

When Recorded Return to:

KeyBank National Association  
PO BOX 16430  
BOISE, ID 83715

14  
KATHY HILL  
SKAGIT COUNTY RECORDER

9808060050

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LAND TITLE COMPANY OF SKAGIT COUNTY

RECORDED FILED  
REQUEST #  
P86309

### HOME EQUITY LINE DEED OF TRUST

GRANTOR(S): REX A PETTIS HUSBAND  
CONNIE A PETTIS WIFE

GRANTEE("Lender"): KeyBank National Association  
MOUNT VERNON  
1119 Pacific Ave.  
Tacoma, WA 98401

LEGAL DESCRIPTION: PORTION OF THE SOUTHEAST 1/4 OF THE SOUTHWEST 1/4 OF SECTION  
23, TOWNSHIP 36 NORTH, RANGE 4 EAST, W.M.

ASSESSOR'S TAX PARCEL OR ACCOUNT NUMBER: 360423-3-004-0502

TRUSTEE: LAND TITLE COMPANY

PO DRAWER 1225, MOUNT VERNON, WASHINGTON 98273-1225

BORROWER
REX A PETTIS CONNIE A PETTIS
ADDRESS
417 SAJE LN SEDRO WOOLLEY, WA 98284

#### THE NOTE(S) AND AGREEMENT(S) EVIDENCING THE OBLIGATIONS SECURED HEREBY CONTAIN PROVISIONS FOR ADJUSTMENTS IN THE RATE OF INTEREST.

In consideration of the loan or other credit accommodation hereinafter specified and any future advances or future Obligations which may hereinafter be advanced or incurred and the trust hereinafter mentioned and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor hereby irrevocably bargains, sells, transfers, grants, conveys and assigns to Trustee, its successors and assigns, in trust, for Lender, the Beneficiary under this Deed of Trust, with power of sale and right of entry and possession all of Grantor's present and future estate, right, title and interest in and to the real property described in Schedule A which is attached to this Deed of Trust and incorporated herein together with all present and future improvements and fixtures; privileges, hereditaments, and appurtenances; leases, licenses and other agreements; rents, issues and profits; water, well, ditch, reservoir and mineral rights and stocks pertaining to the real property (cumulatively "Property"); to have and to hold the Property and the rights hereby granted for the use and benefit of Trustee, his successors and assigns, until payment in full of all Obligations secured hereby.

Moreover, in further consideration, Grantor does, for Grantor and Grantor's heirs, representatives and assigns, hereby expressly warrant, covenant, and agree with Lender and Trustee and their successors and assigns as follows:

1. OBLIGATIONS. This Deed of Trust shall secure the payment and performance of all present and future indebtedness, liabilities, obligations and covenants of Borrower or Grantor (cumulatively "Obligations") to Lender pursuant to:

(a) this Deed of Trust and the following promissory notes and other agreements:

INTEREST RATE	PRINCIPAL AMOUNT/ CREDIT LIMIT	FUNDING/ AGREEMENT DATE	MATURITY DATE	CUSTOMER NUMBER	LOAN NUMBER
VARIABLE	\$50,000.00	07/28/98	07/28/28	982021856280	9647310075046

(b) all other present or future written agreement with Lender incurred primarily for commercial, investments or business purposes, and all other present or future, written agreements with Lender which refer specifically to this Deed of Trust (whether executed for the same or different purposes than the foregoing);

(c) any guaranty of obligations of other parties given Lender now or hereafter executed which refers to this Deed of Trust;

(d) future advances, whether made under an open-end credit agreement or otherwise, to the same extent as if made contemporaneously with the execution of this Deed of Trust, made or extended on behalf of Grantor or Borrower. Grantor agrees that if one of the Obligations is a line of credit, the lien of this Deed of Trust shall continue until payment in full of all debt due under the line notwithstanding the fact that from time to time (but before termination of the line) no balance may be outstanding;

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(e) all repeated amendments, extensions, renewals, modifications, replacements or substitutions to any of the foregoing.

As used in this Paragraph 1, the terms Grantor and Borrower shall include and also mean any Grantor or Borrower if more than one.

**2. REPRESENTATIONS, WARRANTIES AND COVENANTS.** Grantor represents, warrants and covenants to Lender that:

(a) Grantor shall maintain the Property free of all liens, security interests, encumbrances and claims except for this Deed of Trust and those described in Schedule B which is attached to this Deed of Trust and incorporated herein by reference, which Grantor agrees to pay and perform in a timely manner;

(b) Grantor is in compliance in all respects with all applicable federal, state and local laws and regulations, including, without limitation, those relating to "Hazardous Materials", as defined herein, and other environmental matters (the "Environmental Laws"), and neither the federal government nor the State of Washington or any other governmental or quasi governmental entity has filed a lien on the Property, nor are there any governmental, judicial or administrative actions with respect to environmental matters pending, or to the best of the Grantor's knowledge, threatened, which involve the Property. Except as otherwise disclosed in writing to Lender, neither Grantor nor, to the best of Grantor's knowledge, any other party has used, generated, released, discharged, stored, or disposed of any Hazardous Materials as defined herein, in connection with the Property or transported any Hazardous Materials to or from the Property. Grantor shall not commit or permit such actions to be taken in the future. The term "Hazardous Materials" shall mean any substance, material, or waste which is or becomes regulated by any governmental authority including, but not limited to, (i) petroleum; (ii) friable or nonfriable asbestos; (iii) polychlorinated biphenyls; (iv) those substances, materials or wastes designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act or listed pursuant to Section 307 of the Clean Water Act or any amendments or replacements to these statutes; (v) those substances, materials or wastes defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act or any amendments or replacements to that statute; and (vi) those substances, materials or wastes defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, or any amendments or replacements to that statute or any other similar statute, rule, regulation or ordinance now or hereafter in effect. Grantor shall not lease or permit the sublease of the Property to a tenant or subtenant whose operations may result in contamination of the Property with Hazardous Materials or toxic substances;

