

RECORD AND RETURN TO:
SEARS MORTGAGE CORPORATION
2094 200TH AVENUE SW
SUITE 100
OAK HARBOR, WA 98277

JERRY MCINTURE
SEARS MORTGAGE CORPORATION

NOV 23 1993

FIRST AMERICAN TITLE CO.

9311230116

40939-2

[Space Above This Line For Recording Data]

VA Form 26-3593 (Home Loan)
July 1974
Section 1810, Title 38, U.S. Code
Acceptable to Federal National
Mortgage Association
(Amended May, 1989)

DEED OF TRUST

WASHINGTON

PURCHASE MONEY

VA CASE #: LAP439088
LENDER'S #: 07-02-53821

NOTICE: THIS LOAN IS NOT ASSUMABLE WITHOUT THE APPROVAL OF THE DEPARTMENT OF VETERANS AFFAIRS OR ITS AUTHORIZED AGENT.

The attached RIDER is made a part of this instrument.

THIS DEED OF TRUST, is made this 22ND day of NOVEMBER, 1993, BETWEEN DAVID P. SMITH AND CAROL A. SMITH, HUSBAND AND WIFE

, as Grantor, whose address is 705 CULTUS MOUNTAIN DRIVE, SEDRO WOOLLEY, WASHINGTON 98284-9371 ; and

MICHAEL D. HITT, as Trustee, whose address is 2200 FIRST INTERSTATE PLAZA, TACOMA, WA 98401

, and SEARS MORTGAGE CORPORATION, AN OHIO CORPORATION

, as Beneficiary, whose address is 440 NORTH FAIRWAY DRIVE, VERNON HILLS, ILLINOIS 60061

Grantor hereby irrevocably grants, bargains, sells and conveys to Trustee in trust, with power of sale, the following described property in WHATCOM County, Washington:

LOT 2, "AMENDED PLAT OF MOUNTAIN VIEW ESTATES", AS PER PLAT RECORDED IN VOLUME 14 OF PLATS AT PAGE 198 IN THE RECORDS OF SKAGIT COUNTY, STATE OF WASHINGTON.

PREPARED BY:
PATTY BLOUIN
OAK HARBOR, WA 98277

TOGETHER WITH all the tenements, hereditaments, and appurtenances now or hereafter thereunto belonging or in anywise appertaining, and the rents, issues and profits thereof; and all fixtures now or hereafter attached to or used in connection with the premises herein described; and in addition thereto the following described household appliances, which are and shall be deemed to be, fixtures and a part of the realty, and are a portion of the security for the indebtedness herein mentioned:

To the extent that any of the property described herein may be subject to the provisions of the Uniform Commercial Code, this deed of trust is a security agreement, granting to beneficiary, as secured party, a security interest in any such property and the grantor agrees to execute such financing statements as may be required by the beneficiary and pay, upon demand, filing fees for any such financing statements and continuations thereof.

The real property conveyed by this deed of trust is not used principally for agricultural or farming purposes.

9311230116

BK 1263 PG 0143

[Handwritten Signature]

THIS DEED IS FOR THE PURPOSE OF SECURING PERFORMANCE of each agreement of Grantor herein contained and payment of the sum of -----
ONE HUNDRED NINE THOUSAND ONE HUNDRED FORTY AND 00/100----- Dollars
(\$ 109,140.00-----) with interest thereon according to terms of a promissory note of even date herewith, payable to the order of Beneficiary and made by Grantor; 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.

The Grantor covenants and agrees as follows:

1. That he will pay the indebtedness, as hereinbefore provided. Privilege is reserved to prepay at any time, without premium or fee, the entire indebtedness or any part thereof not less than the amount of one installment, or one hundred dollars (\$100.00), whichever is less. Prepayment in full shall be credited on the date received. Partial prepayment, other than on an installment due date, need not be credited until the next following installment due date or thirty days after such prepayment, whichever is earlier.

2. Grantor agrees to pay to Beneficiary together with and in addition to the monthly payments of principal and interest payable under the terms of the note secured hereby, on the first day of each month until said note is fully paid.

