



200302190091
Skagit County Auditor

2/19/2003 Page 1 of 5 11:47AM

This Space Provided for Recorder's Use

WHEN RECORDED RETURN TO:
Watermark Credit Union
800 Stewart Street
Seattle, WA 98101

100860-39

ISLAND TITLE CO.

025775

DEED OF TRUST
HOME EQUITY LINE OF CREDIT
Open-End Variable Rate

This document secures obligations including the repayment of obligatory future advances

THIS DEED OF TRUST IS DATED February 14, 2003 AMONG:

DUSTIN KNOWLES, A SINGLE PERSON, AS HIS SEPARATE ESTATE
whose address is 418 HILLCREST DRIVE, ANACORTES, WASHINGTON 98221,
(referred to below as 'Grantor');

Watermark Credit Union whose address is 800 Stewart Street, Seattle, Washington 98101 (referred to below sometimes
as 'Lender' and sometimes as 'Beneficiary'); and

T.D. SERVICE COMPANY, a Corporation, whose address is 1820 East First Street, Suite 300, Santa Ana, CA, 92705,
(referred to below as 'Trustee').

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

Assessor's Property Tax Parcel or Account No.: 350230-3-003-0100

Legal Description:

LOT 2, ANACORTES SP#ANA 97-001; BEING A PTN. NE SW, SEC. 30, T35N,
R2EWM
SEE ATTACHED FOR COMPLETE LEGAL DESCRIPTION

SUBJECT TO EASEMENTS, RESTRICTIONS AND COVENANTS OF RECORD THEREOF.

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

This deed of trust is for the purpose of securing:

1. Performance of each agreement of Grantor incorporated by reference or contained herein and 2. Payment of the Indebtedness due
and to become due under, and performance of the conditions under the Equity Secured Loan Agreement, Variable Rate (herein 'the
Agreement') dated the same date as this Deed of Trust, and all modifications, extensions and renewals thereof, executed by the Grantor in
favor of Beneficiary or other. The Agreement contemplates a series of advances of a revolving nature to be made, repaid and remade from
time to time under the terms of the Agreement, with all such advances to be secured by this Deed of Trust. The total outstanding principal
balance owing at any time under this Agreement shall not exceed \$30,000.00, which sum is referred to in the Agreement as the Credit
Limit. The outstanding principal balance does not include finance charges, late charges, or other costs which may accrue under the
Agreement. The finance charges, late charges, or other costs which may accrue under the Agreement.

NOTICE TO BORROWER: THE AGREEMENT SECURED BY THIS DEED OF TRUST CONTAINS PROVISIONS FOR A
VARIABLE INTEREST RATE.

NOTICE: THIS DEED OF TRUST CONTAINS A DUE ON SALE PROVISION AND SECURES INDEBTEDNESS
UNDER A CREDIT AGREEMENT WHICH PROVIDES FOR A REVOLVING LINE OF CREDIT AND A VARIABLE
RATE OF INTEREST.

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 there on; 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 provide, maintain and deliver to Beneficiary insurance in the amounts and for the periods that lender requires from an insurance carrier chosen by borrower subject to lenders' approval which shall not be unreasonably withheld against fire, hazards within the term extended coverage and any other hazards for which Beneficiary requires, such as, by example only, and without limitation, flood, earthquake and/or hurricane or other insurance which lender may require in the future, with loss payable to the Beneficiary. In the event the property is now, or at any time during the term of the secured instrument is determined to be, in a special flood hazard area, borrower must maintain flood insurance. The amount(s) collected under the insurance policy(s) may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice and Beneficiary, solely at its option, at the written request of trustor or on its own, may apply such proceed (s) to reinstatement, but Beneficiary is under no obligation to do so. Beneficiary may elect, solely at its option, to have insurance proceeds applied to restoration of the subject property. To the extent that Trustor obtains any form of insurance coverage such as, by example only, and without limitation, flood, earthquake, and/or hurricane for the subject property without being directed to do so by Beneficiary, all such policies shall include a standard mortgagee clause and shall name Beneficiary as mortgagee. Any insurance proceeds from any insurance policy shall be additional security for the note and Beneficiary shall have the same rights to any such insurance policy and proceeds as it has with regard to Beneficiary required insurance policies which are expressly assigned herein to Beneficiary.

