

**DEED OF TRUST
(Mt. Vernon)**



200403170078

Skagit County Auditor

3/17/2004 Page

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14 2:36PM

After recording, return to:

Frank Chmelik
1500 Railroad Avenue
Bellingham, WA 98225-4542

LAND TITLE OF SKAGIT COUNTY

111236SE

Document Title(s) (or transactions contained therein)

1. DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING

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

1. DAVID ADDIE

☐ Additional names on page _____ of document.

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

1. JERRY AND BARBARA WELCH

2.

☐ Additional names on page _____ of document.

Legal Description (abbreviated)

Portion of Block 16 of Gates Second Addition to Mount Vernon" as per plat Vol. 2, p. 98

Reference Number(s) of Documents assigned or released:

☐ Additional numbers on pages _____ of document.

Assessor's Property Tax Parcel/Account Number

8012-000-022-0100 and 8012-000-022-0200

☐ Property Tax Parcel ID is not yet assigned

☐ Additional parcel numbers on page _____ of document.

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RETURN ADDRESS:

Frank Chmelik
1500 Railroad Avenue
Bellingham, WA 98225-4542

**DEED OF TRUST, ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING**

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING (the "Deed of Trust") is dated March 16, 2004, among David M. Addie, whose address is 11812 Westar Lane, Burlington, WA 98233 ("Grantor"); Jerry E. Welch and Barbara J. Welch, husband and wife, whose mailing address is 13629 Rector Road, Bow, WA 98232 (referred to below sometimes as "Lender" and sometimes as "Beneficiary"); and Land Title Company, whose mailing address is P.O. Box 445, Burlington, WA 98233 (referred to below as "Trustee").

CONVEYANCE AND GRANT. For valuable consideration, Grantor conveys to Trustee in trust with power of sale, right of entry and possession and for the benefit of Lender as Beneficiary, all of Grantor's right, title, and interest, including all after acquired right, title and interest, in and to the following described real property, together with all buildings, improvements and tenements now or hereafter erected on the real property, and all heretofore or hereafter vacated alleys and streets abutting the real property, and all easements, rights, appurtenances, rents (subject, however, to the assignment of rents to Lender herein), royalties, mineral, oil and gas rights and profits, water, water rights, and water stock appurtenant to the real property; all trade names, trademarks, licenses, agreements, permits, good will and other similar rights, tangible and intangible, related to the real property, and all of the estate, right, title, claim, interest and demand whatsoever of Grantor, either in law or in equity, whether now owned or hereafter acquired, in and to the real property; all fixtures, machinery, equipment, engines, boilers, incinerators, building materials, appliances and goods of every nature whatsoever now or hereafter located in, or on, or used, or intended to be used in connection with the real property, including, but not limited to, those for the purposes of supplying or distributing heating, cooling, electricity, gas, water, air and light; and all elevators, and related machinery and equipment, fire prevention and extinguishing apparatus, security and access control apparatus, plumbing, bath tubs, water heaters, water closets, sinks, ranges, stoves, refrigerators, dishwashers, disposals, washers, dryers, awnings, storm windows, storm doors, screens, blinds, shades, curtains and curtain rods, mirrors, cabinets, paneling, rugs, attached floor coverings, furniture, pictures, antennas, trees and plants, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the real property covered by this Instrument; and all of the foregoing, together with the real property are herein referred to collectively as the "Property." The real property (the "Property") above referenced is located in Skagit County, in the State of Washington, and is legally described as follows:

That portion of Block 16, "MAP OF MOUNT VERNON, GATES 1ST AND 2ND ADDITIONS TO MOUNT VERNON," as per plat recorded in Volume 2 of Plats, page 98, records of Skagit County, Washington, lying Westerly of a line drawn parallel with and 65 feet distant Westerly, measured at right angles, from the centerline of Primary State Highway No. 1, Conway Junction to Junction of Primary State Highway No. 1, North of Burlington, the specific details concerning all of which are to be found within that certain map of definite location now of record and on file in the office of



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Director of Highways at Olympia, and bearing date of approval January 27, 1953, revised May 15, 1953, June 9, 1953, and May 25, 1954,

EXCEPT railroad right of way,

AND ALSO EXCEPT that portion thereof conveyed to the State of Washington for highway purposes by deed recorded under Auditor's File No. 784975, records of Skagit County, Washington.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.

