



201109080012

Skagit County Auditor

9/8/2011 Page

1 of

4 10:04AM

WHEN RECORDED RETURN TO:

DOUGLAS K. ROBERTSON

BELCHER SWANSON LAW FIRM, PLLC

900 DUPONT STREET

BELLINGHAM, WA 98225

LAND TITLE OF SKAGIT COUNTY

139880-06

Document Title: Non-Merger Quit Claim Deed in Lieu of Foreclosure

Grantor: Knorr Homes LLC, a Washington limited liability company

Grantee: Z &amp; D Properties III, L.L.C., a Washington limited liability company

Legal: An undivided 50% interest in the following described tract of land:

Units A-101 through A-112, D-1 through D-4, Padilla Heights Suites, a Condominium (AF# 200805090149)

Parcel #: 4957-001-101-0000, P127596; 4957-001-102-0000, P127597; 4957-001-103-0000, P127598; 4957-001-104-0000, P127599; 4957-001-105-0000, P127600; 4957-001-106-0000, P127601; 4957-001-107-0000, P127602; 4957-001-108-0000, P127603; 4957-001-109-0000, P127604; 4957-001-110-0000, P127605; 4957-001-111-0000, P127606; 4957-001-112-0000, P127607; 4957-004-001-0000, P127610; 4957-004-002-0000, P127611; 4957-004-003-0000, P127612; 4957-004-004-0000, P127613.

SKAGIT COUNTY WASHINGTON  
REAL ESTATE EXCISE TAX

20112692

SEP 08 2011

NON-MERGER QUIT CLAIM DEED  
IN LIEU OF FORECLOSUREAmount Paid \$ 0  
Skagit Co. Treasurer  
By *ham* Deputy

The Grantor, Knorr Homes LLC, a Washington limited liability company, (hereinafter the "Grantor"), for and in consideration of the release of Grantor from certain liability as set forth below, quit claims, grants, bargains, sells, conveys, assigns and confirms to Z & D Properties III, L.L.C., a Washington limited liability company, (hereinafter the "Grantee"), the real property legally described as follows:

Grantor's undivided 50% interest in the following described tract of land:

Units A-101 through A-112, inclusive and development Units D-1 through D-4, inclusive, "Padilla Heights Suites, a Condominium", according to the Declaration thereof, recorded May 9, 2008 under Auditor's File No. 200805090149 and Survey Map and Plans thereof, recorded May 9, 2008 under Auditor's File No. 200805090148; being a portion of the Southwest ¼ of the Southeast ¼ of Section 3, Township 34 North, Range 2 East, W.M.

Less all units sold to date, including but not limited to Unit 112 that was conveyed to Edward Knorr pursuant that Statutory Warranty Deed filed under Skagit County AF# 201109080011

(hereinafter the "Real Property"), including any after-acquired title, TOGETHER with all leases, rents, issues and profits associated therewith, and all furniture, furnishings, appliances, and all other property of any kind now or hereafter owned by Grantor and located on the Real Property or used or intended to be used on the Real Property, wherever actually located (hereinafter the "Personal Property" and, together with the Real Property, the "Property"), except property of any kind located in Unit #112 which shall remain the property of Grantor.

In addition Grantor, as a Declarant of the Padilla Heights Suites Condominium, absolutely conveys, assigns, transfers and sets over to the Grantee, Z & D Properties III, L.L.C., as a successor declarant, any and all declarant rights and special declarant rights, development rights and other rights held by, retained or reserved by the Declarant with respect to the Condominium, including but not limited to any and all rights described in RCW 64.30.020 and/or RCW 64.34.256. Further, to the extent that there exist rights

reserved to the Declarant in the Declaration in addition to the Declarant Rights, Special Declarant Rights and/or Development Rights, the Grantor absolutely conveys, assigns, transfers and sets over onto the Grantee Z & D Properties III, L.L.C., as successor declarant, any such additional rights.

This deed is an absolute conveyance, assignment and transfer of all interest of Grantor in the Property and is executed and delivered by Grantor in connection with that Deed of Trust dated the 7th day of November, 2008, and recorded with the Auditor of Skagit County, Washington, on the 13<sup>th</sup> day of November, 2008 under Auditor's File No. 200811130086, and as assigned to Z & D Properties III, L.L.C. by and through that Assignment of Deed of Trust dated November 15, 2010 and recorded with the Auditor of Skagit County, Washington, on the 10<sup>th</sup> day of December, 2010 under Auditor's File No. 201012100107.

The title to the Property is hereby warranted by Grantor as against all persons, subject to the Permitted Exceptions referred to above, and Grantee agrees to accept title to the Property subject to the Permitted Exceptions. It is further warranted and covenanted by Grantor in executing this Non-Merger Quit Claim Deed and Bill of Sale in Lieu of Foreclosure (hereinafter the "Deed in Lieu"), and agreed by Grantee in accepting the Deed in Lieu as follows:

1. The consideration for the execution of the Deed in Lieu consists of the release of Grantor from any personal liability for repayment of the amount outstanding as of the date of execution hereof under the Promissory Note dated the 7<sup>th</sup> day of November, 2008, in the original principal amount of \$500,000 (hereinafter the "Note"). Nothing herein is intended or shall be construed to release Grantor or any other party from any obligations to Grantee, including any other obligations that may also be secured by the Deed of Trust, or to preclude or otherwise prejudice Grantee's right to proceed with a foreclosure action against the Property or any other property subject to the Deed of Trust, provided that Grantee shall not seek or obtain against Grantor a deficiency judgment under the Note in such action. The total consideration set forth above for the execution of the Deed in Lieu is equal to or greater than the fair market value of the Property and includes the fair and reasonable value of Grantor's interest in the Property.

