

When recorded return to:

Michael A. Winslow
411 Main Street
Mount Vernon, Washington 98273



200606300071

Skagit County Auditor

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DEED OF TRUST

Grantor: Terry Sanderson, a married man, as to his separate property, of 1012 W. Division Street, Mount Vernon, WA 98273

Grantees:

1. **Beneficiaries** Russell Gibbons and Marie Gibbons, husband and wife of 16028 McLean Road, Mount Vernon, WA 98273
2. **Trustee** First American Title Company of Skagit County, a Washington corporation, P.O. Box 1667, 1301 B. Riverside Drive, Mount Vernon, Washington 98273

Legal Description:

Section 3, Township 34, Range 2; Ptn. Gov. Lot 2 and SE NW

Additional legal description located on pages 5 and 6

Assessor's Property Tax Parcel or Account No.: P19688/340203-0-012-0001; P19681/340203-0-006-0009; and P19721/340203-2-005-0105

Reference Numbers of Documents Assigned or Released: NONE

Conveyance:

Grantor bargains, sells, and conveys to Trustee in Trust, with power of sale, right of entry, and possession and for the benefit of Beneficiaries, all of Grantor's right, title, and interest in and to the the above described real estate, together with all buildings and improvements; all easements, rights of way, and appurtenances; all water, water rights, and ditch rights; and all other rights relating to the real property, situated in Mount Vernon, Skagit County, Washington.

The described real property is not used principally for agricultural purposes (which is defined as an operation to produce crops, livestock or aquatic goods), 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.

Deed of Trust
Sanderson\Gibbons

This deed is for the purpose of securing performance of each agreement of Grantor herein contained, and payment of the sum of Five Hundred Thousand Dollars (\$500,000.00) in accordance with the terms of a Promissory Note of even date herewith, payable to Beneficiaries or order, and made by Grantor. This Deed further secures all renewals, modifications, and extensions thereof and also such further sums as may be advanced or loaned by Beneficiaries to Grantor, or any of their successors or assigns, together with interest thereon at such rate as shall be agreed upon. **The term "Grantor" as used in this agreement includes the "Borrower" as defined in RCW 61.24, if the Borrower is a person or entity other than the Grantor.**

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 thereof; to restore promptly any building, structure of 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 defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiaries 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 Beneficiaries to foreclose this Deed of Trust.

4. **Attorneys' Fees, Expenses.** If Beneficiaries institute any suit or action to enforce any of the terms of this Deed of Trust, Beneficiaries shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and on any appeal. Whether or not any court action is involved, all reasonable expenses incurred by beneficiaries, which in beneficiaries' opinion are necessary at any time for protection of its interests or the enforcement of its rights, shall become part of the indebtedness payable on demand and shall bear interest at the same rate as provided in the Promissory Note from the date of expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, beneficiaries' attorneys' fees whether or not there is a lawsuit, including attorney's fees for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction) appeals, and any anticipated post-judgment collection services, the costs of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, appraisal fees (including those related to any action for a deficiency judgment), title insurance and fees for the trustee, to the extent permitted by applicable law. Grantor also will pay any court costs, in addition to all of the sums provided by law.

5. Should Grantor fail to pay when due any taxes, assessments, liens, encumbrances, or other charges against the property hereinabove described, Beneficiaries 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 Beneficiaries to be applied to said obligation.

2. By accepting payment of any sum secured hereby after its due date, Beneficiaries do not waive their 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 Beneficiaries, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiaries 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 Beneficiaries. In such event and upon written request of Beneficiaries, 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. Pursuant to RCW 62A.9-501(4), if this deed of trust encumbers both real and personal property, the trustee is authorized to sell all or any portion of the Grantor's interest in the real and personal property at the trustee's sale. 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 the Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bonafide purchaser and encumbrancers 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; Beneficiaries may cause this Deed of Trust to be foreclosed as a mortgage.

7. In the event of a death, incapacity, disability or resignation of Trustee or the election of the Beneficiaries to replace the Trustee, Beneficiaries 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 Beneficiaries 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 Beneficiaries



shall mean the holder and owner of the Note secured hereby, whether or not named as Beneficiaries herein.

9. **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.

10. Grantors shall promptly comply with all statutes regulations and ordinances which apply to Grantors or the Property and with all orders, decrees or judgments of governmental authorities or courts having jurisdiction which Grantors are bound by, relating to the use, collection, storage, treatment, control, removal or cleanup of hazardous or toxic substances in, on or under the Property or in, on or under an adjacent property that becomes contaminated with hazardous or toxic substances as a result or construction, operations or other activities on, or the contamination of, the Property, at Grantors' expense. Beneficiary may, but is not obligated to, enter upon the Property and take such actions and incur such costs and expenses to effect such compliance as it deems advisable to protect its interest as Beneficiary; and whether or not Grantors have actual knowledge of the existence of hazardous or toxic substances in, on or under the Property or any adjacent property as of the date hereof, Grantor shall reimburse Beneficiary on demand for the full amount of all costs and expenses incurred by Beneficiary prior to Beneficiary acquiring title to the Property through foreclosure or deed in lieu of foreclosure, in connection with such compliance activities.

