

WHEN RECORDED RETURN TO:

JAMES E. ANDERSON
P. O. Box 727
Anacortes, WA 98221



200904060074

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**DOCUMENT TITLE:
THIRD DEED OF TRUST**

GRANTORS: DAVID D. GILLILAND and CYNTHIA A. GILLILAND,
Husband and Wife

GRANTEES: 1. JERREL C. BARTO AND JANICE D. BARTO LIVING TRUST -
BENEFICIARY
2. JAMES E. ANDERSON - TRUSTEE

ABBREVIATED LEGAL DESCRIPTION: Ptns. Of Gov. Lot 2, Sec. 5, T34N, R2EWM; the full legal description is set forth on Schedule 1 which is attached hereto and incorporated by reference herein.

TAX PARCEL NOS.: P19938 and 19941

THIS DEED OF TRUST, made this 27th day of MARCH, 2009, between DAVID D. GILLILAND and CYNTHIA A. GILLILAND, husband and wife, GRANTORS, whose address is 7517 State Route 20, Anacortes, WA 98221, and JAMES E. ANDERSON, as TRUSTEE, c/o 1101 8th Street, Suite A, P.O. Box 727 Anacortes, WA 98221, and JERREL C. BARTO AND JANICE D. BARTO LIVING TRUST, Beneficiary, c/o 15898 Yokeko Drive, Anacortes, WA 98221. **This Deed of Trust is subordinate to a Deed of Trust recorded December 28, 2007 under Skagit County Auditor's No. 200712280023, in which the Beneficiary is Brent E. Neville, as Trustee of the Kimberly Clarke Trust and the Kenneth D. Anderson Trust. This Deed of Trust is also subordinate to a Deed of Trust recorded September 29, 2008 under Skagit County Auditor's No. 200809290060, in which the above-referenced trust is the Beneficiary.**

WITNESSETH: Grantors hereby bargain, sell and convey to Trustee in trust, with power of sale, the above described real property in Skagit County, Washington.

The above-referenced real property is not used principally for agricultural purposes.

THIRD DEED OF TRUST - 1

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 Grantors herein contained, and payment of the sum of \$ 23,000.00 with interest, in accordance with the terms of an installment note of even date herewith, payable to Beneficiary or order, and made, by Grantors, and all renewals, modifications and extensions thereof, and also such further sums as may be advanced or loaned by Beneficiary to Grantors, 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, Grantors 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.

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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 Grantors 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 Grantors 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 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 of any action or proceeding in which Grantor, Trustee or Beneficiary shall be a party unless such action or proceedings is brought by the Trustee.

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SCHEDULE 1
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PARCEL A:

That portion of Government Lot 2 of Section 5, Township 34 North, Range 2 East of the Willamette Meridian, described as follows:

Beginning at a point on the East line of the as built and existing State Highway running along the West line of said Government Lot 2 at a point that is 946 feet South of the East and West centerline of said Section 5, said point being on the South line of that certain tract of land conveyed to Lloyd McKinnon, et ux, by deed recorded under Auditor's File No. 566059, records of Skagit County, Washington;

Thence East along the South line of said McKinnon Tract, a distance of 329 feet, more or less, to a point that is 359 feet East of the North and South centerline of said Section 5;

Thence South parallel with the North and South centerline of said Section 5, a distance of 139 feet, more or less, to the North line of the South 15 rods (247.5 feet) of said Government Lot 2;

Thence West along the North line of said South 15 rods, a distance of 329 feet, more or less, to the East line of the State Highway;

Thence North along said East line of the Highway, a distance of 139 feet, more or less, to the point of beginning.

Situated in Skagit County, Washington.

PARCEL B:

That portion of Government Lot 2, Section 5, Township 34 North, Range 2 East of the Willamette Meridian, described as follows:

Beginning at a point on the North and South centerline of said Section 5, a distance of 583 feet South of the center of said Section;

Thence East 359 feet;

Thence South 363 feet;

Thence West 359 feet to the said North and South centerline;

Thence North 363 feet to the point of beginning;

EXCEPT State Highway along the West line thereof.

Situated in Skagit County, Washington.

END OF SCHEDULE 1



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