Grantor hereby assigns as security to Lender, all of Grantor's right, title, and interest in and to all leases, Rents, and profits of the Property. The lien created by this assignment is intended to be specific, perfected and choate upon the recording of this Deed of Trust. Lender grants to Grantor a license to collect the Rents and profits, which license may be revoked at Lender's option and shall be automatically revoked upon acceleration of all or part of the Indebtedness or upon a default by Grantor under the provisions of this Deed of Trust.

Grantor also grants to Lender a security interest in the Personal Property and the ground lease from the Port of Skagit underlying the Property.

THIS DEED OF TRUST, INCLUDING THE ASSIGNMENT OF RENTS AND THE SECURITY INTEREST IN THE RENTS AND PERSONAL PROPERTY, IS GIVEN TO SECURE (I) PAYMENT OF THE INDEBTEDNESS EVIDENCED BY A SECURED PROMISSORY NOTE (WITHOUT RECOURSE) BETWEEN GRANTOR AND LENDER OF EVEN DATE, (II) FULL PAYMENT BY GRANTOR OF ALL AMOUNTS DUE FROM HIM PURSUANT TO THAT CERTAIN SETTLEMENT AND STOCK SALE AGREEMENT DATED JANUARY 21, 2004 BY AND BETWEEN GRANTOR, BENEFICIARY AND INTERNATIONAL AERO INC. (THE 'SETTLEMENT AGREEMENT'), AND (III) FULL PAYMENT OF THAT CERTAIN PROMISSORY NOTE FOR SEVEN HUNDRED THOUSAND DOLLARS (\$700,000) BY AND BETWEEN GRANTOR AS MAKER AND BENEFICIARY AS PAYEE DATED JANUARY 21, 2004 (THE "STOCK PROMISSORY NOTE").

PAYMENT AND PERFORMANCE. Except as otherwise provided in this Deed of Trust, Grantor shall pay to Lender all amounts secured by this Deed of Trust as they become due, and shall perform all of Grantor's obligations under the Note, this Deed of Trust, and the Related Documents.

POSSESSION AND MAINTENANCE OF THE PROPERTY. Grantor agrees that Grantor's possession and use of the Property shall be governed by the following provisions:

Possession and Use. Until the occurrence of an Event of Default, Grantor may (1) remain in possession and control of the Property; (2) use, operate or manage the Property; and (3) collect the Rents from the Property (this privilege is a license from Lender to Grantor automatically revoked upon default). The following provisions relate to the use of the Property or to other limitations on the Property. The Real Property is not used principally for agricultural purposes.

Duty to Maintain. Grantor shall maintain the Property in tenantable condition and perform all necessary repairs, replacements, and maintenance.

Nuisance, Waste. Grantor shall not cause, conduct or permit any nuisance nor commit, permit, or suffer any stripping of or waste on or to the Property or any portion of the Property. Without limiting the generality of the foregoing, Grantor will not allow or suffer the presence of any Hazardous Substances on the Property in violation of any applicable law, rule or regulation, remove, or grant to any other party the right to remove, any timber, minerals (including oil and gas), coal, clay, scoria, soil, gravel or rock products without Lender's prior written consent.



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Removal of Improvements. Grantor shall not demolish or remove any Improvements from the Real Property without Lender's prior written consent, which consent shall not be unreasonably withheld. As a condition to the removal of any Improvements, Lender may require Grantor to make arrangements satisfactory to Lender to replace such Improvements with Improvements of at least equal value.

Lender's Right to Enter. Lender and Lender's agents and representatives may enter upon the Real Property after having given five days advance notice of his intent to do so.

