

ARNOLD L. Hendry
19101-67th Ave. S.E.
Snohomish, Washington-98296-5346



200704040042
Skagit County Auditor

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MORTGAGE DEED

This Mortgage is given by Bradley J Hendry and Amy G Hendry, Husband and Wife, hereinafter called Borrowers, of 2414 N 24th Place, Mt Vernon Washington, to Arnold L Hendry, hereinafter called Lender, which term includes any holder of this Mortgage, to secure the payment of the PRINCIPAL SUM of \$52864.79 together with interest thereon computed on the outstanding balance, all as provided in a Note having the same date as this Mortgage, and also to secure the performance of all the terms, covenants, agreements, conditions and extensions of the Note and this Mortgage.

In consideration of the loan made by Lender to Borrower and for the purpose expressed above, the Borrower does hereby grant and convey to Lender, with MORTGAGE COVENANTS, the land with the buildings situated thereon and all the improvements and fixtures now and hereafter a part thereof, being more particularly described below having a street address of:

2414 North 24th Place, Mt Vernon, Washington 98273

Legal Description:

Lot 3, Ruddell Addition, According to the Plat Thereof, Recorded in Volume 16 of Plats, Pages 51 and 52, Records of Skagit County, Washington.

Situated in Skagit County, Washington.

Assessors Tax Parcel ID#: 4654-000-003-0002

Borrower further covenants and agrees that:

1. No superior mortgage or the note secured by it will be modified without the consent of Lender hereunder.
2. Borrower will make with each periodic payment due under the Note secured by this Mortgage a payment sufficient to provide a fund from which the real estate taxes, betterment assessments and other municipal charges which can become a lien against the mortgaged premises can be paid by Lender when due. This provision shall be effective only in the event that a fund for the same purpose is not required to be established by the holder of a senior

mortgage.

3. In the event that Borrower fails to carry out the covenants and agreements set forth herein, the Lender may do and pay for whatever is necessary to protect the value of and the Lender's rights in the mortgaged property and any amounts so paid shall be added to the Principal Sum due the Lender hereunder.

4. As additional security hereunder, Borrower hereby assigns to Lender, Borrower's rents of the mortgaged property, and upon default the same may be collected without the necessity of making entry upon the mortgaged premises.

5. In the event that any condition of this Mortgage or any senior mortgage shall be in default for fifteen (15) days, the entire debt shall become immediately due and payable at the option of the Lender. Lender shall be entitled to collect all costs and expenses, including reasonable attorney's fees incurred.

6. In the event that the Borrower transfers ownership (either legal or equitable) or any security interest in the mortgaged property, whether voluntarily or involuntarily, the Lender may at its option declare the entire debt due and payable.

7. This Mortgage is also security for all other direct and contingent liabilities of the Borrower to Lender which are due or become due and whether now existing or hereafter contracted.

8. Borrower shall maintain adequate insurance on the property in amounts and form of coverage acceptable to Lender and the Lender shall be a named insured as its interest may appear.

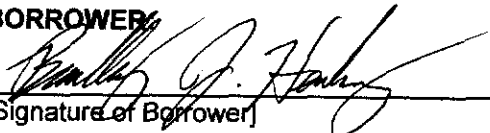
9. Borrower shall not commit waste or permit others to commit actual, permissive or constructive waste on the property.

10. Borrower further covenants and warrants to Lender that Borrower is indefeasibly seized of said land in fee simple; that Borrower has lawful authority to mortgage said land and that said land is free and clear of all encumbrances except as may be expressly contained herein.

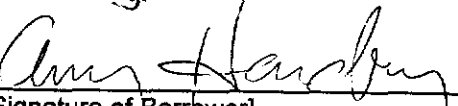
This Mortgage is upon the STATUTORY CONDITION and the other conditions set forth herein, for breach of which Lender shall have the STATUTORY POWER OF SALE to the extent existing under State law.

Executed this First day of January, 2006.

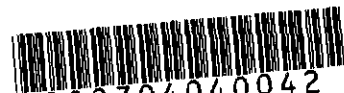
BORROWER


[Signature of Borrower]

Bradley J Hendry
[Printed or Typed Name of Borrower]


[Signature of Borrower]

Amy G Hendry
[Printed or Typed Name of Borrower]



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LENDER:

Arnold I. Hendey
[Signature of Lender]

Arnold I. Hendey
[Printed or Typed Name of Lender]

WITNESS :

Mary A. Hendey
[Signature of Witness]

Mary A. Hendey
[Printed or Typed Name of Witness]



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DEMAND PROMISSORY NOTE

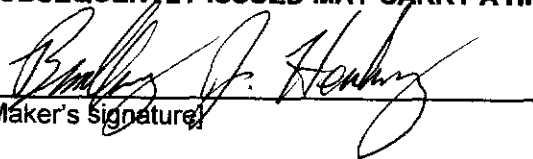
\$52864.79

Date: January 1, 2006

FOR VALUE RECEIVED, the undersigned jointly and severally promise to pay to the order of Arnold L Hendry, the sum of fifty two thousand eight hundred sixty four dollars and seventy nine cents (\$52864.79), together with interest of 6% per annum on the unpaid balance. The entire principal and any accrued interest shall be fully and immediately payable UPON DEMAND of any holder thereof.

Upon default in making payment within ninety days of demand, and providing this note is turned over for collection, the undersigned agree to pay all reasonable legal fees and costs of collection to the extent permitted by law. This note shall take effect as a sealed instrument and be enforced in accordance with the laws of the State of Washington. All parties to this note waive presentment, notice of non-payment, protest and notice of protest, and agree to remain fully bound notwithstanding the release of any party, extension or modification of terms, or discharge of any collateral for this note.

NOTICE TO BORROWER: THIS IS A DEMAND NOTE AND SO MAY BE COLLECTED BY THE LENDER AT ANY TIME. A NEW NOTE MUTUALLY AGREED UPON AND SUBSEQUENTLY ISSUED MAY CARRY A HIGHER OR LOWER RATE OF INTEREST.


[Maker's Signature]

Bradley J Hendry

NOTICE TO CO-SIGNER: YOUR SIGNATURE ON THIS NOTE MEANS THAT YOU ARE EQUALLY LIABLE FOR REPAYMENT OF THIS LOAN. IF THE BORROWER DOES NOT PAY, THE LENDER HAS A LEGAL RIGHT TO COLLECT FROM YOU.


[Co-signer's signature]

Amy G Hendry
[Co-signer's typed or printed name]



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Witnessed:

Mary A. Hendry
[Witness's signature]

Mary A Hendry
[Witness's typed or printed name]

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