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, Skagit County Auditor

6/21/2001 Page 1 of 16 8:55:11AM

AFTER RECORDING MAIL TO:

JACOB COHEN
Post Office Box 889
Oak Harbor, WA 98277

Document Title(s):

1. Living Trust Agreement

Reference No. of Documents assigned or released:

N/A

Grantor(s): (Last name first, then first and initial)

1. HILL, Allen E. and Jean Isobel, as Trustors

Grantee(s): (Last name first, then first and initial)

1. BIRCH, Sandra F. and BUNKER, Rosalie G., as Trustees

Abbreviated Legal Description as follows:

Lot 56, Creekside Village, Phase III, Div. 3, Vol. 15, pages 84 and 85, Skagit County

[X] Complete legal on page 14 of document.

Assessor's Property Tax Parcel/Account Number(s):

4602-000-056-0005; P103032


LIVING TRUST AGREEMENT
(With Unified Credit Exemption Equivalent
and Survivor's Trust)

THIS AGREEMENT dated the 15 day of JUNE, 2001, is made between ALLEN E. HILL and JEAN ISOBEL HILL, husband and wife, as Trustors, and SANDRA F. BIRCH and ROSALIE G. BUNKER, as Trustees.

ARTICLE I
TRUST PROPERTY

Trustors hereby convey, transfer and deliver to Trustee certain property which they declare to be community property and have itemized on Schedule A attached hereto. The Trustor Jean Isobel Hill hereby conveys, transfers and delivers to Trustees certain property which she declares to be separate property and has itemized on Schedule B attached hereto.

ARTICLE II
IDENTIFICATION OF FAMILY

Trustors' immediate family consists of Allen Hill's two children from a previous marriage whose names are Sandra F. Birch and Rosalie G. Bunker. There have been no children born of the marriage of Allen Hill and Jean Hill. Sandra F. Birch has two children named Michael D. Birch and Michele D. Westlund. Rosalie G. Bunker has two children named Karin Giboney and Kyle Bunker. Jean Isobel Hill has a brother named Donald Norman Young who currently resides at 1959 Richardson, Victoria, British Columbia, Canada V8S 1S5, a sister named Ruth Margaret Rushton who currently resides at 475 Sarsons Road, Kelowna, British Columbia, Canada V1W 1C4 and a niece, Kathy Young who currently resides at 3660 W. 18th Avenue, Vancouver, British Columbia, Canada V6S 1B2. Other than the family members named herein, neither Allen Hill nor Jean Hill desire to have any of their property pass to any other individuals after the deaths of Allen Hill and/or Jean Hill. J. H. 



ARTICLE III
SUCCESSOR TRUSTEE

If for any reason either Trustee is unable or unwilling to serve or to continue to serve as Trustee, the remaining Trustee shall act as sole Trustee.

ARTICLE IV
RIGHTS RESERVED BY TRUSTOR

Subject to the provision of Article VI, Trustors or the surviving Trustor reserve the right to:

- A. Add other property acceptable to Trustees to the Trust Estate;
- B. While both Trustors are alive, revoke, amend and/or change this Trust or withdraw at any time any part of the Trust Estate upon reasonable notice to Trustees, subject, however, to any obligations that the Trust may have incurred prior to revocation.

AFTER THE DEATH OF EITHER ALLEN HILL OR JEAN HILL, REGARDLESS OF WHICH OCCURS FIRST, THIS TRUST MAY NOT BE AMENDED, REVOKED OR CHANGED IN ANY MANNER BY THE SURVIVING TRUSTOR.

ARTICLE V
LIFETIME DISTRIBUTIONS

Subject to the prohibition on certain distributions as set forth below, while either or both Trustors are living, the Trustees, in their absolute discretion, shall pay to or for the benefit of either or both Trustors so much of the net income and principal at such times or intervals as the Trustees, in their absolute discretion, deem advisable for the maintenance, education, support and health of either or both Trustors.

PROHIBITION ON CERTAIN DISTRIBUTIONS

- 1. Whether or not a Trustor is under legal disability, the Trustee is prohibited from making any distributions of either principal or income from this Trust for any purpose if the effect of such distributions would render any Trustor ineligible for public benefits or if such distribution would cause reduction or termination of such public benefits or if any such distribution would be subject to any obligation of reimbursement to any public entity for public benefits paid to or on behalf of a Trustor.