(a) A sum, as estimated by the Beneficiary, equal to the ground rents, if any, and the taxes and special assessments next due on the premises covered by this Deed of Trust, plus the premiums that will next become due and payable on such insurance policies as may be required under paragraph 9 hereof, satisfactory to Beneficiary, Grantor agreeing to deliver promptly to Beneficiary all bills and notices therefor, less all sums already paid therefor divided by the number of months to elapse before one (1) month prior to the date when such ground rents, premiums, taxes and assessments will become delinquent, such sums to be held by the Beneficiary in trust to pay said ground rents, premiums, taxes and special assessments.

(b) All payments mentioned in the preceding subsection of this paragraph and all payments to be made under the note secured hereby shall be added together and the aggregate amount thereof shall be paid by the Grantor each month in a single payment to be applied by Beneficiary to the following items in the order set forth:

- (I) ground rents, if any, taxes, special assessments, fire and other hazard insurance premiums;
- (II) interest on the note secured hereby; and
- (III) amortization of the principal of said note.

(c) Any deficiency in the amount of any such aggregate monthly payment shall, unless made good by the Grantor prior to the due date of the next such payment, constitute an event of default under this Deed of Trust. The arrangement provided for in paragraph 2 is solely for the added protection of the Beneficiary and entails no responsibility on the Beneficiary's part beyond the allowing of due credit, without interest, for the sums actually received by it. Upon assignment of this Deed of Trust by the Beneficiary, any funds on hand shall be turned over to the assignee and any responsibility of the assignor with respect thereto shall terminate. Each transfer of the property that is the subject of this Deed of Trust shall automatically transfer to the Grantee all rights of the Grantor with respect to any funds accumulated hereunder.

3. At beneficiary's option grantor will pay a "late charge" not exceeding four per centum (4%) of any installment when paid more than fifteen (15) days after the due date thereof to cover the extra expense involved in handling delinquent payments, but such late charge shall not be payable out of the proceeds of any sale made to satisfy the indebtedness secured hereby, unless such proceeds are sufficient to discharge the entire indebtedness and all proper costs and expenses secured hereby.

4. If the total of the payments made under (a) of paragraph 2 shall exceed the amount of payments actually made by Beneficiary for ground rents, taxes, assessments and insurance premiums, such excess may be credited by Beneficiary on subsequent payments to be made by Grantor. If, however, the monthly payments made under (a) of paragraph 2, shall not be sufficient to pay ground rents, taxes, assessments and insurance premiums, when the same shall become due and payable, Grantor shall pay to Beneficiary any amount necessary to make up the deficiency on or before the date when the payment of such ground rent, taxes, assessments, or insurance premiums shall be due. If at any time Grantor shall tender to Beneficiary, in accordance herewith, full payment of the entire indebtedness secured hereby, Beneficiary shall, in computing the amount of indebtedness, credit to the account of Grantor any credit balance remaining under the provisions of (a) of paragraph 2. If there shall be a default under any of the provisions of this Deed of Trust and thereafter a sale of the premises in accordance with the provisions hereof, or if the Beneficiary acquires the property otherwise after default, the Beneficiary shall apply, at the time of commencement of such proceedings, or at the time the property is otherwise acquired, the balance then remaining in the funds accumulated under (a) of paragraph 2, less such sums as will become due and payable during the pendency of the proceedings, as a credit against the amount of principal then remaining unpaid under said note.

5. To keep the property in good order and condition and not to commit or permit any waste thereof. To allow Beneficiary to inspect the property at any time during reasonable hours.

6. To complete or restore promptly and in good workmanlike manner any building or improvement which may be constructed, damaged or destroyed thereon, and pay when due all costs incurred therefor, and, if the loan secured hereby or any part thereof is being obtained for the purpose of financing construction of improvements on said property, Grantor further agrees:

- (a) To commence construction promptly and in any event within thirty (30) days from the date of the commitment of the Beneficiary, and complete same in accordance with plans and specifications satisfactory to Beneficiary.
- (b) To complete all buildings or other structures being or about to be built thereon within six (6) months from date hereof,
- (c) To replace any work or materials unsatisfactory to Beneficiary, within fifteen (15) days after written notice to Grantor of such fact,
- (d) That work shall not cease on the construction of such improvements for any reason whatsoever for a period of fifteen (15) consecutive days.

