

**AFTER RECORDING RETURN TO:**

**FOSTER PEPPER & SHEFELMAN PLLC**  
1111 Third Avenue, Suite 3400  
Seattle, Washington 98101

**Attention: Brian D. Buckley**



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**Kathy Hill, Skagit County Auditor**  
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**FIRST AMERICAN TITLE CO.**

53017

**SECOND DEED OF TRUST AND SECURITY AGREEMENT**

**Grantor: RICHARD V. STOCKWELL and BARBARA V. STOCKWELL, HUSBAND AND WIFE**

**Grantee #1 (Trustee): FIRST AMERICAN TILTLE INSURANCE COMPANY**

**Grantee #2 (Beneficiary): FIRST AMERICAN TITLE COMPANY OF SKAGIT COUNTY**

**Legal Description: Portions of Section 31, Township 35 North, Range 2 East  
Portions of Section 32, Township 35 North, Range 2 East  
Portions of Section 29, Township 35 North, Range 2 East  
Official Legal Description On Exhibit A.**

**Assessor's Tax Parcel ID Nos.:**  
350231-0-019-0309 (R33271)  
350232-0-001-0206 (R33440)  
350232-0-001-0107 (R33439)  
350229-0-010-0200 (R33026)  
350229-0-010-0309 (R33027)

## DEED OF TRUST AND SECURITY AGREEMENT

THIS SECOND DEED OF TRUST AND SECURITY AGREEMENT ("Deed of Trust"), is dated this 1<sup>st</sup> day of January, 1999 among RICHARD V. STOCKWELL and BARBARA V. STOCKWELL, HUSBAND AND WIFE, whose mailing address is 1107 Fidalgo Bay Road, Anacortes, Washington 98221 ("Grantor"); FIRST AMERICAN TITLE INSURANCE COMPANY, the address of which is 2101 Fourth Avenue, Suite 800, Seattle, Washington 98121, and its successors in trust and assigns ("Trustee"), and FIRST AMERICAN TITLE COMPANY OF SKAGIT COUNTY, a Washington corporation, the address of which is P.O. Box 1667, 1301-B Riverside Drive, Mount Vernon, Washington 98273 ("Beneficiary").

1. **GRANTING CLAUSE.** Grantor, in consideration of the acceptance by Trustee of the trust hereunder, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the obligations described in Section 3 below, grants, bargains, sells, and conveys to Trustee and its successors in trust and assigns, forever, in trust, with power of sale, all of Grantor's estate, right, title, interest, claim and demand in and to the property in the county of Skagit, state of Washington, described as follows, whether now existing or hereafter acquired (all of the property described in all parts of this Section 1 and all additional property, if any, described in Section 2 is herein called the "Property"):

1.1 **Land and Appurtenances.** The land described on Exhibit A hereto, and all tenements, hereditaments, rights-of-way, easements, appendages and appurtenances thereto belonging or in any way appertaining, including without limitation all of the right, title and interest of Grantor in and to any avenues, streets, ways, alleys, vaults, strips or gores of land adjoining that property, and all claims or demands of Grantor either in law or in equity in possession or expectancy of, in and to that property; and

1.2 **Improvements, Fixtures, and Equipment.** All buildings, structures and other improvements now or hereafter erected on the property described in 1.1 above, and all fixtures, machinery, equipment, furniture and other personal property identified on Exhibit B, it being the intention of the parties that all property of the character hereinabove described which is now owned or hereafter acquired by Grantor and which is affixed or attached to, stored upon or used in connection with the property described in 1.1 above shall be, remain or become a portion of that property and shall be covered by and subject to the lien of this Deed of Trust; and

1.3 **Enforcement and Collection.** Any and all rights of Grantor without limitation to make claim for, collect, receive and receipt for any and all rents, income, revenues, issues, royalties, and profits, including mineral, oil and gas rights and profits, insurance proceeds, condemnation awards and other moneys, payable or receivable from or on account of any of the Property, including interest thereon, or to enforce all other provisions of any other agreement

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(including those described in Section 1.2 above) affecting or relating to any of the Property, to bring any suit in equity, action at law or other proceeding for the collection of such moneys or for the specific or other enforcement of any such agreement, award or judgment, in the name of Grantor or otherwise, and to do any and all things which Grantor is or may be or become entitled to do with respect thereto, provided, however, that no obligation of Grantor under the provisions of any such agreements, awards or judgments shall be impaired or diminished by virtue hereof, nor shall any such obligation be imposed upon Trustee or Beneficiary; and

1.4 **Accounts and Income.** Any and all rights of Grantor in any and all accounts, rights to payment, contract rights, and documents relating to any of the Property, including, without limitation, income and profits derived from the operation of any business on the Property or attributable to services that occur or are provided on the Property or generated from the use and operation of the Property; and

1.5 **Leases.** All of Grantor's rights as landlord in and to all existing and future leases and tenancies, whether written or oral and whether for a definite term or month to month or otherwise, now or hereafter demising all or any portion of the property described in 1.1 and 1.2 above, including all renewals and extensions thereof and all rents, deposits and other amounts received or receivable thereunder. In accepting this Deed of Trust neither Beneficiary nor Trustee assumes any liability for the performance of any such lease.

2. **SECURITY AGREEMENT.** To the extent that any of the property described in Section 1 is personal property, Grantor, as debtor, grants to Beneficiary, as secured party, a security interest therein together with a security interest in all other personal property of whatsoever nature which is located on or used or to be used in connection with any of the property described in Section 1, and any products or proceeds of any thereof, pursuant to the Uniform Commercial Code of the state of Washington (the "UCC"), on the terms and conditions contained herein. Beneficiary hereby assigns such security interest to Trustee, in trust, for the benefit of Beneficiary to be dealt with as a portion of the "Property" except as otherwise specified herein.

3. **OBLIGATIONS SECURED.** This Deed of Trust is given for the purpose of securing:

3.1 **Performance and Payment.** The performance of the obligations contained herein and the payment of SEVEN HUNDRED EIGHTY ONE THOUSAND TWO HUNDRED FIFTEEN DOLLARS AND EIGHTY SEVEN CENTS (\$781,215.87), consisting of Six Hundred Fifty Six Thousand Eight Hundred Eighty Two Dollars And Seventy Eight Cents (\$656,882.78) in principal (hereinafter "Principal") and One Hundred Twenty Four Thousand Three Hundred Thirty Three Dollars And Nine Cents (\$124,333.09) in accrued interest through

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December 31, 1999, with interest on the Principal only, and all other amounts payable according to the terms of a promissory note of even date herewith made by Grantor, payable to Beneficiary or order, and any and all extensions, renewals, modifications or replacements thereof, whether the same be in greater or lesser amounts (the "Note"); and

3.2 **Future Advances.** The repayment of any and all sums advanced or expenditures made by Beneficiary subsequent to the execution of this Deed of Trust for the maintenance or preservation of the Property or advanced or expended by Beneficiary pursuant to any provision of this Deed of Trust subsequent to its execution, together with interest thereon.

4. **WARRANTIES AND COVENANTS OF GRANTOR.** Grantor warrants, covenants, and agrees:

4.1 **Warranties.**

(a) Grantor has full power and authority to grant the Property to Trustee and warrants the Property to be free and clear of all liens, charges, and other encumbrances except those, if any, noted on Exhibit C hereto.

(b) None of the Property is used principally or at all for agricultural or farming purposes.

(c) The Property is free from damage and no matter has come to Grantor's attention (including, but not limited to, knowledge of any construction defects or nonconforming work) that would materially impair the value of the Property as security.

(d) The loan evidenced by the Note and secured by this Deed of Trust is primarily for commercial, industrial or business purposes and is not primarily for personal, family or household purposes.