(c) All applicable laws and regulations (including, without limitation, the Americans with Disabilities Act, 42 U.S.C. 12101 et seq. (and all regulations promulgated thereunder) and all zoning and building laws and regulations) relating to the Property by virtue of any federal, state or municipal authority with jurisdiction over the Property presently are and shall be observed and complied with in all material respects, and all rights, licenses, permits, and certificates of occupancy (including but not limited to zoning variances, special exceptions for nonconforming uses, and final inspection approvals), whether temporary or permanent, which are material to the use and occupancy of the Property, presently are and shall be obtained, preserved and, where necessary, renewed;

(d) Grantor has the right and is duly authorized to execute and perform its Obligations under this Deed of Trust and these actions do not and shall not conflict with the provisions of any statute, regulation, ordinance, rule of law, contract or other agreement which may be binding on Grantor at any time;

(e) No action or proceeding is or shall be pending or threatened which might materially affect the Property; and

(f) Grantor has not violated and shall not violate any statute, regulation, ordinance, rule of law, contract or other agreement which might materially affect the Property (including, but not limited to, those governing Hazardous Materials) or Lender's rights or interest in the Property pursuant to this Deed of Trust.

**3. PRIOR DEEDS OF TRUST.** Grantor represents and warrants that there are no prior deeds of trust affecting any part of the Property except as set forth on Schedule B attached to this Deed of Trust which Grantor agrees to pay and perform in a timely manner. If there are any prior deeds of trust then Grantor agrees to pay all amounts owed, and perform all obligations required, under such deeds of trust and the indebtedness secured thereby and further agrees that a default under any prior deed of trust shall be a default under this Deed of Trust and shall entitle Lender to all rights and remedies contained herein or in the Obligations to which Lender would be entitled in the event of any other default.

**4. TRANSFERS OF THE PROPERTY OR BENEFICIAL INTERESTS IN GRANTORS OR BORROWERS.** In the event of a sale, conveyance, lease, contract for deed or transfer to any person of all or any part of the real property described in Schedule A, or any interest therein, or of all, or any controlling (in aggregate or otherwise) beneficial interest in Borrower or Grantor (if Borrower or Grantor is not a natural person or persons but is a corporation, partnership, trust, limited liability company, or other legal entity), Lender may, at its option declare the outstanding principal balance of the Obligations plus accrued interest thereon immediately due and payable, or, at Lender's sole option, Lender may consent to said conveyance in writing and may increase the interest rate of the Obligations to the interest rate which Lender would then commit to make a first mortgage loan of similar character with similar security, as determined by Lender in its sole discretion, or compensate Lender for such increased risk resulting from the breach of the foregoing covenants. If Lender elects in its sole discretion to consent to any such action, Lender may also condition its consent on such other terms and conditions as Lender may require, such as payment of a transfer review and processing fee and/or assumption fee. Lender shall not be required to release the original obligor or any other party liable for the Obligations. At Lender's request, Grantor or Borrower, as the case may be, shall furnish a complete statement setting forth all of its stockholders or partners, as appropriate, and the extent of their respective stock ownership or partnership interests.

**5. ASSIGNMENT OF RENTS.** In consideration of the Obligations, which are secured by this Deed of Trust, Grantor absolutely assigns to Lender all Grantor's estate, right, title, interest claim and demand now owned or hereafter acquired in all existing and future leases of the Property (including extensions, renewals and subleases), all agreements for use and occupancy of the Property (all such leases and agreements whether written or oral, are hereafter referred to as the "Leases"), and all guarantees of lessees' performance under the Leases, together with the immediate and continuing right to collect and receive all of the rents, income, receipts, revenues, issues, profits and other income of any nature now or hereafter due (including any income of any nature coming due during any redemption period) under the Leases or from or arising out of the Property including minimum rents, additional rents, percentage rents, parking or common area maintenance contributions, tax and insurance contributions, deficiency rents, liquidated damages following default in any Lease, all proceeds payable under any policy of insurance covering loss of rents resulting from untenantability caused by destruction or damage to the Property, all proceeds payable as a result of a lessee's exercise of an option to purchase the Property, all proceeds derived from the termination or rejection of any Lease in a bankruptcy or other insolvency proceeding, and all proceeds from any rights and claims of any kind which Grantor may have against any lessee under the Leases or any occupants of the Property (all of the above are hereafter collectively referred to as the "Rents"). This assignment is subject to the right, power and authority given to the Lender to collect and apply the Rents. This assignment is recorded in accordance with RCW 65.08.070; the lien created by this assignment is intended to be specific, perfected, and choate upon the recording of this Deed of Trust, all as provided in RCW 7.28.230(3) as amended from time to time. As long as there is no default under the Obligations or this Deed of Trust, Lender grants Grantor a revocable license to collect all Rents from the Leases when due and to use such proceeds in Grantor's business operations. However, Lender may at any time require Grantor to deposit all Rents into an account maintained by Grantor or Lender at Lender's institution. Upon default in the payment of, or in the performance of, any of the Obligations, Lender may at its option take possession of the Property and have, hold, manage, lease and operate the Property on terms and for a period of time that Lender deems proper. Lender may proceed to collect and receive all Rents, from the Property, and Lender shall have full power to periodically make alterations, renovations, repairs or replacements to the Property as Lender may deem proper. Lender may apply all Rents to the payment of the cost of such alterations, renovations, repairs and replacements and any expenses incident to taking and retaining possession of the Property and the management and operation of the Property. Lender may keep the Property properly insured and may discharge any taxes, charges, claims, assessments and other liens which may accrue. The expense and cost of these actions may be paid from the Rents received, and any unpaid amounts shall be added to the principal of the Obligations. These amounts, together with other costs, shall become part of the Obligations secured by the Deed of Trust.

