

Return Address: WADOT Capital Inc.
13751 Lake City Way N.E. #222
Seattle, WA. 98125



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DEED OF TRUST AND SECURITY AGREEMENT

B94848-2
GUARDIAN NORTHWEST TITLE CO.

Grantors: James S. Knott and Pamela K. Knott, husband and wife

Grantees: WADOT Capital Inc.

Abbreviated Legal Description: Section 2, Township 36, Range 3; Ptn. NE NE

Assessor's Property Tax Parcel Account Number: 360302-0-003-0109, P47576

Reference numbers of related documents:

This Deed of Trust and Security Agreement (the "Deed of Trust") is made this 19th day of June, 2008, by and between James S. Knott and Pamela K. Knott, husband and wife ("Grantor(s)"); whose address is: 2621 2nd Ave, Unit 1202, Seattle, WA 98121, and WADOT CAPITAL, INC., a Washington corporation, ("Beneficiary"); whose address is 13751 LAKE CITY WAY N.E. SUITE 222, SEATTLE, WASHINGTON 98125 and Guardian Northwest Title & Escrow ("Trustee") whose address is: 1301-B Riverside Drive, PO Box 1667, Mount Vernon, WA 98273.

COVENANTS AND TERMS

1. **Conveyance:** Grantor hereby bargains, sells and conveys to Trustee, in trust, with power of sale, all of Grantor's right, title and interest in and to the real property, both presently existing and after-acquired, including easements and appurtenances, and all existing or subsequently erected or affixed improvements or fixtures located thereon, which real property is legally described upon Exhibit "A" to this Deed of Trust, which is attached hereto and is incorporated herein by this reference. The real property described in Exhibit "A", and all improvements and fixtures thereon are hereinafter referred to as the "Property." Subject Property is Raw Land.

2. **Security Interest:** Grantor hereby grants to Beneficiary a Uniform Commercial Code security interest in all of Grantor's right, title and interest in and to all rents, revenues, income, refunds of insurance premiums, proceeds of insurance policies, issues and profits from or relating to the Property (the "Income") and in all equipment, fixtures,

furnishings, and other articles of personal property owned by Grantor, now or subsequently attached or affixed to the Property.

2.1 Financing Statements: Upon request by Beneficiary, Grantor shall execute financing statements and take whatever other action is requested by Beneficiary to perfect and continue Beneficiary's security interest in the Income and fixtures. Grantor further hereby authorizes Beneficiary to file such financing statements without Grantor's signature as permitted by applicable law.

2.2 Attorney In Fact: Grantor hereby appoints Beneficiary as Grantor's attorney in fact for the purpose of executing any documents necessary to perfect or continue the security interest granted therein. Beneficiary may, at any time and without further authorization from Grantor, file copies or reproductions of this Deed of Trust as a financing statement. Grantor will reimburse Beneficiary for all expenses incurred in perfecting or continuing this security interest.

3. Use: Grantor and Beneficiary acknowledge that the Property is not used principally for agricultural or farming purposes.

4. Indebtedness: The term "Indebtedness" as used in this Deed of Trust shall mean all principal and interest payable under the Promissory Note of even date herewith, in the sum of One Hundred Thousand Seven Hundred Fifty Dollars and 00/100 (\$100,750.00) payable to Beneficiary or order, and made by Grantor, and all renewals, modifications and extensions thereof, (the "Promissory Note") and any amounts expended or advanced by Beneficiary to discharge obligations of Grantor or expenses incurred by Beneficiary or Trustee to enforce obligations of Grantor hereunder, as permitted under this Deed of Trust, together with interest thereon as provided in the Promissory Note. This Deed of Trust, including the security interest, is given to secure payment of the Indebtedness and the performance of all obligations of Grantor under this Deed of Trust and is given and accepted on the terms and conditions specified in the Promissory Note and in this Deed of Trust.

5. Possession and Maintenance of the Property:

5.1 Possession: Unless and until default, Grantor may remain in possession and control of and operate and manage the Property and collect the Income from the Property.