4.2 **Priority; Preservation of Lien.** This Deed of Trust is subject and subordinate to a deed of trust dated March 7, 1995, and recorded under Auditor's File No. 9503100098, records of Skagit County, Washington, among Grantor as grantor, First American Title Insurance Company as trustee, and Skagit State Bank as beneficiary, securing repayment of an indebtedness in the maximum amount of TWO MILLION FOUR HUNDRED AND SEVENTY THREE THOUSAND TWO HUNDRED AND FORTY FIVE DOLLARS AND NINETY TWO CENTS (\$2,473,245.92) plus interest (the "First Deed of Trust"). Grantor agrees to preserve and protect the priority of this Deed of Trust as a second lien on the Property, subject only to the First Deed of Trust. Grantor further agrees to comply with each and every of the terms, covenants, and conditions of the First Deed of Trust, the notes secured thereby, and

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the other documents and instruments related thereto, and failure of Grantor to so comply shall constitute an event of default hereunder. Grantor agrees not to modify or agree to any modification of the First Deed of Trust, the notes secured thereby, or any document related thereto, without the prior written consent of Beneficiary, which consent shall not be unreasonably withheld, and to furnish copies of all notices and communications received from the holder of the First Deed of Trust to Beneficiary immediately upon receipt.

4.3 **Repair and Maintenance of Property.** Grantor will keep the Property in good condition and repair, which duty shall include but is not limited to continual cleaning, painting, landscaping, repairing and refurbishing of the Property; will complete and not remove or demolish, alter, or make additions to any building or other improvement which is part of the Property without the express written consent of Beneficiary; will underpin and support when necessary any such building or other improvement and protect and preserve the same; will complete or restore promptly and in good and workmanlike manner any such building or other improvement which may be damaged or destroyed and pay when due all claims for labor performed and materials furnished therefor; will not commit, suffer or permit any act upon the Property in violation of law; and will do all other acts which from the character or use of the Property may be reasonably necessary for the continued operation of the Property in a safe and legal manner, the specific enumerations herein not excluding the general.

4.4 **Insurance.**

4.4.1 **Hazard.** Grantor will maintain, as further security for the faithful performance of this Deed of Trust, Grantor's existing insurance covering fire and casualty in an amount equal to one hundred percent (100%) of the replacement cost of the Property and naming Beneficiary as second loss payee (subject only to the rights of the holder of the First Deed of Trust), with such deductibles as approved by Beneficiary but that are, in any event, not more than \$10,000. Grantor shall be responsible for any uninsured losses and any deductibles. All existing and future policies for such insurance, and the proceeds thereof, are hereby assigned to Beneficiary, but no such assignment shall be effective to invalidate or impair any insurance policy. Should the Property or any part thereof be damaged by reason of any cause covered by insurance, Beneficiary may, at its option, commence, appear in and prosecute, in its own name, any action or proceeding, or make any reasonable compromise or settlement in connection with such damage, and obtain all proceeds, or other relief therefor, and Grantor agrees to pay Beneficiary's costs and reasonable attorneys' fees in connection therewith. No insurance proceeds at any time assigned to or held by Beneficiary shall be deemed to be held in trust, and Beneficiary may commingle such proceeds with its general assets and shall not be liable for the payment of any interest thereon. The amount collected under any insurance policies may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary, the entire amount so collected or any part thereof may be released to Grantor. Beneficiary shall in no case be obligated to see to the proper application of any amount paid over to Grantor. Such application or release shall not cure or



waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

4.4.2 **Liability.** Grantor will maintain comprehensive general liability insurance covering the legal liability of Grantor against claims for bodily injury, death, or property damage occurring on, in, or about the Property with coverage of One Million Dollars (\$1,000,000) combined single limit, and naming Beneficiary an additional insured.

4.4.3 **General Provisions.** Grantor shall deliver to Beneficiary a copy of all policies of insurance and shall obtain renewals of any policies which expire and deliver evidence of such renewals to Beneficiary no later than ten (10) days prior to the expiration date of the policy being replaced. All policies and renewals thereof shall contain provision for thirty (30) days' notice to Beneficiary prior to any cancellation thereof. Notwithstanding any of the foregoing, neither Trustee nor Beneficiary shall be responsible for any such insurance or for the collection of any insurance moneys, or for any insolvency of any insurer or insurance underwriter.

4.4 **Right of Inspection** Grantor shall permit Beneficiary or its agents, at all reasonable times, to enter upon and inspect the Property.

4.5 **Preservation of Licenses, Etc.** Grantor shall observe and comply with all requirements necessary to the continued existence and validity of all rights, licenses, permits, privileges, franchises and concessions relating to any existing or presently contemplated use of the Property, including but not limited to any zoning variances, special exceptions and nonconforming use permits.

4.6 **Further Assurances.** Grantor will, at its expense, from time to time execute and deliver any and all such instruments of further assurance and other instruments and do any and all such acts, or cause the same to be done, as Trustee or Beneficiary deems necessary or advisable to grant to Trustee the Property or to carry out more effectively the purposes of this Deed of Trust.

4.7 **Taxes, Assessments and Other Liens.** Grantor will pay not later than when due all taxes, assessments, encumbrances, charges, and liens with interest, on the Property or any part thereof, which at any time appear to be or are alleged to be prior and superior hereto, including but not limited to any tax on or measured by rents of the Property, the Note, this Deed of Trust, or any obligation or part thereof secured hereby.

4.8 **Expenses.** Grantor will pay all costs, fees and expenses reasonably incurred by Beneficiary or Trustee in connection with this Deed of Trust.



4.9 **Repayment of Expenditures.** Grantor will pay on or before maturity all amounts secured by this Deed of Trust, other than principal of and interest on the Note, with interest from date of expenditure at the default rate of interest specified in the Note (the "Default Rate") and the repayment thereof shall be secured hereby.

4.10 **Sale, Transfer, or Encumbrance of Property.** Except as provided in Grantor's Fourth Amended Plan of Reorganization, Grantor shall not, without the prior written consent of Beneficiary, sell, transfer or otherwise convey the Property or any interest therein, or further encumber the Property or any interest therein, or agree to do any of the foregoing without first repaying in full the Note and all other sums secured hereby. Beneficiary may not unreasonably withhold its consent to any of the matters referred to in this Section 4.10. Consent to any one such matter shall not be deemed a waiver of the right to require consent to any future matters.

4.11 **Information for Participants.** Grantor agrees to furnish such information and confirmation as may be required from time to time by Beneficiary on request of potential loan participants and agrees to make adjustments in this Deed of Trust, the Note, and the other documents evidencing or securing the loan secured hereby to accommodate such participant's requirements, provided that such requirements do not vary the economic terms of the loan secured hereby.

4.12 **Hazardous Waste.** For purposes of this Deed of Trust, "hazardous substance" means any hazardous or toxic substances, materials or wastes, including, but not limited to, those substances, materials, and wastes listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 302) and amendments thereto, or such substances, materials and wastes which are or become regulated under any applicable local, state or federal law including, without limitation, any material, waste or substance which is (i) petroleum, (ii) asbestos, (iii) poly-chlorinated biphenyls, (iv) defined as a "hazardous waste", "extremely hazardous waste", "restricted hazardous waste" or "hazardous substance" under RCW Chapter 70.105 (Hazardous Waste Management) or RCW Chapter 70.105D (Hazardous Waste Cleanup--Model Toxics Control Act), (v) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. §1251 et seq. (33 U.S.C. §1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. §1317), (vi) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. §6903, or (vii) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §9601, et seq. (42 U.S.C. §9601), all as amended, replaced or succeeded, and any other substance or matter defined as a toxic or hazardous substance or material or pollutant or contaminant under any other federal, state or local laws, ordinances or regulations or under any reported decision of a state or federal court, or any substance or matter imposing liability for clean-up costs or expenses on any person or entity under any statutory or common law theory.



