

After Recording Return To:  
David W. Thorne  
Davis Wright Tremaine LLP  
2600 Century Square  
1501 Fourth Avenue  
Seattle, WA 98101-1688



200509150240  
Skagit County Auditor

9/15/2005 Page 1 of 11 4:01PM

**CHICAGO TITLE CO.**  
1C32900  
**DEED OF TRUST**

Grantor(s): 1. Timothy C. Starkovich  
2. Tara R. Starkovich

**ACCOMMODATION RECORDING**

Chicago Title Company has placed  
this document for recording as a  
customer courtesy and accepts no  
liability for its accuracy or validity

Grantee(s): Winchelsea 2000, LLC  
DWR & S Corp, Trustee

Abbreviated Legal Description (lot, block and plat name, or section-township-range):

Lot 8, Skyline No. 11, Vol. 9, P. 78; PTN 27-T35N-R1E

Additional legal description is on Exhibit A of document

Assessor's Property Tax Parcel Account Number(s): 3827-000-008-0007

Reference Numbers of Assigned or Released Documents (if applicable):

## DEED OF TRUST

THIS DEED OF TRUST is made this 15 day of September, 2005, between Timothy C. Starkovich and Tara R. Starkovich, husband and wife, as Grantor, whose address is 2014 Cove Place, Anacortes, WA 98221, and DWTR&J Corp., as Trustee, whose address is 2600 Century Square, 1501 Fourth Avenue, Seattle, WA 98101-1688, and Winchelsea 2000, LLC, a Washington limited liability company, as Beneficiary, whose address is 2323 Eastlake Avenue East, Seattle, Washington 98102.

Grantor irrevocably bargains, sells and conveys to Trustee in trust, with power of sale and right of entry, undivided one-sixth (16.67%) interest as tenant in common in the real property in Skagit County, Washington, described on Exhibit A attached hereto and incorporated herein by reference, and in all buildings and improvements thereon, all rents, issues and profits therefrom, all goods that are or are to become fixtures therein, all water rights however evidenced or manifested, and all other rights now or hereafter appurtenant thereto, and all interest and estate therein that the Grantor may hereafter, subject to the exceptions set forth on Exhibit A (the "Property").

Grantor covenants the Property is not used principally for agricultural purposes.

This Deed is for the purpose of securing payment and performance of each agreement of Grantor incorporated by reference or contained herein and payment of the sum of One Hundred Eighty-Eight Thousand Five Hundred Seventy-Eight and 75/100 Dollars (\$188,578.75) with interest thereon and any late charges, according to the terms of a promissory note dated of even date herewith, payable to Beneficiary or order and made by Grantor (the "Note"); all renewals, modifications or 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.

As used herein, "Loan Documents" means the Note, this Deed of Trust, and any other document executed by Grantor in connection with the indebtedness secured hereby, including without limitation any loan agreement, and all renewals, modifications and extensions thereof.

The Grantor covenants and agrees as follows:

1. To pay all debts and monies secured hereby, when from any cause the same shall become due. To keep the Property free from statutory and governmental liens of any kind. That the Grantor is seized in fee simple of the Property and owns outright every part thereof, that he has good right to make this Deed of Trust and that he will forever warrant and defend said Property unto the Beneficiary, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof. The Grantor upon request by mail will furnish a written statement duly acknowledged of the



amount due on this Deed of Trust and whether any offsets or defenses exist against the debt secured hereby.

2. To maintain the buildings and other improvements on the Property in a rentable and tenantable condition and state of repair, to neither commit nor suffer any waste, to promptly comply with all requirements of the Federal, State and Municipal authorities and all other laws, ordinances, regulations, covenants, conditions and restrictions respecting Property or the use thereof, to pay all fees or charges of any kind in connection therewith, and to promptly repair or restore any building or other improvement after any damage thereto or destruction thereof. Grantor shall not suffer or permit any illegal activities to occur on the Property. Grantor shall permit Beneficiary or its agents the opportunity to inspect the Property, including the interior of any structures, at reasonable times and after reasonable notice.

