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Mt. Vernon, WA 98273



200110180091
Skagit County Auditor

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This Space For Recorder's Use Only

DEED OF TRUST

(For Use in the State of Washington Only)

Grantor: SMILEY'S, INC., a Washington Corporation,

Grantee: V. RUTH SMILEY, Trustee of the HOWARD P. SMILEY Irrevocable Credit Trust dated April 1, 2001,

Trustee: Land Title Company of Skagit County

Assessor's Tax Parcel Number: P22572, 340324-1-006-0100

Parcel "A"

Abbreviated Legal: BAT INT OF S R/W LI OF MEMORIAL HWY & E DK 1 LI OF NE1/4 NE1/4 TH NWLY
ALG SLY LI OF SD HWY 391.40FT TH S PLT E LI SD SUB 17 5.

Assessor's Tax Parcel Number: P22529, 340324-0-012-0104

Parcel "B"

Abbreviated Legal: PTN GV L1 SEC 19-34-4 & PTN NE1/4 NE1/4 DK 1 SEC 24-34-3 BEG ON W LI SD LT 1
SEC 19 30FT N OF SW C THOF TH N 38-00-00 E 218.

THIS DEED OF TRUST, made this 15th day of October, 2001 between **GRANTOR**, SMILEY'S, INC., a Washington Corporation, whose address is P.O. Box 737, Mount Vernon, WA 98273 and **LAND TITLE COMPANY OF SKAGIT COUNTY**, a Washington Corporation, **TRUSTEE** whose address is P.O. Box 445, Burlington, WA 98233 and V. RUTH SMILEY, Trustee of the HOWARD P. SMILEY Irrevocable Credit Trust dated April 1, 2001, **BENEFICIARY**, whose address is c/o Dean Smiley, 1616 18th Street, Suite 160, Mount Vernon, WA 98273.

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, more fully described on Exhibit "A" and incorporated herein by this reference.

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 One Hundred Seventy Three Thousand Six Hundred Seventy Five and 93/100 Dollars (\$173,675.93) with 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

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 hereinabove 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 the Deed of Trust.

7. If Grantor, without written consent of Beneficiary, (a) conveys, (b) sells, (c) leases, (d) contracts to convey, sell, lease or assign, (e) grants an option to buy the property, (f) permits a forfeiture or foreclosure or trustee or sheriff's sale of any of the Grantor's interest in the property, Beneficiary may, at its sole discretion, at any time thereafter either raise the interest rate on the balance of the Promissory Note or declare the entire balance of the Promissory Note due and payable.

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 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.



PARCEL "A":

That portion of the Northeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of Section 24, Township 34 North, Range 3 East, W.M., described as follows:

Beginning at the intersection of the South right of way line of the Memorial Highway and the East line of said Northeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$;
thence Northwesterly along the Southerly line of highway right of way 391.40 feet;
thence South parallel to the East line of said subdivision 175.15 feet to the true point of beginning of this description, said point being the Northeast corner of a tract conveyed to Iner Moe, et ux, by deed recorded June 13, 1956, under Auditor's File No. 537374;
thence West along the North line of said Moe tract and said line extended West, 86 feet;
thence South parallel to the East line of said Northeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ to the South line of said subdivision;
thence East along said South line to a point which lies South of the true point of beginning;
thence North to the true point of beginning.

Situate in the County of Skagit, State of Washington.

PARCEL "B":

That portion of Government Lot 1, Section 19, Township 34 North, Range 4 East, W.M., and of the Northeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of Section 24, Township 34 North, Range 3 East, W.M., described as follows:

Beginning at a point on the West line of said Government Lot 1, which point bears North $0^{\circ}34'00''$ East, a distance of 30 feet from the Southwest corner of said Government Lot 1;
thence North 38° East 218.39 feet, more or less, to the Southwesterly line of the Memorial Highway;
thence North $52^{\circ}02'30''$ West along said Southwesterly line 90 feet;
thence South 38° West 148.50 feet;
thence North $52^{\circ}02'30''$ West parallel with the Southwesterly line of said highway, a distance of 354.83 feet to a point on the West line of that certain tract conveyed to Howard P. Smiley and Viola Ruth Smiley, husband and wife, by deed recorded October 27, 1955, under Auditor's File No. 526377;
thence South along said West line, 354.9 feet, more or less, to the South line of the Northeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of said Section 24;
thence East along said South line, 311 feet, more or less, to the East line of said Section 24;
thence North along said East line, 30 feet to the point of beginning.

Situate in the County of Skagit, State of Washington.



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