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KATHY HILL
SKAGIT COUNTY RECORDER

UPON RECORDING, PLEASE SEND TO:

97 MAY 15 P3:41

AAMES HOME LOAN OF AMERICA
3731 WILSHIRE BLVD., 10TH FLOOR
LOS ANGELES, CALIFORNIA 90010

ATTN: CARYN PARKMAN
LOAN #3742792-0-WA

RECORDED 8 FILED
REQUEST OF

9705150098

Index as Deed of Trust and Assignment of Rents - SPACE ABOVE THIS LINE FOR RECORDER'S USE

ISLAND TITLE CO., SA-16492 ✓

THIS DEED OF TRUST made May 09, 1997 between JOHN P. TAYLOR and

JUDY L. TAYLOR, HUSBAND AND WIFE

herein called GRANTOR, whose mailing address is 1708 32ND ST

ANACORTES WA 98221

and AAMES HOME LOAN OF AMERICA, a California Corporation, whose address is 3731 Wilshire Blvd., Tenth Floor, Los Angeles, CA 90010 as Beneficiary and ISLAND TITLE COMPANY

, whose address is 3110 COMMERCIAL AVE, #101
as Trustee. ANACORTES, WA 98221

WITNESSETH: That Grantor irrevocably GRANTS, TRANSFERS AND ASSIGNS TO TRUSTEE IN TRUST, WITH POWER OF SALE, that real property

in SKAGIT County of Washington, described as:

LOTS 6, 7, 8, 31, 32 AND 33, BLOCK 1, FIDALGO ADD. TO THE CITY OF ANACORTES, ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 1 OF PLATS, PAGE 28, RECORDS OF SKAGIT COUNTY, WASHINGTON;
SITUATED IN SKAGIT COUNTY, WASHINGTON.

Tax Parcel # 3787-001-033-0002
which has the address of (street, city, zipcode).

1708 32ND ST

("Property Address")

ANACORTES WA 98221

Together with all the improvements now or hereafter erected on the real property, the rents, issues and profits thereof, together with all rights and interest of Grantor, to all appurtenances, easements, fixtures, community interests and licenses, and to oil, mineral, gas, water, water certificates, and hydrocarbon rights, leases and overriding royalties therein and all of these, whether appurtenant, riparian or appropriative. SUBJECT, HOWEVER, to the right, power and authority given to and conferred upon Beneficiary by paragraph 11, to collect and apply such rents, issues and profits. All replacements and additions shall also be covered by this Deed of Trust.

None of the property described in this Deed of Trust is used principally, or at all for agricultural or farming purposes.

For the Purpose of Securing: (1) Performance of each agreement of Grantor incorporated by reference or contained herein; (2) Payment of the indebtedness evidenced by one promissory note of even date herewith and any amounts that may become due thereunder, and all extensions, modifications, or renewals thereof, in the principal sum of \$ 66,000.00 executed by Grantor and payable to Beneficiary or order; (3) Payment of all sums of money, with interest thereon, which may be paid out or advanced by or may otherwise be due to Trustee or Beneficiary any under provision of this Deed of Trust.

Grantor agrees: by execution and delivery of this Deed of Trust and the Note secured hereby, that he will observe and perform said provisions; and that the references to property, obligations, and parties in this Deed of Trust shall be construed to refer to the "property", "obligations", and "parties" set forth in this Deed of Trust. "property", "obligations", and "parties" set forth in this Deed of Trust.

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In the event of sale or transfer of the real property, or any part thereof or any interest therein, described in this Deed of Trust, the indebtedness secured hereby together with the prepayment consideration, if any, if the aforesaid event is voluntary, involuntary or results from default on the part of the Grantor, shall, at the option of the Holder without demand or notice, immediately become due and payable.

GRANTOR FURTHER AGREES:

1. To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged thereon, to keep all buildings, structures and other improvements now or hereafter situated on the above described property at all times entirely free of dry rot, fungus, decay, termites, beetles, and any other destructive insects or elements; to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law, cultivate, irrigate, fertilize, fumigate, prune, and do all other acts from which the character of use of said property may be reasonably necessary, the specific enumerations herein not excluding the general. Either Beneficiary or Trustee, or both, at any time during the continuation of this Deed of Trust, may enter upon and inspect said property, provided such entry is reasonable as to time and manner and they have given Borrower notice prior to inspection specifying reasonable cause for the inspection.