**6. LEASES AND OTHER AGREEMENTS.** Grantor shall not take or fail to take any action which may cause or permit the termination or the withholding of any payment in connection with any Lease or other agreement ("Agreement") pertaining to the Property. In addition, Grantor, without Lender's prior written consent, shall not: (a) collect any monies payable under any Agreement more than one month in advance; (b) modify any Agreement in any manner that could be adverse to Lender's interests; (c) assign or allow a lien, security interest or other encumbrance to be placed upon Grantor's rights, title and interest in and to any Agreement or the amounts payable thereunder; or (d) terminate or cancel any Agreement except for the nonpayment of

any sum or other material breach by the other party thereto. If Grantor receives at any time any written communication asserting a default by Grantor under an Agreement or purporting to terminate or cancel any Agreement, Grantor shall promptly forward a copy of such communication (and any subsequent communications relating thereto) to Lender. All such Agreements and the amounts due to Grantor thereunder are hereby assigned to Lender as additional security for the Obligations.

**7. COLLECTION OF INDEBTEDNESS FROM THIRD PARTY.** Lender shall be entitled to notify or require Grantor to notify any third party (including, but not limited to, lessees, licensees, governmental authorities and insurance companies) to pay Lender any indebtedness or obligation owing to Grantor with respect to the Property (cumulatively "indebtedness") whether or not a default exists under this Deed of Trust. Grantor shall diligently collect the indebtedness owing to Grantor from these third parties until the giving of such notification. In the event that Grantor possesses or receives possession of any instruments or other remittances with respect to the indebtedness following the giving of such notification or if the instruments or other remittances constitute the prepayment of any indebtedness or the payment of any insurance or condemnation proceeds, Grantor shall hold such instruments and other remittances in trust for Lender apart from its other property, endorse the instruments and other remittances to Lender, and immediately provide Lender with possession of the instruments and other remittances. Lender shall be entitled, but not required, to collect (by legal proceedings or otherwise), extend the time for payment, compromise, exchange or release any obligor or collateral upon, or otherwise settle any of the indebtedness whether or not an event of default exists under this Agreement. Lender shall not be liable to Grantor for any action, error, mistake, omission or delay pertaining to the actions described in this paragraph or any damages resulting therefrom. Notwithstanding the foregoing, nothing herein shall cause Lender to be deemed a mortgagee in possession.

**8. USE AND MAINTENANCE OF PROPERTY.** Grantor shall take all actions and make any repairs needed to maintain the Property in good condition. Grantor shall not commit or permit any waste to be committed with respect to the Property. Grantor shall use the Property solely in compliance with applicable law and insurance policies. Grantor shall not make any material alterations, additions or improvements to the Property without Lender's prior written consent. Without limiting the foregoing, all alterations, additions and improvements made to the Property shall be subject to the beneficial interest belonging to Lender, shall not be removed without Lender's prior written consent, and shall be made at Grantor's sole expense.

**9. LOSS OR DAMAGE.** Grantor shall bear the entire risk of any loss, theft, destruction or damage (cumulatively "Loss or Damage") to the Property or any portion thereof from any cause whatsoever. In the event of any Loss or Damage, Grantor shall, at the option of Lender, repair the affected Property to its previous condition or pay or cause to be paid to Lender the decrease in the fair market value of the affected Property.

**10. INSURANCE.** The Property will be kept insured for its full insurable value (replacement cost) against all hazards including loss or damage caused by flood, earthquake, tornado and fire, collision, theft or other casualty to the extent required by Lender. Grantor may obtain insurance on the Property from such companies as are acceptable to Lender in its sole discretion. The insurance policies shall require the insurance company to provide Lender with at least 10 days' written notice before such policies are altered or cancelled in any manner. The insurance policies shall name Lender as a loss payee and provide that no act or omission of Grantor or any other person shall affect the right of Lender to be paid the insurance proceeds pertaining to the loss or damage of the Property. In the event Grantor fails to acquire or maintain insurance, Lender (after providing notice as may be required by law) may in its discretion procure appropriate insurance coverage upon the Property and the insurance cost shall be an advance payable and bearing interest as described in Paragraph 24 and secured hereby. Grantor shall furnish Lender with evidence of insurance indicating the required coverage. Lender may act as attorney-in-fact for Grantor in making and settling claims under insurance policies, cancelling any policy or endorsing Grantor's name on any draft or negotiable instrument drawn by any insurer. All such insurance policies shall be constantly assigned, pledged and delivered to Lender to further secure the Obligations. In the event of loss, Grantor shall immediately give Lender written notice and Lender is authorized to make proof of loss. Each insurance company is directed to make payments directly to Lender instead of to Lender and Grantor. Lender shall have the right, at its sole option, to apply such monies toward the Obligations or toward the cost of rebuilding and restoring the Property. Any amounts may at Lender's option be applied in the inverse order of the due dates thereof.