To Grantor's best knowledge and after due and diligent inquiry, Grantor represents and warrants that neither Grantor nor any previous owner or user of the Property has used, generated, stored or disposed of above, in, on, under, or around the Property any hazardous substance. Grantor hereby represents and warrants that there is not now, nor to Grantor's reasonable knowledge and investigation have there ever been tank or facilities on, under, or a the Property that contained materials which, if known to be present in soils or ground water, would require clean-up, removal, or some other remedial action under any federal, state, or local law or regulation. Grantor hereby covenants and agrees that Grantor will not conduct, permit or authorize the generation, transportation, storage, treatment or disposal at the Property of any hazardous substance, and neither Grantor or any agent, servant or employee shall generate, store, bury or dispose of any hazardous substance on or in a location that will adversely affect the Property. Grantor shall promptly and diligently comply with all requirements of federal, state or local laws, statutes, ordinances or regulations, or court or administrative orders or decrees, or private agreements pertaining to hazardous substances.

If the presence, release, threat of release, placement on or in the Property, or the generation, transportation, storage, treatment or disposal at the Property of any hazardous substance: (i) gives rise to liability (including but not limited to, a response action, remedial action or removal action) under RCRA, CERCLA, state toxic waste laws, or otherwise, or (ii) causes a significant public health effect, or (iii) pollutes or threatens to pollute the environment, Grantor shall, at its sole expense, promptly take any and all remedial and removal action necessary to clean up the Property and mitigate exposure to liability arising from the hazardous substance, whether or not required by law.

Grantor shall promptly give Beneficiary: (i) written notice and a copy of any notice or correspondence it receives from any federal, state or other government authority regarding hazardous substances on the Property or hazardous substances which affect or will affect the Property, (ii) written notice of any knowledge or information Grantor obtains regarding hazardous substances on the Property or hazardous substances which will affect the Property or expenses or losses incurred or expected to be incurred by Grantor or any government agency to study, assess, contain or remove any hazardous substances on or near the Property, and (iii) written notice of any knowledge or information Grantor obtains regarding the release or discovery of hazardous substances on the Property or on other property owned by Grantor or for which Grantor is or may be responsible.

In the event Beneficiary requires, from time to time, Grantor to implement an operations and maintenance plan because of the presence or potential presence of asbestos, or lead containing paint or other hazardous substances on the Property, Grantor shall implement and follow the requirements of any such operations and maintenance plan, maintain records of such compliance at the Property and make such records immediately available to Beneficiary upon request by Beneficiary.





5. **DEFAULT.**

5.1 **Definition.** Any of the following shall constitute an "Event of Default" as that term is hereinafter used:

(a) Any representation or warranty made by or for the benefit of Grantor herein or elsewhere in connection with the loan secured hereby, including but not limited to any representations in connection with the security therefor, shall prove to have been incorrect or misleading in any material respect;

(b) Grantor or any other person or entity liable therefor shall fail to pay when due any indebtedness secured hereby;

(c) Grantor or any other signatory thereto shall default in the performance of any covenant or agreement contained in this Deed of Trust, the Note, or any other agreement securing the indebtedness secured hereby;

(d) Grantor or any other signatory thereto shall default in the performance of any covenant or agreement contained in any mortgage or deed of trust encumbering the Property, or the note or any other agreement evidencing or securing the indebtedness evidenced thereby;

(e) The occurrence of an event of default under the First Deed of Trust, the Grantor's Fourth Amended Plan of Reorganization provisions for treatment of the First Deed of Trust, the note secured thereby, or any other document or agreement related thereto; or

(f) A tax, charge or lien shall be placed upon or measured by the Note, this Deed of Trust, or any obligation secured hereby which Grantor does not or may not legally pay in addition to the payment of all principal and interest as provided in the Note.

5.2 **Beneficiary's and Trustee's Right to Perform.** Upon the occurrence of any Event of Default, Beneficiary or Trustee, but without the obligation so to do and without notice to or demand upon Grantor and without releasing Grantor from any obligations hereunder, may: make any payments or do any acts required of Grantor hereunder in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon the Property for such purposes; commence, appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien (including the First Deed of Trust and the note secured thereby) in accordance with the following paragraph; and in exercising any such powers, pay necessary expenses, employ counsel and pay a reasonable fee therefor. All sums so expended shall be payable on demand by Grantor, be



secured hereby (except as otherwise provided in Section 4.15) and bear interest at the Default Rate from the date advanced or expended until repaid.

Beneficiary or Trustee in making any payment herein is hereby authorized, in the place and stead of the Grantor, in the case of a payment under the First Deed of Trust to Skagit State Bank or the note secured thereby, may make such payment in reliance on any bill, statement or notice obtained from the holder of the First Deed of Trust upon reasonable inquiry into the accuracy or validity thereof, in the case of a payment of taxes, assessments, water rates, sewer rentals and other governmental or municipal charges, fines, impositions or liens asserted against the Property, may make such payment in reliance on any bill, statement or estimate procured from the appropriate public office upon reasonable inquiry into the accuracy of the bill, statement or estimate or into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim thereof; in the case of any apparent or threatened adverse claim of title, lien, statement of lien, encumbrance, deed of trust, claim or charge Beneficiary or Trustee, as the case may be, shall be the sole judge of the legality or validity of same; and in the case of a payment for any other purpose herein and hereby authorized, but not enumerated in this paragraph, such payment may be made whenever, in the sole judgment and discretion of Trustee or Beneficiary, as the case may be, such advance or advances shall seem necessary or desirable to protect the full security intended to be created by this instrument, provided further, that in connection with any such advance, Beneficiary at its option may and is hereby authorized to obtain a continuation report of title prepared by a title insurance company, the cost and expenses of which shall be repayable by the Grantor without demand and shall be secured hereby.

**5.3 Remedies on Default.** Upon the occurrence of any Event of Default, and upon the expiration of the applicable grace period, if any, for the curing of such default set forth in the Note, all sums secured hereby shall become immediately due and payable, without notice or demand, at the option of Beneficiary and Beneficiary may:

- (a) File a Motion for relief from stay (if necessary) to foreclose this Deed of Trust as a mortgage, judicially or nonjudicially, or to otherwise realize upon the Property;
- (b) File a Motion for the appointment of a Chapter 11 Bankruptcy Trustee and seek such other relief as is equitable.

The rights and remedies accorded by this Deed of Trust shall be in addition to, and not in substitution of, any rights or remedies available under now existing or hereafter arising applicable law. All rights and remedies provided for in this Deed of Trust or afforded by law or equity are distinct and cumulative and may be exercised concurrently, independently or successively. The failure on the part of Beneficiary to promptly enforce any right hereunder shall not operate as a waiver of such right and the waiver of any default shall not constitute a waiver of any subsequent or other default. Beneficiary shall be subrogated to the claims and liens of those whose claims or liens are discharged or paid with the loan proceeds hereof.

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5.4 **No Waiver.** By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured or to declare an Event of Default for failure to do so.

6. **CONDEMNATION.** Any award of damages, whether paid as a result of judgment or prior settlement, in connection with any condemnation or other taking of any portion of the Property, for public or private use, or for injury to any portion of the Property is hereby assigned and shall be paid to the beneficiary under the First Deed of Trust and then to Beneficiary which may apply such moneys received by it in the same manner and with the same effect as provided in Section 4.4.1 above for disposition of proceeds of hazard insurance. Should the Property or any part or appurtenance thereof or right or interest therein be taken or threatened to be taken by reason of any public or private improvement, condemnation proceeding (including change of grade), or in any other manner, Beneficiary may, at its option, commence, appear in and prosecute, in its own name, any action or proceeding, or make any reasonable compromise or settlement in connection with such taking or damage, and obtain all compensation, awards or other relief therefor, and Grantor agrees to pay Beneficiary's costs and reasonable attorneys' fees incurred in connection therewith. No condemnation award at any time assigned to or held by Beneficiary shall be deemed to be held in trust, and Beneficiary may commingle such award with its general assets and shall not be liable for the payment of any interest thereon.