Grantors' Street address for service of process:

1012 W. Division Street
Mount Vernon, WA 98273

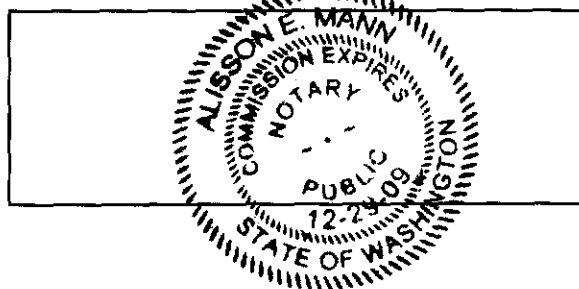
DATED: June 28, 2006.

Terry Sanderson
Terry Sanderson

State of Washington)
)ss
County of Skagit)

I certify that I know or have satisfactory evidence that Terry Sanderson is the person who appeared before me, and said person acknowledged that he signed this instrument and acknowledged it to be his free and voluntary act for the uses and purposes in the instrument.

Dated: June 28, 2006.



Alison Mann
ALISSON MANN, Notary Public
My appointment expires 12/29/09

Deed of Trust
Sanderson\Gibbons

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Legal description

The land referred to in this report/policy is situated in the State of Washington, County of Skagit, and is described as follows:

PARCEL "A":

That portion of Government Lot 2, Section 3, Township 34 North, Range 2 East, W.M., described as follows:

Beginning at a point 300 feet Southeasterly (measured at right angles) from a point on the center line of the main tract of the Great Northern Railway as the same existed on September 16, 1922, which is 555.4 feet distant Northeasterly, as measured along said center line from the West line of said Government Lot 2; thence Northwesterly at right angles to said center line of the railway a distance of 165 feet; thence Northwesterly on a straight line (which line, if produced, would intersect a point which is 50 feet distant Southeasterly from a point on the center line of said railway which is 430.4 feet distant Northeasterly as measured along the center line of the railway from the West line of said Government Lot 2) to a point on the South line of the State Highway which lies to the South of said railway; thence Southwesterly along the South line of the State Highway to the West line of said Government Lot 2; thence South along the West line of said Government Lot 2 to a point which is 300 feet Southerly (measured at right angles) from the center line of said railway; thence Northeasterly parallel with the center line of said railway to the point of beginning;

EXCEPT that portion thereof, lying within the former right-of-way of the Puget Sound and Baker River Railway; EXCEPT any portion of said premises lying Southerly of said Puget Sound and Baker River Railway right-of-way;

TOGETHER WITH that portion of Government Lot 2, Section 3, Township 34 North, Range 2 East, W.M., lying Southerly of a line which is 300 feet South of the center line of the Great Northern Railway Company right-of-way as said center line existed of June 4, 1902, and lying Northwesterly of the Northwesterly line of the Puget Sound and Baker River Railway right-of-way;

EXCEPT that portion of Government Lot 2, Section 3, Township 34 North, Range 2 East, W.M., lying Southerly of the March Point Road right-of-way (Old Mount Vernon - Anacortes Highway), Northerly of the abandoned Puget Sound and Baker River Railway right-of-way, and West of the following described line:

Commencing at the intersection of the West line of said Government Lot 2 and the Southerly line of said March Point Road; thence North $74^{\circ}38'31''$ East along said Southerly line, a distance of 46.82 feet to the initial point of this line description; thence South $01^{\circ}50'56''$ East, a distance of 388.91 feet to a point on the Northerly line of the abandoned Puget Sound and Baker River Railway right-of-way which lies North $47^{\circ}47'39''$ East, a distance of 80.15 feet from the West line of said Government Lot 2 when measured along said right-of-way and the terminus of this line description.

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PARCEL "B":

That portion of the East ½ of the Southeast ¼ of the Northwest ¼ of Section 3, Township 34 North, Range 2 East, W.M., lying Southeasterly of the Puget Sound and Baker River Railway Company right-of-way as conveyed to said Company by document recorded September 20, 1922, under Auditor's File No. 158994, in Volume 127 of Deeds, page 482, records of Skagit County, Washington, and lying Northerly of the North line of that portion thereof conveyed to the State of Washington for highway purposes by deed recorded December 30, 1960, under Auditor's File No. 602563, records of Skagit County, Washington.

PARCEL "C":

All of the 50 foot right-of-way, as conveyed to the Puget Sound and Baker River Railway Company by deeds recorded September 18, 1922 under Auditor's File No. 158953, and September 19, 1922 under Auditor's File No. 158994, lying within Government Lot 2 and the East ½ of the Southeast ¼ of the Northwest ¼ of Section 3, Township 34 North, Range 2 East, W.M..

Subject to easements of record under Auditor File Nos. 8805180055, 199911050099, 504343, 645277, 8806280039, 9201240060, and 9302170056;

Further subject to Agreement and terms thereof between Puget Sound and Baker River Railroad Company and George Benjamin under Auditor File No. 309067; and



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