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When recorded return to:

Michael A. Winslow
411 Main Street
Mount Vernon, Washington 98273



200302140273
Skagit County Auditor

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DEED OF TRUST
(Purchase Money Security Interest)

FIRST AMERICAN TITLE CO.
178751E-3

Grantors: Eddie R. Johnson and Susan L. Johnson, husband and wife, of 18770 Fisherman's Loop, Burlington, Washington 98233

- Grantees:**
- 1. **Beneficiary** The Peterson Family Trust U/A dated December 3, 2002, Robert Peterson and Marjorie Lou Peterson, Trustees, of 13846 Avon Allen Road, Mount Vernon, Washington 98233
 - 2. **Trustee** First American Title Company of Skagit County, a Washington corporation, 160 Cascade Place, Suite 104, Burlington, Washington 98233

Legal Description:

Lot 59, "SAMISH RIVER PARK, DIVISION NO. 1," as per Plat recorded in Volume 9 of Plats, pages 43 and 44, records of Skagit County, Washington, including M/H 30366 Marlette 73 65X12

Assessor's Property Tax
Parcel or Account No.: 3990-000-059-0006/P68749

Reference Nos of Documents
Assigned or Released: NONE

THIS DEED OF TRUST IS A PURCHASE MONEY SECURITY INTEREST. The loan proceeds are being used by the Borrowers for the purpose of purchasing the subject property.

Conveyance:

Grantors bargain, sell, and convey to Trustee in Trust, with power of sale, right of entry and possession and for the benefit of Beneficiaries, all of Grantors' right, title and interest in and to the the above described real estate, together with all buildings and improvements; all easements, rights of way, and appurtenances; all

water, water rights, and ditch rights; and all other rights relating to the real property, situated in Mount Vernon, Skagit County, Washington.

The described real property is not used principally for agricultural purposes (which is defined as an operation to produce crops, livestock or aquatic goods), 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 Sixty Two Thousand Dollars (\$62,000.00) in accordance with the terms of a promissory Note of even date herewith, payable to Beneficiary or order, and made by Grantors. This Deed further secures 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. **The term "Grantor" as used in this agreement, includes the "Borrower" as defined in RCW 61.24, if the Borrower is a person or entity other than the Grantor.**

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 thereof; to restore promptly any building, structure of 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, OPEN PERILS/SPECIAL PERILS 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 Grantors.** 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 Grantors in insurance policies then in force shall pass to the purchaser at the foreclosure sale. Grantors shall provide proof of insurance upon demand by Beneficiary. **All such insurance shall be issued by carriers acceptable to Beneficiary and shall contain a provision whereby the carrier agrees not to cancel or modify the insurance without 20 days prior written notice to Beneficiary.**

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. **Attorneys' Fees, Expenses.** If beneficiary institutes any suit or action to enforce any of the

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terms of this Deed of Trust, Beneficiary shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and on any appeal. Whether or not any court action is involved, all reasonable expenses incurred by beneficiary, which in beneficiary's opinion are necessary at any time for protection of its interests or the enforcement of its rights, shall become part of the indebtedness payable on demand and shall bear interest at the same rate as provided in the Promissory Note from the date of expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, beneficiary's attorneys' fees whether or not there is a lawsuit, including attorney's fees for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction) appeals, and any anticipated post-judgment collection services, the costs of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, appraisal fees (including those related to any action for a deficiency judgment), title insurance and fees for the trustee, to the extent permitted by applicable law. Grantors also will pay any court costs, in addition to all of the sums provided by law.

6. Should Grantors 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.

7. **Due on Sale Clause.** Beneficiary may, at its option, declare immediately due and payable all sums secured by this Deed of Trust upon the sale or transfer of all or any part of the real property, or any interest therein, without the Beneficiaries' prior written consent. A "sale or transfer" means the conveyance of any property or any right, title or interest therein; whether legal or equitable, whether voluntary or involuntary, by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than ten years, lease/ option to purchase contract; sale, assignment or transfer of any beneficial interest in or to any land trust holding title to the real property or any other method of conveyance of real property interests. A sale of the corporation, limited liability company or partnership interest greater than 49% of the voting stock, partnership interests, or member interests after date of the recording the Deed of Trust or dilution of the current voting stock, partnership or member interests through issuance of additional shares or interests shall likewise constitutes a "transfer". In the case of a conveyance or contract to convey, the interest shall likewise increase to the default amount or the holder may consent to the conveyance or contract to convey and increase the interest rate provided for herein. However, this option shall not be exercised by Beneficiary if exercise is prohibited by federal or Washington law.

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 Grantors and the Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiary or the person entitled

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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. Pursuant to RCW 62A.9-501(4), if this deed of trust encumbers both real and personal property, the trustee is authorized to sell all or any portion of the grantor's interest in the real and personal property at the trustee's sale. 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 the Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bonafide purchaser and encumbrancers 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 a death, incapacity, disability or resignation of Trustee or the election of the beneficiary to replace the 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 Grantors, 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 and assigns. The term Beneficiary shall mean the holder and owner of the note secured hereby, whether or not named as Beneficiary herein.

9. As additional security, Grantors hereby give and confer upon Beneficiary the right, power, and authority, during the continuance of this trust, to collect the property income, reserving to Grantors the right, prior to any default by Grantors in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such property income as it becomes due and payable. Upon any such default, Beneficiary may at any time, without notice, 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 property income, including that past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such property income, and the application thereof, as aforesaid, shall not

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cure or waive any default or notice of trustee's sale hereunder or invalidate any act done pursuant to such notice.

10. **Waiver of Homestead Exemption.** Grantors hereby releases and waives all rights and benefits of the Homestead Exemption laws of the state of Washington as to all indebtedness secured by this Deed of Trust.

DATED: February 13, 2003.

Eddie R. Johnson
Eddie R. Johnson

Susan L. Johnson
Susan L. Johnson

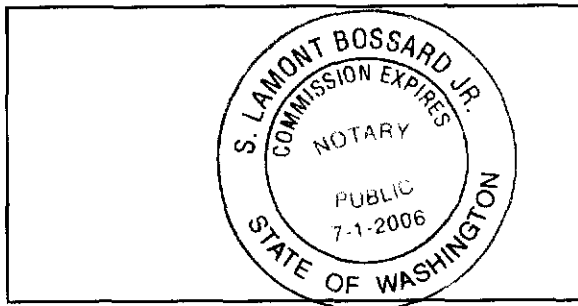
Grantors' Street address for service of process:

18770 Fisherman's Loop
Burlington, WA 98233

State of Washington)
)ss
County of Skagit)

I certify that I know or have satisfactory evidence that Eddie R. Johnson and Susan L. Johnson are the persons who appeared before me, and said persons acknowledged that they signed this instrument and acknowledged it to be their free and voluntary act for the uses and purposes in the instrument.

Dated: February 13, 2003.



[Signature]
Notary Public
My appointment expires 7/1/2006

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