

Return To:

Skagit County Treasurer
P.O. Box 518
Mount Vernon WA 98273



200404290001

Skagit County Auditor

4/29/2004 Page

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9 8:31AM

Grantor(s): Donald F. Kelly (2) Rhonda L. Kelly

Grantee: Skagit County, a political subdivision of the State of Washington

Legal Description: That portion of the block known as the Tourist's Hotel Block, additional legal on page 9 and labeled Exhibit A.

Assessor's Tax Parcel ID# 4101-151-000-0209.

DEED OF TRUST
(Non-Agricultural)

PROGRAM AGREEMENT AND DISCLOSURE
EXHIBIT "D"

THIS DEED OF TRUST, hereinafter referred to as Security Instrument, is made on the 28th day of April, 2004. The Grantor, hereinafter referred to as Borrower, is Donald F. Kelly & Rhonda L. Kelly. The Trustee, hereinafter referred to as Trustee, is Land Title Company, Burlington, WA. The Grantee, hereinafter referred to as Lender, is Skagit County, which is a political subdivision of the State of Washington, and whose address is 700 South Second St., City of Mount Vernon, County of Skagit, State of Washington. Borrower owes Lender the principal sum of sixteen thousand one hundred forty two & 35/100 (\$16,142.35). This debt is evidenced by Borrower's Promissory Note, which provides for payment terms. This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest, and all renewals, extensions, and modifications; (b) the performance of Borrower's covenants and agreements under this Security Instrument and the Promissory Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property located in Skagit County, Washington, to wit; SEE LEGAL DESCRIPTION ABOVE OR HERETO ATTACHED AND MADE A PART HEREOF, PAGE NINE, commonly known as 6076 State Route 20 Anacortes WA and which is herein after referred to as Property Address, together with all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, rents, royalties, mineral, oil and gas rights and profits, water rights and stock and all fixtures now or hereafter a part of the property. All replacements and additions shall be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as

the "Property". Borrower covenants that Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record. Borrower and Lender covenant and agree as follows:

SECTION I
PAYMENT OF PRINCIPAL AND INTEREST

Borrower shall promptly pay when due the principal of and interest on the debt evidenced by the Note and all renewals, modifications and extensions thereof or further sums as may be advanced.

SECTION II
APPLICATION OF PAYMENTS

Unless applicable law provides otherwise, all payments received by Lender under Section I hereof shall be applied: first, to interest due; and last, to principal due.

SECTION III
CHARGES; LIENS

Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property that may attain priority over this Security Instrument, and leasehold payments or ground rents, if any. Borrower shall pay these obligations on time directly to the person owed payments. Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien; or (c) secure from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more of the actions set forth above within ten (10) calendar days of the giving of notice.

SECTION IV
PRESERVATION AND MAINTENANCE OF PROPERTY; LEASEHOLDS

Borrower shall not destroy, damage or substantially change the Property, allow the Property to deteriorate or commit waste. Borrower shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in Lender's good faith judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Security Instrument or Lender's security interest. Borrower may cure such a default and reinstate, as provided in Section XVII, by causing the action or proceeding to be dismissed with a ruling that, in Lender's good faith determination, precludes forfeiture of the Borrower's interest in the Property or other material impairment of the lien created by this Security Instrument or Lender's security interest. Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to Lender (or failed to provide Lender with any material information) in connection with the loan evidenced by the Note. If this Security Instrument is on a leasehold, Borrower shall comply with all the provision of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.



SECTION V
HAZARD OR PROPERTY INSURANCE

Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss of fire, hazards included within the term "extended coverage" and any other hazards, including floods or flooding, for which the Lender requires insurance. This insurance shall be maintained in the amounts and for the periods that Lender requires. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval, which shall not be unreasonably withheld. If Borrower fails to maintain coverage described above, Lender may, at Lender's option, obtain coverage to protect Lender's rights in the Property in accordance with Section IX. All insurance policies and renewals shall be acceptable to Lender and shall include a standard mortgage clause. Lender shall have the right to hold the policies and renewals. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower. Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, if the restoration or repair is economically feasible and Lender's security is not lessened. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. If Borrower abandons the Property or does not answer within thirty (30) calendar days a notice from the Lender that the insurance carrier has offered to settle a claim, then Lender may collect the insurance proceeds. Lender may use the proceeds to repair or restore the Property, or to pay sums secured by this Security Instrument, whether or not then due. The 30-day period will begin when the notice is given. Unless Lender and Borrower otherwise agree in writing, any application of proceeds in principal shall not extend or postpone the due date of the monthly payment referred to in Section I and/or change the amount of the payments. If under Section XVIII the Property is acquired by Lender, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Security Instrument immediately prior to the acquisition.

