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Kathy Hill, Skagit County Auditor
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Filed for Record at Request of

Name ASSOCIATES FINANCIAL SERVICES

Address 4151 MERIDIAN ST. NO. 114

City and State BELLINGHAM, WA. 98226

LAND TITLE COMPANY OF SKAGIT COUNTY T-94062

Deed of Trust

THIS DEED OF TRUST, made this 26TH day of JULY, 2000, between GEORGE W. HOWARD AND GENEVIEVE D. HOWARD, HUSBAND AND WIFE,

Grantor, LAND TITLE COMPANY, Trustee, whose address is PO BOX 445, BURLINGTON, WA. 98233, and

ASSOCIATES FINANCIAL SERVICES COMPANY OF WASHINGTON, INC,

Beneficiary, whose address is 4151 MERIDIAN ST SUITE 114 BELLINGHAM, WA. 98226,

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

LOT 24, BLOCK L, "CAPE HORN ON THE SKAGIT DIVISION 2", AS PER PLAT RECORDED IN VOLUME 9 OF PLATS, PAGE 14 THROUGH 19, INCLUSIVE, RECORDS OF SKAGIT COUNTY, WASHINGTON.

SITUATE IN THE COUNTY OF SKAGIT, STATE OF WASHINGTON

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. (Assessor's Tax Parcel No. 3869-012-024-0019).

This deed is for the purpose of securing performance of each agreement of grantor herein contained, and payment of the sum of TWENTY ONE THOUSANDSEVEN HUNDRED TWENTY SEVEN 40/100 Dollars (\$ 21,727.40) with interest, in accordance with the terms of a promissory note (or Loan Agreement) of even date herewith, payable to Beneficiary or order, and made by Grantor, and all modifications and extensions thereof, together with interest thereon at such rate as shall be agreed upon.

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 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. Grantor will keep the improvements now existing or hereinafter erected on the premises insured against loss or damage by fire and other hazards and perils included within the scope of a standard extended coverage endorsement, and such other hazards as Beneficiary may require, in such amounts and for such periods as Beneficiary may require, and in an insurance company or insurance companies acceptable to Beneficiary. All insurance policies and renewals shall designate Beneficiary as mortgage loss payee and shall be in a form acceptable to Beneficiary. Grantor hereby confers full power on Beneficiary to settle and compromise all loss claims on all such policies; to demand, receive, and receipt for all proceeds becoming payable thereunder; and, at Beneficiary's option, to apply same toward either the restoration or repair of the premises or the payment of the note. Any application of such proceeds toward payment of the note shall not extend or postpone the due date of monthly installments due under the note.

(continued on reverse side)

ORIGINAL (1)
BORROWER COPY (1)
RETENTION COPY (1)

If Grantor fails to perform the covenants and agreements contained in this Mortgage, including, without limitation, covenants to pay taxes, procure insurance, and protect against prior liens, Beneficiary may at its option, but shall not be required to, disburse such sums and take such actions necessary to pay such taxes, procure such insurance, or otherwise to protect Beneficiary's interest. Any amount disbursed by Beneficiary hereunder shall be an additional obligation of Grantor secured by this Mortgage. Unless Grantor and Beneficiary agree otherwise, all such amounts shall be payable immediately by Grantor upon notice from Beneficiary to Grantor, and may bear interest from the date of disbursement by Beneficiary at the lesser of the rate stated in the note or the highest rate permissible by applicable law. Nothing contained in this paragraph shall require Beneficiary to incur any expense or take any action whatsoever.

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.

5. To pay recording and releasing fees in connection with this Deed of Trust.

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 (or Loan Agreement) secured hereby, shall be added to and become a part of the debt secured in this Deed of Trust.

7. 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 the trustee's and attorney's fees actually incurred, as provided by statute.

IT IS MUTUALLY AGREED THAT:

1. Unless prohibited under state law, as additional security, Grantor hereby gives to and confers upon Beneficiary the right, power, and authority, during the continuance of these Trusts, to collect the rents, issues, and profits of said property, reserving unto Grantor the right, prior to any default by Grantor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary, upon giving written notification to the Grantor or his successors, etc., may either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name, sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less allowable expenses of collection of such rents, issues and profits, and the application thereof aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

2. 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.

3. 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.

4. 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.

5. Upon default by Grantor in the payment of any indebtedness secured hereby or in the performance of any agreement contained herein, or if all or part of the property is sold or transferred by Grantor without the Beneficiary's prior written consent, 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, (as amended), 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 any expense of the sale permitted by law to be collected by Grantor, (2) to the obligation secured by this Deed of Trust; (3) the surplus, if any shall be distributed to the person entitled thereto or may be deposited (less clerk's filing fee) with the clerk of the superior court of the county in which sale takes place.

6. 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 encumbrancers for value.

7. 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.

8. 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 proceeding is brought by the Trustee.

9. 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.



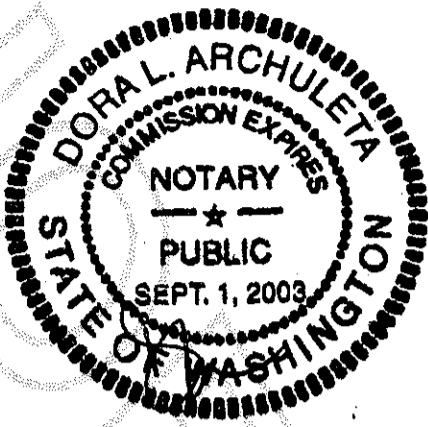
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10. The undersigned Grantor requests that a copy of any notice of default and of any notice of sale hereunder be mailed to him at the address set forth below:



[Signature]
GEORGE W. HOWARD

[Signature]
GENEVIEVE D. HOWARD

STATE OF WASHINGTON }
COUNTY OF WHATCOM } SS.

On this day personally appeared before me GEORGE W. AND GENEVIEVE D. HOWARD to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that THEY signed the same as THEIR free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 26TH day of JULY, 2000
[Signature] Notary Public in and for the State of WASHINGTON residing at BELLINGHAM, WHATCOM, COUNTY

REQUEST FOR FULL RECONVEYANCE

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

TO: 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 other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you thereunder.

Dated _____ (Lender Corporation Name - Beneficiary)

By: _____ (Name and Title)

Mail reconveyance to _____



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