5.2 Duty to Maintain: Grantor shall maintain the Property in first class condition and promptly perform all repairs and maintenance necessary to preserve its value.

5.3 Nuisance, Waste: Grantor shall neither conduct or permit any nuisance nor commit or suffer any strip or waste on or to the Property or any portion thereof including, without limitation, removal or alienation by Grantor of the right to remove any timber, minerals (including oil and gas), or gravel or rock products.

5.4 Removal of Improvements: Grantor shall not demolish or remove any improvements from the Property without the prior written consent of Beneficiary. Beneficiary shall consent if Grantor makes arrangements satisfactory to Beneficiary to replace any improvement which Grantor proposes to remove with one of at least equal value. "Improvements" shall include all existing and future buildings, structures and parking facilities.

5.5 Compliance with Governmental Requirements: Grantor shall promptly comply with all laws, ordinances and regulations of all governmental authorities applicable to the use or occupancy of the Property. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Grantor has notified Beneficiary in writing prior to doing so and Beneficiary's interest in the Property is not jeopardized. Beneficiary may require Grantor to post adequate security (reasonably satisfactory to Beneficiary) to protect Beneficiary's interest. Grantor shall not seek, agree to or make change in the use of the Property or its zoning classification, unless Beneficiary has agreed in writing to the change. Grantor shall



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comply with all laws, ordinances, regulations and requirements of any governmental body applicable to the Property.

5.6 Duty to Protect: Grantor shall do all other acts, in addition to those set forth in this section, that from the character and use of the Property are reasonably necessary to protect and preserve the security.

6. Beneficiary's Right to Enter: Beneficiary and its agents and representatives may enter upon the Property at all reasonable times to attend to Beneficiary's interest and to inspect the Property.

7. Protection of Beneficiary's Rights in the Property: If Grantor fails to perform the covenants and agreements contained in this Deed of Trust, or there is a legal proceeding that may significantly affect Beneficiary's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture or to enforce laws or regulations), then Beneficiary may do and pay for whatever is necessary to protect the value of the Property and Beneficiary's rights in the Property. Beneficiary's actions may include paying any sums secured by a lien which has priority over this Deed of Trust; appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Although Beneficiary may take action under this paragraph, Beneficiary does not have to do so. Any amounts disbursed by Beneficiary under this paragraph shall become additional debt of Grantor secured by this Deed of Trust. Unless Grantor and Beneficiary agree in writing to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Beneficiary to Grantor requesting payment.

8. Beneficiary's Powers: Without affecting the liability of any other person liable for the payment of any obligation herein mentioned, and without affecting the lien or charge of this Deed of Trust upon any portion of the Property not then or theretofore released as security for the full amount of all unpaid obligations, Beneficiary may, from time to time at the request of any one of the Grantors, or their successors or assigns and without notice (a) release any person so liable; (b) extend the maturity or alter any of the terms of any such obligation; (c) grant other indulgences; (d) release or reconvey, or cause to be released or reconveyed at any time at Beneficiary's option any parcel or portion of the Property so long as the release or reconveyance does not materially effect the security value of the Property (e) take or release any other or additional security for any obligation herein mentioned; or (f) make compositions or other arrangements with debtors in relation thereto. By accepting payment of any obligation herein mentioned after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other obligations herein mentioned or to declare default for failure so to pay.