**11. ZONING AND PRIVATE COVENANTS.** Grantor shall not initiate or consent to any change in the zoning provisions or private covenants affecting the use of the Property without Lender's prior written consent. If Grantor's use of the Property becomes a nonconforming use under any zoning provision, Grantor shall not cause or permit such use to be discontinued or abandoned without the prior written consent of Lender. Grantor will immediately provide Lender with written notice of any proposed changes to the zoning provisions or private covenants affecting the Property.

**12. CONDEMNATION.** Grantor shall immediately provide Lender with written notice of any actual or threatened condemnation or eminent domain proceeding pertaining to the Property. All monies payable to Grantor from such condemnation or taking are hereby assigned to Lender and shall be applied first to the payment of Lender's attorneys' fees, legal expenses and other costs (including appraisal fees) in connection with the condemnation or eminent domain proceedings and then, at the option of Lender, to the payment of the Obligations or the restoration or repair of the Property.

**13. LENDER'S RIGHT TO COMMENCE OR DEFEND LEGAL ACTIONS.** Grantor shall immediately provide Lender with written notice of any actual or threatened action, suit, or other proceeding affecting the Property. Grantor hereby appoints Lender as its attorney-in-fact to commence, intervene in, and defend such actions, suits, or other legal proceedings and to compromise or settle any claim or controversy pertaining thereto. Lender shall not be liable to Grantor for any action, error, mistake, omission or delay pertaining to the actions described in this paragraph or any damages resulting therefrom. Nothing contained herein will prevent Lender from taking the actions described in this paragraph in its own name.

**14. INDEMNIFICATION.** Lender shall not assume or be responsible for the performance of any of Grantor's obligations with respect to the Property under any circumstances. Grantor shall immediately provide Lender with written notice of and indemnify and hold Lender and its shareholders, directors, officers, employees and agents harmless from all claims, damages, liabilities (including attorneys' fees and legal expenses), causes of action, actions, suits and other legal proceedings (cumulatively "Claims") pertaining to the Property (including, but not limited to, those involving Hazardous Materials). Grantor, upon the request of Lender, shall hire legal counsel to defend Lender from such Claims, and pay the attorneys' fees, legal expenses and other costs incurred in connection therewith. In the alternative, Lender shall be entitled to employ its own legal counsel to defend such Claims at Grantor's cost. Grantor's obligation to indemnify Lender under this paragraph shall survive the termination, release or foreclosure of this Deed of Trust.

**15. TAXES AND ASSESSMENTS.** Grantor shall pay all taxes and assessments relating to Property when due and immediately provide Lender evidence of payment of same. Upon the request of Lender, Grantor shall deposit with Lender each month one-twelfth (1/12) of the estimated annual insurance premium, taxes and assessments pertaining to the Property. Unless required by law, Lender shall not be required to pay any interest on such amounts. So long as there is no default, these amounts shall be applied to the payment of taxes, assessments and insurance as required on the Property. In the event of default, Lender shall have the right, at its sole option, to apply the funds so held to pay any taxes or against the Obligations. Any funds applied may, at Lender's option, be applied in reverse order of the due date thereof.

**16. INSPECTION OF PROPERTY, BOOKS, RECORDS AND REPORTS.** Grantor shall allow Lender or its agents to examine and inspect the Property and examine, inspect and make copies of Grantor's books and records pertaining to the Property from time to time. Grantor shall provide any assistance required by Lender for these purposes. All of the signatures and information contained in Grantor's books and records shall be genuine, true, accurate and complete in all respects. Grantor shall note the existence of Lender's beneficial interest in its books and records pertaining to the Property. Additionally, Grantor shall report, in a form satisfactory to Lender, such information as Lender may request regarding Grantor's financial condition or the Property. The information shall be for such periods, shall reflect Grantor's records at such time, and shall be rendered with such frequency as Lender may designate. All information furnished by Grantor to Lender shall be true, accurate and complete in all respects, and signed by Grantor if Lender requests. Lender and its employees and agents shall be entitled from time to time to enter on the Property (including the interior of any structures), at reasonable times and after reasonable notice, to inspect the Property, ascertain compliance with the Hazardous Substances warranties and other provisions of this Deed of Trust (including the right to take soil samples and conduct other reasonable tests and investigations), conduct appraisals to determine the value of the Property, or to perform any other act authorized hereunder. Reasonable expenses incurred by Lender in obtaining such inspections, appraisals, tests, and other activities described above shall be part of the Obligations secured hereby. Grantor will permit access to the Property and will fully cooperate with Lender in this regard.

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**17. ESTOPPEL CERTIFICATES.** Within ten (10) days after any request by Lender, Grantor shall deliver to Lender, or any intended transferee of Lender's rights with respect to the Obligations, a signed and acknowledged statement specifying (a) the outstanding balance on the Obligations; and (b) whether Grantor possesses any claims, defenses, set-offs or counterclaims with respect to the Obligations and, if so, the nature or such claims, defenses, set-offs or counterclaims. Grantor will be conclusively bound by any representation that Lender may make to the intended transferee with respect to these matters in the event that Grantor fails to provide the requested statement in a timely manner.

