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Skagit County Auditor

6/15/2004 Page 1 of 5 11:27AM

Filed for Record at Request of:

Jeffrey H. Capeloto
Anderson Hunter Law Firm
PO Box 5397
Everett, WA 98206-5397

m14604

DEED OF TRUST

Grantors: Mud Lake Investments, LLC-Washington Land Recycling LLC

Grantees: David G. Hudson and Donna L. Hudson

Trustee: Anderson Hunter Law Firm P.S.

Legal Description (abbreviated): PTN of SE QTR SEC 2 T34N R4E WM SKAGIT CO.

Additional on Schedule A-1 attached.

Assessor's Tax Parcel No: 340402-3-009-0500 P116953

340402-4-002-0004 P23436

THIS DEED OF TRUST, made this 21st day of May , 2004, by and between MUD LAKE INVESTMENTS, LLC, Grantor, whose address is 22734 Mud Lake Road , Mt. Vernon, WA 98273, ANDERSON HUNTER LAW FIRM, P.S. Trustee, whose address is 2707 Colby Avenue #1001, Everett, WA 98201; and David G. Hudson and Donna L. Hudson, Beneficiary, whose address is PO Box 2223, Everett, WA 98213.

WITNESSITH:

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

See Schedule A-1 attached.

Which real property is not used principally for agricultural or farming purposes, together with all tenements, hereditaments, and appurtenances now or hereafter thereunto belonging or in any way 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 HUNDRED FIFTY THOUSAND DOLLARS (\$150,000) 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 extension 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 the 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 and building, structure or improvement being built or about to be built thereon; to restore promptly any building, structure or improvement thereon which may 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, included within the term of extended coverage, and such other hazards as Beneficiary may require 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 foreclosure 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. Grantor covenants that Grantor is lawfully seized of the estate hereby conveyed and has right to grant and convey the property and that the property is unencumbered. Grantor agrees to defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary of 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 foreclosure 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. If Grantor fails to perform the covenants and agreements contained in this Deed of Trust or the Note entered contemporaneously herewith, or if any action or proceeding is commenced which materially affects Lender's interest in the property, including , but not limited to, eminent domain, insolvency, code enforcement, arrangements or proceedings involving a bankruptcy, or if Grantor fails to pay when due any taxes , assessments, insurance premiums, liens, encumbrances or other charges against the property hereinabove described, then, Beneficiary, at Beneficiary's option, may make such appearances, disburse such sums and take such action as is necessary to protect Beneficiary's interest, including, but not limited to, disbursement of a reasonable attorney's fees and the entry upon the property to make repairs.



200406150093

Skagit County Auditor

Any amounts disbursed by Beneficiary pursuant to this paragraph with interest thereon at twelve percent (12%) per annum, shall become additional indebtedness of Grantor secured by this Deed of Trust, and shall be immediately due and owing. Nothing contained in this Section shall require Beneficiary to incur any expense or take any action hereunder.

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 thereof as may be necessary to fully satisfy the obligation secured hereby, shall be paid to Beneficiary to be applied to said obligation.
2. Any forbearance by Beneficiary in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy.
3. The Trustee shall reconvey all or any part of the property conveyed 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 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 purchasers 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. Beneficiary shall have all remedies afforded at law or in equity.
7. In the event of the death, incapacity or 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.



200406150093
Skagit County Auditor

not obligated to notify any party hereto of a 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, insures to the benefit of, and is binding not only on the parties hereto, but on their heirs, devisees, legatees, administrators, executors, successors and assigns. The term Beneficiary shall mean the holder and owner of the Note secured hereby, whether or not named as Beneficiary herein.

9. If all or any part of the property or an interest therein is sold or transferred by Grantor without Beneficiary's prior written consent, Beneficiary may, at Beneficiary's option declare all sums secured by this Deed of Trust to be immediately due and payable. Beneficiary shall waive such option to accelerate, if prior to the sale or transfer, Beneficiary and the person to whom the property is to be sold or transferred reach an agreement in writing that the credit of such person is satisfactory to Beneficiary and that the interest payable on the sum secured by the Deed of Trust shall be at such rate as Beneficiary shall request.

10. As additional security hereunder, Grantor hereby assigns to Beneficiary the rents of the property, provided that Grantor shall, prior to a default or abandonment of the property have the right to collect and retain such rents as they become due and payable. Upon a default or abandonment of the property, Beneficiary in person, by agent or by a judicially appointed receiver, shall be entitled to enter upon, take possession of and manage the property and to collect the rents of the property, including those past due. All rents collected by Beneficiary or the receiver shall be applied first to payment of the costs of management of the property and collection of rents, including, but limited to, receiver's fees, premiums of receiver's bonds and reasonable attorney's fees, and then sums secured by this Deed of Trust. Beneficiary and the receiver shall be liable to account for only those rents actually received.

MUD LAKE INVESTMENTS, LLC

By: 

Its: Member





200406150093

Skagit County Auditor

6/15/2004 Page

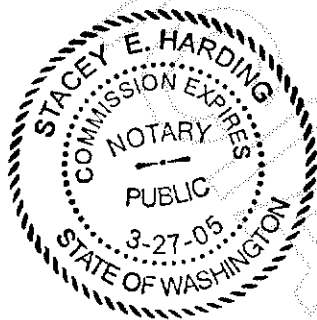
4 of

5 11:27AM

STATE OF WASHINGTON)
) ss.
COUNTY OF SNOHOMISH)

On this day personally appeared before me Michael Beverick, to me known to be the Member of MUD LAKE INVESTMENTS, LLC, the limited liability company that executed the within and foregoing instrument, and acknowledged to me the said instrument was the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute the said instrument for and on its behalf.

SUBSCRIBED AND SWORN to before me by Michael Beverick on this 21st day of May, 2004.



Stacey E. Harding
Printed Name: STACEY E. HARDING
NOTARY PUBLIC
In and for the State of Washington.
My commission expires: 3-27-05



200406150093
Skagit County Auditor