9. Due on Sale: Upon the sale or transfer of all or any part of the Property without the Beneficiary's prior written consent Beneficiary may, at its option: (i) declare immediately due and payable all sums secured by this Deed of Trust, if Beneficiary reasonably believes itself to be insecure; or (ii) increase the interest rate in the Promissory Note to an amount equal to one hundred five percent (105%) of the original interest rate in the Promissory Note, whether or not Beneficiary believes itself to be insecure. A "sale or transfer" means the conveyance of real property or any right, title or interest therein, whether legal or equitable, whether voluntary or involuntary, by outright sale, encumbrance, deed of trust, mortgage, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than one (1) year, lease-option contract, or any other method of conveyance of real property interests. If any Grantor is a limited partnership, general partnership, limited liability company, or corporation, transfer also includes any change in ownership of more than twenty-five percent (25%) of the voting stock or ownership or membership interests of Grantor. If Grantor or prospective transferee applies to Beneficiary for consent to a transfer, Beneficiary may require such information concerning the prospective transferee as Beneficiary deems to be necessary and appropriate. Beneficiary may also condition such approval upon the increase in the interest chargeable to and payable by Grantor to a rate not more than one hundred five percent (105%) of the original interest rate set forth in the original Promissory Note. The consent to the sale or assignment shall not relieve Grantor from liability under the terms and provisions of the promissory Note or this Deed of Trust, unless Beneficiary shall specifically agree to the release of the Grantor.

10. Taxes and Liens:



10.1 Payment: Grantor shall pay when due before they become delinquent all taxes and assessments levied against or on account of the Property and any personal property used in conjunction therewith, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property. Grantor shall maintain the Property free of any liens having priority over or equal to the interest of Beneficiary under this Deed of Trust, except for the lien of taxes and assessments not due, except for any prior indebtedness on the subject Property, and except as otherwise provided in this Deed of Trust.

10.2 Right to Contest: Grantor may withhold payment of any tax, assessment or claim in connection with a good faith dispute over the obligation to pay, so long as Beneficiary's interest in the Property is not jeopardized. If a lien arises or is filed as a result of nonpayment, Grantor shall within fifteen (15) days after the lien arises or, if a lien is filed, within fifteen (15) days after Grantor has notice of the filing, secure the discharge of the lien or deposit with Beneficiary cash or a sufficient corporate surety bond or other security satisfactory to Beneficiary in an amount sufficient to discharge the lien plus any costs, attorneys' fees, or other charges that could accrue as a result of a foreclosure or sale under the lien.

10.3 Evidence of Payment: Grantor shall upon demand furnish to Beneficiary evidence of payment of the taxes or assessments and shall authorize the appropriate county official to deliver to Beneficiary at any time a written statement of the taxes and assessments against the Property.

10.4 Notice of Construction: Grantor shall notify Beneficiary at least fifteen (15) days before any work is commenced, any services are furnished, or any materials are supplied to the Property if a construction lien could be asserted on account of the work, services, or materials and the cost exceeds \$5,000.00 (if the Property is to be used for nonresidential or commercial purposes or \$1,000.00 if the Property is to be used as a residence). Grantor will on request furnish to Beneficiary advance assurances satisfactory to Beneficiary that Grantor can and will pay the cost of such Improvements.

11 Property Damage Insurance: Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement basis for the full insurable value basis covering all improvements on the Property in an amount sufficient to avoid application of any co-insurance clause, and with a mortgagee's loss payable clause in favor of Beneficiary. Policies shall be written by such insurance companies and in such form as may be reasonably acceptable to Beneficiary. Grantor shall deliver to Beneficiary certificates of coverage from each insurer containing a stipulation that coverage will not be cancelled or diminished without a minimum of ten (10) days' written notice to Beneficiary. Grantor shall, upon request, have an independent appraiser satisfactory to Beneficiary determine the cash value replacement cost of the Property.

11.1 Grantor's Report on Insurance: Within sixty (60) days after the close of each calendar year, Grantor shall furnish to Beneficiary a report on each existing policy of insurance showing: the name of the insurer; the risks insured; the amount of the policy; the identification of the property insured; the then current replacement value of the improvements on the Property, the manner of determining that value; and the expiration date of the policy.