3. To maintain unceasingly, property insurance with premiums prepaid, on all of the Property, or hereafter becoming part of Property, against loss by fire and other causes of loss, on such forms and with such endorsements, as may be required from time to time by Beneficiary. Such insurance shall be in such amounts and for such periods of time as Beneficiary designates and shall include a standard mortgagee clause, and/or a loss payee endorsement (without contribution) in favor of and in form satisfactory to Beneficiary. Grantor covenants upon demand on Beneficiary to deliver to Beneficiary such policies and evidences of payment of premiums as Beneficiary requests.

4. To pay in full at least thirty (30) days before delinquent all rents, taxes, assessments and encumbrances, charges or liens with interest, that may now or hereafter be levied, assessed or claimed upon the Property or any part thereof, which at any time appear to be prior or superior hereto for which provision has not been made heretofore, and upon request to exhibit to Beneficiary official receipts therefor. On default under this paragraph, Beneficiary may, at its option, pay any such sums, without waiver of any other right of Beneficiary by reason of such default of Grantor, and Beneficiary shall not be liable to Grantor for a failure to exercise any such option.

5. To repay immediately on demand to Grantor all sums expended or advanced hereunder by or on behalf of Beneficiary or Trustee, with interest from the date of such advance or expenditure at the rate provided in the Note until paid and the repayment thereof shall be secured hereby. Failure to repay such expenditure or advance and interest thereon within ten (10) days of the mailing of such demand will, at Beneficiary's option, constitute an event of default hereunder.

6. Time is of the essence hereof in connection with all obligations of the Grantor herein or in the Note. By accepting payment of any amount 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 default for failure so to pay.



7. All sums secured hereby shall become immediately due and payable, at the option of the Beneficiary without demand or notice, after any of the following occur, each of which shall be an Event of Default: (a) default by Grantor in the payment of any indebtedness secured hereby and expiration of any applicable cure period provided for in the Note without such default having been cured, (b) default in the performance or observance of any other agreement contained herein or secured hereby which default shall continue for a period of twenty (20) days after notice shall have been given to Grantor specifying such default and requiring the same to be remedied without such default having been cured, provided, that if the default cannot reasonably be cured within such twenty (20) day period and then no Event of Default shall be deemed to occur so long as Grantor has commenced efforts to cure the default within such twenty (20) day period and diligently continues efforts to cure thereafter; (c) if Grantor or any party liable on the Note (including guarantors) shall make any assignment for the benefit of creditors or shall permit the institution of any proceedings under any federal or state statutes pertaining to bankruptcy, insolvency, arrangement, dissolution, liquidation or receivership, whether or not an order for relief is entered; or (d) default by Grantor under that certain Tenancy-In-Common Agreement dated of even date herewith between Grantor and Beneficiary (the "TIC Agreement").

On the occurrence of an Event of Default, Beneficiary may declare all amounts owed under the Loan Documents immediately due and payable without demand or notice and/or exercise its rights and remedies under the Loan Documents and applicable law including foreclosure of this Deed of Trust judicially or nonjudicially by the Trustee pursuant to the power of sale. Beneficiary's exercise of any of its rights and remedies shall not constitute a waiver or cure of a default. Beneficiary's failure to enforce any default shall not constitute a waiver of the default or any subsequent default. Grantor agrees to pay all reasonable costs, including reasonable attorneys' fees, accountants' fees, appraisal and inspection fees and cost of a title report, incurred by Beneficiary in connection with collection of the Note or any foreclosure of this Deed of Trust, which costs shall be included in the indebtedness secured hereby; and in any suit, action or proceeding (including arbitration or bankruptcy proceedings), or any appeal therefrom, to enforce or interpret the Note or any other Loan Document, or to foreclose this Deed of Trust, the prevailing party shall be entitled to recover its costs incurred therein, including reasonable attorneys fees and costs of litigation. The Property may be sold separately or as a whole, at the option of Beneficiary. Trustee and/or Beneficiary may also realize on any personal property in accordance with the remedies available under the Uniform Commercial Code or at law. In the event of a foreclosure sale, Grantor and the holders of any subordinate liens or security interests waive any equitable, statutory or other right they may have to require marshaling of assets or foreclosure in the inverse order of alienation. Beneficiary may at any time discharge the Trustee and appoint a successor Trustee who shall have all of the powers of the original Trustee.