7. **TRUSTEE.**

7.1 **Reconveyance.** Upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and the Note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recitals in any reconveyance executed under this Deed of Trust of any matters of fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto".

7.2 **Powers and Duties on Default.** Upon written request therefor by Beneficiary specifying the nature of the default, or the nature of the several defaults, and the amount or amounts due and owing, Trustee shall, after obtaining relief from stay, execute a written notice of default and of its election to cause the Property to be sold to satisfy the obligation secured hereby, and shall cause such notice to be recorded and otherwise given according to law.

Notice of sale having been given as then required by law, and in accordance with the Fourth Amended Plan of Reorganization, and not less than the time then required by law having elapsed after recordation of such notice of breach, Trustee, without demand on Grantor, shall sell

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the Property in accordance with the Fourth Amended Plan of Reorganization at the time and place of sale specified in the notice, as provided by statute, either as a whole or in separate parcels and in such order as it may determine, at public auction to the highest and best bidder for cash in lawful money of the United States, payable at time of sale. Grantor agrees that such a sale (or a sheriff's sale pursuant to judicial foreclosure) of all the Property as real estate constitutes a commercially reasonable disposition thereof, but that with respect to all or any part of the Property which may be personal property Trustee shall have and exercise, at Beneficiary's sole election, all the rights and remedies of a secured party under the UCC. Whenever notice is permitted or required hereunder or under the UCC, ten (10) days shall be deemed reasonable. Trustee may postpone sale of all or any portion of the Property, and from time to time thereafter may postpone such sale, as provided by statute. Trustee shall deliver to the purchaser its deed and bill of sale conveying the Property so sold, but without any covenant or warranty, express or implied. The recital in such deed and bill of sale of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person other than Trustee, including Grantor or Beneficiary, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this trust, including the cost of evidence of title search and title insurance and reasonable counsel fees in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums secured hereby in such order as Beneficiary may determine; and the remainder, if any, to the clerk of the superior court of the county in which the sale took place, as provided in RCW 61.24.080.

**7.3 Reassignment of Security Interest.** At the request of Beneficiary, and after obtaining relief from stay, Trustee shall reassign to Beneficiary the security interest created hereby and after such reassignment Beneficiary shall have the right, upon the occurrence or continuance of any Event of Default, to realize upon the personal property subject to this Deed of Trust, independent of any action of Trustee, pursuant to the UCC.

**7.4 Acceptance of Trust.** Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

**7.5 Reliance.** Trustee, upon presentation to it of an affidavit signed by Beneficiary setting forth facts showing a default by Grantor under this Deed of Trust, is authorized to accept as true and conclusive all facts and statements therein, and to act thereon hereunder.

**7.6 Replacement of Trustee.** Beneficiary may, from time to time, as provided by statute, appoint another trustee in place and stead of Trustee herein named, and thereupon Trustee herein named shall be discharged and the trustee so appointed shall be substituted as Trustee hereunder, with the same effect as if originally named Trustee herein.



8. **NOTICES.**

8.1 **Trustee.** Any notice or demand upon Trustee may be given or made at:

First American Title Insurance Company  
2101 Fourth Avenue, Suite 800  
Seattle, Washington 98121

8.2 **Grantor and Beneficiary.** Any notice to or demand upon Grantor (including any notice of default or notice of sale) or notice to or demand upon Beneficiary shall be deemed to have been sufficiently made for all purposes when deposited in the United States mails, postage prepaid, registered or certified, return receipt requested, addressed as follows:

**Grantor:** Richard V. Stockwell and Barbara V. Stockwell  
1107 Fidalgo Bay Road  
Anacortes, Washington 98221

**With a copy to:** Oles Morrison Rinker & Baker LLP  
701 Fifth Avenue  
3300 Columbia Center  
Seattle, Washington 98104-7082  
Attn: Glenn R. Nelson

**Beneficiary:** First American Title Company of Skagit County  
P.O. Box 1667, 1301-B Riverside Drive  
Mount Vernon, Washington 98273

**With a copy to:** Foster Pepper & Shefelman PLLC  
1111 Third Avenue, Suite 3400  
Seattle, Washington 98101  
Attn: Jack J. Cullen

or to such other address as may be filed in writing by Grantor or Beneficiary with Trustee.

8.3 **Waiver of Notice.** The giving of notice may be waived in writing by the person or persons entitled to receive such notice, either before or after the time established for the giving of such notice.

9. **MODIFICATIONS.** Upon written request of any party then liable for any sum secured hereby, Beneficiary reserves the right to extend the term, or otherwise modify the terms, hereof or of the Note as Beneficiary and such person may from time to time deem appropriate

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and any such change shall not operate to release, in any manner, the liability of the original Grantor or Grantor's successors in interest.

10. **SUCCESSORS AND ASSIGNS.** All provisions herein contained shall be binding upon and inure to the benefit of the respective successors and assigns of the parties.

11. **GOVERNING LAW; SEVERABILITY.** This Deed of Trust shall be governed by the law of the state of Washington. In the event that any provision or clause of this Deed of Trust or the Note conflicts with applicable law, the conflict shall not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provision and to this end the provisions of this Deed of Trust and the Note are declared to be severable.

12. **GRANTOR'S RIGHT TO POSSESSION.** Grantor may be and remain in possession of the Property for so long as it is in compliance with the Fourth Amended Plan of Reorganization, and Grantor may, while it is entitled to possession of the Property, use the same.

13. **MAXIMUM INTEREST.** No provision of this Deed of Trust or of the Note shall require the payment or permit the collection of interest in excess of the maximum permitted by law. If any excess of interest in such respect is herein or in the Note provided for, neither Grantor nor its successors or assigns shall be obligated to pay that portion of such interest which is in excess of the maximum permitted by law, and the right to demand the payment of any such excess shall be and is hereby waived and this Section 14 shall control any provision of this Deed of Trust or the Note which is inconsistent herewith.

14. **ATTORNEYS' FEES AND LEGAL EXPENSES.** In the event of any default under this Deed of Trust, or in the event that any dispute arises relating to the interpretation, enforcement or performance of any obligation secured by this Deed of Trust, Beneficiary shall be entitled to collect from Grantor on demand all fees and expenses incurred in connection therewith, including but not limited to fees of attorneys, accountants, appraisers, environmental inspectors, consultants, expert witnesses, arbitrators, mediators and court reporters. Without limiting the generality of the foregoing, Grantor shall pay all such costs and expenses incurred in connection with: (a) arbitration or other alternative dispute resolution proceedings, trial court actions and appeals; (b) bankruptcy or other insolvency proceedings of Grantor, any guarantor or other party liable for any of the obligations secured by this Deed of Trust or any party having any interest in any security for any of those obligations; (c) judicial or nonjudicial foreclosure on, or appointment of a receiver for, any of the Property; (d) post-judgment collection proceedings; (e) all claims, counterclaims, cross-claims and defenses asserted in any of the foregoing whether

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or not they arise out of or are related to this Deed of Trust; (f) all preparation for any of the foregoing; and (g) all settlement negotiations with respect to any of the foregoing.

15. **TIME OF ESSENCE.** Time is of the essence under this Deed of Trust and in the performance of every term, covenant and obligation contained herein.

16. **MISCELLANEOUS.**

16.1 Whenever the context so requires the singular number includes the plural herein, and the impersonal includes the personal.

