

WHEN RECORDED RETURN TO:

Errol Hanson Funding, Inc.
PO Box 508
Sedro-Woolley, WA 98284



200311240011

Skagit County Auditor

11/24/2003 Page

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7 9:03AM

LAND TITLE COMPANY

109927

Grantor.	Mud Lake Investments, LLC
Grantee.	Errol Hanson Funding, Inc.
Abbrev. Leg.	Ptn of SE ¼ of Sec. 2, T34N, R4E, WM
Tax Account Nos.	340402-3-009-0500/P116593; 340402-4-002-0004/P23436

Deed of Trust

THIS DEED OF TRUST AND SECURITY AGREEMENT is made this 18th day of November, 2003, between Mud Lake Investments, LLC, GRANTOR, whose address is 22814 Mud Lake Road, Mount Vernon, WA 98273, Land Title Company of Skagit County, TRUSTEE, whose address is 112 George Hopper Road, PO Box 445, Burlington, WA 98233, and Errol Hanson Funding, Inc., as BENEFICIARY, whose address is PO Box 508, Sedro-Woolley, WA 98284.

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

See attached Exhibit A, by this reference made a part hereof.

Situate in the County of Skagit, State of Washington,
and commonly known as 22734 Mud Lake Road, Mount Vernon, WA 98273, and
22738 Mud Lake Road, Mount Vernon, WA 98273,

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 is for the purpose of securing performance of each agreement of the grantor herein and payment of the sum of Eight Hundred Thirty-Three Thousand Three Hundred Thirty-Three and 33/100 Dollars (\$833,333.33) with interest, in accordance with the terms of a promissory note of even date herewith, payable to Beneficiary or order, and made by the Grantors herein, 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 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. 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 its 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.
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 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.
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, 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. 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.



9. **PERSONAL PROPERTY ENCUMBERED AND SECURITY AGREEMENT.** All personal property and fixtures used in connection with operating, possessing and/or enjoying the premises, whether attached or unattached thereto including all timber and logs, whether growing or severed, and 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. 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.

10. **HAZARDOUS SUBSTANCES.** Grantor shall not cause or permit the presence, use, disposal, storage or release of any hazardous substance on or in the premises. 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 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. 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.

11. **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 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 therefore, 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.

12. 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 this 18th day of November, 2003.

MUD LAKE INVESTMENTS, LLC
By:

Michael B. Beverick
Michael Beverick, Member

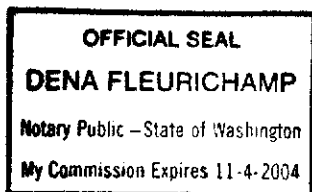
STATE OF WASHINGTON)

: ss.

COUNTY OF SKAGIT)

I certify that I know or have satisfactory evidence that MICHAEL BEVERICK is the person who appeared before me, and said person acknowledged that he signed this instrument and on oath stated that he is authorized to execute the instrument and acknowledged it as a member of MUD LAKE INVESTMENTS, LLC, to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

Witness my hand and official seal hereto affixed this 18th day of November, 2003.



Dena Fleurichamp
Print Name Dena Fleurichamp
NOTARY PUBLIC in and for the State of
Washington, residing at Sedro Woolley

My appointment expires: 11/4/2004



REQUEST FOR FULL RECONVEYANCE

Do not record. To be used only when note has been paid.

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 _____, 20 ____

Name

Title

EXHIBIT A

THAT PORTION OF SOUTHEAST ¼ OF SECTION 2, TOWNSHIP 34 NORTH, RANGE 4 EAST, W.M. DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTH ¼ CORNER OF SAID SECTION 2; THENCE N89°40'19"E A DISTANCE OF 648.87 FEET; THENCE N01°14'54"E A DISTANCE OF 30.01 FEET TO THE SOUTHEAST CORNER OF LOT 2, SHORT PLAT NO. 51-81, APPROVED DECEMBER 16, 1981, RECORDED DECEMBER 17, 1981 IN BOOK 5 OF SHORT PLATS, PAGE 147, UNDER AUDITOR'S FILE NO. 8112170001, AND THE TRUE POINT OF BEGINNING; THENCE CONTINUE N01°14'54"E A DISTANCE OF 379.01 FEET TO THE NORTHEAST CORNER OF SAID LOT 2; THENCE N51°49'11"E A DISTANCE OF 1711.90 FEET; THENCE S00°32'34"W A DISTANCE OF 1230.50 FEET; THENCE S89°40'19"W A DISTANCE OF 209.00 FEET; THENCE S00°32'34"W A DISTANCE OF 199.00 FEET TO THE NORTH LINE OF BUCHANAN ROAD; THENCE S89°40'19"W A DISTANCE OF 1131.41 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPT THAT PORTION, IF ANY, LYING NORTHWESTERLY OF THE SOUTHEASTERLY LINE OF PARCEL "C" AS DESCRIBED IN MORTGAGE RECORDED OCTOBER 28, 1981, UNDER AUDITOR'S FILE NO. 8110180027.

AND EXCEPT THE FOLLOWING DESCRIBED TRACT:

BEGINNING AT THE SOUTHEAST CORNER OF THE SOUTHEAST ¼ OF THE SOUTHEAST ¼ OF SAID SECTION 2, (SOUTHEAST SECTION CORNER); THENCE N89°32'55"W 660.01 FEET ALONG THE SOUTH LINE OF SAID SUBDIVISION TO THE SOUTHWEST CORNER OF THE EAST 10.00 CHAINS (660.00 FEET), OF SAID SUBDIVISION; THENCE N00°43'49"E 353.83 FEET ALONG THE WEST LINE OF SAID EAST 10.00 CHAINS (ALSO BEING THE EAST LINE OF SAID LOT 3, SKAGIT COUNTY SHORT PLAT NO 51-81), AND ALSO BEING THE WEST LINE OF THE "PLAT OF PARK ADDITION TO CLEAR LAKE, WASHINGTON", AS PER PLAT RECORDED IN VOLUME 4 OF PLATS, PAGE 39, RECORDS OF SKAGIT COUNTY, WASHINGTON, TO THE NORTHWEST CORNER OF THE SOUTH 123.00 FEET OF LOT 1, BLOCK 7 OF SAID PLAT OF "PARK ADDITION TO CLEAR LAKE, WASHINGTON" AND BEING THE TRUE POINT OF BEGINNING; THENCE CONTINUE N00°43'49"E 277.05 FEET ALONG SAID WEST LINE OF THE PLAT OF "PARK ADDITION TO CLEAR LAKE, WASHINGTON", TO THE NORTHWEST CORNER OF THE SOUTH 180.00 FEET OF LOT 2, BLOCK 5 OF SAID PLAT OF "PARK ADDITION TO CLEAR LAKE, WASHINGTON"; THENCE N89°32'55"W 157.50 FEET ON A WESTERLY PROJECTION OF THE NORTH LINE OF SAID SOUTH 180.00 FEET OF LOT 2; THENCE S00°43'49"W 277.05 FEET PARALLEL WITH THE WEST LINE OF SAID PLAT OF "PARK ADDITION TO CLEAR LAKE, WASHINGTON" TO A POINT BEARING N89°32'55"W FROM THE TRUE POINT OF BEGINNING; THENCE S89°32'55"E 157.50 FEET TO THE TRUE POINT OF BEGINNING.

SITUATE IN SKAGIT COUNTY, WASHINGTON.