



200206040080

Skagit County Auditor

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After Recording Return To:

**LAW OFFICE OF BRIAN E. CLARK, INC., P.S.
415 PINE STREET / P.O. BOX 336
MOUNT VERNON, WA 98273**

MORTGAGE

**PARCELS A, B & C
MORTGAGOR:**

GERALD E. NELSON, and
JENNY T. NELSON, husband and wife

**PARCELS D, E, F, G,
H & I**

MORTGAGOR:

NORM NELSON, INC., a Washington corporation

MORTGAGEE:

JEANNE NELSON, a single woman
JAMES N. NELSON, a married man as his separate estate

Legal Description:

Abbreviated Form: a ptn of SW $\frac{1}{4}$ & all of SW $\frac{1}{4}$ of SE $\frac{1}{4}$, 9-35-3 EWM
a ptn of N $\frac{1}{2}$ of NW $\frac{1}{4}$ & W $\frac{1}{2}$ of NE $\frac{1}{4}$, 16-35-3 EWM
a ptn of S $\frac{1}{2}$ of SE $\frac{1}{4}$, 27-36-3 EWM
NW $\frac{1}{4}$ of NE $\frac{1}{4}$ & a ptn of E $\frac{1}{2}$ of NE $\frac{1}{4}$, 34-36-3 EWM
Block 11 & a ptn of Blks 6, 10 & 12

Additional on Pages: 7 through 10

Assessor's Tax Parcel Nos: 350309-3-005-0014, 350309-3-003-0024, 350316-1-003-0003
350316-1-007-0009, 350316-2-001-0003, 350316-2-004-0000
350309-3-004-0015, 350309-0-005-0100, 350309-0-006-0001
350309-4-004-0013, 350309-4-005-0012, 4076-010-005-0005
4076-010-010-0008, 4076-010-020-0006, 4076-010-017-0001
4076-010-020-0204, 4076-011-020-0004, 4076-012-010-0004
360327-4-006-0000, 360334-1-002-0001, 360334-1-003-0000
4076-006-005-0102

NORM NELSON, INC., a Washington corporation (the "Mortgagor"), mortgages to **JEANNE NELSON**, a single woman, and **JAMES N. NELSON**, a married man as his separate estate (the "Mortgagees"), the following described real estate, situate in the Skagit County, Washington, (the "Premises"):

Those certain tracts of land listed and described on Exhibit "A" attached hereto and incorporated by this reference as if fully set forth herein.

to secure the payment of the sum of **\$329,400**, with interest thereon, according to the terms of a Promissory Note bearing even date herewith made by Mortgagor payable to Mortgagee-JEANNE NELSON, or order, and in accordance with the terms of a second Promissory Note in the principal amount of **\$702,516**, with interest thereon bearing even date herewith made by Mortgagor payable to Mortgagee-JAMES N. NELSON, or order, the "Notes," together with any and all modifications, extensions, renewals, and replacements thereof, plus costs and other charges as provided in such Notes, plus all sums advanced to protect the security of this Mortgage, together with interest thereon. **The Mortgagor further represents, warrants, covenants and agrees as follows:**

1. **Subordination.** This Mortgage is subordinate to that certain mortgage between the Mortgagor and NORTHWEST FARM CREDIT SERVICES, FLCA (hereinafter referred to as "Farm Credit"), dated May 28, 2002, and recorded May 29, 2002, under Skagit County Auditor's File No. 200205290044. Mortgagee will, upon demand of Farm Credit or Mortgagor, execute such instruments as may be required at any time and from time to time to subordinate the rights and interests of Mortgagee under this Mortgage at the time placed on the land subject to this Mortgage to the rights and interests of Farm Credit. This Mortgage shall be subordinate to any replacement of the Farm Credit Mortgage by Farm Credit or a successor third party lender so long as the indebtedness secured by said Mortgage does not exceed the lesser of: (1) the indebtedness then secured by the above-referred to Mortgage in favor of Farm Credit; or (2) the initial indebtedness reduced by the net proceeds of any real property sold and applied to the Farm Credit obligation. Any references contained herein to Farm Credit shall be deemed to refer to Farm Credit and any successor first lienholder.