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

7. Not to remove or demolish any building, improvements thereon or any fixtures or other property in or used in connection with said building or improvements.

8. To comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting said property.

9. To keep the buildings, improvements and fixtures now existing or hereafter erected on the mortgaged property insured as may be required from time to time by the Beneficiary against loss by fire and other hazards, casualties and contingencies in such amounts and for such periods as may be required by the Beneficiary and will pay promptly, when due, any premiums on such insurance provisions for payment of which has not been made hereinbefore. All insurance shall be carried in companies approved by the Beneficiary and the policies and renewals thereof shall be held by the Beneficiary and have attached thereto loss payable clauses in favor of and in form

acceptable to the Beneficiary. In event of loss Grantor will give immediate notice by mail to the Beneficiary, who may make proof of loss if not made promptly by Grantor, and each insurance company concerned is hereby authorized and directed to make payment for such loss directly to Beneficiary instead of to Grantor and Beneficiary jointly, and the insurance proceeds, or any part thereof, may be applied by the Beneficiary at its option either to the reduction of the indebtedness hereby secured or to the restoration or repair of the property damaged. In event of foreclosure of this Deed of Trust or other transfer of title to the subject property in extinguishment of the indebtedness secured hereby, all right, title and interest of the Grantor in and to any insurance policies then in force shall pass to the purchaser or grantee.

10. To appear in and defend any suit, action or proceeding that might affect the value of this security instrument or the security itself or the rights or powers of Beneficiary or Trustee; and should Beneficiary or Trustee elect also to appear in or defend any such action or proceeding the Grantor will, at all times, indemnify from, and, on demand reimburse Beneficiary or Trustee for any and all loss, damage, expense or cost, including cost of evidence of title and attorneys' fees, arising out of or incurred in connection with any such suit, action or proceeding, and the sum of such expenditures shall be secured by this Deed of Trust with interest as provided in the note secured hereby and shall be due and payable on demand. To pay all costs of suit, cost of evidence of title and a reasonable attorneys' fee in any proceeding or suit brought by Beneficiary to foreclose this Deed of Trust.

11. To pay at least ten (10) 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 that is the subject of this Deed of Trust 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 will exhibit to Beneficiary official receipts therefor, and to pay all taxes, reasonable costs, fees and expenses of this Trust; on default hereunder Beneficiary may, at its option, pay, or pay out of reserves accumulated under paragraph 2, 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.

12. To repay immediately on written notice 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 on the principal debt, 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 notice will, at Beneficiary's option, constitute an event of default hereunder; or, Beneficiary may, at its option, commence an action against Grantor for the recovery of such expenditure or advance and interest thereon, and in such event Grantor agrees to pay, in addition to the amount of such expenditure or advance, all costs and expenses incurred in such action, together with a reasonable attorney's fee.

13. Upon the request of the Beneficiary, the Grantor shall execute and deliver a supplemental note or notes for the sum or sums advanced by the beneficiary for the alteration, modernization, improvement, maintenance, or repair of said premises, for taxes or assessments against the same and for any other purpose authorized hereunder. Said note or notes shall be secured hereby on a parity with and as fully as if the advance evidenced thereby were included in the note first described above. Said supplemental note or notes shall bear interest at the rate provided for in the principal indebtedness and shall be payable in approximately equal monthly payments for such period as may be agreed upon by the Grantor and Beneficiary. Failing to agree on the maturity, the whole of the sum or sums so advanced shall be due and payable thirty (30) days after demand by the Beneficiary. In no event shall the maturity extend beyond the ultimate maturity of the note first described above.

14. If the indebtedness secured hereby be guaranteed or insured under Title 38 United States Code, such Title and Regulations issued thereunder and in effect on the date hereof shall govern the rights, duties and liabilities of the parties hereto, and any provisions of this or other instruments executed in connection with said indebtedness which are inconsistent with said Title or Regulations are hereby amended to conform thereto.

IT IS MUTUALLY AGREED THAT:

15. Should Grantor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Grantor and without releasing Grantor from any obligation hereof, may: Make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon the property for such purposes, commence, appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest, or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and in exercising any such powers, incur any liability, expend whatever amounts in its absolute discretion it may deem necessary therefor including cost of evidence of title, employ counsel, and pay his reasonable fees.