J.L.H.

REST



2. If a Trustor is entitled to receive public benefits, the Trustee may, in the Trustee's sole and absolute discretion (which maybe exercised in an arbitrary manner), pay or apply for the benefit of the Trustor during the Trustor's lifetime, such amounts from the principal or income of the Trust, for the Trustor's supplemental care, as the Trustee may from time to time deem reasonable and necessary, subject to the strict limitations set forth in this instrument.

3. The following non-exclusive list illustrates the kinds of supplemental, non-support disbursements that are appropriate for the Trustees to make from this Trust to or for the benefit of the Trustor: medical, dental, diagnostic work and treatment for which there are no private or public funds otherwise available; medical procedures that are desirable in the Trustee's discretion, even though they may not be necessary or life-saving; supplemental nursing care; rehabilitative services; differentials in cost between housing for shared and private rooms in institutional settings; care appropriate for the Trustor that assistance programs may not or do not otherwise provide; expenditures for travel and other non-emergency transportation for companionship, cultural experiences, and for bringing the Trustor's family for visits.

4. The Trustee is prohibited from expending any of the Trust principal or income for any property, services, benefits or medical care otherwise available to the Trustor from any governmental source or from any private insurance carrier required to cover the Trustor. The Trustee may pay any deductible amounts for the Trustor on any insurance policies covering the Trustor. The Trustee may cooperate with the Trustor's guardian or legal representative to seek support and maintenance for the Trustor from all available resources, including but not limited to the Supplemental Social Security Income Program (SSI); Supplemental Income Program of the State of Washington or any other state; the Old Age Survivor and Disability Insurance Program (OASDI); the Medicaid Program; Social Security Disability Insurance (SSDI), and any additional similar or successor state or federal programs and from any private support sources. The Trustee may supplement such sources, though the Trustee shall not make distributions from this Trust that supplant services, benefits and medical care that would otherwise be available to the Trustor through any governmental or private resources. *J. H.* *cash*



ARTICLE VI

TRUST SEGREGATION AFTER DEATH OF THE FIRST TRUSTOR

A. Upon the death of the first Trustor to die (hereinafter "Deceased Trustor"), the Trustees shall divide the Trust Estate, in the manner set forth below, into two trusts entitled "The Exemption Trust" and "The Survivor's Trust".

1. As soon as possible after the death of the first Trustor, there shall be segregated from the trust principal an "Exemption Equivalent Amount". The Exemption Equivalent Amount, in order to eliminate or minimize the Federal Estate Taxes payable at the death of the first Trustor and the death of the surviving Trustor spouse, shall be equal to the maximum amount of the trust estate which will, after taking into account all allowable credits and deductions, result in no increase in the Federal Estate Tax on the trust estate resulting from the death of the first Trustor. In computing the foregoing amount, the credit for State Death Taxes shall be taken into account only to the extent that it does not result in an increase in State Death Taxes payable. It is the intent of the deceased Trustor that the Exemption Equivalent Amount shall be equal to that portion of such Trustor's estate, the tax on which (determined pursuant to Section 2001(c) of the Internal Revenue Code of 1986, as amended) is equal to the amount of the Unified Credit (determined pursuant to Section 2010(a)-(c) of the Internal Revenue Code of 1986, as amended) available to such Trustor immediately prior to his or her death, after taking into account other dispositions made by such Trustor (whether under this instrument or otherwise) which do not qualify for the marital or charitable deduction for Federal Estate Tax purposes and after taking into account expenses, debts, taxes and costs of administration paid, and other charges to principal that are not allowed as deductions in computing such Trustor's Federal Estate Tax. The segregated assets comprising the Exemption Equivalent Amount shall be held, administered and distributed as a separate trust pursuant to the provisions of this Article VI, Paragraph C below, hereinafter referred to as "the Exemption Trust". For purposes of establishing the Exemption Equivalent Amount, the asset values as finally determined for Federal Estate Tax purposes shall be used.