16.2 The headings to the various sections have been inserted for convenient reference only and shall not modify, define, limit or expand the express provisions of this Deed of Trust.

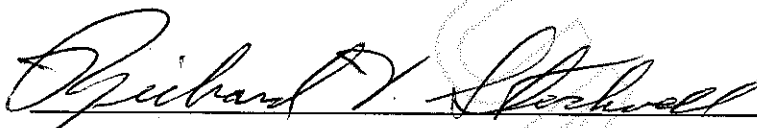
16.3 This Deed of Trust and the Note (collectively, the "Loan Documents") constitute the final expression of the entire agreement of the parties with respect to the transactions set forth therein, subject to the provisions of the Fourth Amended Plan of Reorganization. No party is relying upon any oral agreement or other understanding not expressly set forth in the Loan Documents. The Loan Documents may not be amended or modified except by means of a written document executed by the party sought to be charged with such amendment or modification.

DATED as of the day and year first above written.

**ORAL AGREEMENTS OR ORAL COMMITMENTS TO LEND MONEY,  
EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT  
OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW**

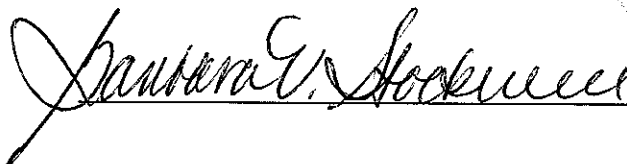
GRANTOR:

RICHARD V. STOCKWELL



GRANTOR:

BARBARA V. STOCKWELL



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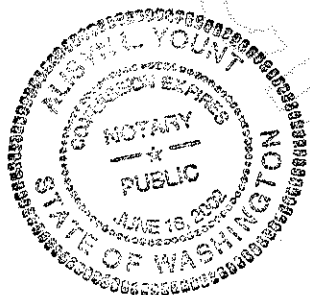
STATE OF WASHINGTON

COUNTY OF Skagit

SS.

I certify that I know or have satisfactory evidence that Richard V. Stockwell and Barbara V. Stockwell are the persons who appeared before me, and said persons acknowledged that they signed this instrument and acknowledged it to be their free and voluntary act for the uses and purposes mentioned in the instrument.

Dated this 27TH day of September, 1999.



Alison L. Yount  
(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Alison L. Yount  
Notary public in and for the state of Washington,  
residing at Anacortes

My appointment expires 06-16-02

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**EXHIBIT A**

See attached legal description.

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## SCHEDULE "C"

The land referred to herein is situated in the County of Skagit, State of Washington, and is described as follows:

## PARCEL "P":

Those portions of Government Lot 6, Section 31, Township 35 North, Range 2 East, W.M., and Government Lot 1, Section 32, Township 35 North, Range 2 East, W.M., described as follows:

Beginning at a point on the North line of the Burlington Northern Railroad right-of-way, which is 75 feet West of the right-of-way change (from 100 feet to 75 feet); at Station 325 + 85; thence South along the Easterly line of that certain tract of land conveyed to Olympic V Associates, etal, by Deed recorded under Auditor's File No. 8011200029, records of Skagit County, Washington, to the South line of said Railroad right-of-way and the true point of beginning; thence Easterly along the South boundary of the Burlington Northern right-of-way, crossing the Section line common to Sections 31 and 32, continuing Easterly along the Burlington Northern right-of-way in Lot 1, Section 32, to the Government Meander Line; thence South along the Meander Line to the North boundary of Fidalgo Bay Road as it now exists; thence Westerly along the North boundary of Fidalgo Bay Road, crossing Weaverling Road, and continuing to a point that is a distance of 525 feet from the West boundary of Weaverling Road (being also on the East line of the Olympic V Associates tract as set forth herein above); thence North along the East line of said Olympic V Associates tract to the true point of beginning, less County Roads, ALSO EXCEPT any portion thereof lying Easterly of the Weaverling Road.

## PARCEL "Q":

That portion of Government Lot 6 of Section 31, Township 35 North, Range 2 East, lying Southeasterly of the Southeasterly line of the Weaverling Road and lying Northeasterly of the Northeasterly line of Fidalgo Bay Road.

## PARCEL "R":

That portion of Government Lot 1, Section 32, Township 35 North, Range 2 East, W.M., described as follows:



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## SCHEDULE "C"

Beginning at the Section corner common to Sections 29, 30, 31 and 32, Township 35 North, Range 2 East, W.M., situated in Skagit County, State of Washington; thence Easterly along the Government Meander Line a distance of 172.68 feet, which is the true point of beginning; thence Easterly along said Government Meander Line, 415 feet, more or less, to the Northwest corner of a tract owned by Richard Stockwell; thence Southerly along the West boundary of said Tract, (which is 125 feet West and parallel to the "Old Fence Line" as established in Skagit County Superior Court Cause No. 23670), to the North line of the Burlington Northern right-of-way; thence Westerly along said right-of-way to the intersection of the Section Line common to Section 31 and 32, and the North boundary of the Burlington Northern right-of-way; thence North to the true point of beginning, EXCEPT the County Road.

TOGETHER WITH those portions of Tideland Tract 7, Plat 14, Section 29, Township 35 North, Range 2 East, W.M., and Tideland Tract 18, Plat 12, Section 32, Township 35 North, Range 2 East, W.M., described as follows:

Beginning at the common corner of Sections 29, 30, 31 and 32, Township 35 North, Range 2 East, W.M.; thence Easterly along the High Tide Line a distance of 172.68 feet to the true point of beginning; thence Northerly, crossing Tract 18 and continuing in Tract 7, parallel to the "Old Fence Line", if produced to the Inner Harbor Line and being also along the Easterly line of that certain tract conveyed to Olympic V Associates, etal, by Deed recorded under Auditor's File No. 8011200029; thence Easterly along the boundary of the Inner Harbor Line in Tract 7, to a point which is 125 feet West and parallel to the "Old Fence Line" (as established in Skagit County Superior Court Cause No. 23670), if extended; thence Southerly across Tract 7 and 18, to the Government Meander Line (Government Lot 1); thence West, 415 feet, more or less, to the true point of beginning

## PARCEL "S":

That portion of Government Lot 1, Section 32, Township 35 North, Range 2 East, W.M., described as follows:

The East 125.00 feet of that portion of Government Lot 1, Section 32, Township 35 North, Range 2 East, W.M., lying South of the Government Meander Line, and North of the North right-of-way line of the Great Northern Railway and West of that old fence property line established by that certain judgment entered September 6, 1956, in Skagit County Superior Court Cause No. 23670.



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## SCHEDULE "C"

TOGETHER WITH vacated portion of Weaverling Road #107 which portion of said road was vacated on June 14, 1948, under Commissioner's File No. 7828, EXCEPT that portion lying within the existing Weaverling Road.

## PARCEL "T":

That portion of Tideland Tract 7, Plat 14, of Section 29, Township 35 North, Range 2 East, W.M., more particularly described as follows:

Commencing at the Southwest corner of said Section 29; thence due East 603.321 feet to the true point of beginning; thence continuing due East 271.679 feet to the Inner Harbor Line of Fidalgo Bay; thence North 47 degrees 19' 00" West along said Inner Harbor Line 291.946 feet; thence South 16 degrees 05' 00" West parallel with said old fence property line, (as established in Skagit County Superior Court Cause No. 23670); 205.986 feet to the true point of beginning; EXCEPT any portion thereof lying within the boundaries of that portion of said Tract 7, Plat 14, conveyed by Deed recorded under Auditor's File No. 8007220032, from Richard Stockwell, et ux, to Richard Stockwell as Trustee.

