

After recording return to:

Jason W. Alexander
Sussman Shank LLP
Suite 1400
1000 SW Broadway
Portland, OR 97205



200406070068

Skagit County Auditor

6/7/2004 Page 1 of 8 9:23AM

Document Title: Deed of Trust

Reference numbers of related documents: 200307280240

Grantor(s):

1. Wood, Jeffrey M. and Wood, April J., individually and as husband and wife, including their marital community property.

Grantee(s):

1. Rodda Paint Company
2. Alexander, Jason W., Trustee

Legal Description:

1. (Abbreviated) N 100 FT OF E1/2 S1/2 N1/2 SE1/4 NE1/4 LESS RD
2. Additional legal description is on page 2 of this document.

Assessor's Property Tax Parcel Account No.: P36411

DEED OF TRUST

THIS Deed of Trust is effective this 17th day of May 2004, by Jeffrey M. Wood and April J. Wood, husband and wife, individually and as husband and wife, including their marital community ("Grantor"), to Jason W. Alexander ("Trustee") for the use and benefit of Rodda Paint Company ("Beneficiary"). The Grantor hereby provides this Deed of Trust to Trustee for the use and benefit of Beneficiary to secure payment of all debt incurred by Skagit Lumber & Paint Co., Inc. ("Skagit") under its Credit Application and Agreement with Beneficiary dated April 27, 2004 (the "Agreement"), including, but not limited to, all sums owing for goods sold by Beneficiary to Skagit, whether incurred before or after this Deed of Trust. The due date of the sums secured hereby is May 16, 2014, unless a default occurs earlier under the Agreement or this Deed of Trust. The interest rate of all sums secured hereby is 18% per annum. The real estate subject to this Deed of Trust is situated in Skagit County, Washington, and is fully described below.

The maximum principal amount to be advanced is \$90,000.00 (the "Debt"), provided however, that the maximum principal amount to be advanced may be exceeded for reasonable protection of the property described below, including but not limited to advances to pay real property taxes, maintenance charges imposed under a declaration or restrictive covenant, and reasonable attorneys' fees and costs. Beneficiary is under no obligation to advance any sums in excess of \$90,000.00 and is under no obligation to advance any sums to Grantor if a default under the Agreement or this Deed of Trust exists.

The Deed of Trust is not granted to secure an obligation incurred primarily for personal, family, or household purposes.

Grantor irrevocably grants, bargains, sells, and conveys to Trustee in trust, with power of sale, the real property in Skagit County, Washington, which is more fully described as follows:

The North 100 feet of the East ½ of the South ½ of the North ½ of the Southeast ¼ of the Northeast ¼ of Section 13, Township 35 North, Range 4 East, W.M., EXCEPT the as built and existing State Highway No. 9 running along the East line thereof.

which real property (the "Property") is not principally for agricultural, timber, or grazing purposes; together with all and singular the tenements, hereditaments and appurtenances and all other rights thereunto belonging or in anyway now or hereafter appertaining, and the rents, issues and profits thereof and all fixtures now or hereafter attached to or used in connection with said Property.

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



1. To protect, preserve and maintain the Property in good condition and repair; not to remove or demolish any building or improvement thereon; not to commit or permit any waste of the Property.

2. To complete or restore promptly and in good and workmanlike manner any building or improvement which may be constructed, damaged or destroyed thereon, and pay when due all costs incurred therefore.

3. To comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the Property. If the Beneficiary so requests, to join in executing such financing statements pursuant to the Uniform Commercial Code as the beneficiary may require and to pay for filing same in the proper public office or offices, as well as the cost of all lien searches made by filing officers or searching agencies as may be deemed desirable by the Beneficiary.

4. To keep said premises free from construction liens and other non-consensual liens, and to pay all taxes, assessments and other charges that may be levied or assessed upon or against the Property before any part of such taxes, assessments and other charges become past due or delinquent and promptly deliver receipts therefore to Beneficiary; should the Grantor fail to make payment of any taxes, assessments, insurance premiums, liens or other charges payable by Grantor, either by direct payment or by providing Beneficiary with funds with which to make such payment, Beneficiary may, at its option, make payment thereof, and the amount so paid, with interest at the rate set forth in the Credit Application secured hereby (18 percent per year), together with the obligations described in paragraphs 6 & 7 of this Deed of Trust, shall be added to and become a part of the debt secured by this Deed of Trust, without waiver of any rights arising from breach of any of the covenants hereof and for such payments, with interest as aforesaid, the property hereinbefore described, as well as the Grantor, shall be bound to the same extent that they are bound for the payment of the obligation herein described, and all such payments shall be immediately due and payable without notice, and the nonpayment thereof shall, at the option of the Beneficiary, render all sums secured by this Deed of Trust immediately due and payable and constitute a breach of this Deed of Trust.