22X. 0016



Notwithstanding anything herein to the contrary (including the reservations of rights in Article IV), the provisions of the Exemption Trust may not be amended, modified or revoked after the death of the Deceased Trustor.

IN THE EVENT THAT THE TRUSTOR JEAN HILL SHOULD BE THE FIRST TO DIE, THEN IN THAT EVENT, THE TRUSTEES SHALL DISTRIBUTE AS SOON AS POSSIBLE FROM THE EXEMPTION TRUST THE SUM OF \$30,000.00 (U.S. Funds) TO JEAN'S BROTHER DONALD NORMAN YOUNG; THE SUM OF \$30,000.00 (U.S. Funds) TO JEAN'S SISTER RUTH MARGARET RUSHTON AND THE SUM OF \$10,000.00 (U.S. Funds) TO JEAN'S NIECE KATHY YOUNG. In the event Donald Norman Young, Ruth Margaret Ruston and/or Kathy Young should predecease Jean Hill, then and in that event the share of said deceased beneficiary shall be distributed to Michael Birch, Michele Westlund, Karin Giboney and Kyle Bunker, in equal shares, share and share alike among them.

2. After setting aside the Exemption Equivalent Amount, the remainder of the trust principal and accrued income, if any, shall be held, administered and distributed as a separate trust which shall henceforth herein be known as "The Survivor's Trust".

B. Survivor's Trust. With respect to the administration of the Survivor's Trust:

1. The Trustees shall continue to make distributions for the surviving Trustor in accordance with the same standards and conditions set forth in Article V herein.

2. Upon the death of the surviving Trustor, the entire trust estate shall be disposed of pursuant to Article VII (Distribution After Death of Both Trustors).

C. Exemption Trust. With respect to the administration of the Exemption Trust:

1. The Trustees shall continue to make distributions for the surviving Trustor in accordance with the same standards and conditions set forth in Article V herein.

2. Upon the death of the surviving Trustor, the then remainder of the Exemption Trust shall be disposed of pursuant to Article VII (Distributions After Death of Both Trustors).

J.H. ACS



ARTICLE VII

DISTRIBUTIONS AFTER DEATH OF BOTH TRUSTORS

Upon the death of both Trustors, the property directed to be disposed of under the provisions of Article VI, shall be distributed, after the payment of all debts of the Trustors and federal estate taxes and state death taxes, as follows:

A. In the event that Jean Hill is the second to die as between the two Trustors, then as soon as possible after her death, the Trustees shall pay the sum of \$30,000.00 (U.S. Funds) to Jean's brother Donald Norman Young, the sum of \$30,000.00 (U.S. Funds) to Jean's sister Ruth Margaret Rushton and the sum of \$10,00.00 (U.S.Funds) to Jean's niece Kathy Young. In the event Donald Norman Young, Ruth Margaret Ruston and/or Kathy Young should predecease Jean Hill, then and in that event the share of said deceased beneficiary shall be distributed to Michael Birch, Michele Westlund, Karin Giboney and Kyle Bunker, in equal shares, share and share alike among them.

B. The Trustees shall distribute \$10,000.00 each to Michael D. Birch, Michele D. Westlund, Karin Giboney and Kyle Bunker. In the event that any of the aforesaid four individuals should die before the time of the distribution from this trust, the \$10,000.00 distribution to the aforescribed deceased individual shall be distributed in equal shares among the surviving named individuals.

C. With regard to the remainder after the above described distributions, the Trustees shall distribute the remainder as follows:

1. One-half to Sandra F. Birch, and in the event that she should predecease the last Trustor to die, her one-half of the principal and accrued income in this trust shall be distributed to her two children Michael D. Birch and Michele D. Westlund, in equal shares, share and share alike between them, provided however, in the event that Michael D. Birch and/or Michele D. Westlund shall not be alive at the time of the distribution from this trust and shall be survived by any child or children, the children of said deceased beneficiary shall be entitled to their share of this trust, share and share alike among the said surviving children, provided further, that in the event that Michael D. Birch and/or Michele D. Westlund shall not be alive at the time of the distribution of this trust and shall not be survived by any child or children, then and in that



