

WHEN RECORDED RETURN TO:

Timothy L. Austin  
EGGER BETTS AUSTIN pllc  
P O Box 53050  
Bellevue WA 98015-3050



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Kathy Hill, Skagit County Auditor  
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### DEED OF TRUST

THIS DEED OF TRUST (the "Deed of Trust"), made this 1<sup>st</sup> day of March, 2000, between CLARK E. SCHAEFER and MARY A. SCHAEFER, husband and wife (hereinafter "Grantor"), whose address is 7722 21<sup>st</sup> N.E., Seattle, WA 98115; PACIFIC NORTHWEST TITLE COMPANY OF WASHINGTON, Trustee, whose address is 10801 Main Street, Suite 115, Bellevue, WA 98004, and MARINE HARDWARE, INC. and JOHN F. PUGH, Beneficiary, whose address is P.O. Box 3099, Redmond, WA 98073-3099.

WITNESSETH:

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

That portion of Lot 105, Block 1, LAKE CAVANAUGH SUBDIVISION, DIVISION NO. 3, as per plat recorded in Volume 6 of Plats, pages 25 to 31, inclusive, records of Skagit County, described as follows:

Beginning at a point of the Northwesternly line of said Lot 105, located 30 feet Northeastly of the most Westerly corner of said Lot 105, thence 30 feet Southwestly along the Northwesternly line of said Lot 105 to the most Westerly corner of said Lot 105; thence South 60°04' East along the Southwestly line of said Lot, 226.30 feet to the most Southerly corner of said Lot; thence North 48°47' East along the Southeasterly line of said Lot, 60 feet; thence Northwesternly in a straight line to the point of beginning.

Situate in the County of Skagit, State of Washington.

Tax Parcel No.: P66881; 3939-002-205-0101

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 wise appertaining, and the rents, issues and profits thereof.

This deed is for the purpose of securing performance of each agreement of Grantor herein contained, and payment of the sums due under the terms of that certain non-negotiable promissory note of even date herewith payable to Beneficiary and made by Grantor, and all renewals, modifications and extensions thereof (the "Note"), and also such further sums as may be advanced or loaned by Beneficiary to Grantor as provided in that certain Agreement for Future Advances of even date herewith, executed by Beneficiary and Grantor, together with interest thereon at such rate as is provided in the Note.

To protect the security of this Deed of Trust, Grantor covenants and agrees:

1. To keep the property in good condition and repair; to permit no waste thereof; to permit no subdivision, conveyance or other transfer of any interest in the property without Beneficiary's prior written consent; to complete any building, structure or improvement being built or about to be built thereon; 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 of any kind.

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 Beneficiary, and be in such companies as Beneficiary may approve and have loss payable first to Beneficiary, as its interest may appear, and then to Grantor. The amount collected under any insurance policy may be applied upon any indebtedness hereby secured in such order as Beneficiary shall determine. Such application by Beneficiary shall not cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of Grantor 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 and the Note, including all of the expenses of Trustee and Beneficiary incurred in enforcing the obligation secured hereby. Said expenses shall include but not be limited to Trustee's and Beneficiary's reasonable attorney's fees.

6. Should Grantor 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.



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IT IS MUTUALLY AGREED THAT:

1. In the event any portion of the property is taken or damaged in an eminent domain proceeding, the entire amount of the award, or such portion as may be necessary to fully satisfy the obligation secured hereby, shall be paid to Beneficiary to be applied to said obligation.

2. Grantor acknowledges and agrees that the indebtedness evidenced by the Note of even date herewith is personal to them, and that their personal responsibility and/or control of the property given to secure this indebtedness is a mutual inducement to the Beneficiary to agree to enter into this transaction. In the event that (a) all or part of or any interest in the property shall be sold, transferred, conveyed, subdivided, short platted, further encumbered or a real estate contract or other conveyance transferring title to, or possession of, the property be entered into with respect thereto; or (b) there is any change on the identity of any of the grantors then, upon the occurrence of any one or more of the foregoing events, and regardless of whether or not Grantor is otherwise in default under the Note or this Deed of Trust, Beneficiary, at its sole option, may declare the then outstanding principal balance evidenced by the Note plus accrued interest thereon and any other amounts owing thereunder immediately due and payable.