Compliance with Governmental Requirements. Grantor shall promptly comply, and shall promptly cause compliance by all agents, tenants or other persons or entities of every nature whatsoever who rent, lease or otherwise use or occupy the Property in any manner, with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the use or occupancy of the Property, including without limitation, all Environmental Laws and the Americans With Disabilities Act. Grantor may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Grantor has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Property are not jeopardized. Lender may require Grantor to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

UNDERLYING OBLIGATIONS TAXES AND LIENS. The following provisions relating to the ground rent, underlying obligations, taxes and liens on the Property are part of this Deed of Trust

Payment. Grantor shall pay when due (and in all events prior to delinquency) all taxes, special taxes, assessments, charges (including water and sewer), fines and impositions levied against or on account of the Property, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property. Grantor shall maintain the Property free of all liens having priority over or equal to the interest of Lender under this Deed of Trust, except for the lien of taxes and assessments not due and except as otherwise provided in this Deed of Trust, or in the Settlement Agreement.

Transfer. Until the Indebtedness is paid in full, neither Grantor nor any Guarantor, without the prior written consent of Lender, shall create, effect, consent to, attempt, contract for, agree to make, suffer or permit any conveyance (other than leases in the ordinary course of business), sale, assignment, transfer, lien, pledge, mortgage, security interest, encumbrance or alienation of, the Property, or any interest in or portion of the Property, or any interest in Grantor, which is effected directly, indirectly, voluntarily, involuntarily, or by operation of law or otherwise, or except as provided in the Settlement Agreement

Right to Contest. Grantor may withhold payment of any tax, assessment, or claim in connection with a good faith dispute over the obligation to pay, so long as Lender's interest in the Property is not jeopardized. If a lien arises or is filed as a result of nonpayment, Grantor shall within fifteen (15) days after the lien arises or, if a lien is filed, within fifteen (15) days after Grantor has notice of the filing, secure the discharge of the lien, or if requested by Lender, deposit with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender in an amount sufficient to discharge the lien plus any costs and attorneys' fees, or other charges that could accrue as a result of a foreclosure or sale under the lien. In any contest, Grantor shall defend itself and Lender and shall satisfy any adverse judgment before enforcement against the Property. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings.

Evidence of Payment. Grantor shall upon demand furnish to Lender satisfactory evidence of payment of the taxes or assessments and shall authorize the appropriate governmental official to deliver to Lender at any time a written statement of the taxes and assessments against the Property.

PROPERTY DAMAGE INSURANCE. The following provisions relating to insuring the Property are a part of this Deed of Trust.



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Maintenance of Insurance. Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement basis for the full insurable value covering all improvements on the Real Property in an amount sufficient to avoid application of any coinsurance clause, and with a standard mortgagee clause in favor of Lender. Grantor shall also procure and maintain comprehensive general liability insurance with limits of at least \$1,000,000 per occurrence and \$1,000,000 in the aggregate. Grantor, upon request of Lender, will deliver to Lender from time to time the certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least thirty (30) days prior written notice to Lender.

Application of Proceeds. Grantor shall promptly notify Lender of any loss or damage to the Property if the *estimated cost of repair or replacement exceeds \$5000*. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. Lender may, at Lender's election, receive the proceeds of any insurance but shall apply the proceeds to the restoration and repair of the Property, with any excess to be paid to the party paying the insurance premium. If Lender elects to apply the proceeds to restoration and repair, Grantor shall repair or replace the damaged or destroyed improvements in a manner satisfactory to Lender. Lender shall, upon satisfactory proof of such expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration if Grantor is not in default under this Deed of Trust. If Lender holds any proceeds after payment in full of the indebtedness, such proceeds shall be paid without interest to Grantor as Grantor's interests may appear.

Unexpired Insurance at Sale. Any unexpired insurance shall inure to the benefit of, and pass to, the purchaser of the Property covered by this Deed of Trust at any trustee's sale or other sale held under the provisions of this Deed of Trust, or at any foreclosure sale of such Property.