Except for notices required under the Deed of Trust Act of the State of Washington, all notices under this Deed of Trust shall be given in the manner specified in the Note.

SEA 1541243v2 67204-2 9.9.05



200509150240

Skagit County Auditor

8. If the Property or any part thereof or any interest therein is sold, conveyed, transferred or encumbered without the prior written consent of the Beneficiary, then Beneficiary may declare all sums secured by the Deed of Trust immediately due and payable. This provision shall apply to each and every sale, transfer, conveyance or encumbrance regardless of whether or not Beneficiary has consented or waived its rights, whether by action, or nonaction, in connection with any previous sale, transfer, conveyance or encumbrance, whether one or more.

9. Beneficiary may commence, appear in, and defend any action or proceeding which may affect the Property or the rights or powers of Beneficiary or Trustee.

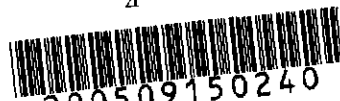
10. If Beneficiary so requires, Grantor shall pay to Beneficiary monthly, together with and in addition to any payments of principal and/or interest due under the Note, a sum, as estimated by the Beneficiary, equal to the ground rents, if any, the real estate taxes and assessments next due on the Property and the premiums next due on insurance policies required under this Deed of Trust, less all sums already paid therefor, divided by the number of months to elapse before 2 months prior to the date when the ground rents, real estate taxes, assessments and insurance premiums will become delinquent, to be held by Beneficiary without interest and used to pay such items when due.

11. This Deed of Trust shall also serve as a financing statement filed for record in the real estate records as a fixture filing pursuant to the Uniform Commercial Code. To the extent applicable, this is a security agreement under the Uniform Commercial Code in which Grantor is debtor and Beneficiary is secured party.

12. If any payment made or to be made under the Loan Documents shall constitute a violation of the applicable usury laws, then the payment made or to be made shall be reduced so that in no event shall any obligor pay or Beneficiary receive an amount in excess of the maximum amount permitted by the applicable usury laws.

13. 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 such obligation.

14. After the occurrence of an Event of Default, Grantor consents to and Beneficiary shall be entitled, without notice, without bond, and without regard to the adequacy of the Property as collateral, to the appointment of a receiver for the Property. The receiver shall have all the rights and powers customarily given to and exercised by a receiver of real property appointed pursuant to an agreement in a deed of trust or mortgage after default in payment or performance of the secured obligations. The receiver shall be entitled to receive a reasonable fee for management of the Property. If Grantor is an



occupant of the Property, Beneficiary has the right to require Grantor to pay rent at fair market rates and the right to remove Grantor from Property if Grantor fails to pay rent.

15. After the occurrence of an Event of Default and acceleration of the maturity date of the Note, upon written request of Beneficiary, Trustee shall sell the Property, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (1) to the expense of the sale, including a reasonable Trustee's fee and attorney's fee; (2) to the obligation secured by this Deed of Trust; (3) the surplus, if any, shall be distributed to the persons entitled thereto.

16. 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. The deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Deed of Trust, which recital shall be *prima facie* evidence of such compliance and conclusive evidence thereof in favor of *bona fide* purchaser and encumbrancers for value.

17. 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, and when not being foreclosed nonjudicially, Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage.

18. Beneficiary may appoint, in writing, a successor trustee, and on 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.

