

ABC
AFTER RECORDING, RETURN TO:

CRAIG SJOSTROM
Attorney at Law
411 Main St.
Mount Vernon, WA 98273

FILE NO. 99-037

SPACE FOR RECORDER'S USE



200007310009

Kathy Hill, Skagit County Auditor
7/31/2000 Page 1 of 4 8:41:52AM

GRANTOR(S) (Borrower): (1) Michael Kelley
GRANTEE(S) (Secured Party): (1) Sheryl Kelley
GRANTEE(S) (Trustee): First American Title Co., Inc.
TAX PARCEL #: 3401-113-0260-006
LEGAL DESCRIPTION: ptn L-1 S/P 91-064 Skagit Co.
L-2 S/P 91-064 Skagit Co.

DEED OF TRUST

(For Use in the State of Washington Only)

THIS DEED OF TRUST, made this 7-10, 2000 between Michael Kelley, GRANTOR, whose address is 13706 Islewood Drive, Anacortes, WA 98221, First American Title Co. of Skagit County, a corporation, TRUSTEE, whose address is 1301-B Riverside Drive, Mount Vernon, WA 98273, and Sheryl Kelley, BENEFICIARY, whose address is 1101 15th St., Anacortes, WA 98221, WITNESSETH:

Grantor hereby bargains, sells and conveys to Trustee in Trust, **with power of sale**, the following described real property in **Skagit County**, Washington:

See attached legal description

which real property is not used principally for agricultural or farming purposes, together with all the tenements, hereditaments, and appurtenances now or hereafter thereunto belonging or in any wise appertaining, and the rents, issues and profits thereof.

This Deed is for the purpose of securing performance of each agreement of Grantor herein contained, and payment of the sum of SIX THOUSAND DOLLARS (\$6,000) without interest, in accordance with the terms of a Promissory Note of even date herewith, payable to Beneficiary or order, and made by Grantor and all renewals, modifications and extensions thereof, and also such further sums as may be advanced or loaned by Beneficiary to Grantor, or any of their successors or assigns, together with interest thereon at such rate as shall be agreed upon.

To protect the security of this Deed of Trust, Grantor covenants and agrees:

1. To keep the property in good condition and repair; to permit no waste thereof; to complete any building, structure or improvement being built or about to be built thereon; to restore promptly any building, structure or improvement

thereon which may be damaged or destroyed; and to comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the property.

2. To pay before delinquent all lawful taxes and assessments upon the property; to keep the property free and clear of all other charges, liens or encumbrances impairing the security of this Deed of Trust.
3. To keep all buildings now or hereafter erected on the property described herein continuously insured against loss by fire or other hazards in an amount not less than the total debt secured by this Deed of Trust. All policies shall be held by the Beneficiary, and be in such companies as the Beneficiary may approve and have loss payable first to the Beneficiary, as its interest may appear, and then to the Grantor. The amount collected under any insurance policy may be applied upon any indebtedness hereby secured in such order as the Beneficiary shall determine. Such application by the Beneficiary shall not cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of the Grantor in insurance policies then in force shall pass to the purchaser at the foreclosure sale.
4. To defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of title search and attorney's fees in a reasonable amount, in any such action or proceeding, and in any suit brought by Beneficiary to foreclose this Deed of Trust.
5. To pay all costs, fees and expenses in connection with this Deed of Trust, including the expenses of the Trustee incurred in enforcing the obligation secured hereby and Trustee's and attorney's fees actually incurred, as provided by statute.
6. Should Grantor fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances or other charges against the property herein described, Beneficiary may pay the same, and the amount so paid, with interest at the rate set forth in the note secured hereby, shall be added to and become a part of the debt secured in this Deed of Trust.
7. **DUE ON SALE.** Beneficiary may, at its option, declare immediately due and payable all sums secured by this Deed of Trust upon the sale or transfer of all or a portion of the real property, or any interest therein, without the Beneficiary's prior written consent. A "sale or transfer" means the conveyance of any property or any right, title, or interest therein; whether legal or equitable, whether voluntary or involuntary, by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than three years, lease option contract, sale, assignment or transfer of any beneficial interest in or to any land trust holding title to the real property or any other method of conveyance of real property interests. Notwithstanding the above, this option shall not be exercised by Beneficiary if the exercise thereof is prohibited by Federal or Washington law.