Grantor's Report on Insurance. Upon request of Lender, however not more than once a year, Grantor shall furnish to Lender a report on each existing policy of insurance showing: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured, the then current replacement value of such property, and the manner of determining that value; and (5) the expiration date of the policy. Grantor shall, upon request of Lender, have an independent appraiser satisfactory to Lender determine the cash value replacement cost of the Property.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Property or if Grantor fails to make any payment required under this Deed of Trust including but not limited to *Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Deed of Trust or any Related Documents*, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Property and paying all costs for insuring, maintaining and preserving the Property. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Deed of Trust also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

WARRANTY; DEFENSE OF TITLE. The following provisions relating to ownership of the Property are a part of this Deed of Trust:

Title. Grantor warrants that: (a) Grantor holds good and marketable title of record to the Property, free and clear of all liens and encumbrances other than those set forth in the Real Property description or in any title insurance policy, title report, or final title opinion issued in favor of, and accepted by, Lender in connection



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with this Deed of Trust, and (b) Grantor has the full right, power, and authority to execute and deliver this Deed of Trust to Lender.

Defense of Title. Subject to the exception in the paragraph above, Grantor warrants and will forever defend the title to the Property against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Grantor's title or the interest of Trustee or Lender under this Deed of Trust, Grantor shall defend the action at Grantor's expense. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of Lender's own choice and Grantor will deliver, or cause to be delivered, to Lender such instruments as Lender may request from time to time to permit such participation.

Compliance With Laws. Grantor warrants that the Property and Grantor's use of the Property complies with all existing applicable laws, ordinances, and regulations of governmental authorities.

Survival of Representations and Warranties. All representations, warranties, and agreements made by Grantor in this Deed of Trust shall survive the execution and delivery of this Deed of Trust, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's Indebtedness shall be paid in full.

CONDEMNATION. The following provisions relating to condemnation proceedings are a part of this Deed of Trust:

Proceedings. If any proceeding in condemnation is filed, Grantor shall promptly notify Lender in writing, and Grantor shall promptly take such steps as may be necessary to defend the action and obtain the award. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of its own choice all at Grantor's expense, and Grantor will deliver or cause to be delivered to Lender such instruments and documentation as may be requested by Lender from time to time to permit such participation.

Application of Net Proceeds. If all or any part of the Property is condemned by eminent domain proceedings or by any proceeding or purchase in lieu of condemnation, the net proceeds of the award shall be applied first to pay any amount owing to Lender under this Deed of Trust, then to pay accrued interest, and the remainder, if any, shall be applied to the principal balance of the Indebtedness. If Lender holds any proceeds after payment in full of the Indebtedness, such proceeds shall be paid without interest to Grantor as Grantor's interests may appear. The net proceeds of the award shall mean the award after payment of all reasonable costs, expenses, and attorneys' fees incurred by Trustee or Lender in connection with the condemnation.

IMPOSITION OF TAXES, FEES AND CHARGES BY GOVERNMENTAL AUTHORITIES. The following provisions relating to governmental taxes, fees and charges are a part of this Deed of Trust:

Current Taxes, Fees and Charges. Upon request by Lender, Grantor shall execute such documents in addition to this Deed of Trust and take whatever other action is requested by Lender to perfect and continue Lender's lien on the Real Property. Grantor shall reimburse Lender for all taxes, as described below, together with all expenses incurred in recording, perfecting or continuing this Deed of Trust, including without limitation all taxes, fees, documentary stamps, and other charges for recording or registering this Deed of Trust.

SECURITY AGREEMENT; FINANCING STATEMENTS. The following provisions relating to this Deed of Trust as a security agreement are a part of this Deed of Trust:

Security Agreement. This instrument shall constitute a Security Agreement to the extent any of the Property constitutes Personal Property or fixtures, and Lender shall have all of the rights of a secured party under the Uniform Commercial Code as amended from time to time other than the right to obtain a deficiency judgment.