**18. DEFAULT.** Grantor shall be in default under this Deed of Trust and the Trustee's power shall become operative in the event that Grantor, Borrower or any guarantor of any Obligation:

- (a) commits fraud or makes a material misrepresentation at any time in connection with the Obligations or this Deed of Trust, including, but not limited to, false statements made by Grantor about Grantor's income, assets, or any other aspects of Grantor's financial condition;
- (b) fails to meet the repayment terms of the Obligations; or
- (c) violates or fails to comply with a covenant contained in this Deed of Trust which adversely affects the Property or Lender's rights in the Property, including, but not limited to, transferring title to or selling the Property without Lender's consent, failing to maintain insurance or to pay taxes on the Property, allowing a lien senior to Lender's to result on the Property without Lender's written consent, allowing the taking of the Property through eminent domain, allowing the Property to be foreclosed by a lienholder other than Lender, committing waste of the Property, using the Property in a manner which would be destructive to the Property, or using the Property in an illegal manner which may subject the Property to seizure or confiscation.

**19. RIGHTS OF LENDER ON DEFAULT.** If there is a default under this Deed of Trust, Lender shall be entitled to exercise one or more of the following remedies without notice or demand (except as required by law):

- (a) to declare the Obligations immediately due and payable in full;
- (b) to collect the outstanding Obligations with or without resorting to judicial process;
- (c) to require Grantor to deliver and make available to Lender any personal property or Chattels constituting the Property at a place reasonably convenient to Grantor and Lender;
- (d) to enter upon and take possession of the Property without applying for or obtaining the appointment of a receiver and, at Lender's option, to appoint a receiver without bond, without first bringing suit on the Obligations and without otherwise meeting any statutory conditions regarding receivers, it being intended that Lender shall have this contractual right to appoint a receiver;
- (e) to employ a managing agent of the Property and let the same, either in Trustee's own name, in the name of Lender or in the name of Grantor, and receive the rents, incomes, issues and profits of the Property and apply the same, after payment of all necessary charges and expenses, on account of the Obligations;
- (f) to pay any sums in any form or manner deemed expedient by Lender to protect the security of this Deed of Trust or to cure any default other than payment of interest or principal on the Obligations;
- (g) to foreclose this Deed of Trust judicially or nonjudicially in accordance with Chapter 61.24 RCW;
- (h) to set-off Grantor's Obligations against any amounts owed Grantor by Lender including, but not limited to, monies, instruments, and deposit accounts maintained with Lender or any currently existing or future affiliate of Lender; and
- (i) to exercise all other rights available to Lender under any other written agreement or applicable law.

Lender's rights are cumulative and may be exercised together, separately, and in any order. In the event that Lender institutes an action seeking the recovery of any of the Property by way of a prejudgment remedy in an action against Grantor, Grantor waives the posting of any bond which might otherwise be required. Lender or Lender's designee may purchase the Property at any sale. In the event Lender purchases the Property at the Trustee's sale, to the extent Lender's bid price exceeds the Obligations, Lender shall pay Trustee cash equal to such excess. The Property or any part thereof may be sold in one parcel, or in such parcels, manner or order as Lender in its sole discretion may elect, and one or more exercises of the power herein granted shall not extinguish or exhaust the power unless the entire Property is sold or the Obligations paid in full.

**20. CONDOMINIUM COVENANTS.** If the Property includes a unit in, together with the undivided interest in the common elements of, a condominium project or some other project subject to unit ownership law or similar law (the "Condominium Project"), and if the owners association or other entity (the "Owners Association") which acts for the Condominium Project holds title to property for the benefit or use of its members or shareholders, the Property also includes Grantor's interest in such title and the use, proceeds and benefits of Grantor's interests. In addition to the other covenants and agreements contained in this Deed of Trust, Grantor and Lender further covenant and agree as follows: (a) Grantor shall perform all of Grantor's obligations under the Condominium Project including, but not limited to, the declaration or any other document which creates the Condominium Project, and the Condominium Project's bylaws and code of regulations; (b) Grantor shall pay, when due, all dues and assessments imposed under the Condominium Project; (c) Lender agrees that so long as the Owners Association maintains, with a generally accepted insurance carrier, a "master" or "blanket" policy on the Property which is satisfactory to Lender and which provides insurance coverage in the amounts, for the periods, and against the hazards Lender requires pursuant to Paragraph 10 of this Deed of Trust, that Grantor's obligation to maintain hazard insurance under Paragraph 10 shall be satisfied to the extent that the required coverage is provided by the Owners Association Policy; and (d) Grantor shall give Lender prompt notice of any lapse in required hazard insurance coverage that is maintained by the Owners Association. In the event of a distribution of hazard insurance proceeds in lieu of restoration or repair following a loss to the Property, whether to the condominium unit or to common elements, any proceeds payable to Grantor are hereby assigned and shall be paid to Lender for application to the Obligations, with any excess paid to Grantor.

