

AFTER RECORDING MAIL TO:

Floyd L. Fuller
P.O. Box 728
Freeland, WA 98249



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Skagit County Auditor

7/25/2008 Page 1 of 6 3:35PM

DEED OF TRUST

(For use in the State of Washington only)

Escrow No. W-15433TF
Title Order No. NONE
Reference Numbers of Related Documents:

GUARDIAN NORTHWEST TITLE CO.
Wild-2
ACCOMMODATION RECORDING ONLY

THIS DEED OF TRUST, made this 8th day of July, 2008, between

Russ and Bill Investment, LLC, a Washington Limited Liability Company, as GRANTOR(S),
whose street address is 1003 West Division
Mount Vernon, WA 98273 and

Northwest Exchange and Trustee, Inc., a Washington corporation, as TRUSTEE,
whose street address is 1614 E. Main Street/P.O. Box 115, Freeland, WA 98249 and

Floyd L. Fuller, a single man as to a 50% interest and Dugan W. Stephenson and Vicki E. Stephenson, husband and wife as to a 50% interest, as BENEFICIARY,
whose street address is P.O. Box 728
Freeland, WA 98249.

WITNESSETH: Grantor(s) hereby bargain(s), sell(s), and convey(s) to Trustee in trust, with power of sale, the following described real property in Skagit County, Washington:

Abbreviated Legal: TAX 171 BEG ON N LI DIV ST IN S1/2 SE1/4 DK 1 NW1/4 TH W 221.48FT W OF E LI SUB TH N 0-27 W 115FT TH S 89-23 E 7FT TH N 1-11-25 E 183.13FT TO N LI OF SUB TH S 88-55-22 W 175.22FT TH S 1-11-25 W 292.63FT T ODIV ST TH S 89-23 E 169.35FT TPB LESS W 5.48FT OF S 115FT OF E 221.48FT

Full legal description as set forth in Exhibit "A" attached hereto and by this reference made a part hereof and incorporated herein.

Tax Parcel Number(s): 26654

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 way wise appertaining, and the rents, issues and profits of the property.

This Deed of Trust is for the purpose of securing performance of each agreement of Grantor(s) contained in this Deed of Trust, and payment of the sum of ***FIVE HUNDRED THOUSAND AND NO/100* DOLLARS (\$500,000.00** with interest, in accordance with the terms of a promissory note of even date herewith, payable to Beneficiary or order, and made by Grantor(s), and all renewals, modifications, and extensions thereof, and also such further sums as may be advanced or loaned by Beneficiary to Grantor(s), or any of the Grantor(s)' successors or assigns, together with interest thereon at the rate agreed upon.

DUE DATE: The entire balance of the promissory note secured by this Deed of Trust, together with any and all interest accrued thereon, shall be due and payable in full on **August 1, 2018**.

To protect the security of this Deed of Trust, Grantor(s) covenant(s) and agree(s):

- 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 on the property; 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(s). 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(s) 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(s) 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.
7. DUE ON SALE: (OPTIONAL - *Not applicable unless initialed by Grantor and Beneficiary*) The property described in this security instrument may not be sold or transferred without the Beneficiary's consent. Upon breach of this provision, Beneficiary may declare all sums due under the note and Deed of Trust immediately due and payable, unless prohibited by applicable law.

Grantor (Initials)


Beneficiary (Initials)

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 by this Deed of Trust, shall be paid to Beneficiary to be applied to said obligation.
2. By accepting payment of any sum secured by this Deed of Trust 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(s) 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(s) in the payment of any indebtedness secured by this Deed of Trust or in the performance of any agreement contained in this Deed of Trust, all sums secured hereby shall immediately become due and payable at the option of the Beneficiary subject to any cure period provided in the note secured by this Deed of Trust. 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; and (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 all right, title and interest in the real and personal property which Grantor(s) had or had the power to convey at the time of the execution of this Deed of Trust, and such as Grantor(s) 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 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; Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage.
7. In the event of the absence, death, incapacity, disability, or resignation of Trustee, or at the discretion of the Beneficiary, 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

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200807250086
Skagit County Auditor

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(s). 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(s) in insurance policies then in force shall pass to the purchaser at the foreclosure sale.
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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.
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NP SP BA CP
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Beneficiary (Initials)

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7. In the event of the absence, death, incapacity, disability, or resignation of Trustee, or at the discretion of the Beneficiary, 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



200807250086
Skagit County Auditor

party hereto of pending sale under any other Deed of Trust or of an action or proceeding in which Grantor(s), 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 his/her/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. **ADDITIONAL TERMS AND CONDITIONS: PROMISSORY NOTE**, the performance of which is secured hereby, contains a provision for adjustment of interest rate on September 1, 2013.

