Return to:
WASHINGTON FEDERAL SAVINGS
PO BOX 97
ANACORTES WA 98221

Attn: PL

200208280108
Skagit County Auditor
8/28/2002 Page 1 of 4 3:35PM

[Space Above This Line For Recording Data]

Island Title Co.
A208674

ADDITIONAL ADVANCE AGREEMENT

THIS ADDITIONAL ADVANCE AGREEMENT made and entered on AUGUST 23, 2002 by and between MARVIN C SHELBY, TRUSTEE OF THE MARVIN C SHELBY TRUST, U/T/A DTD 01/22/02, AS TO AN UNDIVIDED 1/2 INTEREST; AND CAROL A SHELBY, TRUSTEE OF THE CAROL A SHELBY TRUST, U/T/A DTD 01/22/02, AS TO * ("Borrower"/**Grantor**), and **Washington Federal Savings**, a United States corporation ("Lender"/Beneficiary/**Grantee**).
*AN UNDIVIDED 1/2 INTEREST, (ALSO KNOWN OF RECORD AS MARVIN C SHELBY AND CAROL A SHELBY, HUSBAND AND WIFE)

RECITALS:

A. On or about AUGUST 15, 2001, Borrower, in connection with Loan number 247582-0, executed and delivered to Lender a Note (the "Original Note") in the original principal sum of THREE HUNDRED EIGHTY EIGHT THOUSAND DOLLARS AND NO/100S-- ($ 388,000.00), providing for interest on the unpaid balance at the initial rate of SEVEN AND ONE EIGHTH percent (7.125 %) per annum, and maturing on JUNE 01, 2032.

B. On or about the same date, Borrower executed and delivered to Lender, as security for the payment of the Original Note, a Mortgage or Deed of Trust (the "Security Instrument"). The Security Instrument was recorded in the office of the County Recorder, County Auditor or County Clerk of SKAGIT County, State of WASHINGTON, on AUGUST 20, 2001 as Auditor's/Recorder's number 200108200137 *. The Security Instrument covers the following described real property (the "Property"). *QUIT CLAIM DEED #200204230014 RECORDED 4/23/02 TRANSFERRING OWNERSHIP AS HUSBAND AND WIFE TO TRUST.

LOT 27, PLAT OF MARINE HEIGHTS, ACCORDING TO THE PLAT THEREOF, RECORDED IN VOLUME 16 OF PLATS, PAGES 173 THROUGH 175, RECORDS OF SKAGIT COUNTY, WASHINGTON;

SITUATED IN SKAGIT COUNTY, WASHINGTON.

Assessor's Property Tax Parcel/Account Number(s): 46950000270000

C. Borrower is indebted to Lender under the obligation evidenced by the Original Note, and Lender is the owner and holder of the indebtedness evidenced by the Original Note.

Borrower's Initials MCS CAS

D. Borrower has requested and obtained approval from Lender for additional funds (the "Additional Advance") in the amount of ONE HUNDRED TWENTY FIVE THOUSAND AND NO/100S---- ($ 125,000.00) and has executed and delivered to Lender a Note (the "Additional Note") of even date, in the original principal amount of the Additional Advance, providing for interest on the unpaid balance at the rate of SEVEN AND THREE EIGHTS percent (7.375 %) per annum, and maturing on JUNE 1, 2032 . Borrower acknowledges the Additional Advance as evidenced by the Additional Note is secured by the Security Instrument and is subject to the terms of all other instruments delivered to Lender in connection with the Original Note and Security Instrument, including particularly any Construction Loan Agreement or Land Loan Agreement.

E. Except as noted in this Agreement, the obligations evidenced by the Additional Note and the Original Note are to be repaid in the same proportions and are to be subject to the same terms, provisions, agreements, and stipulations.

F. Lender and Borrower have agreed that the loans evidenced by the Original Note and the Additional Note shall be consolidated as to both debts and as a first priority lien as set forth below.

NOW, THEREFORE, as an integral part of the loan transaction related to the Additional Note, as a condition to Lender making the Additional Advance, for valuable consideration, and in consideration of the mutual promises, covenants, conditions, and stipulations set forth in this Additional Advance Agreement, the parties agree as follows.

1. **PRINCIPAL LOAN BALANCE**. The unpaid principal balance owing under the Original Note after application of the payment of $ 2,619.00 plus Escrow Items, if any, due on SEPTEMBER 1, 2002 will be $ 387,684.75 . Both the Original Note and the Additional Note are secured by the Security Instrument, as modified by this Agreement. The total principal of the Original Note as calculated above and the Additional Note, will be $ 512,684.75 .

2. **CONSOLIDATION OF OBLIGATIONS**. The debts evidenced by the Original Note and the Additional Note and secured by the Security Instrument shall be and they are hereby merged and consolidated to the same extent as if simultaneously loaned and advanced to Borrower.

3. **DISBURSEMENT OF LOAN PROCEEDS; LIEN PRIORITY STATUS; NEW CONSOLIDATED PAYMENT**. Upon recordation of this Agreement, the net proceeds of the Additional Advance will be disbursed to the order of Borrower (and each of them, if more than one). The debts evidenced by the Original Note and the Additional Note shall together be and remain a first lien upon the Property without priority of one over another, and shall secure the repayment of the present gross indebtedness with interest on the unpaid balance. Said repayment shall be in accordance with all the terms and provisionsof the two Notes, subject to the terms and conditions Paragraph 6 of this Additional Advance Agreement.