The execution and delivery by Grantor of any joint venture agreement, partnership agreement, declaration of trust or option agreement, whereunder any person or entity may become entitled, directly or indirectly, to the possession or enjoyment of the property, or the income or other benefits derived or to be derived therefrom, or a change of more than 50% in the stock or other ownership of Grantor, shall in each case be deemed to be a conveyance or assignment of the Grantor's interest in the property for the purposes of this section, and shall require the prior written consent of Beneficiary which consent shall be within Beneficiary's sole discretion.

3. Time is of the essence hereof in connection with all obligations of Grantor herein or in the Note. By accepting payment of any sum secured hereby 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.

4. 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 Grantor and Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by Beneficiary or the person entitled thereto.

5. Upon default by Grantor in the payment of any indebtedness secured hereby or in the performance of any agreement contained herein or in the Note, all sums secured hereby shall immediately become due and payable at the option of Beneficiary. In such event and upon written request of Beneficiary, Trustee shall sell the trust property, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows:

(1) to the expense of sale, including a reasonable Trustee's fee and Beneficiary's and Trustee's



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attorney's fees; (2) to the obligation secured by this Deed of Trust; (3) the surplus, if any, shall be distributed to the persons entitled hereto.

6. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser the interest in the property which Grantor had or had the power to convey at the time of his execution of this Deed of Trust, and such as he may have acquired thereafter. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrances for value.

7. 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 at its sole option cause this Deed of Trust to be foreclosed as a mortgage, or pursue any and all other remedies at law or equity. Each remedy conferred upon or reserved to Trustee or Beneficiary shall be cumulative, in addition to any other remedy and may be exercised concurrently or independently from time to time and as often as may be deemed expedient by Trustee or Beneficiary and either of them may pursue inconsistent remedies.

8. Should Grantor fail or refuse to make any payment or do any act which it is obligated to do hereunder, or in the Note, then in addition to the rights otherwise provided herein, Beneficiary may, without notice or demand upon Grantor, without releasing Grantor from any obligation hereunder or in the Note, and without waiving any right to declare a default or Notice of Sale or any sale proceeding predicated thereon: (a) make or do the same in such manner and to such extent as either Beneficiary or Trustee may deem necessary to protect the security hereof, Beneficiary and Trustee being authorized to enter upon and take possession of the property for such purposes, and any sums expended for such purposes shall become part of the indebtedness secured hereby; (b) commence, appear in and/or defend any action or proceeding purporting to affect the security hereof, the interests, rights, powers and/or duties of the Trustee and/or Beneficiary hereunder whether brought by or against Grantor, Trustee, or Beneficiary; (c) pay, purchase, contest or compromise any claim, debt, lien, charge or encumbrance which in the judgment of Beneficiary may affect or appear to affect the security of this deed of trust, the interests of Beneficiary or the rights, powers and/or duties of Beneficiary hereunder and any sums expended for such purposes shall become part of the indebtedness secured hereby; and (d) Beneficiary is authorized either by itself, its Agent, or Receiver appointed by a court of competent jurisdiction to enter into and upon and take and hold possession of the property (or any portion thereof) to operate, manage, lease the property and collect all income and rents from the property. Said rents and income are hereby assigned and transferred to Beneficiary, for the benefit and protection of Beneficiary including but not limited to payment of the indebtedness and operation and maintenance of the property.

9. In the event of the death, incapacity or disability or resignation of Trustee, Beneficiary may appoint in writing a successor trustee, and upon the recording of such appointment in the mortgage records of the county in which this Deed of Trust is recorded, the successor trustee shall be vested with all powers of the original trustee. Trustee is not obligated



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

10. Grantor's interest in this Deed of Trust and obligations thereunder, and Grantor's liability under the Note, may not be assigned or assumed without the prior written consent of Beneficiary, which is within Beneficiary's sole discretion, and in no event shall Grantor be released from any obligation or liability hereunder or in the Note.


