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Skagit County Auditor

9/1/2005 Page

1 of

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**AFTER RECORDING MAIL TO:**

**James R. McClymont**  
**P.O. Box 1669**  
**North Platte, NE 69103-1669**

**DEED OF TRUST AND SECURITY AGREEMENT  
(For Use in the State of Washington Only)**

Reference No.: N/A  
Grantor: Regal Hospitality, LLC, a Washington limited liability company  
Grantee: J. Daniel Keenan  
Legal Description: PTN Blk 24, Map of the City of Anacortes  
Assessor's Tax ID No.: 3772-024-010-017, 013-0005, 015-0003, 016-0002, 018-0000

THIS DEED OF TRUST AND SECURITY AGREEMENT (collectively "Deed of Trust" or "Deed") made this 31<sup>st</sup> day of August, 2005, by Regal Hospitality, LLC, a Washington limited liability company, Grantor, whose address is 419 Commercial St., Anacortes, WA 9822, CHICAGO TITLE COMPANY, a Washington corporation, Trustee, whose address is 425 Commercial St., Mt. Vernon, WA 98273 and J. Daniel Keenan, Beneficiary, whose address is 5380 Gulf of Mexico Drive, #417, Longboat Key, FL 34228.

WITNESSETH: Grantor hereby bargains, sells, assigns and conveys:

A. To Trustee in trust, **with power of sale**, the following described real property ("Property") in Skagit County, Washington, described as:

See **Exhibit A** attached hereto and incorporated by this reference

which real property is not used principally for agricultural or farming purposes, together with all rents, income, contract rights, issues and profits which are due or may become due, all tenements, hereditament, and appurtenances now or hereafter thereunto belonging or in any wise appertaining, and the rents, issues and profits thereof, all amounts, compensation and settlements in lieu of taking of the Property by the power of eminent domain of the whole or the part of the Property.

B. To Beneficiary, as secured party, a security interest in any portion of the Property owned by Grantor which may be construed to be personal property and in all other personal property of every kind and description, whether now existing or hereafter acquired and owned by Grantor, now or at any time hereafter attached to, erected upon, situated in or upon, forming a part of or appurtenant to and which is used or useful in the construction or operation of or in connection with, or arising from the use or enjoyment of all or any portion of, or from any lease or agreement pertaining to, the Property.

This Deed of Trust is for the purpose of securing performance of each agreement of Grantor herein contained, and payment of the sum of Two Hundred Fifty Thousand Dollars (\$250,000.00) with interest, in accordance with the terms of a note of even date herewith payable to Beneficiary or order, and made by Grantor, and all renewals, modifications and extensions thereof, and also such further sums as may be advanced or loaned by Beneficiary to Grantor, or any of their successors or assigns, together with interest thereon at such rate as shall be agreed upon.

If all or any part of the property or any interest in it is sold or transferred without Beneficiary's prior written consent, Beneficiary may at Beneficiary's sole option require immediate payment in full of all sums due under this Deed of Trust.

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

1. To keep the property in good condition and repair; to permit no waste thereof; to complete any building, structure or improvement being built or about to be built 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 impairing the security of this Deed of Trust.
3. To keep all buildings now or hereafter erected on the Property described herein continuously insured against loss by fire or other hazards in an amount not less than the total debt secured by this Deed of Trust or the fair market value, whichever is greater. All policies shall have loss payable first to the Beneficiary as their interest may appear, and then to the Grantor. All such policies shall provide the Beneficiary with 30 days notice of cancellation. The amount collected under any insurance policy may be applied upon any indebtedness hereby secured in such order as the Beneficiary shall determine. Such application by the Beneficiary shall not cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of the Grantor in insurance policies then in force shall pass to the purchaser at the foreclosure sale. Grantor shall be responsible for procuring and paying for the cost of insurance as referenced herein. Grantor shall provide Grantee with proof of payment of insurance and property taxes promptly after payment.
4. To defend any action or proceeding purported to affect the security thereof or the rights or power of Beneficiary or Trustee, and to pay all costs and expenses, including cost of title search and attorney's fees in a reasonable amount, in any such action or proceeding, and in any suit brought by Beneficiary to foreclose this Deed of Trust.
5. To pay all costs, fees and expenses in connection with this Deed of Trust, including the expenses of the Trustee incurred in enforcing the obligation secured hereby and Trustee's and attorneys' fees actually incurred, as provided by statute.
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 for in the note secured hereby, shall be added to and become a part of the debt secured by this Deed of Trust.

IT IS MUTUALLY AGREED THAT:

1. In the event any portion of the Property is taken or damaged in an eminent domain proceeding, the entire amount of the award or such portion thereof as may be necessary to fully satisfy the obligation secured hereby, shall be paid to Beneficiary to be applied to said obligation.
2. That this Deed of Trust secures real property that is not principally used for agricultural purposes.
3. 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. The Trustee shall reconvey all or any part of the Property covered by the Deed of Trust to the person entitled thereto on written request of the Grantor and the Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiary or the person entitled thereto.

5. Upon default by Grantor in payment of any indebtedness secured hereby or in the performance of any agreement contained herein, all sums secured hereby shall immediately become due and payable in the option of the Beneficiary. In such event and upon written request of the Beneficiary, Trustee or its authorized agent 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. The Trustee shall apply the proceeds of the sale as follows: (1) to the expense of sale, including a reasonable Trustee's fee and attorneys' fee; (2) to the obligation secured by this Deed of Trust; (3) the surplus, if any, shall be distributed to the persons entitled thereto.