2. To provide, maintain and deliver to Beneficiary insurance against floods or flooding for which Beneficiary requires insurance and fire and extended coverage insurance satisfactory to Beneficiary and with loss payable endorsement to Beneficiary. This insurance shall be maintained in the amounts for the periods that Beneficiary requires. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Grantor. Such application or release shall not cure Default or Notice of Default hereunder or invalidate any act done pursuant to such notice. If Grantor abandons the property, or does not answer within 30 days a notice from the Beneficiary that the insurance carrier has offered to settle a claim, then Beneficiary may collect the insurance proceeds. Beneficiary may use the proceeds to repair or restore the property or to pay sums secured by this Deed of Trust whether or not then due. The 30-day notice period will begin when the notice is given.

3. To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of the Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of the title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, or in any action or proceeding instituted by Beneficiary or Trustee to protect or enforce the security of this Deed of Trust or the obligations secured hereby.

4. To pay: at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

5. Should Grantor fail to make any payments or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice 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 said property for such purposes; 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 judgement of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

6. To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the rate prescribed in the Note. Should any additional funds be advanced on any note secured by a trust deed now of record, or should any change be made in the time or manner of paying such note, or should any other action be taken with respect to such note (including without liability, declaration of default) whereby the security herein provided for shall be impaired in any manner whatsoever, at the option of the Beneficiary all sums secured hereby immediately shall become due and payable.

7. Any award of damages or sums received in settlement in connection with any condemnation for the public use of or any injury to said property or any part thereof from any cause, is hereby assigned and shall be paid to Beneficiary who may apply or release such money received by him in the same manner and with the same effect as above provided for disposition of proceedings of fire or other insurance.

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

Notwithstanding any provision herein or in the Note secured hereby to the contrary, Beneficiary or Trustee shall have the absolute right to direct the manner, order and amount in which payments shall be applied upon or allocated among the various items composing Grantor's indebtedness secured hereby.

In the event of default in the payment of any of the moneys to be paid under the terms of the Note(s) secured hereby or in the performance of any of the covenants and obligations of this Deed of Trust, then any funds in the possession of the Beneficiary, or other credits to which the Grantor would otherwise be entitled may, at the option of the Beneficiary, be applied to the payment of any obligation secured hereby in such order as the Beneficiary may, in its sole discretion determine.

9. At any time or from time to time, without liability therefor and without notice upon written request of Beneficiary and presentation of this Deed of Trust and said Note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: release any part of said property; consent to the making of any map of plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge thereof. Trustee may, but shall be under no obligation or duty to, appear in or defend any action or proceeding purporting to affect said property or the title thereto, or purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee. 10. Upon written request of the Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said Note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall release, without warranty, the property then held hereunder. The recitals in such release of any matters of facts shall be conclusive proof of the truthfulness thereof. The grantee in such release may be described as "the person or persons legally entitled thereto". Grantor shall pay any recordation costs and statutory Trustee's fees.

11. As additional security, Grantor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, from time to time, to collect the rents, issues and profits of said property, reserving unto Grantor the right, prior to any default by Grantor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time and from time to time without notice, either in person or by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name due for or other wise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or Notice of Default hereunder or invalidate any act done pursuant to such notice.

12. Upon default by Grantor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, and upon the expiration of the applicable grace period, if any for the curing of such default specified in the Note, Beneficiary may declare all sums secured hereby immediately due and payable in full and/or exercise any of the following remedies: (i) foreclose this Deed of Trust judicially, in the same manner as a mortgage; (ii) cause the Trustee to exercise the Trustee's power of sale in accordance with the Deed of Trust Act of the State of Washington (RCW Ch. 61.24) and the provisions set forth below; or (iii) sue on the Note in accordance with the applicable law.

The procedure for the exercise of the Trustee's power of sale shall be as follows:

Upon written request therefor by Beneficiary specifying the nature of the default, or the nature of the several defaults, and the amount or amounts due and owing, Trustee shall execute a written notice of breach and of its election to cause the property to be sold to satisfy the obligation secured hereby, and shall cause such notice to be recorded and otherwise given according to law.