**21. SECURITY INTEREST UNDER THE UNIFORM COMMERCIAL CODE.** This Deed of Trust shall be considered a financing statement pursuant to the provisions of the Uniform Commercial Code covering fixtures, chattels, and articles of personal property now owned or hereafter attached to or to be used in connection with the Property together with any and all replacements thereof and additions thereto (the "Chattels"), and Grantor hereby grants Lender a security interest in such Chattels. The debtor is the Grantor described above. The secured party is the Lender described above. Upon demand, Grantor shall make, execute and deliver such security agreements (as such term is defined in the Uniform Commercial Code of Washington) as Lender at any time may deem necessary or proper or require to grant to Lender a perfected security interest in the Chattels, and upon Grantor's failure to do so, Lender is authorized to sign any such agreement as the agent of Grantor. Grantor hereby authorizes Lender to file financing statements (as such term is defined in said Uniform Commercial Code) with respect to the Chattels, at any time. Grantor will, at any time upon request of Lender, sign such financing statements. Grantor will pay all filing fees for the filing of such financing statements and for the refiling thereof at the times required, in the opinion of Lender, by said Uniform Commercial Code. If the lien of this Deed of Trust be subject to any security agreement covering the Chattels, then in the event of any default under this Deed of Trust, all the right, title and interest of Grantor in and to any and all of the Chattels is hereby assigned to Lender, together with the benefit of any deposits or payments now or hereafter made thereof by Grantor or the predecessors or successors in title of Grantor in the Property.

**22. USE OF PROPERTY/PURPOSE OF OBLIGATIONS.** The Property is not used principally for agricultural or farming purposes.  If checked, the Obligations secured by this Deed of Trust were incurred primarily for commercial, investment or business purposes and not for personal, family or household purposes.

**23. SERVICING OF THE OBLIGATIONS.**  If checked, the servicing for all or part of the Obligations is subject to sale, transfer or assignment. Upon transfer of the servicing, the purchasing servicing agent is required to provide notification to the Grantor.

**24. REIMBURSEMENT OF AMOUNTS EXPENDED BY LENDER.** Lender, at Lender's option, may expend funds (including attorneys' fees and legal expenses) to perform any act required to be taken by Grantor or to exercise any right or remedy of Lender under this Deed of Trust. Upon demand, Grantor shall immediately reimburse Lender for all such amounts expended by Lender together with interest thereon at the lower of the highest rate described in any Obligation or the highest rate allowed by law from the date of payment until the date of reimbursement. These sums shall be included in the definition of Obligations herein and shall be secured by the beneficial interest granted herein. If the Obligations are paid after the beginning of publication of notice of sale, as herein provided, or in the event Lender shall, at its sole option, permit Grantor to pay any part of the Obligations after the beginning of publication of notice of sale, as herein provided, then, Grantor shall pay on demand all expenses incurred by the Trustee and Lender in connection with said publication, including reasonable attorneys' fees to the attorneys for the Trustee and for the Lender, and a reasonable fee to the Trustee, and this Deed of Trust shall be security for all such expenses and fees.

**25. APPLICATION OF PAYMENTS.** All payments made by or on behalf of Grantor may be applied against the amounts paid by Lender (including attorneys' fees and legal expenses) in connection with the exercise of its rights or remedies described in this Deed of Trust and then to the payment of the remaining Obligations in whatever order Lender chooses.

**26. POWER OF ATTORNEY.** Grantor hereby appoints Lender as its attorney-in-fact to endorse Grantor's name on all financing statements, instruments and other documents pertaining to the Obligations or indebtedness. In addition, Lender shall be entitled, but not required, to perform any action or execute any document required to be taken or executed by Grantor under this Deed of Trust. Lender's performance of such action or execution of such documents shall not relieve Grantor from any Obligation or cure any default under this Deed of Trust. The powers of attorney described in this Deed of Trust are coupled with an interest and are irrevocable.

**27. SUBROGATION OF LENDER.** Lender shall be subrogated to the rights of the holder of any previous lien, security interest or encumbrance discharged with funds advanced by Lender regardless of whether these liens, security interests or other encumbrances have been released of record.

**28. COLLECTION COSTS.** To the extent permitted by law, Grantor agrees to pay Lender's reasonable fees and costs, including but not limited to fees and costs of attorneys and other agents (including without limitation paralegals, clerks and consultants), which are incurred by Lender in collecting any amount due or enforcing any right or remedy under this Deed of Trust or any other agreement between Grantor and Lender, all whether or not suit is brought and including but not limited to fees and costs incurred on appeal, in bankruptcy, and for post-judgment collection actions and whether or not such attorney is an employee of Lender.

**29. RELEASE AND RECONVEYANCE.** Lender may release its interest in a portion of the Property by executing and recording one or more partial releases without affecting its interest in the remaining portion of the Property. Nothing herein shall be deemed to obligate Lender to release any of its interest in the Property, nor shall Lender be obligated to release any part of the Property if Grantor is in default under this Deed of Trust. When all Obligations have been paid in full, Lender shall request Trustee to reconvey the Property without warranty to the person(s) legally entitled thereto. Grantor shall be responsible for payment of all costs of reconveyance, including recording fees and Trustee's fees prior to such reconveyance.

**30. MODIFICATION AND WAIVER.** The modification or waiver of any of Grantor's Obligations or Lender's rights under this Deed of Trust must be contained in a writing signed by Lender. Lender may perform any of Borrower's or Grantor's Obligations, delay or fail to exercise any of its rights or accept payments from Grantor or anyone other than Grantor without causing a waiver of those Obligations or rights. A waiver on one occasion shall not constitute a waiver on any other occasion. Grantor's Obligations under this Deed of Trust shall not be affected if Lender amends, compromises, exchanges, fails to exercise, impairs or releases any of the Obligations belonging to any Grantor, Borrower or third party, any of the Property, or any other collateral securing the Obligations, or any of Lender's rights against any Grantor, Borrower or third party. Lender's failure to insist upon strict performance of any of the Obligations shall not be deemed a waiver and Lender shall have the right at any time thereafter to insist upon strict performance.