Russ and Bill Investment, LLC

Russell Perry
By: Russell Perry, Member

Susan Perry
By: Susan Perry, Member

Bill Floyd
By: Bill Floyd, Member

Christine Floyd
By: Christine Floyd, Member

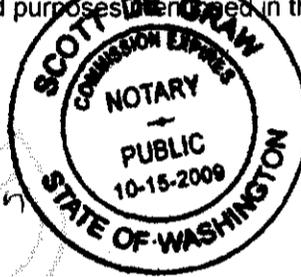
STATE OF WASHINGTON) ss.
COUNTY OF

I certify that I know or have satisfactory evidence that Russell Perry, Susan Perry, Bill Floyd, and Christine Floyd is/are the person(s) who appeared before me, and said person(s) acknowledged that he/she/they signed this instrument, on oath stated that he was/she was/they were authorized to execute the instrument and acknowledged it as the Members and Authorized Signators of Russ and Bill Investment, LLC to be the free and voluntary act of such party(ies) for the uses and purposes intended in this instrument.

Dated: 17th day of July, 2008.

Scott DeGraw

Notary Public in and for the State of Washington
residing at Sedro-Woolley WA
My Commission Expires: 10-15-09



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: _____



200807250086
Skagit County Auditor

B-22A
1 of 3

party hereto of pending sale under any other Deed of Trust or of an action or proceeding in which Grantor(s), Trustee, or Beneficiary shall be a party unless such action or proceeding is brought by the Trustee.

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Russ and Bill Investment, LLC

X X X X X X

By: Russell Perry, Member

X X X X X X X

By: Susan Perry, Member

Bill Floyd

By: Bill Floyd, Member

Christine Floyd

By: Christine Floyd, Member

STATE OF WASHINGTON

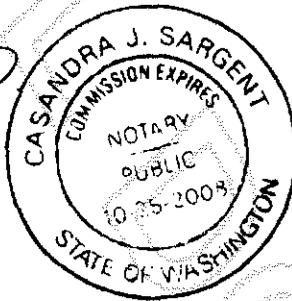
COUNTY OF Snohomish ss.

I certify that I know or have satisfactory evidence that ^{RP} Russell Perry, ^{SP} Susan Perry, Bill Floyd, and Christine Floyd ~~is~~ are the person(s) who appeared before me, and said person(s) acknowledged that ~~he/she~~ they signed this instrument, on oath stated that ~~he was/she was~~ they were authorized to execute the instrument and acknowledged it as the Members and Authorized Signators of Russ and Bill Investment, LLC to be the free and voluntary act of such party(ies) for the uses and purposes mentioned in this instrument.

Dated: 16 day of July, 2008.

[Signature]

Notary Public in and for the State of
residing at
My Commission Expires:



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: _____



200807250086
Skagit County Auditor

B-22A
1 of 3

Part of the South half of the Southeast quarter of the Northwest quarter of Section 19, Township 34 North, Range 4 East, W.M., described as follows:

Beginning at a point on the North line of Division Street projected Westerly from Mount Vernon through said subdivision 221.48 feet West of the East line of said subdivision; thence North $0^{\circ}27'$ West along the foundation line and the projection thereof of an existing concrete block building 115.0 feet; thence South $89^{\circ}23'$ East parallel to the center line of Division Street projected 7.0 feet; thence North $1^{\circ}11'25''$ East parallel to the East line of said subdivision 183.13 feet to the North line thereof; thence South $88^{\circ}55'22''$ West along the North line of said subdivision 175.22 feet; thence South $1^{\circ}11'25''$ West 292.63 feet to the North line of said Division Street projected; thence South $89^{\circ}23'$ East along the North line of said Division Street projected 169.35 feet to the point of beginning.



200807250086
Skagit County Auditor

7/25/2008 Page

6 of

6 3:35PM