

When Recorded, Return to:  
John T. Ludlow  
HANSON BAKER LUDLOW  
DRUMHELLER P.S.  
2229 - 112<sup>TH</sup> Avenue N.E., Suite 200  
Bellevue, Washington 98004



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Skagit County Auditor

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GUARDIAN NORTHWEST TITLE CO.

**NON-MERGER DEED  
IN LIEU OF FORECLOSURE**

98917-1

<b>Grantor:</b>	<u>WILLETT INC.</u>
<b>Grantee:</b>	<u>NORTH COUNTY BANK</u>
<b>Legal Description (complete):</b>	<u>SECTION 29, TOWNSHIP 34, RANGE 4 EAST; PTN SE NE</u>
<input checked="" type="checkbox"/> Complete legal on EXHIBIT A	
<b>Assessor's Tax Parcel ID Nos.:</b>	<u>340429-0-339-0005 (P28533); <del>340429-0- 328-0008 (P28519)</del>; 340429-0-325-0001 (P28516); 340429-0-110-0000 (P28269)</u>
<b>Reference Nos. of Documents Affected:</b>	<u>200712070081</u>

This NON-MERGER DEED IN LIEU OF FORECLOSURE (the "**Deed in Lieu**") is made by and among WILLETT INC. (the "**Grantor**"), whose address is P.O. Box 272, Arlington, WA 98223, and NORTH COUNTY BANK (the "**Grantee**"), whose address is PO Box 3427, 16419 Smokey Point Blvd, Arlington, WA 98223.

SKAGIT COUNTY WASHINGTON  
REAL ESTATE EXCISE TAX

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MAY 10 2010

NON-MERGER DEED IN LIEU

North County Bank / Willett Inc.

Loan No. 17013962

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Amount Paid \$  
Skagit Co. Treasurer  
By *[Signature]* Deputy

1. **Grant.** For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Grantor hereby irrevocably and unconditionally grants, bargains, transfers, sells, conveys, assigns, and confirms to Grantee all of Grantor's right, title and interest in the real and personal property legally described in EXHIBIT A attached hereto (the "**Property**") and as described below:

1.1. **Land, Appurtenances, Easements.** That certain real property and all interests therein located in Skagit County, Washington, more particularly described in EXHIBIT A attached hereto and incorporated herein by this reference, together with all existing and future easements, access rights, appurtenances, privileges, licenses, hereditaments, franchises and tenements, including all minerals, oil, gas, and other commercially valuable substances that may be in, under or produced from any part of it (collectively, the "**Land**");

1.2. **Improvements.** All buildings, structures, fixtures, and improvements now located or later to be constructed on the Land (the "**Improvements**");

1.3. **Related Real Property and Improvements.** All real property and improvements on it, and all appurtenances and other property and interests of any kind or character, whether described in EXHIBIT A or not, that may be reasonably necessary or desirable to promote the present, and any reasonable future, beneficial use and enjoyment of the Land and Improvements;

The Land, Improvements, related real property, and all personal property now or hereafter installed on or used in connection with the Land and/or Improvements are collectively referred to herein as the "**Project.**"

1.4. **Goods, Materials, Fixtures, Etc.** All goods, materials, supplies, chattels, appliances, fixtures, equipment, inventory, general intangibles, and machinery of Grantor now or later to be attached to, placed in or on, or used in connection with the use, enjoyment, occupancy or operation of all or any part of the Project, whether stored on the Land or elsewhere, all of which shall be considered to the fullest extent of the law to be real property for purposes of this Deed in Lieu;

1.5. **Construction Materials and Equipment.** All building materials, equipment, work in process or other personal property of Grantor of any kind, whether stored on the Land or elsewhere, that have been or later will be acquired for the purpose of being delivered to, incorporated into, or installed in or about the Land or Improvements;

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1.6. **Grantor Funds.** All present and future monetary deposits given by Grantor to any public or private utility with respect to utility services furnished to the Land or Improvements;

1.7. **Rent, Issues, and Profits.** All income, rents, security or similar deposits, revenues, issues, royalties, profits, leases, earnings, products and proceeds of the Land or Improvements, including, without limitation, all rights to the payment of money, accounts, accounts receivable, reserves, deferred payments, refunds, cost savings, insurance or condemnation proceeds, payments and deposits (collectively, the "**Rents, Issues and Profits**");

1.8. **Books and Records.** All books and records of Grantor pertaining to any and all of the property described above ("**Books and Records**"); and

1.9. **Permits, Plans, and Contracts.** Subject to payment of any amounts owed to third parties, all licenses, permits, approvals, certificates of occupancy, commitments, designs, plans, specifications, architectural and engineering contracts and reports, construction contracts, surveys, appraisals, listing agreements, warranties, and any and all other work product, general intangibles and development rights relating to the Property or any part thereof owned by Grantor, including, without limitation, any and all rights or claims that relate to the construction of improvements on or to the Property that Grantor may have against any person or entity supplying, or who has supplied, labor, materials, or services in connection with the construction of improvements on the Property.