2. **Insurance.** Mortgagor will keep all improvements on the Premises insured for the protection of Mortgagees for their full replacement cost with such company or companies as Farm Credit or Mortgagees may from time to time approve, and to keep the policies therefore properly endorsed on deposit with Farm Credit or Mortgagees. Such policy or policies of insurance shall name Mortgagees as additional named insureds and loss payees subordinate to the interest of Farm Credit, and Mortgagor shall provide Mortgagees with certificate(s) of insurance indicating that coverage shall not be changed or cancelled without thirty (30) days prior written notice to Mortgagees. Any insurance proceeds shall be distributed as provided for in the Mortgage in favor of Farm Credit. Provided, however, in the event Farm Credit is paid in full, the balance of the

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insurance proceeds shall be applied to the sums secured by this Mortgage, whether or not then due, with any excess paid to the Mortgagor.

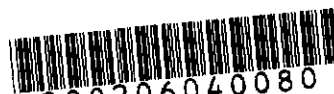
3. **Taxes and Assessments.** Mortgagor promises and agrees to pay before delinquency, directly to the payee thereof, all taxes, assessments, and other public charges levied, assessed or charged against the Premises.

4. **Waste/Hazardous Substances.** Mortgagor will farm, cultivate, and care for said Premises in a proper farmlike manner, and will not cause, permit, or suffer waste on the Premises. Notwithstanding any provision of this Mortgage to the contrary, Mortgagor shall not, during the term of this Mortgage, permit the release of any hazardous substance (defined as any hazardous, dangerous, or toxic substance which is regulated under any federal, state, or local statute, ordinance, rule, or regulation now or hereafter in effect) into the environment; provided, however, Mortgagor may use appropriate farm chemicals according to all applicable laws, regulations, and manufacturer's label instructions. Mortgagor will defend, hold harmless and indemnify Mortgagees from and against claims, demands, penalties, fees, liens, damages, losses, expenses, or liabilities resulting from any breach of the foregoing, any cost or expense incurred as a result of hazardous substances being found on the Premises, and any cleanup costs. This indemnity shall survive satisfaction of the Mortgage through foreclosure or otherwise.

5. **Indebtedness/Promissory Note.** In the event Mortgagor shall fail to pay any installment of principal or interest secured hereby when due, or to keep or perform any covenant or agreement contained herein or in the Note, then the whole indebtedness hereby secured shall forthwith become due and payable at the election of the Mortgagees, all in accordance with the terms and conditions of this Mortgage and the Notes.

6. **Due on Sale Clause.** If all or any part of the subject property or an interest therein is sold or transferred by Mortgagor without Mortgagees' prior written consent, excluding (a) the creation of a lien or encumbrance subordinate to their mortgage or the substitution of the first lien as provided in Section 1 of this Mortgage; (b) the creation of a purchase money security interest for household appliances or fixtures; (c) a transfer by devise, descent, or by operation of law upon the death of a joint tenant, then Mortgagees may, at their option, declare all sums secured by this Mortgage to be immediately due and payable. Provided, however, Mortgagee shall not exercise the right to declare all sums secured by this Mortgage due and payable if: (a) Farm Credit approves of the sale or transfer; and (b) the property is sold for fair market value and the sale proceeds (after deducting of normal seller's costs) are applied to the Farm Credit obligation or this obligation.

7. **Nonwaiver of Defaults.** The entering upon and taking possession of the Premises, the collection of Rents or the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the Premises, and the application or release thereof as herein provided,



shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

8. **Remedies Cumulative.** To the extent permitted by law, every right and remedy provided in this Mortgage is distinct and cumulative to all other rights or remedies under this Mortgage, or afforded by law or equity, or any other agreement between Mortgagees and Mortgagor, and may be exercised concurrently, independently, or successively, in any order whatsoever. Mortgagees may exercise any of their rights and remedies at their option without regard to the adequacy of their security.

9. **Mortgagees' Expenses.** Mortgagor will pay all of Mortgagees' reasonable expenses incurred in any efforts to enforce any terms of this Mortgage, whether or not any suit is filed including, without limitation, reasonable legal fees and disbursements, foreclosure costs, and title charges. All such sums, with interest thereon, shall be additional indebtedness of Mortgagor secured by this Mortgage. Such sums shall be immediately due and payable, and shall bear interest from the date of disbursement at the default rate of interest stated in the Note, or the maximum rate which may be collected from Mortgagor under applicable law if that is less.