5. To pay all costs, fees and expenses of this Deed of Trust incurred after execution and recording of this Deed of Trust including the cost of title search as well as the other costs and expenses of the Trustee incurred in connection with or in enforcing this obligation and trustee's and attorney's fees actually incurred.

6. To appear in and defend any action or proceeding purporting to affect the security rights or powers of Beneficiary or Trustee; and in any suit, action or proceeding in which the Beneficiary or Trustee may appear, including any suit for the foreclosure of this Deed of Trust, to pay all costs and expenses, including evidence of title and the Beneficiary's or Trustee's attorney's fees; the amount of attorney's fees mentioned in this paragraph 7 in all cases shall be fixed by the trial court and in the event of an



appeal from any judgment or decree of the trial court, Grantor further agrees to pay such sum as the appellate court shall adjudge reasonable as the Beneficiary's or Trustee's attorney's fees on such appeal and any attorneys fees and costs incurred by Beneficiary in enforcing this Deed of Trust in the United States Bankruptcy Court.

It is mutually agreed that:

7. In the event that any portion or all of the Property shall be taken under the right of eminent domain or condemnation, Beneficiary shall have the right, if it so elects, to require that all or any portion of the monies payable as compensation for such taking, which are in excess of the amount required to pay all reasonable costs, expenses and attorney's fees necessarily paid or incurred by Grantor in such proceedings, shall be paid to Beneficiary and applied by it first upon any reasonable costs and expenses and attorney's fees, both in the trial and appellate courts, paid or incurred by Beneficiary in such proceedings, and the balance applied upon the indebtedness secured hereby; and Grantor agrees, at its own expense, to take such actions and execute such instruments as shall be necessary in obtaining such compensation, promptly upon Beneficiary's request.

8. At any time and from time to time upon written request of Beneficiary, payment of its fees and presentation of this Deed of Trust, without affecting the liability of any person for the payment of the indebtedness, Trustee may (a) consent to the making of any map or plat of said property; (b) join in granting any easement or creating any restriction thereon; (c) join in any subordination or other agreement affecting this deed or the lien or charge thereof; (d) reconvey, without warranty, all or any part of the Property. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any matters or facts shall be conclusive proof of the truthfulness thereof. Trustee's fees for any of the services mentioned in this paragraph shall be not less than \$5.

9. Any default under the Agreement (the Credit Application and Agreement executed by Skagit Lumber & Paint Co., Inc. dated April 27, 2004), as well as any default in the personal Guarantee Agreements executed by Jeffrey M. Wood and April J. Wood dated April 27, 2004, shall constitute a default under this Deed of Trust. In addition, should either Jeffrey M. Wood or April J. Wood revoke their guarantee, or either of them, Beneficiary may refuse to extend any further credit under this Deed of Trust or the Agreement in its sole discretion. In addition, any default under this Deed of Trust shall constitute a default under the above-described Agreement and Guarantee Agreements.

10. Upon any default by Grantor hereunder, including any default under paragraph 9 above, then Beneficiary may at any time without notice, either in person, by agent or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of the Property or any part thereof, in its own name sue or otherwise collect the rents,



issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees upon any indebtedness secured hereby, and in such order as Beneficiary may determine.

11. The entering upon and taking possession of the Property, the collection of such rents, issues and profits, or the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the property, and the application or release thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

12. Upon default by Grantor in payment of any indebtedness secured hereby or in his performance of any agreement hereunder, including paragraph 9 above, time being of the essence with respect to such payment and/or performance, the Beneficiary may declare all sums secured hereby immediately due and payable. In such an event the Beneficiary at its election may proceed to foreclose this Deed of Trust in equity as a mortgage or direct the Trustee to foreclose this Deed of Trust by advertisement and sale, or may direct the Trustee to pursue any other right or remedy, either at law or in equity, which the Beneficiary may have. In the event the Beneficiary elects to foreclose by advertisement and sale, the Beneficiary or the Trustee shall execute and cause to be recorded his written notice of default and his election to sell the said described real property to satisfy the obligations secured hereby whereupon the Trustee shall fix the time and place of sale, give notice thereof as then required by law and proceed to foreclose this Deed of Trust in the manner provided by law in the State of Washington.