2. The Deed in Lieu is executed voluntarily by Grantor, and not pursuant to duress or threats of any kind. Furthermore, it is executed and delivered in mutual good faith between Grantor and Grantee, is not made in preference to Grantee over other creditors and is not given or intended to hinder, delay, or defraud any creditor, or to contravene any of the bankruptcy laws of the United States or any other applicable laws, and that this Deed in Lieu is executed as part of a comprehensive settlement involving the Grantor, Grantee and other third parties.

3. The Deed in Lieu is not given as security for the payment of money or indebtedness, nor as security of any kind or nature; and there is no agreement or understanding, oral or written, between Grantor and Grantee herein, or any other person, relative to a conveyance of the Property back to Grantor, or to a sale or conveyance to anyone else for the benefit of Grantor, or to any division of any proceeds realized from the Property by sale or otherwise.

4. Grantor intends by the Deed in Lieu to vest the absolute and unconditional title to said Property in Grantee, and forever to estop and bar Grantor, and all of Grantor's successors in interest, from having or claiming any right, title or interest of any nature whatsoever, either in law or equity, or in possession or in expectancy, in and to the Property or any part thereof. In this regard, and in reliance upon this Deed in Lieu and all of Grantor's warranties and representations made herein, Grantee shall be entitled to exercise and enjoy all of the rights, responsibilities, powers and privileges associated with the Property at such time and on such terms as Grantee deems appropriate; collecting all rents and other income accruing in connection therewith, paying taxes and assessments levied against the Property; and otherwise acting with respect to the Property consistent with the quiet enjoyment and ownership thereof by Grantee.



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5. Grantor further warrants and represents: (a) that Grantor has full power and authority to execute and deliver this Deed in Lieu; (b) that this conveyance and assignment is freely and fairly made; (c) that Grantor is not rendered insolvent by this conveyance and assignment, and (d) that there are no agreements, oral or written, other than this Deed in Lieu between Grantor and Grantee with respect to the ownership or possession of the Property.

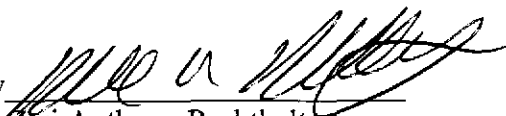
6. It is the express intent of Grantor and Grantee that this Non-Merger Quit Claim Deed in Lieu of Foreclosure shall not operate to extinguish the Deed of Trust and that the Deed of Trust shall not be merged into or otherwise released by the recording hereof. Although Grantee waives its right to pursue a personal judgment against Grantor for the amount outstanding under the Note, Grantee retains the right to proceed with the foreclosure action under the Deed of Trust against the Property on the basis of existing or future defaults under the obligations secured thereby in the event that a foreclosure is required to clear title to the Property of any existing or future encumbrances subordinate to the Deed of Trust.

DATED this 17 day of August, 2011.

GRANTOR:  
KNORR HOMES LLC

By   
Edward Knorr  
Its Manager

GRANTEE:  
Z & D PROPERTIES III, L.L.C.

By   
Zwi Anthony Pechthalt,  
Its Managing Member



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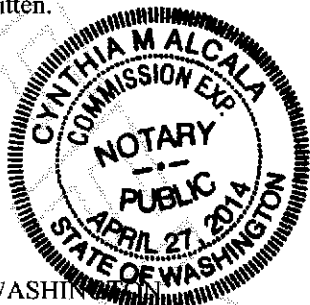
STATE OF WASHINGTON  
COUNTY OF Chelan  
~~SKAGIT~~

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On this 17 day of August, 2011, before me personally appeared Edward Knorr, to me known to be the Manager of the corporation that executed the within and foregoing instrument to be 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 said instrument.

**\*of Knorr Homes LLC**

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.



Cynthia M. Alcala  
Printed Name: Cynthia M. Alcala  
Notary Public in and for the State of  
Washington, residing at Chelan  
My Commission Expires April 27, 2014

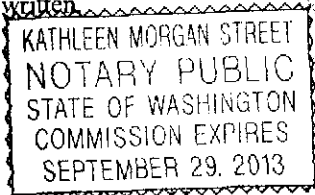
STATE OF WASHINGTON  
COUNTY OF WHATCOM

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On this 11th day of August, 2011, before me personally appeared Zwi Anthony Pechthalt, to me known to be the Managing Member of the corporation that executed the within and foregoing instrument to be 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 said instrument.

**\*Z & D II, L.L.C.**

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.



Kathleen Morgan Street  
Printed Name: Kathleen Morgan Street  
Notary Public in and for the State of  
Washington, residing at Bellingham  
My Commission Expires 9/29/13



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