10. **Application of Payments.** Except as applicable law or this Mortgage may otherwise provide, all payments received by Mortgagees under the Notes or this Mortgage shall be applied by Mortgagees in the following order of priority: (a) Mortgagees' expenses incurred in any efforts to enforce any terms of this Mortgage; (b) interest payable on advances made to protect the security of this Mortgage; (c) principal of such advances; (d) interest and late charges payable on the Notes; (e) principal of the Notes; and (f) any other sums secured by this Mortgage in such order as Mortgagees, at their option, may determine; provided, however, that Mortgagees may, at their option, apply any such payments received to interest on or principal of the Note prior to applying such payments to interest on and principal of advances made to protect the security of this Mortgage.

11. **No Violation of Usury Laws.** Interest, fees and charges collected or to be collected in connection with the indebtedness secured hereby shall not exceed the maximum, if any, permitted by any applicable law. If any such law is interpreted so that said interest, fees and/or charges would exceed any such maximum and Mortgagor is entitled to the benefit of such law, then: (a) such interest, fees and/or charges shall be reduced by the amount necessary to reduce the same to the permitted maximum; and (b) any sums already paid to Mortgagees which exceeded the permitted maximum will be refunded. Mortgagees may choose to make the refund either by treating the payments, to the extent of the excess, as prepayments of principal or by making a direct payment to the person(s) entitled thereto. No prepayment premium shall be assessed on prepayments under this paragraph. The provisions of this paragraph shall control over any inconsistent provision of this Mortgage or the Notes.



12. **Notice.** Except as applicable law may otherwise require, all notices and other communications shall be in writing and shall be deemed given when delivered by personal service, or when mailed, certified or registered mail, postage prepaid, addressed to the address specified below, three (3) days after such mailing. Any party may at any time change their address for such purposes by delivering or mailing to the other parties hereto as aforesaid a notice of such change.

Mortgagor Address: NORM NELSON, INC.
605 Avon Avenue / P. O. Box 444
Burlington, WA 98233

Mortgagees' Address: JAMES N. NELSON
16800 Chilberg Avenue
LaConner, WA 98257

JEANNE NELSON
Mountain Glen Retirement Center
1810 Division Street, Unit 245
Mount Vernon, WA 98273

13. **Time.** Time is of the essence in connection with all obligations of Mortgagor herein.

DATED this 30th day of May, 2002.

NORM NELSON, INC.

By 
GERALD E. NELSON, President

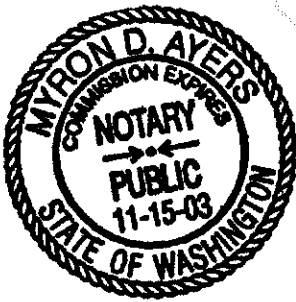
STATE OF WASHINGTON

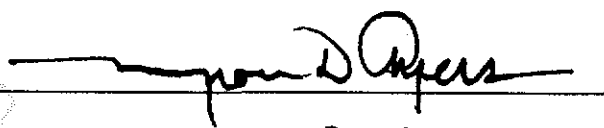
COUNTY OF SKAGIT

} ss.

I certify that I know or have satisfactory evidence that **GERALD E. NELSON** is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the President of **NORM NELSON, INC.**, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this 30th day of May, 2002.




Printed Name Myron D. Ayers
NOTARY PUBLIC in and for the State of Washington
My Commission Expires 11/15/03

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PARCEL "A":

The Southeast 1/4 of the Southwest 1/4 of Section 9, Township 35 North, Range 3 East, W.M.,

EXCEPT road, dike and ditch rights of way,

EXCEPT the North 297 feet thereof,

AND EXCEPT that portion described as follows:

Beginning at the intersection of the South line of said North 297 feet of the Southeast 1/4 of the Southwest 1/4 and the North and South centerline of said Section;
thence West along said South line of said North 297 feet a distance of 228 feet;
thence South parallel to said North and South centerline 180 feet;
thence East parallel to the North line of this excepted tract 228 feet, more or less, to said North and South centerline; thence North along said North and South centerline to the point of beginning.