16. Should the property or any part or appurtenance thereof or right or interest therein be taken or damaged by reason of any public or private improvement, condemnation proceeding, fire, earthquake, or in any other manner, Beneficiary may, at its option, commence, appear in and prosecute, in its own name, any action or proceeding, or make any compromise or settlement, in connection with such taking or damage, and obtain all compensation, awards or other relief therefor. All such compensation, awards, damages, rights of action and proceeds, including the proceeds of any policies of insurance affecting the property, are hereby assigned to Beneficiary who may, after deducting therefrom all its expenses, including attorneys' fees, release any monies so received by it, or apply the same on any indebtedness secured hereby or apply the same to the restoration of the property, as it may elect. Grantor agrees to execute such further assignments of any compensation, award, damages, rights of action and proceeds as Beneficiary or Trustee may require.

17. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

18. At any time upon written request of Beneficiary, payment of its fees and presentation of this Deed and the note for endorsement (in case of full reconveyance, for cancellation and retention), without affecting the liability of any person for the payment of the indebtedness Trustee may (a) consent to the making of any map or plat of said property; (b) join in granting any easement or creating any restriction thereon; (c) join in any subordination or other agreement affecting this Deed or the lien of charge thereof; (d) reconvey, without warranty, all or any part of the property. The Grantee in any reconveyance may be described as the "person or persons legally entitled thereto", and the recitals therein of any matters or facts shall be conclusive proof of the truthfulness thereof.

19. The collection of rents, issues, and profits, or the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the property, and the application or release thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

20. The Grantor covenants and agrees that he will not execute or file for record any instrument which imposes a restriction upon the sale or occupancy of the secured property on the basis of race, color, or creed. Upon any violation of this undertaking, the Beneficiary may, at its option, declare the unpaid balance of the debt secured hereby immediately due and payable.

21. Upon default by Grantor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable. No waiver by Beneficiary of any default on the part of Grantor shall be construed as a waiver of any subsequent default hereunder.

22. Upon default by Grantor in the 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 at the option of

the 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 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. 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 encumbrancers for value. 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 exercised, Beneficiary may foreclose this Deed of Trust as a mortgage. 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. 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.

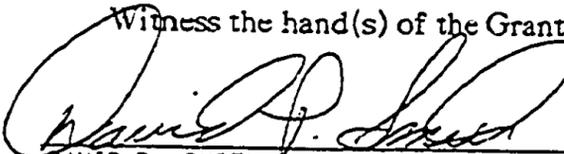
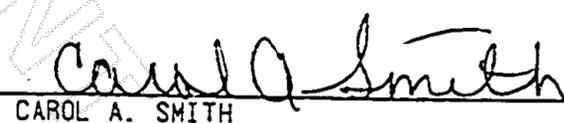
23. This Deed shall inure to and bind the heirs, legatees, devisees, administrators, executors, successors, and assigns of the parties hereto. All obligations of Grantor hereunder are joint and several. The term "Beneficiary" shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. Whenever used, the singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders. If any of the provisions hereof shall be determined to contravene or be invalid under the laws of the State of Washington, such contravention or invalidity shall not invalidate any other provisions of this agreement, but it shall be construed as if not containing the particular provision or provisions held to be invalid, and all rights and obligations of the parties shall be construed and enforced accordingly.

24. Any notices to be given to Grantor by Beneficiary hereunder shall be sufficient if mailed postage prepaid, to the address of the property above described; or to such other address as Grantor has requested in writing to the Beneficiary, that such notices be sent. Any time period provided in the giving of any notice hereunder, shall commence upon the date such notice is deposited in the mail.

25. The Beneficiary shall have all the rights and privileges granted to Beneficiaries by the Deed of Trust Act of the State of Washington as it now exists, or under any amendment thereto.

26. "Without affecting the liability of any other person for the payment of any obligation herein mentioned (including Grantor should he convey said real property) and without affecting the lien hereof upon any property not released, Beneficiary may, without notice, release any person so liable, extend the maturity or modify the terms of any such obligations, or grant other indulgences, release or reconvey or cause to be released or reconveyed at any time all or any part of the realty described herein, take or release any other security or make compositions or other arrangements with debtors. Beneficiary may also accept additional security, either concurrently herewith or thereafter, and sell same or otherwise realize thereon, either before, concurrently with, or after sale hereunder."

