

When Recorded, return to:

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

For Recorder's Use:

KATHY HILL  
SKAGIT COUNTY RECORDER

9610080110

ISLAND TITLE COMPANY  
SA-15926

**SHORT FORM DEED OF TRUST**

'96 OCT -8 P3:39

4-006-02; 4-007-00; 4-004-00; 4-005-00

This Deed of Trust is made on October 4, 1996 between Charger, Inc., a Washington corporation, as Grantor, whose address is 117 N. First, Suite No. 30., Mount Vernon, Washington 98273 and Marv Strasburg, 1191 Second Ave., 18th Floor, Seattle, WA 98101 as Trustee, and Barry F. Owen and Linda R. Owen, husband and wife, as Beneficiary whose address is c/o Covenant Mortgage Corp., 9725 SE 36th, Suite 304, Mercer Island, WA 98040.

Grantor hereby irrevocably grants, bargains, sells and conveys to Trustee in trust, with power of sale, all Grantor's estate, right, title, interest, claim and demand, now owned or hereafter acquired, in and to the following described property in Skagit County, Washington (the "Property," which term shall include all or any part of the Property, any improvements thereon and all the property described in Section 1 of the Master Form Deed of Trust hereinafter referred to); which has the address of Marine Heights, Anacortes, Washington:

Attached as Exhibit A

TOGETHER WITH all the tenements, hereditments and appurtenances now or hereafter thereunto belonging or in anywise appertaining leases and other agreements for use and occupancy pertaining thereto and the rents, issues and profits thereof and all other property or rights of any kind or nature whatsoever further set forth in the Master Form Deed of Trust hereinafter referred to SUBJECT, HOWEVER, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profit. This Deed of Trust shall constitute a security agreement under the Uniform Commercial Code of Washington between Grantor as debtor and Beneficiary as secured party. Grantor grants a security interest to Beneficiary in any of the property which is personal property and also grants a security interest in the property described in Section 2 of the Master Form Deed of trust hereinafter referred to, now owned or hereafter acquired by Grantor (the Property as defined above, and the property described in said Section 2 are hereafter referred to as the "Collateral").

The Property which is the subject of this Deed of Trust is not used principally or primarily for agricultural or farming purposes.

THIS DEED IS FOR THE PURPOSE OF SECURING the following:

(a) Payment of the sum of Three Hundred Thousand Dollars (\$300,000) with interest thereon according to the terms of a promissory note of even date herewith, payable to Beneficiary or order and made by Grantor (the "Note," which term shall include all notes evidencing the indebtedness secured by this Deed of Trust, including all renewals, modifications or extensions thereof);

(b) Payment of any further sums advanced or loaned by Beneficiary to Grantor, or any of its successors or assigns, if:

(i) the note or other writing evidencing the future advance or loan specifically states that it is secured by this Deed of Trust; or

(ii) the advance, including costs and expenses incurred by Beneficiary, is made

pursuant to this Deed of Trust or any other documents executed by Grantor evidencing, securing or relating to the Note and/or the Collateral, whether executed prior to, contemporaneously with or subsequent to this Deed of Trust (this Deed of Trust, the Note and such other documents, including any construction or other loan agreement are hereafter collectively referred to as the "Loan Documents") together with interest thereon at the rate set forth in the Note unless otherwise specified in the Loan Documents or agreed to in writing.

(c) Performance of each agreement, term and condition set forth or incorporated by reference in the Loan Documents, including without limitation the loan agreement and/or commitment dated and assignment of leases and/or rents of even date herewith, which are incorporated herein by reference, or contained herein.

(d) Performance of each agreement, term, and condition set forth in the Loan Guarantee Agreement dated October 4, 1996.