6. The Trustee shall deliver to the purchaser at the sale of the 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. The 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 cause this Deed of Trust to be foreclosed as a mortgage.

8. In the event of the death, incapacity or disability or resignation of the Trustee, Beneficiary shall appoint in writing a successor trustee, and upon the recording of such appointment in the mortgage records of the county in which this Deed of Trust is recorded, the successor trustee shall be vested with all powers of the original trustee. The Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Grantor, Trustee or Beneficiary shall be a party unless such action or proceeding is brought by the Trustee.

9. If foreclosure be made by the Trustee, to the extent allowed by law, reasonable attorneys' fees for services in the supervision of foreclosure proceedings shall be allowed by the Trustee as part of the costs of foreclosure. After deducting all costs, fees and expenses of the Trustee and of this Deed of Trust, including cost of evidence of title in connection with sale, the Trustee shall apply the proceeds of sale to payment of all sums expended under the terms hereof, not then repaid, with accrued interest at the Default Rate as herein provided; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

10. If the Beneficiary refers the Note to an attorney for collection or seeks legal advice following a default alleged in good faith under the Note; if Beneficiary is the prevailing party in any litigation instituted in connection with the Note; or if Beneficiary or any other person initiates any judicial or non-judicial action, suit or proceeding in connection with the Note, the indebtedness evidenced thereby or the security therefor (including, but not limited to, an action to recover possession of the Property after foreclosure), and an attorney is employed by Beneficiary to (a) appear in any such action, suit or proceeding, or (b) reclaim, seek relief from a judicial or statutory stay, sequester, protect, preserve or enforce Beneficiary and/or its attorney in connection with the above-mentioned events and any appeals related to such events, including but not limited to costs incurred in searching records, the cost of title reports, the cost of appraisals, and the cost of environmental surveys. If not paid within ten (10) days after such fees, costs and expenses become due and written demand for payment is made upon Trustor, such amount may, at Beneficiary's option, be added to the principal of the Note and shall bear interest at the Default Rate.

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 a Beneficiary herein.

12. Except as otherwise provided by law, service of all notices under this agreement shall be sufficient if given personally or mailed via registered mail to the party involved at its respective address hereinafter set forth, or at such address as such party may provide in writing from time to time. Any such notice mailed to such address shall be effective when deposited in the United States mail, duly addressed and with postage prepaid.

Regal Hospitality, LLC, a Washington limited liability company

By: [Signature]  
Guy Davidson, Member

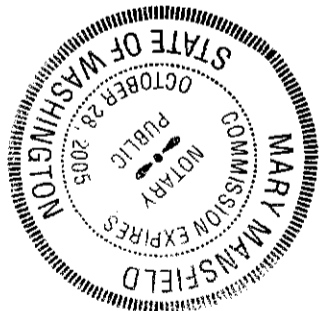
By: [Signature]  
J. Michael Keenan, Member

By: [Signature]  
Robert Morand, Member

STATE OF WASHINGTON )  
COUNTY OF Skagit ) ss.

On this day, before me, the undersigned, a notary public in and for the State of Washington, duly commissioned and sworn, personally appeared Guy Davidson, J. Michael Keenan and Robert Morand, Members of Regal Hospitality, LLC, a Washington limited liability company, to me known to be the individuals described in and who executed the foregoing instrument, and acknowledged that they signed the same as the free and voluntary act and deed of the Company, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 31st day of August, 2005



[Signature]  
NOTARY PUBLIC in and for the State of  
Residing at: [Address]  
My commission expires: 10-28-05

My commission expires: \_\_\_\_\_

REAL\DEED\90DD0830GJM.DOC/4



**PARCEL A:**

**LOTS 11 THROUGH 15, BLOCK 24, MAP OF THE CITY OF ANACORTES, ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 2 OF PLATS, PAGES 4 THROUGH 7, RECORDS OF SKAGIT COUNTY, WASHINGTON;**

**TOGETHER WITH THE SOUTH HALF OF VACATED ALLEY ADJACENT TO LOTS 11, 12 AND 13.**

**SITUATED IN SKAGIT COUNTY, WASHINGTON.**

**PARCEL B:**

**LOT 16, BLOCK 24, MAP OF THE CITY OF ANACORTES, ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 2 OF PLATS, PAGES 4 THROUGH 7, RECORDS OF SKAGIT COUNTY, WASHINGTON;**

**SITUATE IN SKAGIT COUNTY, WASHINGTON.**

**PARCEL C:**

**LOTS 17 AND 18, BLOCK 24, MAP OF THE CITY OF ANACORTES, ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 2 OF PLATS, PAGES 4 THROUGH 7, RECORDS OF SKAGIT COUNTY, WASHINGTON;**

**SITUATED IN SKAGIT COUNTY, WASHINGTON.**

**PARCEL D:**

**THE SOUTH 50 FEET OF LOTS 8, 9 AND 10, BLOCK 24, MAP OF THE CITY OF ANACORTES, ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 2 OF PLATS, PAGES 4 THROUGH 7, RECORDS OF SKAGIT COUNTY, WASHINGTON;**

**TOGETHER WITH THE NORTH HALF OF VACATED ALLEY ADJACENT TO SAID LOTS.**

**SITUATED IN SKAGIT COUNTY, WASHINGTON**

**The Real Property or its address is commonly known as 419 COMMERCIAL AVENUE, ANACORTES, WA 98221. The Real Property tax identification number is 3772-024-010-017, 013-0005, 015-0003, 016-0002, 018-0000**

**EXHIBIT A**



**200509010141  
Skagit County Auditor**