SECTION VI
INSPECTION

Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower notice in writing at least twenty-four hours prior to an inspection specifying reasonable cause for the inspection.

SECTION VII
HAZARDOUS SUBSTANCES

Borrower shall not cause or permit the presence, use, disposal, storage or release of any Hazardous Substances on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substance that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property. As used in this Section, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products; toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this Section, "Environmental Law" means



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federal laws and laws of the jurisdiction(s) where the property is located that relate to health, safety or environmental protection.

SECTION VIII

BORROWER NOT RELEASED; FORBEARANCE BY LENDER NOT A WAIVER

Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to any successor in interest of Borrower, shall not operate to release the liability of the original Borrower or Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of, or preclude the exercise of any right or remedy.

SECTION IX

PROTECTION OF LENDER'S RIGHTS IN THE PROPERTY

If borrower fails to perform the covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect the Lender's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture, or to enforce laws or regulations), then Lender may do and pay for whatever is necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien, which has priority over this Security Instrument, appearing in court, paying reasonable attorney's fees and entering on the Property to make repairs. Although Lender may take action under this Section, Lender does not have to do so. Any amounts disbursed by Lender under this Section shall become additional debt of Borrower secured by this Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the rate of 3% per annum and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

SECTION X

SUCCESSORS AND ASSIGNS BOUND; JOINT AND SEVERAL LIABILITY; CO-SIGNERS

The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provision of Section XVI hereof. Borrower's covenants and agreements shall be joint and several. Any borrower who co-signs this Security Instrument but does not execute the Note; (a) is co-signing this Security Instrument only to mortgage, grant and convey that Borrower's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that lender and any other Borrower may agree to extend, modify, forbear, or make any accommodations with regard to the terms of this Security Instrument or the Note without that Borrower's consent.

SECTION XI

LOAN CHARGES

If the loan secured by this Security Instrument is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) such sums already collected from Borrower that exceeded permitted limits will



be refunded to Borrower, if required by law or regulation. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any charge under the Note.

SECTION XII
LEGISLATION AFFECTING LENDER'S RIGHTS

If enactment or expiration of applicable laws has the effect of rendering any provision of the Note or this Security Instrument unenforceable according to its terms, Lender at its option may require immediate payment in full of all sums secured by this Security Instrument and may invoke any remedies permitted by Section XVIII hereof. If Lender exercises this option, Lender shall take the steps specified in the second paragraph of Section XVI hereof.

SECTION XIII
NOTICES

Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Borrower designates by written notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any other address Lender designates by notice to Borrower. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.

SECTION XIV
GOVERNING LAW; SEVERABILITY

This Security Instrument shall be governed by federal law and the law of the jurisdiction(s) in which the Property is located. In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end the provisions of this Security Instrument and the Note are declared to be severable.

SECTION XV
BORROWER'S COPY

Borrower shall be given one conformed copy of the Note and of this Security Instrument.

SECTION XVI
TRANSFER OF THE PROPERTY OR A BENEFICIAL INTEREST IN BORROWER

If all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent, Lender may, at its option, require immediate payment in full of all sums as indicated by the Note and secured by this Security Instrument. However, Lender shall not exercise this option if federal or other applicable law as of the date of this Security Instrument prohibits exercise. If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than thirty (30) calendar days from the date the notice is delivered or mailed within which Borrower may pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.



SECTION XVII
BORROWER'S RIGHT TO REINSTATE

If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earlier of: (a) five (5) business days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Security Instrument; or (b) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays the Lender all sums that then would be due under this Security Instrument and that no acceleration has occurred on the Note; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorney's fees; and (d) takes such action as Lender may reasonably require to assure that the lien of this Security Instrument, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Security Instrument shall continue unchanged. Upon reinstatement by Borrower, this Security Instrument and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under Sections XII or XVI hereof.

SECTION XVIII
ACCELERATION; REMEDIES

Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument (not prior to acceleration under Sections XII or XVI hereof unless applicable law provides otherwise). The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than thirty (30) calendar days from the date the notice is given to Borrower, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument and sale of the Property at public auction at a date not less than one hundred twenty (120) calendar days in the future. The notice shall further inform Borrower of the right to reinstate after acceleration, the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale, and any other matters required to be included in the notice by applicable law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph, including, but not limited to, reasonable attorney's fees and costs of title evidence. If Lender invokes the power of sale, Lender shall give written notice to Trustee of the occurrence of an event of default and of Lender's election to cause the Property to be sold. Trustee and Lender shall take such action regarding notice of sale and shall give such notices to Borrower and to other persons as applicable law may require. After the time required by applicable law and after publication of the notice of sale, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of the Property for a period or periods permitted by applicable law by public announcement at the time and place fixed in the notice of sale. Lender or its designee may purchase the Property at any sale. Trustee shall deliver to purchaser Trustee's deed conveying the Property without any covenant or guaranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements herein. Trustee shall apply the proceeds of the sale in the following order; (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorney's fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the



person or persons legally entitled to it or to the clerk of the superior court of the county in which sale took place.