By executing and delivering this Deed of Trust and the Note secured hereby, the parties agree that all provisions of Paragraphs 1 through 65 inclusive of the Master Form Deed of Trust hereinafter referred to, except such paragraphs as are specifically excluded or modified herein, are hereby incorporated herein by reference and made an integral part hereof for all purposes the same as if set forth herein at length, and the Grantor freely makes said covenants and agrees to fully perform all of said provisions. The Master form Deed of Trust above referred to was recorded on the eleventh (11th) day of August, 1987, in the Official Records of the offices of the county Auditors of the following counties in Washington in the book, and at the page designated after the name of each county, to-wit:

COUNTY	BOOK OR VOL.	PAGE NO.	AUDITOR'S FILE NO.
Adams	142	305	213404
Asotin			175404
Benton	493	1125	87-12850
Chelan	880	1663	8708110050
Clallam	784	278	594433
Clark		19	8708110009
Columbia	2H	296	H2135
Cowlitz			870811020
Douglas	M224	76	245733
Ferry	MF		205269
Franklin	0227	251	454027
Garfield			87248
Grant	634	109	804746
Grays Harbor	87	18669	870811031
Island	559	1756	87011073
Jefferson	243	338	309675
King			8708110560
Kitsap	432	682	8708110065
Kitittas	264	212	506597
Klickitat	141	300	206526
Lewis	365	154	960637
Lincoln			377660

Mason	384	027	470654
Okanogan	70	2376	741827
Pacific	8708	348	84496
Pend Oreille	74	899	194502
Pierce	0440	0367	8708110085
San Juan	188	341	87147097
Skagit	719	58	8708110057
Skamania	106	326	1036446
Snohomish	2079	0467	0708110076
Spokane	918	688	8708110112
Stevens	115	0434	8705730
Thurston	1511	769	8708110045
Wahkiakum	71	256	38075
Walla Walla	166	400	8706174
Whatcom		614	1580300
Whitman	48	977	521420
Yakima	1217		2807235

A copy of such Master Form Deed of Trust is hereby furnished to the person executing this Deed of Trust and by executing this Deed of Trust, the Grantor acknowledges receipt of such Master Form Deed of Trust. The Property which is the subject of this Deed of Trust is not used principally or primarily for agricultural or farming purposes. 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 hereinbefore set forth.

Paragraph 58(b) of the Master Form Deed of Trust is deleted and the following language is substituted:

(b) Grantor shall promptly comply with all statutes regulations and ordinances which apply to Grantor or the Property and with all orders, decrees or judgments of governmental authorities or courts having jurisdiction which Grantor is bound by, relating to the use, collection, storage, treatment, control, removal or cleanup of hazardous or toxic substances in, on or under the Property or in, on or under an adjacent property that becomes contaminated with hazardous or toxic substances as a result of construction, operations or other activities on, or the contamination of, the Property, at Grantor's expense. Beneficiary may, but is not obligated to, enter upon the Property and take such actions and incur such costs and expenses to effect such compliance as it deems advisable to protect its interest as Beneficiary; and whether or not Grantor has actual knowledge of the existence of hazardous or toxic substances in, on or under the Property or any adjacent property as of the date hereof, Grantor shall reimburse Beneficiary on demand for the full amount of all costs and expenses incurred by Beneficiary prior to Beneficiary acquiring title to the Property through foreclosure or deed in lieu of foreclosure, in connection with such compliance activities.

Subordination To Interwest Loan. Beneficiary covenants and agrees that this Deed of Trust is subordinate and inferior to that certain Deed of Trust in favor of InterWest Savings Bank securing repayment of a promissory note dated October 4, 1996 in the principal sum of Two Million six hundred sixty thousand dollars (\$2,660,000.00).

Subordination Agreement Read and Approved:

  
Barry F. Owen, Beneficiary

  
Linda R. Owen, Beneficiary

Agreement re Partial Reconveyance. The Beneficiary agrees to execute a partial reconveyance at such time as Grantor shall sell one or more lots from the subdivision to be established by the Grantor. Release of each lot shall be made by partial reconveyance upon payment to Beneficiary of 4% of the gross selling price of each lot; provided, however, that at such time as Grantor has fully paid Interwest Savings Bank on the first mortgage in the approximate amount of \$2,660,000, then 85% of the selling price of each lot shall be paid to Beneficiary for such partial reconveyance.

