON", as per plat recorded in Volume 2 of Plats, page 4, records of Skagit County, Washington.

Situate in the City of Anacortes, County of Skagit, State of Washington.

PARCEL "C":

That portion of the alley located between Lots 1 through 5 and Lots 17 through 20, Block 46, "MAP OF THE CITY OF ANACORTES, SKAGIT COUNTY, WASHINGTON", as per plat recorded in Volume 2 of Plats, page 4, records of Skagit County, Washington, as vacated by City of Anacortes Ordinance No. 2495, recorded on July 21, 1999, as Auditor's File No. 9907210063.

Situate in the City of Anacortes, County of Skagit, State of Washington.



200210170141

Skagit County Auditor