19. Grantor represents and warrants to Beneficiary that to the best of Grantor's knowledge after due and diligent inquiry, no hazardous or toxic waste or substances are being stored on the Property or any adjacent property nor have any such waste or substances been stored or used on the Property or any adjacent property prior to Grantor's ownership, possession or control of the Property. Grantor agrees to provide written notice to Beneficiary immediately upon Grantor becoming aware that the Property or any adjacent property is being or has been contaminated with hazardous or toxic waste or substances. Grantor will not cause nor permit any activities on the Property which directly or indirectly could result in the Property or any other property becoming contaminated with hazardous or toxic waste or substances. For purposes of this Deed of Trust, the term "hazardous or toxic waste or substances" means any substance or material defined or designated as hazardous or toxic wastes, hazardous or toxic material, a hazardous, toxic or radioactive substance or other similar term by any applicable federal, state or local statute, regulation or ordinance now or hereafter in effect.

Grantor shall promptly comply with all statutes, regulations and ordinances which apply to Grantor or the Property, and with all orders, decrees or judgments of



governmental authorities or courts having jurisdiction by which Grantor is bound, relating to the use, collection, storage, treatment, transportation, disposal, control, removal or cleanup of hazardous or toxic substances in, on or under the Property or in, on or under any adjacent property that becomes contaminated with hazardous or toxic substances as a result of construction, operations or other activities on, or the contamination of, the Property, at Grantor's expense. Beneficiary may, but is not obligated to, enter upon the Property and take such actions and incur such costs and expenses to effect such compliance as it deems advisable to protect its interest as Beneficiary; and whether or not Grantor has actual knowledge of the existence of hazardous or toxic substances in, on or under the Property or any adjacent property as of the date hereof.

20. This Deed of Trust and all of Grantor's covenants hereunder are subject to the terms and provisions of the TIC Agreement. To the extent any covenant concerning the maintenance, repair or insurance upon the Property is inconsistent with the TIC Agreement, the TIC Agreement shall control.

EXECUTED as of the day and year first above written.

**GRANTOR:**

  
Timothy C. Starkovich

  
Tara R. Starkovich

Property Address: 2014 Cove Place, Anacortes, WA 98221

**EXHIBIT:**

Exhibit A - Legal Description

SEA 1541243v2 67204-2 9.9.05



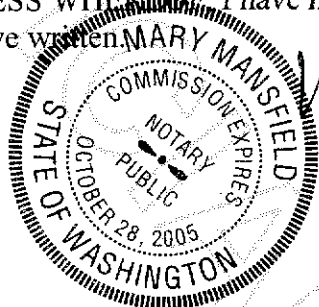
200509150240  
Skagit County Auditor

9/15/2005 Page 7 of 11 4:01PM

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF SKAGIT )

On this 15<sup>th</sup> day of Sept, 2005, before me, a Notary Public in and for the State of Washington, personally appeared Timothy C. Starkovich, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument and acknowledged it to be his free and voluntary act and deed for the uses and purposes mentioned in the instrument.

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



Mary Mansfield  
NOTARY PUBLIC in and for the State of Washington, residing at Amelia  
My appointment expires 10-28-05  
Print Name Mary Mansfield

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF SKAGIT )

On this 15<sup>th</sup> day of Sept, 2005, before me, a Notary Public in and for the State of Washington, personally appeared Tara R. Starkovich, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument and acknowledged it to be his free and voluntary act and deed for the uses and purposes mentioned in the instrument.

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



Mary Mansfield  
NOTARY PUBLIC in and for the State of Washington, residing at Amelia  
My appointment expires 10-28-05  
Print Name Mary Mansfield





**EXHIBIT A**

**LEGAL DESCRIPTION**

**PARCEL A:**

Lot 8, SKYLINE NO. 11, according to the plat thereof, recorded in Volume 9 of Plats, pages 78 and 79, records of Skagit County, Washington.

Situated in Skagit County, Washington.