Witness the hand(s) of the Grantor(s) on the day and year first above written.

 (Seal)  (Seal)
 DAVID P. SMITH -Borrower CAROL A. SMITH -Borrower
 _____ (Seal) _____ (Seal)
 -Borrower -Borrower
 (Sign Original Only)

STATE OF WASHINGTON,

COUNTY OF Skagit

} ss:

I, the undersigned, a Notary Public hereby certify that on this 22nd day of November, 19 93, personally appeared before me

David P. Smith and Carol A. Smith

to me known to be the individual described in and who executed the within instrument, and acknowledged that they signed and sealed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal the day and year last above written.



 **Karen Graves**
 Notary Public in and for the State of Washington, residing at
 -Arlington in said county.

My Commission expires: 6/1/95

VA CASE #: LAF439088
LENDER'S #: 07-02-53821

VA ASSUMPTION POLICY RIDER TO DEED OF TRUST/MORTGAGE

This Assumption Policy Rider is made this 22ND day of NOVEMBER, 1993, and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust or Deed to Secure Debt (the "Security Instrument") of the same date given by the undersigned (the "Mortgagor") to secure the Mortgagor's Note (the "Note") of the same date to SEARS MORTGAGE CORPORATION, AN OHIO CORPORATION

(the "Mortgagee") and covering the property in the Security Instrument and located at:

705 CULTUS MOUNTAIN DRIVE, SEDRO WOOLLEY, WASHINGTON 98284-9371

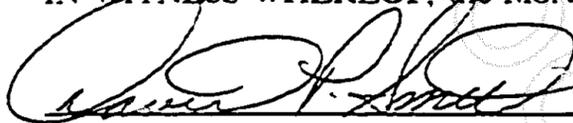
(Property Address)

THIS LOAN IS NOT ASSUMABLE WITHOUT THE APPROVAL OF THE DEPARTMENT OF VETERANS AFFAIRS OR ITS AUTHORIZED AGENT

In addition to the covenants and agreements made in the Security Instrument, Mortgagee and Mortgagor further covenant and agree that this loan may, at the option of the Note Holder, immediately become due and payable upon assumption ("transfer") of the property securing such loan to any transferee ("assumor") unless, the acceptability of the assumption of the loan is established pursuant to section 3714 of Chapter 37, Title 38, United States Code. In the event of a transfer of the property, then the following covenants and agreements apply:

- A. **Funding Fee.** A fee equal to one-half of 1 percent of the balance of this loan as of the date of transfer of the property shall be payable at the time of transfer to the Note Holder or its authorized agent, as trustee for the Secretary of Veterans Affairs. If the assumor fails to pay this fee at the time of transfer, the fee shall constitute an additional debt to that already secured by this instrument, shall bear interest at the rate herein provided, and, at the option of the payee of the indebtedness hereby secured or any transferee thereof, shall be immediately due and payable. This fee is automatically waived if the assumor is exempt under the provisions of 38 U.S.C. 1829 (b).
- B. **Processing Charge.** Upon application for approval to allow assumption of this loan, a processing fee may be charged by the Note Holder or its authorized agent for determining the creditworthiness of the assumor and subsequently revising the Note Holder's ownership records when an approval transfer is completed. The amount of this charge shall not exceed the maximum established by the Department of Veterans Affairs for a loan to which section 3714 of Chapter 37, Title 38, United States Code applies.
- C. **Indemnity Liability.** If this obligation is assumed, then the assumor hereby agrees to assume all of the obligations of the Veteran under the terms of the instruments creating and securing the loan, including the obligation of the Veteran to indemnify the Department of Veterans Affairs to the extent of any claim payment arising from the guaranty or insurance of the indebtedness created by this instrument.

IN WITNESS WHEREOF, the Mortgagor has executed this Assumption Policy Rider.



DAVID P. SMITH (Seal)
Mortgagor



CAROL A. SMITH (Seal)
Mortgagor

(Seal)
Mortgagor

(Seal)
Mortgagor

Version 1.4 (M)

XC5601D 7/92

BK1263PG0147

9311230116