Notice of sale having been given as then required by law and not less than the time then required by law having elapsed after recordation of such notice of breach, Trustee, without demand on Grantor, shall sell the Property at the time and place of sale specified in the statute, either as a whole or in separate parcels and in such order as it may determine, at public auction to the highest and best bidder for cash in lawful money of the United States, payable at the time of sale. Trustee may postpone sale of all or any portion of the property, and from time to time thereafter may postpone such sale, as provided by statute. Trustee shall deliver to the purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recital in such deed or any matters or facts shall be conclusive proof of the truthfulness thereof. Any person other than Trustee, including Grantor or beneficiary, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and this trust, including the cost of evidence of title search and reasonable counsel fees in connection with sale, Trustee shall apply the proceeds of sale to the payment of: all sums expended under the terms hereof not then repaid, with accrued interest at the rates from time to time applicable under the Note; all other sums then secured hereby; and the remainder, if any, to the clerk in the superior court of the county in which the sale took place, as provided in RCW 61.24.080.

13. This Deed applies to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the Note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural. As used herein "fixtures" includes but is not limited to carpeting, built-in appliances, draperies and drapery rods, shrubs, water tanks, plumbing, machinery, air conditioners, ducts, and the like.

14. Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. 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, Beneficiary or Trustee shall be a party unless brought by Trustee.

15. Acceptance by Beneficiary of a partial payment on account, after Notice of Default has been recorded, shall not be construed as curing the default nor as a waiver of past or future delinquencies of Trust Deed payment.

16. If the security under this Deed of Trust is a condominium or community apartment of planned development project, Grantor agrees to perform each and every obligation of the owner of such condominium or interest in such project under the declaration of covenants, conditions and restrictions or bylaws or regulations pertaining to such condominium or project. Upon the request of Beneficiary, Grantor agrees to enforce against other owners in such condominium project each and every obligation to be performed by them, if the same have not been performed or if valid legal steps have not been taken to enforce such performance within ninety (90) days after such request is made.

17. If the security under this Deed of Trust is a condominium or if the security of this Deed of Trust is a leasehold estate, Grantor agrees not to amend, change or modify his leasehold interest, or any of the terms thereof, or agree to do so, without the written consent of Beneficiary being first obtained. In the event of a violation of this provision, Beneficiary shall have the right, at its option, to declare all sums secured hereby due and payable.

18. Grantor waives all right of Homestead exemption in the Property.

19. This Deed of Trust Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Deed of Trust of the Note conflicts with applicable law, such conflict shall not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provision. To this end the provisions of this Deed of Trust and the Note are declared to be severable.

20. Any notice to Grantor provided for in this Deed of Trust shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Grantor designates by notice to Beneficiary. Any notice to Beneficiary shall be given by first class mail to Beneficiary's address stated herein or any other address Beneficiary designates by notice to Grantor. Any notice provided for in this Deed of Trust shall be deemed to have been given to Grantor or Beneficiary when given as provided in this paragraph.

21. Time is of the essence of this Deed of Trust.

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Attorneys' Fees

Lender shall be entitled to collect all expenses incurred in interpreting this Deed of Trust or in pursuing the remedies provided in this Deed of Trust, including, but not limited to, reasonable attorneys' fees at trial, in bankruptcy proceedings and on appeal and costs of title evidence.

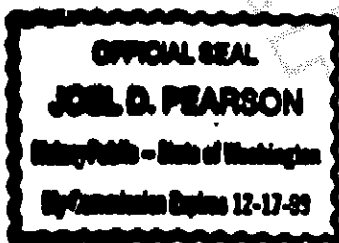
John P. Taylor
JOHN P. TAYLOR

Judy L. Taylor
JUDY L. TAYLOR

STATE OF WASHINGTON)
COUNTY OF SNOHOMISH) SS.

I certify that I know or have satisfactory evidence that JOHN P. TAYLOR and JUDY L. TAYLOR are the persons who appeared before me, and said persons acknowledged that they signed this instrument and acknowledged it to be their free and voluntary act for the uses and purposes mentioned in the instrument.

Dated this 9th day of May, 1997.



Joel D. Pearson
(Signature of Notary)

JOEL D. PEARSON
(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington,
residing at LYNNWOOD

My appointment expires 12-17-99