## PARCEL "U":

The East 125 feet of that portion of Tract 18, Plat 12, Tide and Shore land of Section 32, Township 35 North, Range 2 East, W.M., Anacortes Harbor, according to the recorded plat thereof, lying Northeasterly of the North line of the right-of-way of the Seattle and Northern (now Burlington Northern) Railway, and Westerly of the "Old Fence Line" as established by decree dated August 27, 1962, in Skagit County Superior Court Cause No. 23670, produced Northerly through Tract 18.



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**EXHIBIT B**

See attached list of property.

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## INVENTORY - FIDALGO BAY RESORT

June 17, 1998

### Office:

- 4 Computers
- 1 Comdial telephone system (includes 6 phones)
- 5 Office Chairs
- 1 HP Deskjet 540 printer
- 1 Okidata Laser Printer
- 1 HP Deskjet 680C printer
- 1 HP Officejet 300 printer/fax/copier
- 1 4 - Drawer lateral file cabinet
- 2 4 - Drawer standard file cabinet
- 2 Holmes Master touch fans
- 1 Folding table 6'
- Miscellaneous office supplies

### Registration/Store:

- Shelving
- 1 card holder rack
- 2 clothes racks
- 1 Chest of drawers (for display)
- 1 Wooden toy display unit
- Large display units
- 1 Sofa

### CLUBHOUSE

#### TV Room

- 1 Sectional Couch with 6 pieces
- 2 Wing back chairs
- 2 End tables
- 6 Oak arm chairs
- 1 Coffee table
- 1 Large silk tree, plus miscellaneous silk plant arrangements
- 1 Sony Television – attached to satellite dish on clubhouse

#### Game Room

- 1 Table
- 8 Chairs w/oak

#### Gathering Room

- 2 Bucket chairs
- 1 Couch

EXHIBIT B



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- 2 End tables
- 1 Coffee table
- 1 Sofa table
- 3 Large silk trees
- 1 Fish sculpture
- 8 Tropitone tables
- 32 Tropitone chairs
- 1 Seaweed wreath
- 1 Aerial picture of the San Juans
- Pictures of the area
- Several Floral vase arrangements

#### ***Banquet Room/Kitchen***

- 1 Refrigerator
- 1 4 burner stove
- 6 8' folding tables
- 2 6' folding tables
- plastic chairs
- table clothes (vinyl)
- 1 Fan system (major, for the restaurant that was originally there)
- oak cabinets

#### ***Laundry Room***

- 4 Washers (owned by park)
- 4 Dryers (gas) (owned by park)
- 1 Coin changing machine
- 1 Laundry soap dispenser
- 1 6' folding table
- plastic chairs

#### ***Modem Room***

- 1 6' folding table
- 1 plastic chair

#### ***Miscellaneous***

- 113+/- Picnic tables
- Plastic chairs
- 1 Carpet Cleaner
- 2 Vacuum Cleaners
- 5 large garbage cans
- 6 Hanging Flower Baskets
- Cleaning tools, mops, brooms, rags, etc.
- Cleaning supplies
- Rakes, shovels, hammers, weed eaters, misc. yard equipment



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## Laundry/Shower Building

- 4 washers (leased from American Meter)
- 4 dryers (leased from American Meter)
- 1 table for folding
- 1 picnic table for projects

## Television Antenna System

Television amplifiers

Antenna's

Satellite Dish

Boosters throughout the system in the park

(We are not hooked-up to a cable system. We have an antenna system and satellites at cost of \$62/month)

All located in their own building next to site 49



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**EXHIBIT C**

The property described on Exhibit A is subject to the following encumbrances:

See attached list.

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SECTION 2 - Exceptions

The Policy or Policies to be issued will contain exceptions to the following matters unless the same are disposed of to the Satisfaction of the Company.

PART ONE: (Applies to Owner's Coverage)

PART TWO:

1. Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in the public records of attaching subsequent to the effective date hereof, but prior to the date of the proposed insured acquires of record for value the estate or interest or mortgage thereon covered by this commitment.
2. Lien of any real estate excise tax upon any sale of property, if unpaid.

As of the date herein, the excise tax rate for the subject property is .0178, according to the latest Public Notice issued by Skagit County.

NOTE: According to the latest memo from the Skagit County Treasurer's Office, there is now a \$2.00 processing fee on each Real Estate Excise Tax Affidavit processed where there is no tax paid. If there is tax paid on the process, then the \$2.00 fee does not apply.

NOTE: Memos received from the Skagit County Treasurer's Office indicate that the Property I.D. Number and if the property is located within unincorporated Skagit County or within the City limits of a City must be shown on the Excise Tax Affidavits.

The Property I.D. Numbers are: R33271, R33440, R33439, R33026 and R33027

Said Property lies within: City of Anacortes

Said Property I.D. Number should be inserted under the Tax Account Number.

3. Municipal assessments, if any, levied by the City of Anacortes.

This Company suggests that inquiry be made to the City of Anacortes for current assessment status.



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4. GENERAL TAXES:

Year: 1999  
 Amount Billed: \$12,746.87  
 Amount Paid: \$ 6,373.44  
 Amount Due: \$ 6,373.43  
 Tax Account No.: 350231-0-016-0309 (R33271)  
 Affects: Parcels "P" and "Q"

Said taxes will not become delinquent if first half is paid on or before April 30th. Last half taxes are due on or before October 31st.

GENERAL TAXES:

Year: 1999  
 Amount Billed: \$9,762.46  
 Amount Paid: \$4,881.23  
 Amount Due: \$4,881.23  
 Tax Account No.: 350232-0-001-0206 (R33440)  
 Affects: Uplands of Parcel "R"

Said taxes will not become delinquent if first half is paid on or before April 30th. Last half taxes are due on or before October 31st.

GENERAL TAXES:

Year: 1999  
 Amount Billed: \$11,328.18  
 Amount Paid: \$ 5,811.69  
 Amount Due: \$ 5,516.49  
 Tax Account No.: 350232-0-001-0107 (R33439)  
 Affects: Parcel "S"

Said taxes will not become delinquent if first half is paid on or before April 30th. Last half taxes are due on or before October 31st.

5. DELINQUENT GENERAL TAXES, PLUS INTEREST & PENALTIES:

Year: 1997  
 Amount Billed: \$9,209.74  
 Amount Paid: \$4,604.87  
 Amount Due: \$4,604.87  
 Tax Account No.: 350231-0-016-0309 (R33271)  
 Affects: Parcels "P" and "Q"

DELINQUENT GENERAL TAXES, PLUS INTEREST & PENALTIES:

Year: 1997  
 Amount Billed: \$7,849.94  
 Amount Paid: \$3,924.97  
 Amount Due: \$3,924.97  
 Tax Account No.: 350232-0-001-0206 (R33440)  
 Affects: Uplands of Parcel "R"



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DELINQUENT GENERAL TAXES, PLUS INTEREST & PENALTIES:

Year: 1996  
Amount Billed: \$6,880.95  
Amount Paid: \$1,293.49  
Amount Due: \$5,587.46  
Tax Account No.: 350232-0-001-0206 (R33440)  
Affects: Uplands of Parcel "R"

DELINQUENT GENERAL TAXES, PLUS INTEREST & PENALTIES:

Year: 1997  
Amount Billed: \$10,903.72  
Amount Paid: \$ 5,451.86  
Amount Due: \$ 5,451.86  
Tax Account No.: 350232-0-001-0107 (R33439)  
Affects: Parcel "S"

6. The rights of parties in possession under the terms of unrecorded leases, if any.
7. DEED OF TRUST INCLUDING THE TERMS AND CONDITIONS THEREOF:

Grantor: Richard Stockwell and Barbara V. Stockwell, husband and wife, with Richard Stockwell also appearing of record as Richard Stockwell, Jr., and Richard Vincent Stockwell, as their interest may appear  
Trustee: First American Title Company  
Beneficiary: Skagit State Bank  
Amount: \$2,473,245.92, plus interest, if any  
Dated: March 7, 1995  
Recorded: March 10, 1995  
Auditor's No.: 9503100098  
Affects: Affects Parcels "P" through "U", inclusive

By reason of resignation of the previous trustee, David A. Svaren was appointed new trustee in instrument recorded under Auditor's File No. 9601040103.