IT IS MUTUALLY AGREED THAT:

1. In the event any portion of the property is taken or damaged in an eminent domain proceeding, the entire amount of the award or such portion as may be necessary to fully satisfy the obligation secured hereby, shall be paid to Beneficiary to be applied to said obligation.
2. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right to require prompt payment when due of all other sums so secured or to declare default for failure to so pay.
3. The Trustee shall reconvey all or any part of the property covered by this Deed of Trust to the person entitled thereto, on written request of the Grantor and the Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiary or the person entitled thereto.
4. 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



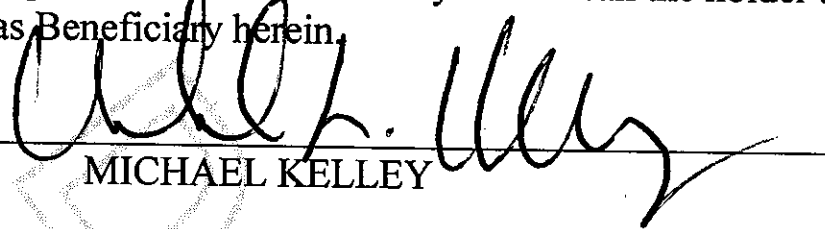
Beneficiary. In such event and upon written request of Beneficiary, Trustee shall sell the trust property, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (1) to the expense of the sale, including a reasonable Trustee's fee and attorney's fee; (2) to the obligation secured by this Deed of Trust; (3) the surplus, if any, shall be distributed to the persons entitled thereto.

5. 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 purchaser and encumbrancers for value.

6. 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; Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage.

7. In the event of the death, incapacity, 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.

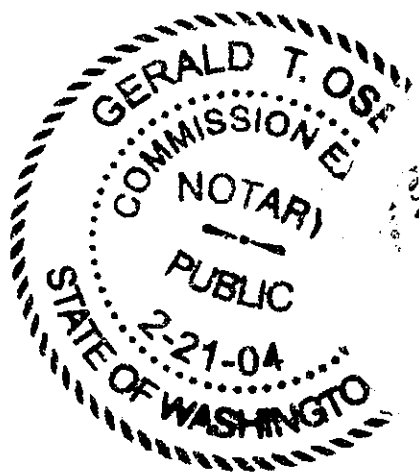
8. This Deed of Trust applies to, inures to the benefit of, and is binding not only on the parties hereto, but on their heirs, devisees, legatees, administrators, executors and assigns. The term Beneficiary shall mean the holder and owner of the note secured hereby, whether or not named as Beneficiary herein.

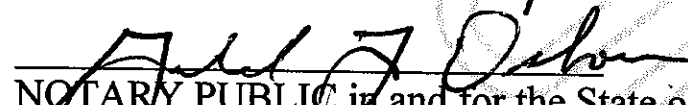

MICHAEL KELLEY

STATE OF WASHINGTON)
COUNTY OF SKAGIT)

On this day personally appeared before me Michael Kelley, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 10th day of July, 2000.




NOTARY PUBLIC in and for the State of Washington,
residing at Anacortes.
My commission expires: _____
Name: _____



200007310009

Kathy Hill, Skagit County Auditor
7/31/2000 Page 3 of 4 8:41:52AM

SA-15828

EXHIBIT "A"

PARCEL A:

A portion of Lot 1 of Short Plat No. 91-064, approved October 21, 1991 and Recorded November 4, 1991 in Volume 10 of Short Plats, pages 22 and 23 under Auditor's File No. 9111040048, being a portion of the Northeast quarter of the Southwest quarter of Section 11, Township 34, Range 1 East of the Willamette Meridian described as follows:

Beginning at the Southwest corner of Lot 2 of said Short Plat No. 91-064; thence North 4°09'09" East along the Westerly line of said Lot 2 a distance of 202.71 feet; thence North 89°11'58" West a distance of 110.52 feet to the Westerly line of Lot 1 of said Short Plat No. 91-064; thence South 3°03'20" West along the Westerly line of said Lot 1 a distance of 202.52 feet to the South line of said Short Plat No. 91-064; thence South 89°11'58" East along the South line of said Short Plat a distance of 106.64 feet to the point of beginning.

PARCEL B:

A portion of Lot 1 of Short Plat No. 91-064, approved October 21, 1991 and Recorded November 4, 1991 in Volume 10 of Short Plats, pages 22 and 23 under Auditor's File No. 9111040048, being a portion of the Northeast quarter of the Southwest quarter of Section 11, Township 34, Range 1 East of the Willamette Meridian described as follows:

Commencing at the Southwest corner of Lot 2 of said Short Plat No. 91-064; thence North 4°09'09" East along the Westerly line of said Lot 2, a distance of 202.71 feet to the true point of beginning; thence South 89°11'58" East along the Northerly line of said Lot 2 a distance of 358.49 feet; thence North 4°09'09" East along the Westerly line of said Lot 2 a distance of 247.29 feet to the Northwest corner of said Lot 2; thence North 89°11'58" West a distance of 2.35 feet; thence South 37°37'34" West a distance of 144.87 feet; thence South 55°20'14" West a distance of 225.61 feet to the true point of beginning.

PARCEL C:

Lot 2 of Short Plat No. 91-064, approved October 21, 1991 and Recorded November 4, 1991 in Volume 10 of Short Plats, pages 22 and 23 under Auditor's File No. 9111040048, being a portion of the Northeast quarter of the Southwest quarter of Section 11, Township 34, Range 1 East of the Willamette Meridian.

- END OF EXHIBIT "A" -

9610040078



200007310009

Kathy Hill, Skagit County Auditor
7/31/2000 Page 4 of 4 8:41:52AM