4. **INCORPORATION OF ADDITIONAL NOTE AND ADDITIONAL ADVANCE AGREEMENT AS PART OF "LOAN DOCUMENTS"**. Any right, remedy, or security which is held by or available to Lender in connection with either the Original Note, the Additional Note or the Security instrument, and including any right, remedy, or security provided by any Assignment of Rents and Income, or any Construction Loan Agreement or Land Loan Agreement, shall apply to both the Original Note, the Additional Note and the Security Instrument, irrespective of whether the instrument creating such right, remedy, or security refers only to one of the instruments described in this Agreement, and regardless of whether the instrument creating such right, remedy, or security was executed by less than all persons identified as Borrower.

5. **DEFAULT**. Any default in either of the Original Note or Additional Note, under any other instrument securing the payment of either of the Notes, under any instrument relating to or under any instrument providing any right, remedy, or security in connection with either of the Notes or the Security Instrument, shall constitute a default in and under all of the instruments referred to in this Paragraph.

6. **PREFERENCE OF TERMS OF ADDITIONAL NOTE; MATURITY DATE AND LOAN INTEREST RATE**. The terms of the Additional Note and of all instruments in any way related to the loan associated with the Additional Note, including this Additional Advance Agreement, shall govern and apply to the extent of any conflict or inconsistency whatsoever which may exist between such instruments and the Original Note. Without limiting the general application of the foregoing, the following shall apply:

a. **MATURITY DATE.** The Maturity Date set forth in the Additional Note shall modify and apply to the Original Note and the Security Instrument. The Maturity Date on the entire loan, including the Original Note (as modified by this Additional Advance Agreement) and the Additional Note, is now and shall be JUNE 1, 2032 .

b. **LOAN INTEREST RATE.** The Loan Interest Rate set forth in the Additional Note shall modify and apply to the Original Note and the Security Instrument. The Loan Interest Rate on the entire loan, including the Original Note (as modified by this Additional Advance Agreement) and the Additional Note, is now and shall be SEVEN AND THREE EIGHTS percent (7.375 %)

7. **NEW PRINCIPAL AND INTEREST PAYMENT.** Effective with the payment due on OCTOBER 01, 2002 the monthly principal and interest payment on the entire loan, including the Original Note and the Additional Note (as modified by this Additional Advance Agreement) will be $ 3,550.00 .

8. **SURVIVAL OF TERMS.** Except as set forth in this Additional Advance Agreement, all of the terms, covenants, and conditions of all of the instruments referred to herein shall remain in full force and effect. Notwithstanding any provision hereof which might be construed to the contrary, this Additional Advance Agreement shall in no way affect the validity, priority, or binding effect of the Security Instrument.

9. **BINDING EFFECT.** This Agreement shall inure to the benefit of and be binding upon the heirs, personal representatives, successors and assigns of Lender and Borrower.

WASHINGTON FEDERAL SAVINGS

By: Barbara A. Rodgers

Title: BRANCH MANAGER

BORROWER'S ACKNOWLEDGEMENT OF RECEIPT AND ACCEPTANCE

The undersigned Borrower, and each of them, acknowledge receipt and accept the terms and conditions of the above stated Additional Advance Agreement.

MARVIN C SHELBY, TRUSTEE

CAROL A SHELBY, TRUSTEE

MARVIN C SHELBY, PERSONALLY

CAROL A SHELBY, PERSONALLY

(Over for notary acknowledgements)

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

I certify that I know or have satisfactory evidence that MARVIN C SHELBY AND CAROL A SHELBY

[Name(s) of person(s)]

is/are the person(s) who appeared before me, and said person(s) acknowledged that (he/she/they) signed this instrument and acknowledged it to be (his/her/their) free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: 8/23/02

Barbara A. Rodgers
(Signature)

Notary Public in and for the State of WASHINGTON,
residing at ANACORTES
My commission expires 7/15/05

(Seal or Stamp)

Notary Public
State of Washington
BARBARA A. RODGERS
MY COMMISSION EXPIRES
July 15, 2005

STATE OF WASHINGTON)
) ss.
COUNTY OF ISLAND)

I certify that I know or have satisfactory evidence that MARVIN C SHELBY AND CAROL A SHELBY

[Name(s) of person(s)]

is/are the person(s) who appeared before me, and said person(s) acknowledged that (he/she/they) signed this instrument, on oath stated that (he/she/they) was/were authorized to execute the instrument and acknowledged it as the TRUSTEES OF THE MARVIN C SHELBY TRUST,DTD 01/22/02 AS 1/2 INT, AND THE CAROL A SHELBY TRUST, DTD 01/22/02 AS 1/2 INT.

(Type of Authority, e.g., Officer, Trustee)

of

(Name of the Party on Behalf of Whom the Instrument was Executed)

to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 08/23/02

Barbara A. Rodgers
(Signature)

Notary Public in and for the State of WASHINGTON,
residing at ANACORTES
My commission expires 07/15/05

(Seal or Stamp)

Notary Public
State of Washington
BARBARA A. RODGERS
MY COMMISSION EXPIRES
July 15, 2005