2. **Deed in Lieu.** This Deed in Lieu is an absolute conveyance, assignment, and transfer of all interest of Grantor in the Property and Project, and is executed and delivered by Grantor in connection with a Promissory Note dated December 5, 2007, and a Construction Deed of Trust dated December 5, 2007, recorded under the Official Records of Skagit County, Washington on December 7, 2007 under Recording No. 200712070081, which deed of trust incorporates security agreements providing Grantee with a security interest in all personal property included in the Property (the "**Deed of Trust**").

3. **Warranties.** It is warranted and covenanted by Grantor in executing this Deed in Lieu, and agreed by Grantee in accepting this Deed in Lieu, as follows:

3.1. The consideration for the execution of the Deed in Lieu for the Property consists of Grantee's agreement, upon recording of this Deed in Lieu, to be bound by a covenant not to sue Grantor for breach of any of the obligations secured by the Deed of Trust, as more fully described in the Deed in Lieu of Foreclosure Agreement.

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executed concurrently herewith by and among Grantor and Grantee with respect to the Property (the "*Deed in Lieu Agreement*"). Nothing herein is intended or shall be construed to preclude or otherwise prejudice Grantee's right to proceed with a foreclosure action against the Property.

3.2. The consideration set forth above for the execution of this Deed in Lieu is equal to or greater than the fair market value of the Property and includes the fair and reasonable value of Grantor's interest in the Property. Grantor has been unable to sell the Property for any amount greater than the indebtedness secured by the Deed of Trust.

3.3. This Deed in Lieu is executed voluntarily by Grantor, and not pursuant to duress or threats of any kind. Furthermore, it is executed and delivered in mutual good faith between Grantor and Grantee, is not made in preference to Grantee over other creditors, and is not given or intended to hinder, delay, or defraud any creditor, or to contravene any of the bankruptcy laws of the United States or any other applicable laws.

3.4. This Deed in Lieu is not given as security for the payment of money or indebtedness, nor as security of any kind or nature, and there is no agreement or understanding, oral or written, between Grantor and Grantee herein, or any other person, relative to a conveyance of the Property back to Grantor, or to a sale or conveyance to anyone else for the benefit of Grantor, or to any division of any proceeds realized from the Property by sale or otherwise.

3.5. Grantor intends by this Deed in Lieu to vest the absolute and unconditional title to said Property in Grantee, and forever to estop and bar Grantor, and all of Grantor's successors in interest, from having or claiming any right, title or interest of any nature whatsoever, either in law or equity, or in possession or in expectancy, in and to the Property or any part thereof. In this regard, and in reliance upon this Deed in Lieu and all of Grantor's warranties and representations made herein, Grantee shall be entitled to exercise and enjoy all of the rights, responsibilities, powers and privileges associated with the Property at such time and on such terms as Grantee deems appropriate; paying taxes and assessments levied against the Property; and otherwise acting with respect to the Property consistent with the quiet enjoyment and ownership thereof by Grantee.

3.6. Grantor further warrants and represents: (a) that Grantor has full power and authority to execute and deliver this Deed in Lieu, (b) that this conveyance and assignment is freely and fairly made, and (c) that there are no agreements, oral or written, other than those reflected in this Deed in Lieu and the Deed in Lieu Agreement, between Grantor and Grantee with respect to the ownership or possession of the Property.

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3.7. It is the express intent of Grantor and Grantee that this Deed in Lieu shall not operate to extinguish the Deed of Trust or the security agreements incorporated therein and that the Deed of Trust shall not be merged into or otherwise released by the recording hereof. Although Grantee has agreed not to take any action to seek or obtain a personal judgment against Grantor for breach of the obligations secured by the Deed of Trust, Grantee retains the right to proceed with foreclosure actions under the Deed of Trust and any related security agreements against the Property on the basis of existing or future defaults under the obligations secured thereby in the event that a foreclosure is deemed necessary by Grantee for any reason, including to clear title to the Property of any existing or future encumbrances subordinate to the Deed of Trust.

DATED this 5 day of MAY, 2010.

**GRANTOR:**

WILLETT INC.