2. One-half to Rosalie G. Bunker, and in the event that she should predecease the last Trustor to die, her one-half of the principal and accrued income in this trust shall be distributed to her two children Karin Giboney and Kyle Bunker, in equal shares, share and share alike between them, provided however, in the event that Karin Giboney and/or Kyle Bunker shall not be alive at the time of the distribution from this trust and shall be survived by any child or children, the children of said deceased beneficiary shall be entitled to their share of this trust, share and share alike among the said surviving children, provided further, that in the event that Karin Giboney and/or Kyle Bunker shall not be alive at the time of the distribution of this trust and shall not be survived by any child or children, then and in that event, all of Rosalie G. Bunker's share of the distribution of this trust shall go to the survivor of Karin Giboney or Kyle Bunker.

DISTRIBUTIONS FOR CERTAIN EXPENSES

ARTICLE IX

GENERAL POWERS

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A. Determination of Principal and Income. The Trustee shall determine in accordance with the Washington Principal and Income Act what is principal or income, which authority shall specifically include the right to make any adjustments between principal and income for premiums, discounts, depreciation or depletion.

B. Accounting. The Trustee shall be required to render annual statements of account to each Trustor, but shall otherwise be relieved from compliance with the Uniform Trustees Accounting Act of the State of Washington, any amendments thereof, and any similar laws of any other jurisdiction wherein the Trust, or any share or portion thereof is being administered. While either Trustor is living and not disabled, the Trustee shall not be required to account to remainder beneficiaries. The Trustor specifically directs that R.C.W. 11.98.200 through R.C.W. 11.98.240 shall not be applicable to this Trust.

C. Retention of Original Trust Assets. The Trustee may retain, without liability in so doing, any property, real or personal, productive or unproductive, of whatever kind and character and wheresoever situated, and specifically including any business or recreational property in which Trustors may have any right, title or interest, which Trustee may receive in trust herein from any source, regardless of whether the particular property so retained be of a kind and quality which Trustee would ordinarily purchase for trust accounts, and regardless of whether such property so retained should constitute a larger portion of the Trust Estate than Trustee would ordinarily deem advisable or prudent. The Trustee is authorized to operate and maintain any business or recreational property at the exclusive risk of the Trust Estate; to exercise with respect to management and disposition thereof all the rights and powers, including authority to broaden, limit or change the scope or nature of the activities of any business, and all other powers herein conferred or as may be necessary to enable Trustee to administer this Trust in accordance with the provisions of his instrument; and to determine what, if any, portion or profits shall be retained as reserves for such operation.

D. Purchases and Sales of Securities. The Trustee may buy, sell and trade in securities of any nature, including short sales, or margin, and for such purposes may maintain and operate margin accounts with brokers, and may pledge any securities held or purchased by them with such brokers as security for loans and advances made to Trustee.



E. Reliance on Counsel. The Trustee may rely on advice of counsel on questions of law.

F. Payments for Beneficiaries Under Disability. Any money or property payable hereunder to any beneficiary under disability may, in the Trustee's discretion and notwithstanding guardianships, (i) be paid direct to the respective beneficiary or a person living with such beneficiary or his legal guardian, without obligation upon the Trustee to see to the application of such money or property; (ii) be used by the Trustee for such beneficiary's benefit; or (iii) be stored in safekeeping until such time as such beneficiary may no longer be under disability. The receipt of such beneficiary, person, or legal guardian for such money or property, or the application or storage thereof by the Trustee for such beneficiary's benefit, shall be a full and sufficient discharge to the Trustee therefor.

G. Protection for Young Beneficiaries. If this Trust, or any shares or portions thereof, becomes distributable to any beneficiary described herein who is under twenty-five (25) years of age, the Trustee, in its discretion, but within the limits of the rule against perpetuities, may hold in trust the respective distributive share or portion allocated to such beneficiary under twenty-five (25) years of age. Is so held, the Trustee shall add the net income from such beneficiary's distributive share or portion to the principal thereof and may pay to such beneficiary, or use for his/her benefit so much thereof as the Trustee deems advisable for such beneficiary's maintenance, education, support and health. The Trustee shall distribute such beneficiary's distributive share or portion to such beneficiary when he/she attains twenty-five (25) years of age, or to such beneficiary's estate upon his earlier death.