13. After the Trustee has commenced foreclosure by advertisement and sale, and at any time prior to 11 days before the date the Trustee conducts the sale, the Grantor or any other person so privileged under the provisions of the Revised Code of the State of Washington, may cure the default or defaults. If the default consists of a failure to pay, when due, sums secured by the Deed of Trust, the default may be cured by paying the entire amount due at the time of the cure other than such portion as would not then be due had no default occurred. Any other default that is capable of being cured may be cured by tendering the performance required under the Agreement and this Deed of Trust. In any case, in addition to curing the default or defaults, the person effecting the cure shall pay to the Beneficiary all costs and expenses actually incurred in enforcing the obligation of the Deed of Trust together with Trustee's fees and attorney's fees not exceeding the amounts provided by law.

14. Otherwise, the sale shall be held on the date and at the time and place designated in the notice of sale or the time to which said sale may be postponed as provided by law. The Trustee may sell the Property either in one parcel or in separate parcels and shall sell the parcel or parcels at auction to the highest bidder for cash, payable at the time of sale. Trustee shall deliver to the purchaser its deed in form as required by law conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in the deed of any matters of fact shall be conclusive



proof of the truthfulness thereof. Any person, excluding the Trustee, but including the Grantor and Beneficiary, may purchase at the sale.

15. When Trustee sells pursuant to the powers provided herein, Trustee shall apply the proceeds of sale to payment of (1) the expenses of sale, including the compensation of the Trustee and a reasonable charge by Trustee's attorney, (2) the obligation secured by the Deed of Trust, (3) all persons having recorded liens subsequent to the interest of the Trustee in the Deed of Trust as their interests may appear in the order of their priority and (4) the surplus, if any, to the Grantor or to his successor in interest entitled to such surplus.

16. Beneficiary may from time to time appoint a successor or successors to any Trustee named herein or to any successor trustee appointed hereunder. Upon such appointment, and without conveyance to the successor trustee, the latter shall be vested with all title, powers and duties conferred upon any trustee herein named or appointed hereunder. Each such appointment and substitution shall be made by written instrument executed by Beneficiary, which, when recorded in the mortgage records of the county or counties in which the Property is situated, shall be conclusive proof of proper appointment of the successor trustee.

17. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged is made a public record as provided by law. 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, Beneficiary or Trustee shall be a party unless such action or proceeding is brought by Trustee.

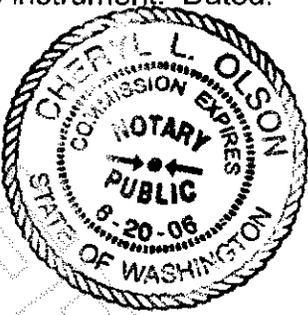
18. The Grantor covenants and agrees to and with the Beneficiary and those claiming under him, that he is lawfully seized in fee simple of the Property.

19. This Deed of Trust applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, personal representatives, successors and assigns. The term beneficiary shall mean the holder and owner, including pledgee, of the contract secured hereby, whether or not named as a beneficiary herein. In construing this Deed of Trust and whenever the context so requires, the masculine gender includes the feminine and the neuter, and the singular includes the plural.

20. In the event that improvements are made to the Property, the Grantor shall provide the Beneficiary with written notice of the improvements that are going to be made and the source for the payment of the construction of these improvements. Grantor shall insure all such improvements in an amount of not less than the then insurable interest of the improvements. Grantor will pay when due all statements for materials provided or labor performed in the construction of any improvement on the Property.



instrument and acknowledged it to be his free and voluntary act for the uses and purposes mentioned in the instrument. Dated: May 26th, 2004.

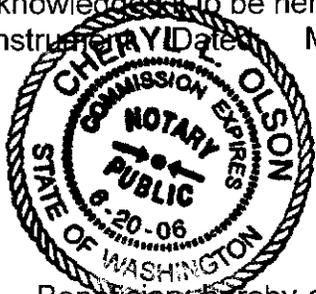


Cheryl Olson
(Signature)

My Appointment Expires: 6-30-06

STATE OF WASHINGTON)
County of Skagit) ss.

I certify that I know or have satisfactory evidence that April J. Wood is the person who appeared before me, and said person acknowledged that she signed this instrument and acknowledged it to be her free and voluntary act for the uses and purposes mentioned in the instrument. Dated: May 26th, 2004



Cheryl Olson
(Signature)

My Appointment Expires: 6-30-06

Beneficiary hereby accepts this Deed of Trust. To the extent this Deed of Trust amends the Agreement (Credit Application and Agreement executed by Skagit on April 27, 2004), Beneficiary hereby agrees to such amendment.

Rodda Paint Co., Beneficiary

By Shawn Levesque
Shawn Levesque, Credit Manager

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Skagit County Auditor