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Security Interest. Upon request by Lender, Grantor shall execute financing statements and take whatever other action is requested by Lender to perfect and continue Lender's security interest in the Rents and Personal Property. Grantor hereby authorizes Lender to file any financing statements with respect to the Personal Property as Lender shall deem necessary, at Grantor's expense. In addition to recording this Deed of Trust in the real property records, Lender may, at any time and without further authorization from Grantor, file executed counterparts, copies or reproductions of this Deed of Trust as a financing statement. Grantor shall reimburse Lender for all expenses incurred in perfecting or continuing this security interest. Upon the occurrence of an Event of Default, Grantor shall not remove, sever or detach the Personal Property from the Property. Upon the occurrence of an Event of Default, Grantor shall assemble any Personal Property not affixed to the Property in a manner and at a place reasonably convenient to Grantor and Lender and make it available to Lender within three (3) days after receipt of written demand from Lender to the extent permitted by applicable law.

Addresses. The mailing addresses of Grantor (debtor) and Lender (secured party) from which information concerning the security interest granted by this Deed of Trust may be obtained (each as required by the Uniform Commercial Code) are as stated on the first page of this Deed of Trust.

FULL PERFORMANCE. If Grantor pays all the Indebtedness when due, and otherwise performs all the obligations imposed upon Grantor under this Deed of Trust, Lender shall execute and deliver to Trustee a request for full reconveyance and shall execute and deliver to Grantor suitable statements of termination of any financing statement on file evidencing Lender's security interest in the Rents and the Personal Property. Any reconveyance fee shall be paid by Grantor, if permitted by applicable law. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto", and the recitals in the reconveyance of any matters or facts shall be conclusive proof of the truthfulness of any such matters or facts.

EVENTS OF DEFAULT. Each of the following, at Lender's option, shall constitute an Event of Default under this Deed of Trust:

Payment Default. Subject to any applicable cure period, the Grantor (i) fails to make a scheduled payment when due under the Promissory Note, (ii) the Grantor defaults under the terms and conditions of the Settlement Agreement or (iii) the Grantor defaults under the terms and conditions of the Stock Promissory Note.

Default on Other Payments. Grantor fails to make any payment for underlying obligations, ground rent, taxes or insurance and does not pay the amount due within twenty days after receipt of notice of nonpayment.

Default of Ground Lease: Grantor defaults under any term and condition of the ground lease for the Property from the Port of Skagit.

Default on Underlying Deed of Trust: Assignment or Mortgage: Grantor permits a default in any deed of trust, assignment, or mortgage that for which this Deed of Trust is subordinate.

Insolvency. The insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor which are not dismissed within ninety days after the date of filing of the petition.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any property securing the Indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not



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apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding.

Default of Any Term or Condition Herein. Subject to any applicable cure period, the Grantor fails to cure any default of the Settlement Agreement which is hereby incorporated by reference, defaults any other obligation contained in this Deed of Trust.

Notice and Opportunity to Cure.

Notwithstanding anything in this Deed of Trust to the contrary, Grantor and International Aero, Inc. a Washington corporation (the "Corporation") shall have the following notice and opportunity to cure periods. In the case of a default in the payment of any amounts due under the obligations secured by this Deed of Trust, Grantor and the Corporation shall have twenty-five (25) days in which to cure the default after being provided written notice of default, given in the manner required by this Deed of Trust. In the case of non-monetary defaults, Grantor and the Corporation shall have twenty-five (25) days in which to cure the default after being provided written notice of default given in the manner required by this Deed of Trust. If Grantor or the Corporation believes that the default cannot reasonably be cured within the twenty-five day period, then Grantor and the Corporation, or either of them, may apply to the Skagit County Superior Court for an extension of the time to cure the default, which extension shall be granted unless the Court determines, in the Court's discretion reasonably exercised, both, (i) that the additional time is reasonably required to cure the default, and (ii) that Welch's security would not be materially impaired by granting the additional time to complete cure of the default and the Court may fix a different period of time for the cure. The decision of the Skagit County Superior Court shall be made on motion and affidavits by the Court.