ASSIGNMENT OF LEASES AND/OR RENTS, INCLUDING THE TERMS AND CONDITIONS THEREOF:

Assignor: Richard Stockwell and Barbara V. Stockwell, husband and wife, with Richard Stockwell also appearing of record as Richard Stockwell, Jr. and Richard Vincent Stockwell, as their interest may appear  
Assignee: Skagit State Bank  
Dated: March 7, 1995  
Recorded: March 10, 1995  
Auditor's No.: 9503100099



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8. DEED OF TRUST INCLUDING THE TERMS AND CONDITIONS THEREOF:

Grantor: Richard Stockwell, Jr. and Barbara V. Stockwell, husband and wife  
Trustee: First American Title Insurance Company, a California Corporation  
Beneficiary: Richard Stockwell, Jr., Trustee of that certain Stockwell Trust, as set forth in that certain instrument dated the 25th day of June, 1980  
Amount: \$350,000.00, plus interest, if any  
Dated: August 26, 1994  
Recorded: October 14, 1994  
Auditor's No.: 9410140080  
Affects: Parcels "P" through "U", inclusive

Said instrument is a re-recording of instrument recorded under Auditor's File No. 9409080062.

The lien of said Mortgage/Deed of Trust was subordinated to the lien of the instrument noted in Paragraph 7 by instrument recorded under Auditor's File Nos. 9506050048 and 9605200119.

By document recorded April 6, 1998 as Auditor's File No. 9804060159 Richard V. Stockwell, Sr. revoked the Survivor's Trust of the Stockwell Living Trust and now holds an undivided 1/2 interest in this Deed of Trust personally. Richard Stockwell, Jr., as Trustee of the Decedent's Trust of the Stockwell Living Trust continues to hold an undivided 1/2 interest in this Deed of Trust.

9. Matters disclosed by an unrecorded Survey of Parcels "P", "Q", "R", "S", "T" and "U".

Among the matters disclosed by said Survey is/are:

1.) Three encroachments onto adjoining roads, as disclosed by an unrecorded ALTA/ACSM Class A Survey dated September 15, 1995, from Larry Steele and Associates Land Surveyors submitted with a prior application for title insurance:

- a.) The restrooms, showers and laundry building;
- b.) The sign;
- c.) The porch of the Registration, Mini-Market and Office Building.



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2.) A boundary overlap question disclosed by said Survey and our conversation on August 29, 1996, with the Surveyor:

- a.) Said overlap is a triangle between Parcel "P" and land to the Northwest running approximately 11.4 feet along the Fidalgo Bay Road; thence North 40 degrees 57' 37" East to a point; thence Southwesterly back to said road. Said overlap affects the Westerly line of approximately 10 proposed RV sites and emergency access shown on said Survey;
- b.) Said overlap apparently is derived from surveying difficulty in defining the precise point of the intersection of the Fidalgo Bay Road and the Weaverling Road. (See Note #2)

3.) Encroachments of bio-filtration swales onto Weaverling Road and the Burlington Northern Railroad property;

4.) A sewer line encroachment running between Parcels "P" and "R" across the Burlington Northern Railroad property. The Company is unable to determine whether this sewer line exists due to the crossing agreements shown as Paragraph "N" on Schedule "B-1", or as a result of a verbal agreement with the railroad;

10. PURSUANT TO PROCEEDINGS IN A BANKRUPTCY COURT OF THE WESTERN DISTRICT OF THE UNITED STATES DISTRICT COURT OF THE STATE OF WASHINGTON AT SEATTLE, UNDER CAUSE NO. 96-8325, LIENS WITH A FACE AMOUNT OF \$863,443.01, HAVE BEEN PURCHASED BY AND ASSIGNED TO SKAGIT COUNTY TITLE COMPANY, A WASHINGTON CORPORATION DOING BUSINESS AS FIRST AMERICAN TITLE COMPANY OF SKAGIT COUNTY.

11. LIEN:

Claimant:	Larry Steele and Associates, Inc.
Against:	Richard V. Stockwell, Jr. and Barbara V. Stockwell, husband and wife
Amount:	\$3,856.50
For:	Professional services
Recorded:	January 17, 1996
Auditor's No.:	9601170005

In exchange for \$3,500.00, said Lien was assigned to Skagit State Bank by Auditor's File No. 9606190012.



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12. Notice of Trustee's sale dated February 20, 1996, recorded February 20, 1996, under Auditor's File No. 9602200091, giving notice of a sale to be held:

Time: 9:30 AM  
Date: May 24, 1996  
Location: Skagit County Courthouse  
City: Mount Vernon

Sale of Grantor's interest in these premises to be conducted by the trustee on behalf of the beneficiary in Deed of Trust noted at Paragraph 7.

By the provisions of the Deed of Trust Act, (RCW 61.24.090, as amended), certain prescribed persons are entitled to cause a discontinuance of these proceedings by curing the default(s) set forth in the Notice prior to the actual sale.

Pursuant to a Notice recorded as Auditor's File No. 9605240062, said Sale was continued to July 19, 1996.

13. DEED OF TRUST INCLUDING THE TERMS AND CONDITIONS THEREOF:

Grantor: Richard V. Stockwell and Barbara V. Stockwell, husband and wife  
Trustee: First American Title Company of Skagit County  
Beneficiary: Wolfstone, Panchot & Bloch, P.S., Inc.  
Amount: \$21,028.65, plus interest, if any  
Dated: March 15, 1996  
Recorded: May 1, 1996  
Auditor's No.: 9605010023

14. DEED OF TRUST INCLUDING THE TERMS AND CONDITIONS THEREOF:

Grantor: Fidalgo Bay Resort, Richard V. Stockwell and Barbara V. Stockwell  
Trustee: Island Title Company, a Washington Corporation  
Beneficiary: Abbey Ventures, Inc.  
Amount: \$100,000.00, plus interest, if any  
Dated: May 20, 1996  
Recorded: May 21, 1996  
Auditor's No.: 9605210042

15. Pending Action in Skagit County Superior Court Cause No. 96-2-00420-3, being an action to foreclose some of the instruments assigned to Skagit County Title Company pursuant to Paragraph 10 above.

NOTE: Lis Pendens were recorded as Auditor's File Nos. 9606050018, 9606050019, 9606050020 and 9603220051, in regards to said action.



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16. Pendency of proceedings in the Bankruptcy Court of the Western District of the U. S. District Court of the State of Washington, at Seattle:

Cause No.: 96-8325  
Filed: July 19, 1996  
Regarding the Petition  
for relief of: Richard Stockwell and  
Barbara Stockwell

17. Matters of ALTA Mortgagee Policy coverage which are dependent upon our inspection for determination of insurability.

NOTE: We should be notified just prior to recording and we will inspect at that time. The results of our inspection will be furnished by Supplemental Report.

18. For easements, restrictions or other exceptions, see Schedule "B-1", attached hereto.

NOTE #1: General taxes for Parcel "U" appear to be included with the taxes for tidelands adjoining the East line of Parcel "U" which have a different owner. Though we explained this to the Assessor's Office over two years ago, we note no change in their records.

NOTE #2: The Company recommends that this overlap be cleared up by a Boundary Line Adjustment Deed to or from the respective property owners using a good surveyable description.

The property to the Northwest of Parcel "P" is owned by Olympic V Associates, c/o 1101 McGilvra Boulevard E, Seattle, WA 98112.