11.2 Application of Proceeds: Grantor shall promptly notify Beneficiary of any loss or damage to the Property. Beneficiary may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. Beneficiary may, at its election, apply the proceeds to the reduction of the Indebtedness or the restoration and repair of the Property. If Beneficiary elects to apply the proceeds to restoration and repair, Grantor shall repair or replace the damaged or destroyed Improvements in a manner satisfactory to Beneficiary. Beneficiary shall, upon satisfactory proof of such expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration if Grantor is not in default hereunder. Any proceeds which have not been paid out by Grantor for restoration, within one hundred eighty (180) days after their receipt and which Beneficiary has not committed to the repair or restoration of the Property shall be used to prepay first accrued interest, then late charges and other charges and then the principal of the Indebtedness. If Beneficiary holds any proceeds after payment in full of the Indebtedness, such proceeds shall be paid



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to Grantor.

12 Expenditure by Beneficiary: If Grantor fails to comply with any provision of this Deed of Trust, including the obligation to maintain any prior Indebtedness in good standing, or if any action or proceeding is commenced that would materially affect Beneficiary's interest in the Property, Beneficiary may at its option on Grantor's behalf take the required action and any amount that it expends in so doing shall be added to the Indebtedness and bear interest at the rate set forth in the Promissory Note plus an additional five percent (5%). Amounts so added shall be payable on demand with interest from the date of expenditure. The rights provided for in this section shall be in addition to any other rights or any remedies to which Beneficiary may be entitled on account of the default. By taking the required action, Beneficiary shall not cure the default so as to bar it from any remedy that it otherwise would have had.

13. Condemnation: If all or any part of the Property is condemned, Beneficiary may at its election require that all or any portion of the net proceeds of the award be applied to the Indebtedness. The net proceeds of the award shall mean the award after payment of all reasonable costs, expenses and attorneys' fees necessarily paid or incurred by Grantor, Beneficiary or Trustee in connection with the condemnation. If any proceedings in condemnation are filed, Grantor shall promptly notify Beneficiary in writing and Grantor shall promptly take such steps as may be necessary to defend the action and obtain the award.

14. Defense of Title: Grantor warrants that it holds merchantable title to the Property in fee simple free of all encumbrances other than those set forth in any policy of title insurance issued in favor of Beneficiary in connection with this Deed of Trust, acceptable to Beneficiary.

14.1 Defense of Title: Subject to the exceptions in the paragraph above, Grantor warrants and will forever defend the title against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Grantor's title or the interest of Beneficiary or Trustee under this Deed of Trust, Grantor shall defend the action at its expense.

15 Power and Obligations of Trustee: In addition to all powers of Trustee arising as a matter of law, the Trustee shall have the power to take the following actions with respect to the Property upon the request of Beneficiary and Grantor: to join in preparing and filing a map or plat of the Real property, including the dedication of streets or other rights in the public; to join in granting any easement or creating any restriction on the Property; and to join in any subordination or other agreement affecting this Deed of Trust or the interest of Beneficiary under this Deed of Trust.

16. Reconveyance on Full Performance: If Grantor pays all of the Indebtedness when due and otherwise performs all the obligations imposed upon Grantor under this Deed of Trust and the Note, Beneficiary shall execute and deliver to Trustee a request for full reconveyance in the form set forth on this Deed of Trust and shall execute and deliver to Grantor suitable statements of termination of any financing statement on file evidencing Beneficiary's security interest in the Income and the Personal property. Any reconveyance fee or termination fee required by law shall be paid by Grantor, if permitted by applicable law.

17. Default: The following shall constitute events of default, by Grantor:

17.1 The failure of Grantor to pay any portion of the Indebtedness when it is due.

17.2 The failure of Grantor within the time required by this Deed of Trust to make any payment for taxes, insurance, or for any other payment necessary to prevent filing of or to effect discharge of any lien against the Property.

17.3 The breach of the Due on Sale provisions of this Deed of Trust.

17.4 The insolvency of the Grantor; or the appointment of a receiver for any part of the Property; or the assignment for the benefit of creditors by the Grantor; or the commencement of any proceeding under any bankruptcy



or insolvency laws by or against the Grantor, or the failure of Grantor to obtain the dismissal of any petition filed under any bankruptcy or insolvency laws within the time required to answer.