Notwithstanding anything in this Deed of Trust Agreement or in the obligations secured by this Deed of Trust to the contrary, Beneficiary agrees that Grantor and the Corporation shall each be given notice of any default by Grantor, and that each shall have the cure periods stated in this Deed of Trust to cure a default by the Grantor. Cure periods available to Grantor and the Corporation shall begin to run, as to the party receiving a written notice of default, from the date the receiving party receives notice of the default. To the extent any such cure periods overlap, the cure periods shall run concurrently. The cure period for a party shall not expire until the cure period begun on the date notice was received has expired.

The notice and opportunity to cure periods provided in this Deed of Trust shall run concurrently with any statutory periods in which to cure an alleged default by Grantor under this Deed of Trust or under the obligations secured by this Deed of Trust. For example, if Grantor fails to make a payment within an applicable cure period, the date of default for purposes of RCW 61.24.040(8) shall be the original due date of the payment in default and not the date the cure period expires without payment.

RIGHTS AND REMEDIES ON DEFAULT. If an Event of Default occurs under this Deed of Trust, Lender's sole remedy shall be to foreclose nonjudicially or judicially under Chapter 61.24 RCW or, as to any personal property collateral, to realize on those assets under Title 9 of the Uniform Commercial Code, RCW 62A.9A, exclusive of any right to a deficiency under the Code.

Termination of Lease. In the event that Welch obtains title to Property (including but not limited to foreclosure or deed in lieu of foreclosure of the Deed of Trust) then Welch may, at Welch's option, terminate the lease by the Corporation for the Property. In the event that Welch completes a foreclosure under this Deed of Trust, the purchaser at the foreclosure sale may, at his or her sole option, terminate the lease by and between Grantor and International Aero, Inc.

Collect Rents. If an Event of Default occurs under this Deed of Trust, Lender shall have the right, without notice to Grantor to take possession of and manage the Property and collect the Rents, including amounts past due and unpaid, and apply the net proceeds, over and above Lender's costs, against the Indebtedness. In furtherance of this right, Lender may require any tenant or other user of the Property to make payments of rent or use fees directly to Lender. If the Rents are collected by Lender, then Grantor irrevocably designates



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Lender as Grantor's attorney-in-fact to endorse instruments received in payment thereof in the name of Grantor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Lender in response to Lender's demand shall satisfy the obligations for which the payments are made, whether or not any proper grounds for the demand existed. Lender may exercise its rights under this subsection either in person, by agent, or through a receiver.

Appoint Receiver. If an Event of Default occurs under this Deed of Trust, Lender shall have the right to have a receiver appointed to take possession of all or any part of the Property, with the power to protect and preserve the Property, to operate the Property preceding or pending foreclosure or sale, and to collect the Rents from the Property and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

Tenancy at Sufferance. If Grantor remains in possession of the Property after the Property is sold as provided above or Lender otherwise becomes entitled to possession of the Property upon the occurrence of an Event of Default, Grantor shall become a tenant at sufferance of Lender or the purchaser of the Property and shall, at Lender's option, either (1) pay a reasonable rental for the use of the Property, or (2) vacate the Property immediately upon the demand of Lender or the purchaser of the Property.

Notice of Sale. Lender shall give Grantor reasonable notice of the time and place of any public sale of the Personal Property or of the time after which any private sale or other intended disposition of the Personal Property is to be made. Reasonable notice shall mean notice given at least twenty (20) days before the time of the sale or disposition. Any sale of Personal Property may be made in conjunction with any sale of the Real Property.

Sale of the Property. To the extent permitted by applicable law, Grantor hereby waives any and all rights to have the Property marshalled. In exercising its rights and remedies, the Trustee or Lender shall be free to sell all or any part of the Property together or separately, in one sale or by separate sales. Lender shall be entitled to bid at any public sale on all or any portion of the Property.

Rights of Trustee. Trustee shall have all of the rights and duties of Lender as set forth in this section.