The borrower stipulates and acknowledges that failure to insure the property, which is the security for this agreement, according to the terms and conditions of this agreement, is an event of default subject to the remedies available to Beneficiary under this agreement. If borrower fails to maintain the type of insurance coverage described above, Beneficiary may, at Beneficiary's option and borrower's expense, obtain insurance with an insurance carrier of Beneficiary's choice, protecting only lender's interest in the property in accordance with this security agreement. Beneficiary shall have no duty to obtain any insurance protecting borrower's interest in the property or covering risks for which Beneficiary has not required insurance as described in the first paragraph of this covenant, even if borrowers previously maintained such insurance coverage. Beneficiary may, at its sole option, obtain insurance in whatever amounts and types Beneficiary deems adequate to protect Beneficiary's interest in the property regardless of the unpaid principal balance remaining under the note or the amounts remaining under the security instrument. Borrower acknowledges that the cost of the insurance coverage so obtained may significantly exceed the costs of insurance the borrower could have maintained, as described above, if borrower had purchased the insurance directly, and further may provide borrower with less or no insurance coverage protecting borrower's interest in the property, subject to applicable law. 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 keep all building 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.
5. 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.
6. 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.
7. Should Grantor fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances or other charges against the property herein above 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.

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 thereof 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 or its authorized agent 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 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 purchasers and encumbrances 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 or disability or resignation of Trustee, Beneficiary shall appoint in writing a successor Trustee, and upon recording of such appointment in the mortgage records of the county in which this Deed of Trust is recording,



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, successors and assigns. The term Beneficiary shall mean the holder and owner of the note secured hereby, whether or not named as Beneficiary herein.
- 9. At any time or from time to time, without liability therefore and without notice, upon written request of beneficiary and presentation of this Deed and the Agreement for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereof; or join in any extension agreement substituting the lien or charge hereof.
- 10. The assignment of the rents, issues and profits of said property is expressly intended to be absolute upon Grantor's default evidenced by notice of default by Trustee, however, Grantor reserves the right prior to its default, in payment of any indebtedness secured hereby or in performance of any agreement hereunder to collect and obtain such rents, issues and profits as they become due and payable. Upon any such default it is the express intention of the parties hereto that all rents, issues and profits shall be and they hereby are assigned absolutely to the Beneficiary hereof as payment pro tanto of the obligations secured hereunder. This assignment shall not cure or waive any default or notice of default hereunder.
- 11. In the event of sale, transfer, conveyance, or alienation of said property or any part thereof, or any interest therein, whether voluntary or involuntary, Beneficiary shall have the right of acceleration, at its option, to declare the note secured by this deed of trust, irrespective of the maturity date expressed therein, and without demand or notice, immediately due and payable, including any prepayment charge provided for therein. No waiver of this right shall be effective unless in writing. Consent by the Beneficiary to one such transaction shall not constitute a waiver of the right to require such consent to succeeding transactions.

EACH GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS DEED OF TRUST, AND EACH GRANTOR AGREES TO ITS TERMS.

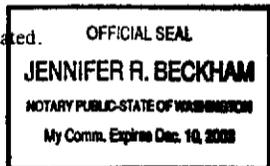
GRANTOR(S):

Dustin Knowles
DUSTIN KNOWLES

STATE OF WASHINGTON

County of Snohomish ss.

On this 14th day of February 2003, before me, a Notary Public in and for said state, personally appeared Dustin Knowles and [Signature], known to me to be the person(s) who executed the within DEED OF TRUST and acknowledged to me that he/she/they executed the same for the purposes therein stated.



Notary Public for Washington [Signature]
My Commission Expires: 12/10/08

STATE OF WASHINGTON)
) ss.
County of _____)

On this _____ day of _____, before me, a Notary Public in and for said state, personally appeared _____ and _____, known to me to be the person(s) who executed the within DEED OF TRUST and acknowledged to me that he/she/they executed the same for the purposes therein stated.

Notary Public for Washington _____
My Commission Expires: _____



REQUEST FOR FULL RECONVEYANCE

Do not record. To be used only when Note has been paid.

TO: T.D. SERVICE COMPANY, TRUSTEE:

The undersigned is the legal owner and holder of the note and all other indebtedness secured by the within Deed of Trust. Said note, together with all other indebtedness secured by said Deed of Trust, has been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note above mentioned, and all evidences of indebtedness, secured by said Deed of Trust delivered to you herewith, together with said Deed of Trust, and to convey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you thereunder.

Date: _____ Beneficiary: _____

By: _____

Its: _____

Please mail the reconveyance and Related Documents to:

Deed of Trust

T.D. SERVICE COMPANY
as Trustee
1820 East First Street, Suite 300
Santa Ana, CA, 92705
800-843-0260



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Skagit County Auditor

Order No.: C25775-SM

EXHIBIT "A"

Lot 2 of Anacortes Short Plat No. ANA 97-001, approved December 16, 1997, recorded December 18, 1997, in Volume 13 of Short Plats, pages 65 and 66, under Auditor's File No. 9712180011, records of Skagit County, Washington, being a portion of the Northeast Quarter of the Southwest Quarter of Section 30, Township 35 North, Range 2 East of the Willamette Meridian.

Situated in Skagit County, Washington

- END OF EXHIBIT "A" -



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2/19/2003 Page

5 of

5 11:47AM