H. Trustee's Fees. The Trustee may pay reasonable compensation to itself as Trustee and may hire or engage the Trust Department of a bank or a Trust Company to provide investment advice or asset management and the fees or charges for such services shall be paid from the Trust Estate.

I. Trustee's Powers. In addition to the powers elsewhere set forth herein or by law, Trustee shall have full power to:

1. Consolidation. Except as otherwise provided herein, consolidate one or more trusts which Trustee is administering for the same beneficiaries, if such consolidation



would be practicable and would not be to the substantial disadvantage of a beneficiary (book entries shall be sufficient to indicate the interest of any trust so consolidated where property is held for more than one trust);

2. Employment of Agents and Attorneys. Employ such agents and attorneys as Trustee may deem necessary or desirable for the proper administration of the trusts, or in connection with any uncertainty, controversy or litigation which may arise in respect of the trusts, and pay reasonable compensation to such agents and attorneys for their services; and the Trustee shall not be liable for any neglect, omission or wrongdoing of such agents, provided reasonable care shall have been taken in selection of same;

3. Loans. Loan trust funds to third parties in a commercially reasonable manner and to beneficiaries on any terms and conditions.

4. Termination Where Value \$20,000 or Less. Terminate any Trust hereunder by payment of the Trust Estate to the adult persons then entitled to receive or have the benefit of the income, if such Trust has a market value (as determined by the Trustee) of Twenty Thousand Dollars (\$20,000) or less.

5. All-Inclusive Powers. In addition to the powers and authority granted by law, and the specific bequest of powers granted herein, the Trustee shall have the right and power to manage and deal with the trust estate and any particulars, and in the same manner, and to the same extent, that the Trustors could, if living.

Without limiting the powers hereinbefore stated, the Trustees shall have the powers to buy, sell, convey, encumber and in any way and every way and manner deal in and with securities and other personal property and to release mortgages on land, convey real estate, to sign, execute, acknowledge and deliver such deeds, agreements or mortgages and deeds of trust and other encumbrances pertaining to real estate and satisfaction of real and chattel mortgages, judgments and other debts, and such other instruments in writing, of whatsoever kind or nature, as may be necessary or proper in the premises.

J. Resignation. The Trustee may resign at any time by giving sixty (60) days' written notice to that effect to the next named successor Trustee and to the then current adult income beneficiary or beneficiaries of any Trust created hereunder. If there is no named

D. J. H. [Signature]



successor Trustee, such beneficiary or a majority of such beneficiaries shall have the right, within thirty (30) days after receipt of such notice, to appoint a successor Trustee and shall notify the then acting Trustee of such appointment. Other than as to any successor Trustee expressly provided in Article III, the successor Trustee may be a trust company or bank possessing trust powers. If the current income beneficiary or beneficiaries fail to designate a successor Trustee within the time specified, then the acting Trustee may apply to a court of competent jurisdiction for leave to resign, the appointment of a successor Trustee, and the judicial settlement of its accounts.

Upon receiving written notice of appointment of the successor Trustee, the then acting Trustee shall, within ninety (90) days thereof, deliver the trust assets to the successor Trustee and deliver a final accounting to the beneficiaries.

Any successor Trustee hereunder shall possess and exercise all power and authority herein conferred upon the original Trustee, unless the successor Trustee is appointed by a court and the court provides otherwise in the order of appointment. Such successor Trustee shall be responsible only for the assets delivered by the preceding Trustee and may accept as correct the statement of such predecessor that these constitute all of the assets of the Trust Estate, without any duty to inquire into the administration or accounting by the preceding Trustee. No successor Trustee shall be held responsible for or by reason of any act or omission of a predecessor in trust.