POWERS AND OBLIGATIONS OF TRUSTEE. The following provisions relating to the powers and obligations of Trustee (pursuant to Lender's instructions) are part of this Deed of Trust:

Powers of Trustee. In addition to all powers of Trustee arising as a matter of law, Trustee shall have the power to take the following actions with respect to the Property upon the written request of Lender and Grantor: (a) join in preparing and filing a map or plat of the Real Property, including the dedication of streets or other rights to the public; (b) join in granting any easement or creating any restriction on the Real Property; and (c) join in any subordination or other agreement affecting this Deed of Trust or the interest of Lender under this Deed of Trust.

Obligations to Notify. Trustee shall not be obligated to notify any other party of a pending sale under any other trust deed or lien, or of any action or proceeding in which Grantor, Lender, or Trustee shall be a party, unless required by applicable law, or unless the action or proceeding is brought by Trustee.

Trustee. Trustee shall meet all qualifications required for Trustee under applicable law. In addition to the rights and remedies set forth above, with respect to all or any part of the Property, the Trustee shall have the right to foreclose by notice and sale, and Lender shall have the right to foreclose by judicial foreclosure, in either case in accordance with and to the full extent provided by applicable law.

Successor Trustee. Lender, at Lender's option, may from time to time appoint a successor Trustee to any Trustee appointed under this Deed of Trust by an instrument executed and acknowledged by Lender and



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recorded in the office of the recorder of Spokane County, Washington. The instrument shall contain, in addition to all other matters required by state law, the names of the original Lender, Trustee, and Grantor, the book and page or the Auditor's File Number where this Deed of Trust is recorded, and the name and address of the successor trustee, and the instrument shall be executed and acknowledged by Lender or its successors in interest. The successor trustee, without conveyance of the Property, shall succeed to all the title, power, and duties conferred upon the Trustee in this Deed of Trust and by applicable law. This procedure for substitution of Trustee shall govern to the exclusion of all other provisions for substitution.

NOTICES. Subject to applicable law, and except for notice required or allowed by law to be given in another manner, any notice required to be given under this Deed of Trust, including, without limitation, any notice of default and notices of trustee's sale and foreclosure, shall be given in writing, and shall be effective when actually delivered, or, if mailed, when deposited in the State of Washington in the United States mail, as first class, certified or registered mail postage prepaid, return receipt requested, directed to the addresses shown near the beginning of this Deed of Trust or to such other address as Grantor has designated in writing. All copies of notices of trustee's sale from the holder of any lien which has priority over this Deed of Trust shall be sent to Lender's address, as shown near the beginning of this Deed of Trust. Any party may change its address for notices under this Deed of Trust by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Subject to applicable law, and except for notice required or allowed by law to be given in another manner, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

In addition to notices to Grantor, notices to be provided to Grantor, to be effective, shall be provided to International Aero, Inc. and to a corporate attorney designated in writing by International Aero, Inc. to Beneficiary. The address of International Aero, Inc. is set forth below. International Aero, Inc. shall have the right to designate a different corporate attorney from time to time, a different corporate attorney's address, and to change International Aero, Inc.'s address.

International Aero, Inc.
11817 Westar Lane
Burlington, WA 98233

Corporate Attorney:

Ronald J. Trompeter
Eisenhower & Carlson PLLC
601 Union Street, Suite 2830
Seattle, WA 98101

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Deed of Trust:

Amendments. This Deed of Trust, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Deed of Trust. No alteration of or amendment to this Deed of Trust shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Caption Headings. Caption headings in this Deed of Trust are for convenience purposes only and are not to be used to interpret or define the provisions of this Deed of Trust.

Merger. There shall be no merger of the interest or estate created by this Deed of Trust with any other interest or estate in the Property at any time held by or for the benefit of Lender in any capacity, without the written consent of Lender.



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Governing Law. This Deed of Trust will be governed by, construed and enforced in accordance with the laws of the State of Washington.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Deed of Trust unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Deed of Trust shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Deed of Trust. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Deed of Trust, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Severability. If a court of competent jurisdiction finds any provision of this Deed of Trust to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Deed of Trust. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Deed of Trust shall not affect the legality, validity or enforceability of any other provision of this Deed of Trust.