**31. SUBSTITUTE TRUSTEE.** In case of the death, inability, refusal to act or absence of the Trustee from the State of Washington or in case the holder of the Obligations shall desire for any reason to remove the Trustee or any substitute trustee as trustee hereunder and to appoint a new trustee in his place and stead, the holder of the Obligations is hereby granted full power to appoint in writing a substitute trustee for said Trustee, and the substitute trustee shall, when appointed, become successor to all rights of Trustee hereunder and the same shall become vested in him for the purposes and objects of this Deed of Trust with all the power, duties and obligations herein conferred on the Trustee.

**32. SUCCESSORS AND ASSIGNS.** This Deed of Trust shall be binding upon and inure to the benefit of Grantor and Lender and their respective successors, assigns, trustees, receivers, administrators, personal representatives, legatees and devisees.

**33. NOTICES.** Except as otherwise required by law, any notice or other communication to be provided under this Deed of Trust shall be in writing and sent to the parties at the addresses described in this Deed of Trust or such other address as the parties may designate in writing from time to time. Any such notice so given and sent by certified mail, postage prepaid, shall be deemed given three (3) days after such notice is sent and any other such notice shall be deemed given when received by the person to whom such notice is being given.

**34. SEVERABILITY.** If any provision of this Deed of Trust violates the law or is unenforceable, the rest of the Deed of Trust shall continue to be valid and enforceable.

**35. APPLICABLE LAW.** This Deed of Trust shall be governed by the laws of the State of Washington. Unless applicable law provides otherwise, Grantor consents to the jurisdiction and venue of any court selected by Lender, in its sole discretion, located in Washington.

**36. MISCELLANEOUS.** Grantor and Lender agree that time is of the essence. Grantor waives presentment, demand for payment, notice of dishonor and protest except as required by law. All references to Grantor in this Deed of Trust shall include all persons signing below. If there is more than one Grantor, their Obligations shall be joint and several and shall bind the marital community of which any Grantor is a member (unless this Deed of Trust expressly states that the community shall not be liable). This Deed of Trust represents the complete integrated understanding between Grantor and Lender pertaining to the terms and conditions hereof.

**37. JURY TRIAL WAIVER. GRANTOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY CIVIL ACTION ARISING OUT OF, OR BASED UPON, THIS DEED OF TRUST.**

**38. ADDITIONAL TERMS.**

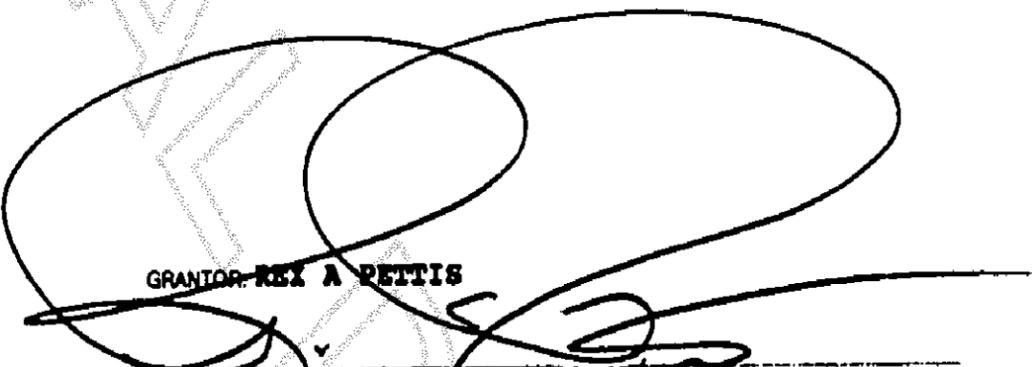
9808060050

BK | 85 | PG0472

Grantor acknowledges that Grantor has read, understands, and agrees to the terms and conditions of this Deed of Trust.

Dated this 28th day of JULY, 1998

GRANTOR: REX A PETTIS



REX A PETTIS  
Individually & for his/her marital community

GRANTOR: CONNIE A PETTIS



CONNIE A PETTIS  
Individually & for his/her marital community

GRANTOR:

GRANTOR:

GRANTOR:

GRANTOR:

GRANTOR:

GRANTOR:

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State of Washington  
County of Skagit

I certify that I know or have satisfactory evidence that Rex Pettis

is the person who appeared before me, and said person acknowledged that he/she signed this instrument and acknowledged it to be his/her free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: 7-28-98

Kathy Kautz  
Notary Public (Print Name):  
Kathy Kautz  
Title:  
My Appointment Expires: 7-10-99



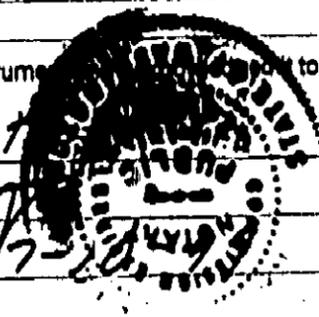
State of Washington  
County of Skagit

I certify that I know or have satisfactory evidence that Connie Pettis

is the person who appeared before me, and said person acknowledged that he/she signed this instrument and acknowledged it to be his/her free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: 7-28-98