  
By: Guy C. Willett, President and Secretary

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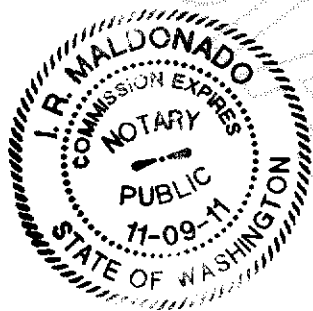
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STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF SNOHOMISH )

THIS IS TO CERTIFY that on this 5<sup>th</sup> day of May, 2010, before me, a Notary Public in and for the State of Washington, duly commissioned and sworn, came Guy C. Willett, personally known or having presented satisfactory evidence to be the President and Secretary of Willett Inc., the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument on behalf of said corporation.

WITNESS MY HAND and official seal the day and year in this certificate first above written.



I. R. Maldonado  
Print Name: I. R. Maldonado  
Notary Public in and for the  
State of Washington, residing at  
Sturwood  
Expiration Date: 11-9-11

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EXHIBIT A

**Legal Description of the Property**

Real Property located in Skagit County, Washington, described as follows:

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NON-MERGER DEED IN LIEU

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EXHIBIT A

Legal Description of the Property

Real Property located in Skagit County, Washington, described as follows:

PARCEL "A":

That portion of the North  $\frac{1}{2}$  of the Southeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$  of Section 29, Township 34 North, Range 4 East, W.M., described as follows:

Beginning on a point on the East line of 18<sup>th</sup> Street, formerly Burch Road, 130 feet South of the North line of said subdivision; thence East along the South line of tracts conveyed to Robert K. Mays and Frieda, his wife, by deeds recorded under Auditor's File Nos. 536745 and 533038, 125 feet to the Southeast corner of said tracts and the true point of beginning of this description; thence East 400 feet; thence South 130 feet, more or less, to the North line of that certain tract conveyed to Wesley E. Hinton, et ux, by deed recorded under Auditor's File No. 548759; thence West along the North line of said Hinton tract to a point South of the true point of beginning; thence North to the true point of beginning;

PARCEL "B":

The South 20 feet of the following described tract:

That portion of the North  $\frac{1}{2}$  of the Southeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$  of Section 29, Township 34 North, Range 4 East, W.M., described as follows:

Beginning at a point on the East line of 18<sup>th</sup> Street formerly Burch Road, 130 feet South of the North line of said North  $\frac{1}{2}$  of the Southeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$ ; thence East along the South line of tracts of land conveyed to Robert K. Mays and Frieda Mays, his wife, by deed recorded under Auditor's File Nos. 536745 and 533038, a distance of 125 feet; thence South parallel to the East line of 18<sup>th</sup> Street, a distance of 130 feet, more or less, to the North line of that certain tract conveyed to Wesley E. Hinton and Myrtle C. Hinton, his wife, by deed recorded under Auditor's File No. 548759; thence West along the North line of said Hinton tract, 125 feet to the East line of 18<sup>th</sup> Street; thence North along the East line of 18<sup>th</sup> Street, 130 feet, more or less, to the point of beginning.

PARCEL "C":

That portion of the Southeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$  of Section 29, Township 34 North, Range 4 East W.M., described as follows:

Beginning at a point on the East line of Burch Road, 830 feet North of the North line of the County road running along the South line of said subdivision; thence North along the East line of the Burch Road, 200 feet; thence East parallel with the South line of said subdivision, 691.43 feet; thence South 200 feet to the Northeast corner of a tract conveyed to George W. Gearhart by Deed dated October 1, 1953, filed October 2, 1953, under Auditor's File No. 493557; thence West along the North line of said Gearhart tract to the point of beginning.





**PARCEL "D":**

That portion of the North  $\frac{1}{2}$  of the Southeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$  of Section 29, Township 34 North, Range 4 East, W.M., described as follows:

Beginning at a point on the East line of Burch Road, 630 feet North of the North line of the County Road, running along the South line of said Southeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$ , said point also being the Northwest corner of a tract conveyed to Mount Vernon School District No. 320, by Deed recorded under Auditor's File No. 481709; thence North along the East line of the Burch Road 200 feet; thence East parallel to the South line of said North  $\frac{1}{2}$  of the Southeast  $\frac{1}{4}$  of the Northeast  $\frac{1}{4}$  691.43 feet; thence South 200 feet to the Northeast corner of Tract conveyed to Mount Vernon School District No. 320; thence Westerly along the North line of said School Tract 691.43 feet to the point of beginning.

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