



200303280225
Skagit County Auditor

3/28/2003 Page 1 of 4 4:10PM

AFTER RECORDING MAIL TO:

Jim Spady, Esq.
4426 - 2nd Avenue N.E.
Seattle, WA 98105
206.634.0589

Deed of Trust

(For Use in the State of Washington Only)

ISLAND TITLE CO.

C26700

(this space for title company use only)

THIS DEED OF TRUST, made this 27th day March, 2003, between NO WAKE LAKES, INC., a Washington corporation, GRANTOR, whose address is Attn: Jim Spady, Esq., 4426 - 2nd Avenue N.E., Seattle, WA 98105, and FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, as TRUSTEE, whose address is 2101 Fourth Avenue, Seattle, WA 98121 and RICHARD J. SPADY & INA LOU SPADY, Husband and Wife, BENEFICIARY, whose address is c/o Jim Spady, 4426 - 2nd Avenue N.E., Seattle, WA 98105, WITNESSETH: Grantor hereby bargains, sells, and conveys to Trustee in trust, with power of sale, the following described real property in Skagit County, Washington:

Lot 5, PLAT OF BOW HILL LAKE, according to the plat thereof recorded in Volume 16 of Plats, pages 224 and 225, records of Skagit County, Washington.

Assessor's Property Tax Parcel/Account Number(s): 4712-000-005-0000 and 4712-000-005-0010

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 anywise appertaining, and the rents, issues, and profits thereof.

This Deed is for the purpose of securing performance of each agreement of grantor herein contained, and payment of the sum of ONE MILLION ONE HUNDRED THOUSAND DOLLARS (\$1,100,000.00) with interest, in accordance with the terms of a promissory note of even date herewith, payable to Beneficiary or order, and made by Grantor, and all renewals, modifications and extensions thereof, and also such further sums as may be advanced or loaned by Beneficiary to Grantor, or any of their successors or assigns, together with interest thereon at such rate as shall be agreed upon.

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

1. To pay all lawful real property taxes upon the property on or before the respective due dates, or within the thirty (30) day period thereafter with all accrued interest and penalties.
2. 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 attorney's fees in a reasonable amount, in any such action or proceeding, and in any suit brought by Beneficiary to foreclose this Deed of Trust.
3. 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.
4. In the event there is a significant loss or damage to any portion of the property, Grantor agrees to commence reconstruction and/or repairs within ninety (90) days thereof.

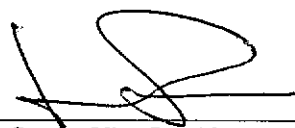
IT IS MUTUALLY AGREED THAT:

1. All sums secured hereby shall become immediately due and payable, at the option of the Beneficiary upon any sale by the Grantor of the property secured by this Deed of Trust.
2. Notwithstanding section 1 above, Beneficiary consents to the transfer, conveyance, or sale of the property secured by this Deed of Trust to Douglas A. Spady and Julie L. Spady (H&W) (the "Spady Purchase") provided one hundred percent (100%) of the net loan proceeds, provided by the lender for the Spady Purchase ("Spady's Lender"), are paid to the Beneficiary of this Deed of Trust and that the loan amount from Spady's Lender is at least eighty percent (80%) of the appraised value of the property secured by this Deed of Trust. For the purposes of the Spady Purchase contemplated hereunder, Beneficiary agrees to: (a) reconvey this Deed of Trust if required to by the Spady's Lender; or (b) where a reconveyance is not required, to subordinate this Deed of Trust, only with respect to the property secured by this Deed of Trust, to the Deed of Trust of Spady's Lender and the Deeds of Trust of even date in favor of Leslie A. Dann and Wade R. Dann, and to execute whatever documents and instruments are necessary to effect the subordinations.
3. In the event any portion of the property is taken 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, shall be paid to Beneficiary to be applied to said obligation provided any and all superior lienholders consent thereto.
4. 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.
5. 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.
6. 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 if Grantor fails to cure the default within ten (10) days of receipt of the notice thereof. 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; and (3) the surplus, if any, shall be distributed to the persons entitled thereto.
7. 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.
8. 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.
9. 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.
10. 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.



NO WAKE LAKES, INC.
a Washington corporation


Douglas A. Spady, President


Julie L. Spady, Vice-President

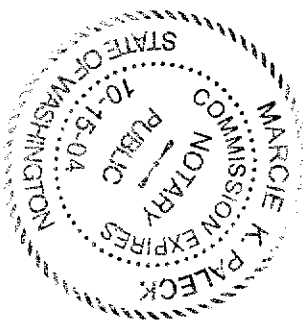
STATE OF WASHINGTON

County of SKAGIT

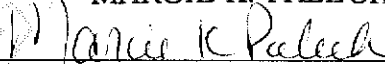
}
}
} SS.

I certify that I know or have satisfactory evidence that Douglas A. Spady and Julie L. Spady are the person(s) who appeared before me, and said person(s) acknowledged that they signed this instrument, on oath stated that they are authorized to execute the instrument and acknowledged it as the President and Vice-President respectively of No Wake Lakes, Inc. to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

DATED: March 27, 2003



MARCIE K. PALECK


Name (typed or printed):

NOTARY PUBLIC in and for the State of Washington

Residing at Moscow, Virginia

My appointment expires: October 15, 2004



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REQUEST FOR FULL RECONVEYANCE

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

TO: TRUSTEE

The undersigned is the legal owner and holder of the note and all other indebtedness secured by the within Deed of Trust. Said note, together with all other indebtedness secured by said Deed of Trust, has been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note above mentioned, and all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you thereunder.

DATED:

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3/28/2003 Page

4 of

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