SECTION XIX
LENDER IN POSSESSION

Upon acceleration under Section XVIII hereof, or abandonment of the Property, Lender (in person, by agent or by judicially appointed receiver) shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. Any rents collected by Lender or the receiver shall be applied first to payment of the costs of management of the Property and collections of rents, including, but not limited to receiver's fees, premiums on receiver's bonds, and reasonable attorney's fees, and then to the sums secured by this Security Instrument.

SECTION XX
CONDEMNATION

The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender. In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. Unless Borrower and Lender otherwise agree in writing, in the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the taking, the sums secured by this Security Instrument shall be reduced by the amount of the proceeds multiplied by the following fraction; (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower. In the event of the partial taking of the Property in which the fair market value of the Property immediately before the taking is less than the amount of sums secured immediately before the taking, unless Borrower and Lender otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due. If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within thirty (30) calendar days after the date the notice is given, Lender is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due. Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payment referred to in Section I or change the amount of such payments.

SECTION XXI
RECONVEYANCE

Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to reconvey the Property and shall surrender this Security Instrument and all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall reconvey the Property without warranty to the person(s) legally entitled to it. Such person(s) shall pay any trustee and recordation costs.

SECTION XXII
SUBSTITUTE TRUSTEE



LEGAL DESCRIPTION

Exhibit "A"

DESCRIPTION:

That portion of the block known as the TOURIST'S HOTEL BLOCK shown on the "MAP OF FIDALGO CITY, SKAGIT CO., WASHINGTON," as per plat recorded in Volume 2 of Plats, pages 113 and 114, records of Skagit County, Washington, and sometimes referred to as Blocks 151 and 152, which is bounded on the North by the South line of 4th Street, and on the South by the North line of 3rd Street, and on the West by a line parallel with and distant 280 feet East from the East line of Fairview Avenue, and on the East by a line drawn parallel with and distant 140 feet West from the West line of Fidalgo Avenue,

EXCEPT that portion thereof lying North of the Southerly line of right of way of State Highway No. 20, also known as Deception Pass Road.

Situate in the County of Skagit, State of Washington.



In accordance with applicable law, Lender may from time to time appoint a successor trustee to any Trustee appointed hereunder who has ceased to act. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by applicable law.

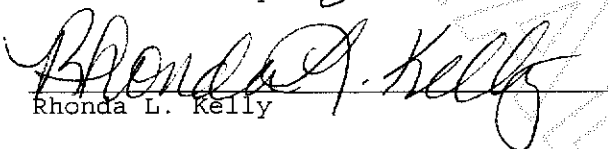
SECTION XXIII
USE OF PROPERTY

The Property is not used principally for agricultural and/or farming purposes.

DATED this 28th day of April, 2004.

BY SIGNING BELOW, BORROWER ACCEPTS AND AGREES TO THE TERMS AND COVENANTS CONTAINED IN THIS DEED OF TRUST.

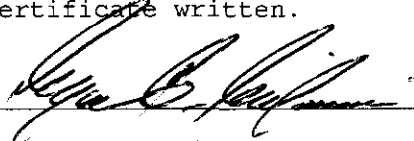

Donald F. Kelly


Rhonda L. Kelly

STATE OF WASHINGTON)
) ss
COUNTY OF SKAGIT)

Before me, a Notary Public in and for the County and State aforesaid, on April 28, 2004 personally appeared Donald F. Kelly & Rhonda L. Kelly to me known to be the person(s) described in and who executed the within instrument, and acknowledged to me that ~~he/she/they~~ signed and sealed the within instrument as ~~his/her/their~~ free and voluntary act and deed for the uses and purposes therein mentioned.

GIVEN under my hand and official seal the day and year first above in this Certificate written.


Clyde G. Williams
NOTARY PUBLIC in and for the State of
Washington residing at Sedro Woolley
Commission Expires: July 9, 2007

NOTARY PUBLIC
STATE OF WASHINGTON
CLYDE G. WILLIAMS
SKAGIT COUNTY



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Skagit County Auditor