NOTE #3: In accordance with the Document Standardization Requirements becoming effective January 1, 1997, the Company recommends the following abbreviated legal description be used when the full legal description does not appear on the first page OR when a standardized cover sheet is required for recording:

Section 31, Township 35, Range 2; Portion Government Lot 6;  
Section 32, Township 35, Range 2; Portion Government Lot 1; AND  
Section 32, Township 35, Range 2; Portion Tideland Tract 18, Plate 12;  
Section 29, Township 35, Range 2; Portion Tideland Tract 7, Plate 14

NOTE #4: The forthcoming policy to issue will include Address Indorsement No. 116.

Property Address: 1107 and 1111 Fidalgo Bay Road  
Anacortes, WA 98221

NOTE #5: Prior to issuing the proposed policy, the Company must receive approval from our Underwriter. Said approval has been requested concurrently herewith.



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NOTE #6: General taxes for the year 1999 in the amount of \$1.12 have been paid in full for Tax Account No. 350229-0-010-0200 (R33026).

Affects: Parcel "T"

General taxes for the year 1999 in the amount of \$1.12 have been paid in full for Tax Account No. 350229-0-010-0309 (R33027).

Affects: Parcel "R" Tidelands

NOTE #7: Title is to vest in a person or persons not yet revealed and when so vested will then be subject to matters disclosed by a search of the record against their names.

NOTE #8: No premium is shown hereon. The amount thereof will be determined when the transaction amount is determined.

ENCLOSURES

Map  
Documents of Record

JSM/mgh

cc: First American Title Insurance Company - Seattle, WA  
Attn: Mike Moore  
cc: Brian Buckley at Foster, Pepper & Shefelman - Seattle, WA



199909290012

Kathy Hill, Skagit County Auditor

## SCHEDULE "B-1"

## EXCEPTIONS:

- A. Right of the general public to the unrestricted use of all the waters of a navigable body of water not only for the primary purposes of navigation, but also for corollary purposes, including (but not limited to) fishing, boating, bathing, swimming, water skiing and other related recreational purposes, as those waters may affect the tidelands, shorelands, or adjoining uplands, and whether the level of the water has been raised naturally or artificially to a maintained or fluctuating level, all as further defined by the decisional law of this state. (Affects all of the premises subject to such submergence.)
- B. Any lien or liens that may arise or be created in consequence of or pursuant to an act of the Legislature of the State of Washington entitled "an ACT prescribing the ways in which waterways for the uses of navigation may be excavated by private contract, providing for liens upon lands belonging to the State, granting rights of way across lands belonging to the State", approved March 9, 1893.

Affects: Tidelands

- C. Reservations contained in Deed from the State of Washington recorded under Auditor's File No. 118269, reserving to the grantor all oil, gases, coal, ores, minerals, fossils, etc., and the right of entry for opening, developing and working the same and providing that such rights shall not be exercised until a provision has been made for full payment of all damages sustained by reason of such entry.

Affects: Tidelands

- D. Right of the State of Washington or any Grantee or Lessee thereof, upon paying reasonable compensation, to acquire right-of-way for private railroads, skid roads, flumes, canals, water courses, or other easements for transporting and moving timber, stone, minerals or other products from other lands.

Affects: Tidelands

- E. Relinquishment of rights of access to State Highway and of light, view, and air under terms of Deed to the State of Washington:

<u>Recorded</u>	<u>Auditor's File No.</u>
February 4, 1957	547155
September 27, 1956	542115
January 3, 1958	560285
March 1, 1958	562840



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SCHEDULE "B-1" Continued. . .

F. EASEMENT, INCLUDING THE TERMS AND PROVISIONS THEREOF:

Grantee: Amos Bowman  
Dated: September 4, 1889  
Recorded: October 14, 1889  
Auditor's No.: Volume 8 of Deeds, Page 442  
Purpose: Pipeline  
Area Affected: Exact width and location not disclosed on the record

- G. Agreement regarding use of water and water pipe line between Edward Kack, et ux and L. E. Gibbons, et ux, recorded under Auditor's File No. 432061.
- H. Provisions and easements regarding use of water from Barn Brook and Garden Brook together with pipe lines to same as set forth in documents recorded under Auditor's File No. 509523, 531540 and 540878.
- I. Easement provisions for water lines in favor of L. E. Gibbons, et al, as set forth in documents recorded under Auditor's File No. 546050 and 546051.
- J. Easement for water line in favor of the State of Washington as set forth in document recorded under Auditor's File No. 552362.
- K. Easement for a stabulization fill to protect Highway No. 1-AN, Junction SSH No. 1-D to Anacortes as set forth in document recorded under Auditor's File No. 575829. Said Easement is a re-record of Easement recorded under Auditor's File No. 560283.
- L. Easements, Agreements and Provisions regarding railroad crossing as set forth in documents recorded under Auditor's File Nos. 657975, 657976 and 657977, records of Skagit County, Washington.
- M. Terms, Conditions and Provisions set forth in document recorded under Auditor's File No. 8011200029.



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SCHEDULE "B-1" Continued. . .

N. EASEMENT, INCLUDING THE TERMS AND PROVISIONS THEREOF:

Grantee: Puget Sound Power & Light Company  
Dated: September 30, 1994  
Recorded: October 14, 1994  
Auditor's No.: 9410140116  
Purpose: Right to construct, operate, maintain, repair, replace and enlarge one or more electric transmission and/or distribution lines over and/or under the right-of-way

Location:

A right-of-way 10 feet in width having 5 feet of such width on each side of a centerline, described as follows:

Being located as constructed or to be constructed on the above described property.

The right-of-way description may be superseded and replaced at a future date based on an as-built survey description of the grantors electrical systems, said description to be provided by grantor at no cost to grantee.

- O. Driveway easement as delineated on the face of that certain Survey recorded August 23, 1995, as Auditor's File No. 9508230053, running from the Easterly end of Weaverling Road to the East line of Parcel "S".
- P. Encroachment of building porch onto Weaverling Road right-of-way near its intersection with the Fidalgo Bay Road as delineated on the face of that certain Survey recorded August 23, 1995, as Auditor's File No. 9508230053.

Affects: Parcel "Q"

Q. EASEMENT, INCLUDING THE TERMS AND PROVISIONS THEREOF:

Grantee: GTE Northwest, Incorporated  
Dated: March 22, 1995  
Recorded: May 15, 1995  
Auditor's No.: 9505150045  
Purpose: Install, inspect and maintain communication, power and related services  
Area Affected: Subject property



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SCHEDULE "B-1" Continued. . .

R. Matters pertaining to two delineations and notations set forth on the unrecorded ALTA/ACSM survey submitted with the application for title insurance in or over the Westerly most portion of Parcel "P":

- 1.) Emergency Access
- 2.) Waterline continues across highway to Haddon Road  
(Final Documents are in progress.)

S. Utility line locations, RV sites, internal roads and bio-filtration swales as delineated on the unrecorded ALTA/ACSM survey submitted with the application for title insurance.

T. General Notes as set forth on the unrecorded ALTA/ACSM survey submitted with the application for title insurance.

U. AGREEMENT, AND THE TERMS AND CONDITIONS THEREOF:

Between:	Richard V. Stockwell, et ux
And:	Joseph Andrews, et ux, et al
Dated:	December 20, 1995
Recorded:	December 20, 1995
Auditor's No.:	9512200109
Regarding:	Connections to an eight (8) inch diameter sewer line and provisions pertaining thereto

V. AGREEMENT, AND THE TERMS AND CONDITIONS THEREOF:

Between:	City of Anacortes
And:	Richard V. Stocwell, et ux.
Dated:	OCTOBER 20, 1997
Recorded:	NOVEMBER 10, 1997
Auditor's No.:	9711100107
Regarding:	latecomer sewer hook-up fees



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