K. Protection of Beneficiaries' Interest. Notwithstanding any provisions herein as to the time or manner of payment to any beneficiaries, no share or interest or any portion thereof of any said beneficiary herein shall vest in the said beneficiary until actually paid to him/her by the Trustee, nor shall the same be liable for the debts of said beneficiary, nor subject to the process of seizure of any court, nor an asset in the bankruptcy or insolvency of any said beneficiary, and said beneficiary hereunder shall not have the power to anticipate, alienate, or encumber their interest in the trust estate or the income therefrom. If by reason of any bankruptcy, judgments, or other cause, any beneficiary cannot receive and enjoy the benefits hereunder, and the benefits accruing during the pendency of such judgment or proceeding that would ordinarily be distributable to such beneficiary may be temporarily withheld by the Trustee, or Trustee may

J. J. X. [Signature]



apply the fund for said beneficiary directly by purchasing necessities, or in such manner as Trustee shall deem best for said beneficiary, as the Trustee may elect.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals the day and year first hereinabove written.

TRUSTOR:

Allen E. Hill
ALLEN E. HILL

Jean I. Hill
JEAN ISOBEL HILL

TRUSTEE:

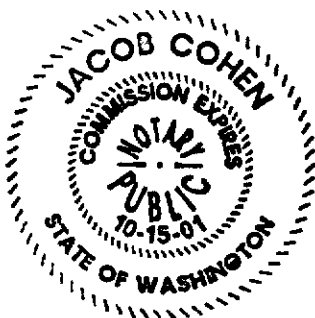
Sandra F. Birch
SANDRA F. BIRCH

Rosalie G. Bunker
ROSALIE G. BUNKER

STATE OF WASHINGTON)
COUNTY OF ISLAND) ss

On this day personally appeared before me ALLEN E. HILL and JEAN ISOBEL HILL, to be known to be the individuals described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 15 day of JUNE, 2001.

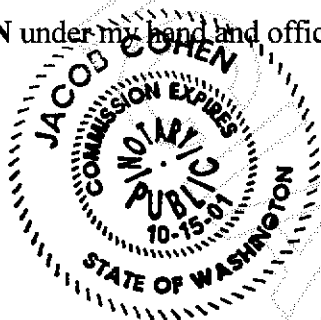


Jacob Cohen
Print Name: JACOB COHEN
NOTARY PUBLIC in and for the State of
Washington, residing at OTHC HARBOR
My Commission Expires: 10/15/01

STATE OF WASHINGTON)
COUNTY OF ISLAND) SS

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

GIVEN under my hand and official seal this 15 day of JUNE, 2001.

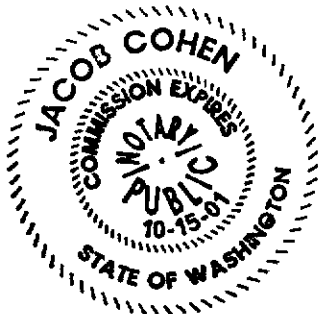


Jacob Cohen
Print Name: JACOB COHEN
NOTARY PUBLIC in and for the State of
Washington, residing at OAK HARBOR
My Commission Expires: 10/15/01

STATE OF WASHINGTON)
COUNTY OF ISLAND) SS

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

GIVEN under my hand and official seal this 15 day of June, 2001.



Jacob Cohen
Print Name: JACOB COHEN
NOTARY PUBLIC in and for the State of
Washington, residing at OAK HARBOR
My Commission Expires: 10/15/01



SCHEDULE A

1. Thomas White & Co., Account No. 778-10260-1-3-390
2. Skagit State Bank, Checking Account No. 3661055566
3. Skagit State Bank, Savings Account No. 3660069345
4. Residence of the parties at 1810 Creekside Place, Anacortes, Washington, more specifically described as the following real property situated in the County of Skagit, State of Washington, as follows:

Lot 56, Creekside Village, Phase III, Division 3, according to the plat thereof recorded in Volume 15 of Plats, pages 84 and 85, records of Skagit County, Washington.

Skagit County Assessor's Tax Parcel No: 4602-000-056-0005
P103032

5. All household furniture and furnishings, jewelry and all other personal property of Allen Hill and Jean Hill except for the items shown on Schedule B attached hereto.

J. J. Hill Allen



SCHEDULE B

1. Thomas White & Co., Account No. 77810554-1-8-390
2. Skagit State Bank, Account No. 778-10554-1-8-390
3. Royal Bank of Canada, Account No. 5036520.

J. J. H. , *WESS*