TOGETHER WITH that portion of the Southwest 1/4 of the Southwest 1/4 of Section 9, Township 35 North, Range 3 East, W.M., described as follows:

Beginning at the Southeast corner of said Southwest 1/4 of the Southwest 1/4;
thence North along the East line of said subdivision 660 feet;
thence West 660 feet;
thence South to the Northerly bank of the Samish River;
thence Southeasterly along the Northerly bank of said river to the South line of said Southwest 1/4 of the Southwest 1/4;
thence East to the point of beginning,

EXCEPT road, dike and ditch rights of way.

PARCEL "B":

That portion of the North 1/2 of the Northwest 1/4 and that portion of the West 1/2 of the West 1/2 of the Northeast 1/4 of Section 16, Township 35 North, Range 3 East, W.M., lying Northerly of the Samish River,

EXCEPT road, dike and ditch rights of way.

ALSO, the North 297 feet of the Southeast 1/4 of the Southwest 1/4; that portion of the Southwest 1/4 of the Southwest 1/4, lying Northeasterly of Warners Slough and the following described portion of the North 1/2 of the Southwest 1/4;

Beginning at the Southeast corner of the Northeast 1/4 of the Southwest 1/4;
thence West 1,410.75 feet;
thence North 165 feet, more or less, to the County road;
thence East to the East line of said Northeast 1/4 of the Southwest 1/4;
thence South to the point of beginning, all in Section 9, Township 35 North, Range 3 East, W.M.,

EXCEPT roads.



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PARCEL "B" (continued):

ALSO EXCEPT the following described tract:

Beginning at the Southeast corner of the Northeast 1/4 of the Southwest 1/4 of said Section 9; thence North 89°27'33" West, along the South line of the Northeast 1/4 of the Southwest 1/4, a distance of 944.21 feet to the TRUE POINT OF BEGINNING; thence continuing North 89°27'33" West a distance of 375.39 feet, to the West line of the Northeast 1/4 of the Southwest 1/4; thence North 01°34'38" East, along said West line, a distance of 92.96 feet; thence North 61°00'22" West a distance of 105.59 feet, to the West line of that certain tract of land described in deed recorded under Skagit County Auditor's File No. 664782; thence North 00°32'27" East, a distance of 25.81 feet to a non-tangent curve of radius 1480 feet (the center of which bears South 07°17'43" East), said curve being the South line of the county road known as Field Road (as-built); thence along said curve through a central angle of 00°14'34", a distance of 6.27 feet; thence South 89°20'35" East, along said South line, a distance of 467.06 feet; thence South 02°49'16" West, along an existing fence and its Southerly extension, a distance of 169.09 feet to the TRUE POINT OF BEGINNING.

Situate in the County of Skagit, State of Washington.

PARCEL "C":

That portion of the West 1/2 of the Southwest 1/4 of Section 9, Township 35 North, Range 3 East, W.M., described as follows:

Beginning at the Northwest corner of said subdivision; thence East along the North line thereof a distance of 1125.30 feet to the Southwest corner of tract described in deed filed under Skagit County Auditor's File No. 9507100155; thence South along the Southerly projection of the West line of said tract for a distance of 15 feet; thence East, parallel to said North line, a distance of 130.00 feet, more or less, to the West line of the County road known as the Conn Road No. CXLII; thence South along the West line of said County road to the Northeast corner of that certain tract conveyed to School District No. 43 by deed dated March 27, 1893 and recorded April 1, 1893, in Volume 26 of Deeds, page 200; thence West along the North line of said School District tract 12 1/2 rods to the Northwest corner thereof; thence South along the West line of said School District tract and the West line extended to the centerline of the County road; thence East along the centerline of said County road to a point that is 5 1/2 rods West of the East line of the Northwest 1/4 of the Southwest 1/4; thence South parallel to and 5 1/2 rods West of the East line of the Northwest 1/4 of the Southwest 1/4 to the South line of said Northwest 1/4 of the Southwest 1/4; thence along the South line of said Northwest 1/4 of the Southwest 1/4 to the intersection with Newman's Slough, (also known and designated as Warner's Slough and as Watkinson's Slough); thence Westerly along said slough to the West line of said Section 9; thence North along the West line of said Section 9 to the point of beginning.