11. This Deed of Trust applies to, inures to the benefit of, and is binding not only on the parties hereto, but on their heirs, devisees, legatees, administrators, executors, successors and assigns. The term Beneficiary shall mean the holder and owner of the note secured hereby, whether or not named as Beneficiary herein.

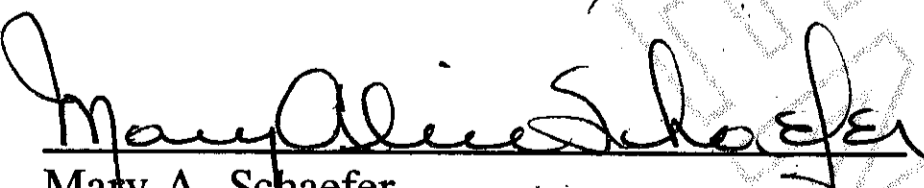
12. So long as Grantor is not in default, in the event Beneficiary fails to pay or perform Beneficiary's obligations under the Promissory Note and Deed of Trust following 30 days written notice from Grantor to Beneficiary, then Grantor may undertake to pay or perform Beneficiary's obligation(s) under said instruments. Any sums expended by Grantor on behalf of Beneficiary pursuant to the Promissory Note and Deed of Trust may, at Grantor's option, be collected from Beneficiary upon demand with interest at the Note rate, or be deducted by Grantor from the amount owed by Grantor to Beneficiary pursuant to the Note or this Deed of Trust.

13. Notwithstanding any other provisions of this Deed of Trust, by signing the Deed of Trust below, Beneficiary consents to Grantor remodeling, removing, demolishing or taking any other action with respect to any buildings, structures or improvements on the property, and constructing new or additional buildings, structures or improvements on the property; provided, however, that Grantor shall keep the property free and clear of all charges, liens or encumbrances of any kind that may result from any such work on the property.

IN WITNESS WHEREOF, the Grantor and Beneficiary have executed this Deed of Trust as of the date and year first set forth above.

**GRANTOR:**

  
Clark E. Schaefer

  
Mary A. Schaefer



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STATE OF WASHINGTON )

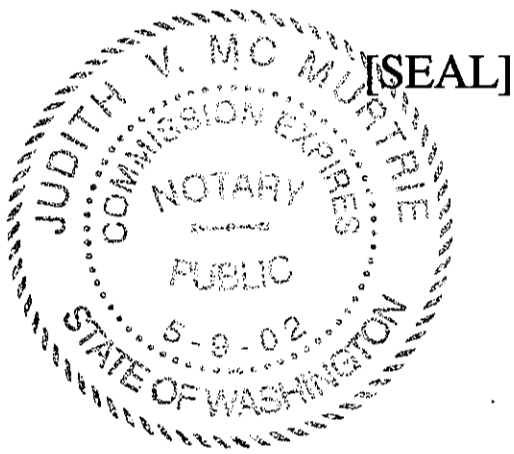
)

SS.

COUNTY OF KING )

On this day personally appeared before me CLARK E. SCHAEFER and MARY A. SCHAEFER, to me known to be the individuals described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 1<sup>st</sup> day of March, 2000.



*Judith V. McMurtrie*

Print Name: Judith V. McMurtrie  
Notary Public in and for the state of  
Washington, residing at De Moines  
My commission expires 5/9/02



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REQUEST FOR 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 convey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you thereunder.

Dated \_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_  
John F. Pugh

MARINE HARDWARE, INC.

By: \_\_\_\_\_

John F. Pugh, Its President

.....

Mail reconveyance to

Timothy L. Austin  
Egger Betts Austin  
P.O. Box 53050  
Bellevue, WA 98015-3050



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