Kathy Kautz  
Notary Public (Print Name):  
Kathy Kautz  
Title:  
My Appointment Expires: 7-10-99



State of Washington  
County of \_\_\_\_\_

I certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that (he/she) was authorized to execute this instrument and acknowledged it as the \_\_\_\_\_ of \_\_\_\_\_ to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: \_\_\_\_\_

Notary Public (Print Name): \_\_\_\_\_  
Title \_\_\_\_\_  
My Appointment Expires: \_\_\_\_\_

(Seal or Stamp)

State of Washington  
County of \_\_\_\_\_

I certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that (he/she) was authorized to execute this instrument and acknowledged it as the \_\_\_\_\_ of \_\_\_\_\_ to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: \_\_\_\_\_

Notary Public (Print Name): \_\_\_\_\_  
Title \_\_\_\_\_  
My Appointment Expires: \_\_\_\_\_

(Seal or Stamp)

**SCHEDULE A**

Address of Property: **417 SAJE LANE  
SEDRO WOOLLEY, WA 98284**

**SEE SCHEDULE "A"**

**SCHEDULE B**

**FIRST DEED OF TRUST HELD BY: SOUTHERN PACIFIC FUNDING CORPORATION**

A.P.  
98

Schedule "A-1"

L-86209-T

DESCRIPTION:

That portion of the Southeast  $\frac{1}{4}$  of the Southwest  $\frac{1}{4}$  of Section 23, Township 36 North, Range 4 East, W.M., being more particularly described as follows:

Beginning at the Southwest corner of said Southeast  $\frac{1}{4}$  of the Southwest  $\frac{1}{4}$ , said point also being South  $89^{\circ}43'54''$  East 1,320.87 feet from the Southwest corner of said Section 23;  
thence North  $1^{\circ}21'51''$  West, along the West line of said Southeast  $\frac{1}{4}$  of the Southwest  $\frac{1}{4}$ , 390.27 feet to the true point of beginning;  
thence continue North  $1^{\circ}21'51''$  West, along said West line, 398.35 feet;  
thence South  $79^{\circ}42'34''$  East 686.05 feet;  
thence South  $10^{\circ}17'26''$  West 254.00 feet, to a point of curvature;  
thence along the arc of said curve to the left having a radius of 270.00 feet, through a central angle of  $5^{\circ}31'03''$ , an arc distance of 26.00 feet to a point that is due East from the true point of beginning;  
thence due West 616.75 feet to the true point of beginning.

TOGETHER WITH a non-exclusive easement for ingress and egress, roadway and public and private utilities, in the Southeast  $\frac{1}{4}$  of the Southwest  $\frac{1}{4}$  of Section 23, Township 36 North, Range 4 East, W.M., and also in the Northeast  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$  and in the Southeast  $\frac{1}{4}$  of said Northwest  $\frac{1}{4}$  of Section 26 of said Township and Range, said easement being 60 feet in width (except for a 50 foot radius cul-de-sac at the Northerly end of said 60 foot wide easement). The centerline of said 60 foot wide easement being more particularly described as follows:

Beginning at the Northwest corner of said Northeast  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$  of Section 26, said point also being South  $89^{\circ}43'54''$  East 1,320.87 feet from the Northwest corner of said Section 26;  
thence South  $0^{\circ}19'53''$  East, along the West line of said Northeast  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$  and along the West line of said Southeast  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$ , 1,329.83 feet to the North margin of the County road known as the Warner Road;  
thence North  $89^{\circ}53'45''$  East, along said North margin, 1,090.00 feet to the true point of beginning of said 60 foot wide easement;  
thence along said centerline North  $0^{\circ}06'15''$  West 68.56 feet to a point of curvature;  
thence along the arc of said curve to the right having a radius of 300 feet, through a central angle of  $11^{\circ}57'56''$ , an arc distance of 62.65 feet to a point of tangency;  
thence North  $11^{\circ}51'41''$  East 392.16 feet to a point of curvature;  
thence along the arc of said curve to the left having a radius of 150 feet, through a central angle of  $48^{\circ}54'43''$ , an arc distance of 128.05 feet to a point of tangency;

- Continued -

Schedule "A-1"

L-86209-T

DESCRIPTION CONTINUED:

thence North  $37^{\circ}03'02''$  West 442.82 feet to a point of curvature;  
thence along the arc of said curve to the right having a radius of  
120 feet, through a central angle of  $77^{\circ}45'34''$ , an arc distance of  
162.86 feet to a point of reverse curvature;  
thence along the arc of said curve to the left having a radius of  
150 feet, through a central angle of  $92^{\circ}56'06''$ , an arc distance of  
243.30 feet to a point of tangency;  
thence North  $52^{\circ}13'34''$  West 205.63 feet to a point of curvature;  
thence along the arc of said curve to the right having a radius of  
270.00 feet, through a central angle of  $62^{\circ}31'00''$ , an arc distance  
of 294.60 feet to a point of tangency;  
thence North  $10^{\circ}17'26''$  East, 485.00 feet to the terminus of said  
centerline, said terminus also being the center of said 50 foot  
radius cul-de-sac. which is to be included as a part of this  
easement.

Situate in the County of Skagit, State of Washington.

9808060050

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