



200309080360

Skagit County Auditor

AFTER RECORDING RETURN TO:

Trust Accounting Center

1419-6th

Anacortes, Wa. 98221

9/8/2003 Page

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5 3:57PM

DEED OF TRUST

C 28646 / CHENG TITLE

THIS DEED OF TRUST, made this 3rd day of September, 2003, by and between, **William & Deborah A. Bailey as to parcel A and Sunset View Condominium Developer, L.L.C. as to parcel's B & C** Grantor, whose mailing address is 1015 14th, Anacortes, Wa. 98221; **FIRST AMERICAN TITLE COMPANY**, as Trustee, whose mailing address is P.O. Box 1667, Mount Vernon, WA 98273; and **Padilla Heights, L.L.C.**, Beneficiary, whose mailing address is 16070 Bradshaw, Mt. 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.

Assessor's Property Tax Parcel/Account Number(s): P106012, P61871, P119973

Tract 3, SP#93-003 and lots 1 and 2, SP#ANA-96-002

Subject to restrictions, encumbrances, easements and conditions of record.

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 **NINETY FOUR THOUSAND DOLLARS (\$94,000.00)** 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(s) covenant and agree:

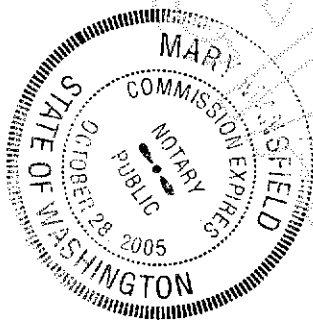
1. To keep the property in good condition and repair; to permit no waste thereof; to complete any building, structure or improvement being built or about to be built thereon; to restore promptly any building, structure or improvement thereon which may be damaged or destroyed; and to comply with all laws, 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 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 this Deed of Trust.

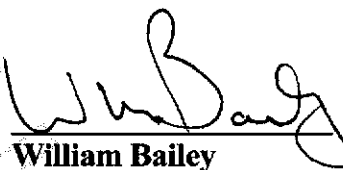


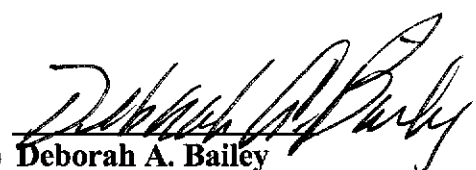
IT IS MUTUALLY AGREED THAT:

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 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 his 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 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, disability, resignation or election of Beneficiary to re-appoint 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 against the Beneficiary or Grantor.
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.




William Bailey



Deborah A. Bailey


William L. Obrock, Member

STATE OF WASHINGTON)
)SS.
COUNTY OF SKAGIT)

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

SUBSCRIBED AND SWORN TO before me by William Bailey, Deborah A. Bailey & William L. Obrock, on this 5 day of Sept, 2003.



NOTARY PUBLIC
State of Washington
My commission expires: 10-28-05

EXHIBIT "A"

PARCEL A:

Tract 3, SKAGIT COUNTY SHORT PLAT NO. 93-003, approved April 20, 1993, and recorded October 6, 1994, in Volume 11 of Short Plats, pages 123 and 124, under Auditor's File No. 9410060002, records of Skagit County, Washington; being a portion of the East Half of the Southeast Quarter of the Northeast Quarter of Section 32, Township 35 North, Range 3 East of the Willamette Meridian.

PARCEL B:

Lot 1 of ANACORTES SHORT PLAT ANA-96-002, recorded December 27, 2002, under Auditor's File No. 200212270040, records of Skagit County, Washington; being a portion of Lot 67 and 68, ANACO BEACH, recorded in Volume 5 of Plats, page 4, and a portion of vacated Marine Drive.

PARCEL C:

Lot 2 of ANACORTES SHORT PLAT ANA-96-002, recorded December 27, 2002, under Auditor's File No. 200212270040, records of Skagit County, Washington; being a portion of Lot 67 and 68, ANACO BEACH, recorded in Volume 5 of Plats, page 4, and a portion of vacated Marine Drive.

Situated in Skagit County, Washington

- END OF EXHIBIT "A" -



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Skagit County Auditor