WITNESS the hand and seal of the Grantor on the day and year first above written.

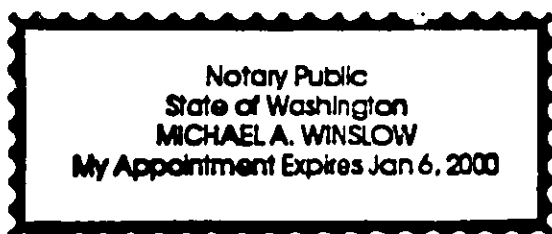
Charger, Inc.

  
Mary Cherberg, President

State of Washington )  
                                  )ss  
County of Skagit )

On October 4, 1996, before me, the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared Mary Cherberg, to me known or proven on the basis of satisfactory evidence to be the President of the corporation that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of the said corporation, for the uses and purposes therein mentioned, and on oath stated that she is authorized to execute the said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.



  
Notary Public  
My commission expires 1/6/2000

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EXHIBIT "A"

PARCEL A:

Lot 66, ANACO BEACH, according to the plat thereof recorded in Volume 5 of Plats, page 4, records of Skagit County, Washington;

PARCEL B:

That portion of the Northwest Quarter of the Southeast Quarter of the Southeast Quarter of Section 27, Township 35 North, Range 1 East of the Willamette Meridian, lying Easterly of that certain 60 foot right-of-way conveyed to the City of Anacortes by deed recorded under Auditor's File No. 235194, records of Skagit County, Washington, and Southerly of a line drawn parallel to the South boundary of the Northwest Quarter of the Southeast Quarter of the Southeast Quarter of said Section, and 410 feet North therefrom as measured along the East line thereof;

EXCEPT all that portion thereof lying within the Plat of Anaco Beach, according to the plat thereof recorded in Volume 5 of Plats, page 4, records of Skagit County, Washington.

PARCEL C:

All that portion of the Southwest Quarter of the Southeast Quarter of the Southeast Quarter of Section 27, Township 35 North, Range 1 East of the Willamette Meridian and Tract 65, if any, PLAT OF ANACO BEACH, according to the plat thereof recorded in Volume 5 of Plats, page 4, records of Skagit County, Washington, lying within the following described property:

Beginning at the Southeast corner of the Northwest Quarter of the Southeast Quarter of the Southeast Quarter of Section 27, Township 35 North, Range 1 East of the Willamette Meridian as delineated on Survey by John J. Vadai, recorded November 20, 1986 in Volume 6 of Surveys, page 293, under Auditor's File No. 8611200048, records of Skagit County, Washington;  
thence North 88°13'34" West for 336.55' to the East line of Tract 66, Plat of Anaco Beach, according to the plat thereof recorded in Volume 5 of Plats, page 4, records of Skagit County, Washington, per said survey;  
thence South 01°26'57" West along the East line of said Tract 66 for 33.829 feet to the Southeast corner of said Tract 66;  
thence South 89°15'03" East to a point lying South 01°51'35" West from the true point of beginning;  
thence North 01°51'35" East to the point of beginning;

continued.....

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EXHIBIT "A"  
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PARCEL D:

The Southeast Quarter of the Southeast Quarter of the Southeast Quarter of Section 27, Township 35 North, Range 1 East of the Willamette Meridian;

EXCEPT the South 8 rods thereof;

PARCEL E:

The East 8 rods of the Northeast Quarter of the Southeast Quarter of the Southeast Quarter of Section 27, Township 35 North, Range 1 East of the Willamette Meridian;

PARCEL F:

The Northeast Quarter of the Southeast Quarter of the Southeast Quarter of Section 27, Township 35 North, Range 1 East of the Willamette Meridian;

EXCEPT the East 132 feet thereof;

Situated in Skagit County, Washington.

- END OF EXHIBIT "A" -

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