EXCEPT roads and dike and drainage ditch rights of way;

AND EXCEPT that portion thereof conveyed to the State of Washington for highway purposes by deed recorded under Auditor's File Nos. 444491 and 445900.

Situate in the County of Skagit, State of Washington.



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PARCEL "D":

The Southwest 1/4 of the Southeast 1/4 of Section 9, Township 35 North, Range 3 East, W.M., EXCEPT drainage ditches and County roads.

Situate in the County of Skagit, State of Washington.

PARCEL "E":

The South 19 feet of Lots 1, 2 and 3 and all of Lots 4 through 20, inclusive, Block 10, "AMENDED PLAT OF BURLINGTON, SKAGIT COUNTY, WASH.", as per plat recorded in Volume 3 of Plats, page 17, records of Skagit County, Washington.

TOGETHER WITH all of the vacated alley in said Block 10, as conveyed by the City of Burlington to Norm Nelson, Inc., a Washington corporation, in Quit Claim Deed recorded May 2, 1994, under Auditor's File No. 9405020207, records of Skagit County, Washington.

ALSO TOGETHER WITH all that portion of Burlington Northern Railroad Company's (formerly Great Northern Railway Company) 25.0 foot wide Spur Tract right of way, now discontinued, being 12.5 feet wide on each side of said Railroad Company's Spur Tract centerline, as originally located upon, over and across Lots 11 through 20, inclusive, Block 10, Town of Burlington, Skagit County, Washington; bounded on the Southeasterly side by the South and East lines of said Block 10, and bounded on the Northwesterly side by the West and North lines of said Lot 11.

Situate in the City of Burlington, County of Skagit, State of Washington.

PARCEL "F":

Lots 1 through 20, inclusive, Block 11, "AMENDED PLAT OF BURLINGTON, SKAGIT COUNTY, WASH.", as per plat recorded in Volume 3 of Plats, page 17, records of Skagit County, Washington.

TOGETHER WITH the vacated South 1/2 of Magnolia Avenue adjacent to Lots 1 through 10, inclusive, of said Block 11, as vacated by City of Burlington Ordinance No. 37, recorded October 14, 1955, under Auditor's File No. 525767, records of Skagit County, Washington.

ALSO TOGETHER WITH all of the vacated alley in said Block 11, as conveyed by the City of Burlington to Norm Nelson, Inc., a Washington corporation, by Warranty Deed recorded January 21, 1986, under Auditor's File No. 8601210015, records of Skagit County, Washington.

Situate in the City of Burlington, County of Skagit, State of Washington.

PARCEL "G":

Lots 7, 8, 9, and 10, Block 12, "AMENDED PLAT OF BURLINGTON, SKAGIT COUNTY, WASH.", as per plat recorded in Volume 3 of plats, page 17, records of Skagit County, Washington.

Situate in the City of Burlington, County of Skagit, State of Washington.



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PARCEL "H":

That portion of the South 1/2 of the Southeast 1/4 of Section 27, Township 36 North, Range 3 East, W.M., lying Westerly of the Great Northern Railway Company right of way. ALSO, the Northwest 1/4 of the Northeast 1/4 and that portion of the East 1/2 of the Northeast 1/4 of Section 34, Township 36 North, Range 3 East, W.M., lying Westerly of the Great Northern Railway Company right of way, EXCEPT the South 87.15 feet thereof.

Situate in the County of Skagit, State of Washington.

PARCEL "I":

Lots 1 through 5, inclusive, Block 6, "AMENDED PLAT OF BURLINGTON, SKAGIT COUNTY, WASH.", as per plat recorded in Volume 3 of plats, page 17, records of Skagit County, Washington.

TOGETHER WITH the North 1/2 of vacated Magnolia Street adjoining, which upon vacation reverted to said premises by operation of law,

EXCEPT from the above described premises, the North 45 feet thereof.

Situate in the City of Burlington, County of Skagit, State of Washington.



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