17.5 The failure by Grantor to perform any other obligation under this Deed of Trust. Any breach by Grantor under the terms of the Loan Agreement and any other agreement between Grantor and Beneficiary that is not remedied within any grace period provided therein, including without limitation any agreement concerning any indebtedness of Grantor to Beneficiary, whether made now or later.

17.6 Beneficiary has sent to Grantor a written notice of the failure and the failure has not been cured within ten (10) days of the notice, or if the default cannot be cured within ten (10) days, Grantor has not commenced curative action or is not diligently pursuing such curative action.

17.7 Grantor has been given notice of a breach of the same provision(s) of this Deed of Trust within the preceding twelve (12) months.

18 Rights and Remedies On Default Of Grantor: Upon the occurrence of any event of default and at any time thereafter, the Trustee or Beneficiary may exercise any one or more of the following rights and remedies, in addition to any other rights or remedies provided by law:

18.1 The Beneficiary shall have the right at its option without notice to Grantor to declare the entire Indebtedness immediately due and payable, including any prepayment penalty which Grantor would be required to pay.

18.2 With respect to all or any part of the Property, the Trustee shall have the right to foreclose by notice and sale, and Beneficiary shall have the right to foreclose by judicial foreclosure, in either case in accordance with and to the full extent provided by applicable law.

18.3 With respect to all or any part of the Income, Beneficiary shall have all the rights and remedies of a secured party under the Uniform Commercial Code in effect in the State of Washington.

18.4 The Beneficiary shall have the right, without notice to Grantor, to take possession of the Property and to collect the Income, including amounts past due and unpaid, and apply the net proceeds, over and above Beneficiary's costs, against the Indebtedness. In furtherance of this right, Beneficiary may require any tenant or other user to make payments of rent or use fees directly to Beneficiary. If the Income is collected by Beneficiary, then Grantor irrevocably designates Beneficiary as Grantor's attorney in fact to endorse instruments received in payment thereof in the name of Grantor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Beneficiary in response to Beneficiary's demand shall satisfy the obligation for which the payments are made, whether or not any proper grounds for the demand existed. Beneficiary may exercise its rights under this subparagraph either in person, by agent, or through a receiver.

18.5 The Beneficiary shall have the right to have a receiver appointed to take possession of any or all of the Property, with the power to protect and preserve such assets, to operate the Property, preceding foreclosure or sale, and to collect the Income from the Property and apply the proceeds, over and above cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Beneficiary's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount.

18.6 If Grantor remains in possession of the Property after the Property is sold as provided above or Beneficiary otherwise becomes entitled to possession of the Property upon default of Grantor, Grantor shall become a tenant at will of Beneficiary or the purchaser of the Property and shall pay while in possession a reasonable rental for use of the Property.



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18.7 If the Property is submitted to unit ownership, Beneficiary or its designee may vote on any matter that may come before the members of the association of unit owners, pursuant to the power of attorney granted Beneficiary in this Deed of Trust.

18.8. Trustee and Beneficiary shall have any other right or remedy provided in this Deed of Trust, or the Promissory Note, or applicable Washington State Law.

18.9 To the extent the federal statutory provision providing a maximum rate of interest incurred before military service applies to the Grantor and the Promissory Note secured by this Deed of Trust under 50 App. USCA 527 the Grantor hereby waives the application of this Section 527 under the provisions of 50 App. USCA 517.

19. **Trustee's Sale:** Upon written request of Beneficiary, the Trustee or its authorized agent shall sell the Property, in accordance with the provisions of the laws of the State of Washington pertaining to the foreclosure of Deeds of Trust, at public auction to the highest bidder. In exercising its rights and remedies, the Trustee or Beneficiary shall be free to sell all or any part of the Property together or separately, in one sale or by separate sales. The Beneficiary shall be entitled to bid at any public sale on all or any portion of the Property. Any person except the 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 attorney's fee; (2) to the obligations secured by this Deed of Trust; (3) the surplus, if any, shall be distributed in accordance with the laws of the State of Washington.

