

WHEN RECORDED RETURN TO:

R. Michael Kight
Newton + Kight L.L.P.
P. O. Box 79
Everett, WA 98206



200306090304

Skagit County Auditor

6/9/2003 Page 1 of 4 4:04PM

DEED OF TRUST

THIS DEED OF TRUST, made this 9th day of June, 2003, between THEODORE P. HOVANEC, III, Grantor, whose address is P.O. Box 451, Sedro Woolley, WA, 98284, and Land Title Company of Skagit County, Trustee, whose address is P.O. Box 445, Burlington, WA, 98233, and Henry T. Newton, Trustee of the NEWTON KIGHT RETIREMENT TRUST, Beneficiary, whose address is P.O. Box 79, Everett, WA, 98206.

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 89, "CEDARGROVE ON THE SKAGIT", AS PER PLAT RECORDED IN VOLUME 9 OF PLATS, PAGES 48 THROUGH 51, INCLUSIVE, RECORDS OF SKAGIT COUNTY, WASHINGTON.

Tax Account No. 3877-000-089-0008/P64154

which property is not used principally for agricultural 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 the Grantor herein contained, and payment of the sum of Twenty-One Thousand Dollars [\$21,000.00] with interest, in accordance with the terms of a Promissory Note of even date herewith, payable to the Beneficiary or order, and made by the Grantor, and all renewals, modifications and extensions thereof, and also such further sums as may be advanced or loaned by the Beneficiary to the 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, the 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. To keep all buildings now or hereafter erected on the property described herein continuously insured against all loss by fire or other hazards in an amount equal to the full insurable value thereof. All policies shall be held by the Beneficiary, and be in such companies as the Beneficiary may approve. All policies shall have loss payable first to the Beneficiary, as its interest may appear, and then to the grantor; provided, however, as long as the Note of even date is not otherwise in default, the insurance proceeds shall be held in trust by the Beneficiary and shall be utilized to repair or replace the damage/loss sustained subject to the Grantor providing reasonable proof of the ability to pay any deficiency associated with the actual cost of repair should that cost be greater than the insurance proceeds available; provided, further, that to the extent repairs are not effected by the Grantor, then, and in that event, the Beneficiary may apply the insurance proceeds toward the principal balance then owing under the Note; provided, further, that the application of the proceeds in the latter manner shall not cause discontinuance of any proceeding 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 the 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 the 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 the Grantor fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances or other charges against the property hereinabove described, the Beneficiary may pay the same, and the amount so paid, with interest at the default rate set forth in the Note secured hereby, shall be immediately due and payable to the Beneficiary, and may 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 of the award as may be necessary to fully satisfy the obligation secured hereby, shall be paid to the Beneficiary to be applied to said obligation.

2. By accepting payment of any sum secured hereby after its due date, the 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 convey 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. If all or any part of the property or an interest therein is sold or transferred by the Grantor without the Beneficiary's prior written consent, excluding a) the creation of a lien or encumbrance subordinate to this Deed of Trust; b) the creation of a purchase money security interest on household appliances; c) a transfer by devise, descent, or by operation of law upon the death of a joint tenant; or d) the grant of any leasehold interest of three years or less not containing an option to purchase, the Beneficiary may, at the Beneficiary's option, declare all of the sums secured by this Deed of Trust to be immediately due and payable.



200306090304
Skagit County Auditor


5. Upon default by the 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 the 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.

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 the Grantor had or had the power to convey at the time of their execution of this Deed of Trust, and such as they may have acquired thereafter. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of the 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 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; the 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, or as otherwise provided by law, the 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 the 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 and assigns. The term the Beneficiary shall mean the holder and owner of the Note secured hereby, whether or not named as the Beneficiary herein.


THEODORE P. HOVANEK, III

STATE OF WASHINGTON)
 : ss
COUNTY OF SKAGIT)

On this day personally appeared before me THEODORE P. HOVANEK, III, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 9th day of June, 2003.


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SHARON R. ANTHONY
STATE OF WASHINGTON
NOTARY --- PUBLIC
My Commission Expires 9-6-2005

Sharon R. Anthony
Print Name: Sharon R. Anthony
NOTARY PUBLIC in and for the State of Washington.
My Appointment Expires: 9-6-2005

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: _____



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