Successors and Assigns. Subject to any limitations stated in this Deed of Trust on transfer of Grantor's interest, this Deed of Trust shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Property becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Deed of Trust and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Deed of Trust or liability under the Indebtedness.

Waiver of Homestead Exemption. 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.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Deed of Trust. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Deed of Trust shall have the meanings attributed to such terms in the Uniform Commercial Code:

Deed of Trust. The words "Deed of Trust" mean this Deed of Trust among Grantor, Lender, and Trustee, and includes without limitation all assignment and security interest provisions relating to the Personal Property and Rents.

Default. The word "Default" means the Default set forth in this Deed of Trust in the section titled "Default."

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

Event of Default. The words "Event of Default" mean any of the events of default set forth in this Deed of Trust in the events of default section of this Deed of Trust.



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Grantor. The word "Grantor" means David M. Addie.

Hazardous Substances. The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

Improvements. The word "Improvements" means all existing and future improvements, buildings, structures, mobile homes affixed on the Real Property, facilities, additions, replacements and other construction on the Real Property.

Indebtedness. The word "Indebtedness" means all principal, interest, and other amounts, costs and expenses payable under the Secured Promissory Note of even date together with all renewals of, extensions of, modifications of, consolidations of and substitutions for the Note and any amounts expended or advanced by Lender to discharge Grantor's obligations or expenses incurred by Trustee or Lender to enforce Grantor's obligations under this Deed of Trust, together with interest on such amounts as provided in this Deed of Trust.

Lender. The word "Lender" means Jerry E. Welch and Barbara J. Welch, his wife, and their successors and assigns.

Note. The word "Note" means collectively the Secured Promissory Note of even date executed by Grantor in favor of Lender; together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for that note.

Personal Property. The words "Personal Property" mean all equipment, fixtures, and other articles of personal property now or hereafter owned by Grantor, and now or hereafter attached or affixed to the Real Property or located at such Real Property, including, without limitation, all of the personal property described above under the Section of this Deed of Trust entitled "**CONVEYANCE AND GRANT.**"

Property. The word "Property" means collectively the Real Property and the Personal Property.

Real Property. The words "Real Property" mean the real property, interests and rights, as further described in this Deed of Trust.

Rents. The word "Rents" means all present and future rents, revenues, income, issues, royalties, profits, and other benefits derived from the Property.

Trustee. The word "Trustee" means Land Title Company, whose mailing address is P.O. Box 445, Burlington WA 99233, and any substitute or successor trustees.

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NOTICE CONCERNING ORAL AGREEMENTS

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY,
EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A
DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS DEED OF TRUST, AND
GRANTOR AGREES TO ITS TERMS.

GRANTOR:

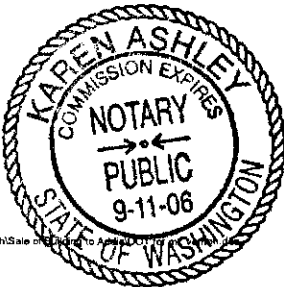
David M. Addie

David Addie
11817 Westar Lane
Burlington, WA 98233

ACKNOWLEDGEMENT

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this 16 day of March, 2004 I certify that I know or have satisfactory evidence that David
Addie signed this instrument and acknowledged it to be his free and voluntary act of, for the uses and
purposes mentioned in the said foregoing instrument.



EXCISEMENTS R-ZWichSale of Property to Agent, DOT 107

Karen Ashley
Printed name: Karen Ashley
NOTARY PUBLIC in and for the State of Washington
Residing at Sedro-Woolley, Washington
My Commission Expires: 9/11/06



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REQUEST FOR FULL RECONVEYANCE

To: _____, Trustee

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust. You are hereby requested, upon payment of all sums owing to you, to reconvey without warranty, to the persons entitled thereto, the right, title and interest now held by you under the Deed of Trust.

Date: _____

Lender: _____
Jerry Welch

Date: _____

Lender: _____
Barbara Welch

<http://seattle/S/See/Documents/MSD/06628078.doc>



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