19.1 **Trustee's Deed:** The 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 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.

19.2 **Unexpired Insurance at Sale:** Any unexpired insurance shall inure to the benefit of, and pass to, the purchaser of the Property covered by this Deed of Trust at any trustee's or other sale held under the provision contained within, or at any foreclosure sale of such Property.

19.3 **Foreclosure As Mortgage:** 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. The Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage.

20. **Successor Trustee:** In the event of the death, incapacity or disability or resignation of the Trustee, the 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. The Trustee shall meet all of the statutory requirements for trustees as provided under the laws of the State of Washington.

21. **Notice:** Any notice under this Deed of Trust shall be in writing and shall be effective when actually delivered or, if mailed, shall be deemed effective on the second day after being deposited as registered or certified mail, postage prepaid, directed to the address stated in this Deed of Trust. Any party may change its address for notices by written notice to the other parties. Beneficiary requests that copies of notices of foreclosure from the holder of any lien which has priority over this Deed of Trust be sent to Beneficiary's address as set forth on page one of this Deed of Trust.



22. Grantor: The term "Grantor" is used in this Deed of Trust for convenience of the parties, and use of that term shall not affect the liability of any such Grantor on the Promissory Note. Any Grantor who co-signs this Deed of Trust, but does not execute the Note: (a) is co-signing this Deed of Trust only to grant and convey that Grantor's interest in the Property to Trustee under the terms of this Deed of Trust; (b) is not personally liable under the Note except as otherwise provided by law or contract; and (c) agrees that Beneficiary and any other Grantor hereunder may agree to extend, modify, forebear, or make any other accommodations or amendments with regard to the terms of this Deed of Trust or the Note, without that Grantor's consent and without releasing that Grantor or modifying this Deed of Trust as to that Grantor's interest in the Property.

23. Waiver, Election of Remedies: A waiver by any party of a breach of a provision of this Deed of Trust shall not constitute a waiver of or prejudice the party's rights otherwise to demand strict compliance with that provision or any other provision. Election by Beneficiary to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or take action to perform an obligation of Grantor under this Deed of Trust after failure of Grantor to perform shall not affect Beneficiary's right to declare a default and exercise its remedies under this Deed of Trust.

24. Restoration of Former Positions: In case Beneficiary shall proceed to enforce any right under this Deed of Trust and the proceedings for enforcement thereof shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Beneficiary, then and in every such case the Beneficiary, the Trustee and the Grantor shall, subject to any determination in such proceedings, severally and respectively be restored to their former positions and rights hereunder, and thereafter all rights and remedies and powers of the Beneficiary and the Trustee shall continue as though no such proceeding had been taken.

25. Attorneys' Fees and Expenses: If Beneficiary institutes any suit or action to enforce any of the terms of this Deed of Trust, or commences a non-judicial foreclosure, through the Trustee, the Beneficiary shall be entitled to recover reasonable as attorneys' fees in the non-judicial foreclosure as well as at trial and on any appeal. Whether or not any court action is involved, all reasonable expenses incurred by Beneficiary that in Beneficiary's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest from the date of expenditure until repaid at the rate specified in the Promissory Note plus five percent (5%) per annum. Expenses covered by this paragraph include (without limitation) all attorney fees incurred by Beneficiary whether or not there is a lawsuit, including fees for any proceeding in any bankruptcy case under Title 11 USC, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, appraisal fees, title insurance, and fees for the Trustee, to the extent permitted by applicable law.

26. Miscellaneous:

26.1 Successors and Assigns: Subject to the limitations stated in this Deed of Trust on transfer of Grantor's interest, and subject to the provisions of applicable law with respect to successor trustees, this Deed of Trust shall be binding upon and inure to the benefit of the parties, 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.

26.2 Applicable Law: This Deed of Trust has been delivered to Beneficiary in the State of Washington. The laws of the State of Washington shall be applicable for the purpose of construing and determining the validity and enforceability of this Deed of Trust.