**PARCEL B:**

That portion of Section 27, Township 35 North, Range 1 East of the Willamette Meridian, described as follows:

Beginning at the Southwest corner of Lot 8, Skyline No. 11, according to the plat thereof, recorded in Volume 9 of Plats, pages 78 and 79, records of Skagit County, Washington;  
Thence South 62°31'48" West 100 feet;  
Thence North 07°53'30" West 129.12 feet;  
Thence North 15°59'44" East 65.70 feet;  
Thence South 75°14'06" East 76.94 feet to the Northwest corner of said Lot 8;  
Thence Southerly along the Westerly line of said Lot 8 to the point of beginning.

Situated in Skagit County, Washington.

**Subject to:**

1. Easement in favor of Puget Sound Power & Light Company for electric transmission and/or distribution line, together with necessary appurtenances recorded January 26, 1962 under Skagit County Auditor's File No. 617291.
2. Easement contained in Dedication of said plat for all necessary slopes for cuts and fills affecting any portions of said premises which abut upon streets, avenues, alleys and roads.
3. Easement contained on the face of said plat, as follows:

An easement is hereby reserved for and granted to Puget Sound Power & Light Company and General Telephone Company of the Northwest, Inc., and their respective successors and assigns under and upon the exterior 5 feet of front and rear boundary lines and under and upon the exterior 2.5 feet of side boundary lines of all lots, in which to install, lay, construct, renew, operate and maintain underground conduits, cables and wires with necessary facilities and other equipment for the purpose of service, together with the right to

A-'



enter upon the lots at all times for the purposes stated; also hereby granted is the right to use the streets for the same purposes.

4. Covenants, conditions, restrictions, and easements contained in declaration(s) of restriction, but omitting any covenant, condition or restriction based on race, color, religion, sex, handicap, familial status, or national origin unless and only to the extent that said covenant (a) is exempt under Chapter 42, Section 3607 of the United States Code or (b) relates to handicap but does not discriminate against handicap persons

Recorded: September 19, 1969

Auditor's No. 730909, records of Skagit County

Executed by: Skyline Associates, a limited partnership, Harry Davidson, general partner

5. Assessments or charges and liability to further assessments or charges, including the terms, covenants, and provisions thereof, disclosed in instrument(s):

Recorded: May 9, 1977

Auditor's No. 856114, records of Skagit County

Imposed by Skyline Beach Club, Inc.

6. Any prohibition or limitation on the use, occupancy, or improvement of the land resulting from the rights of the public or riparian owners to use any waters which may cover the land or to use any portion of the land which is now or may formerly have been covered by water.

7. Right of use, control, or regulation by the United State of America in the exercise of power over navigation.

8. Any question that may arise due to sifting or changing of the line of high water of Flounder Bay, OR due to said waters having shifted or changed its line of high water.

9. Exceptions and reservations contained in Deed whereby the Grantor excepts and reserves all oils, gases, coal, ores, minerals, fossils, etc., and the right of entry for opening, developing and working mines, etc., provided that no rights shall be exercised until provision has been made for full payment of all damages sustained by reason of such entry;

**Together with** the right, upon paying reasonable compensation, to acquire rights of way for transporting and moving products from other lands, contained in deed from State of Washington and recorded on June 29, 1912 and March 2, 1923 under Skagit County recording No. 919959 and 162371.

10. Record of a Survey recorded March 28, 1996, in Volume 18 of Surveys, page 48, under Auditor's File No. 9603280004, records of Skagit County.



11. Covenants, conditions, restrictions, and easements contained in declaration(s) of restriction, but omitting any covenant, condition or restriction based on race, color, religion, sex, handicap, familial status, or national origin unless and only to the extent that said covenant (a) is exempt under Chapter 42, Section 3607 of the United States Code or (b) relates to handicap but does not discriminate against handicap persons

Recorded: June 28, 2004

Auditor's No. 200406280213, records of Skagit County

Executed by: Skyline Beach Club

Amended by instruments recorded July 30, 2004 under Skagit County Recording No. 200407300094, and June 6, 2005 under Skagit County Recording No. 200506060070.



200509150240

Skagit County Auditor

9/15/2005 Page

11 of

11

4:01PM