26.3 Joint and Several Liability: Grantor's obligations imposed under this Deed of Trust shall be joint and several.



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26.4 Time of Essence: Time is of the essence of this Deed of Trust and the performance of each covenant and obligation contained and specified herein.

26.5 Merger: There shall be no merger of the interest or estate created by this Deed of Trust with any other interest or estate in the Property at any time held by or for the benefit of Beneficiary in any capacity, without the written consent of Beneficiary.

26.6 Cross-Default Provision: Grantor's default or breach under any note or agreement in which Beneficiary has an interest shall be a breach under the Deed of Trust and Beneficiary may invoke any of the remedies permitted by the Deed of Trust.

26.7 Invalidity of Certain Provisions: If the lien of this Deed of Trust is invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Property, the unsecured or partially secured portion of the debt shall be completely paid prior to the payment of the remaining and secured or partially secured portion of the debt, and all payments made on the debt, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of the debt which is not secured or fully secured by the lien of this Deed of Trust. Further, the invalidity or unenforceability of any portion or provision of this Deed of Trust shall in no way affect the validity or enforceability of the remainder hereof.

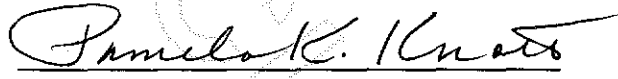
26.8 Waiver of Marshalling: Notwithstanding the existence of any other security interests in the Property held by Beneficiary or by any other party, Beneficiary shall have the right to determine the order in which any or all of the Property shall be subjected to the remedies provided in this Deed of Trust, the Note, any other Loan Documents or applicable law. Beneficiary shall have the right to determine the order in which any or all portions of the Indebtedness are satisfied from the proceeds realized upon the exercise of such remedies. Grantor and any party who now or in the future acquires a security interest in the Property, and who has actual or constructive notice of this Deed of Trust waives any and all right to require the marshalling of assets of the Grantor, including the Property, or to require that any of the Property be sold in the inverse order of alienation, or that any of the Property be sold in parcels or as entirely in connection with the exercise of any of the remedies permitted by applicable law of provided in this Deed of Trust.

This Deed of Trust and Security Agreement is executed by the Grantors as of the 18th
day of June, 2008.

GRANTOR:


James S. Knott

GRANTOR:


Pamela K. Knott



STATE OF WASHINGTON)
COUNTY OF Whatcom)

I certify that I know or have satisfactory evidence that James S. Knott and Pamela K. Knott is/are the person(s) who appeared before me, and said person(s) acknowledged that he/she/they signed this instrument and acknowledged it to be his/her/their free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: June 18, 2008

Heather Ledray
Print/Type Name: Heather Ledray
NOTARY PUBLIC in and for the State
of Washington, residing at Bellingham
My commission expires: 8-14-08

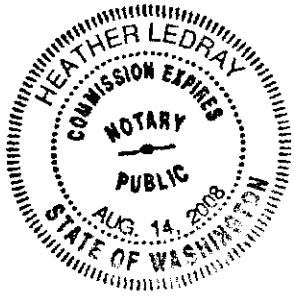


EXHIBIT A

LEGAL DESCRIPTION:

The North 1/2 of the North 1/2 of the Northeast 1/4 of the Northeast 1/4 of Section 2, Township 36 North, Range 3 East, W.M.;

EXCEPT the West 1/2 of the West 1/2 thereof;

AND EXCEPT the East 30 feet reserved for road purposes;

ALSO, the North 100 feet of the South 1/2 of the North 1/2 of the Northeast 1/4 of the Northeast 1/4 of Section 2, Township 36 North, Range 3 East, W.M.;

EXCEPT the West 1/2 of the West 1/2 thereof;

AND EXCEPT the East 30 feet reserved for road purposes.

TOGETHER WITH a non-exclusive easement for ingress and egress as granted in instrument recorded May 26, 2000, under Auditor's File No. 200005260001, records of Skagit County, Washington.



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