

WHEN RECORDED RETURN TO:

Name: Frontier Bank

Address: 332 SW Everett Mall Way

Everett, WA 98204



200302050116

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FEDERAL HOME LOAN BANK OF SEATTLE

1501 Fourth Avenue, Suite 1900, Seattle, Washington 98101-1693

FIRST AMERICAN TITLE CO.

P772935E

Deed of Trust, Retention and Subordination Agreement

THIS DEED OF TRUST, RETENTION AND SUBORDINATION AGREEMENT
("Agreement") is made this 4th day of January 17, 2003 between:

Joshua Turski and Sara Mittag ("Grantor")

whose address is

1720 Marde Place

Mount Vernon, WA 98274

Frontier Bank ("Trustee"),

whose address is 332 SW Everett Mall Way

Everett, WA 98204; and

The Federal Home Loan Bank of Seattle ("Beneficiary"),

whose address is 1501 Fourth Avenue, Suite 1900

Seattle, WA 98101-1693

Abbreviated Legal Description: Lot 19, Plat of Blackburn Ridge Division No. 2,
recorded October 31, 2000, under Auditor's File No. 200010310122, records of Skagit
County, Washington

Assessor's Property Tax Parcel or Account Number: P117374
4767-000-019-0000

DEED OF TRUST PROVISIONS:

1. Grantor irrevocably grants, bargains, sells and conveys to Trustee in Trust, with power of sale, the following described real property ("Property") in Skagit County, Washington:

Lot 19, Plat of Blackburn Ridge Division No. 2, recorded October 31, 2000, under Auditor's File No. 200010310122

2. The Property is used primarily as Grantor's residence and is not used principally or primarily for agricultural or farming purposes.

3. This deed is for the purpose of securing performance of each agreement of Grantor set forth herein, and payment of the sum of up to

Five thousand dollars (\$5,000.00) As set forth herein, Grantor shall not be required to pay Beneficiary any amount if events giving rise to Grantor's payment obligation do not occur within five years after the date this Agreement is recorded ("Recording Date").

4. 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 as may be necessary to fully satisfy the obligation secured hereby shall be paid to Beneficiary to be applied to said obligation.

5. Trustee shall reconvey the Property to the person entitled thereto on written request of Grantor and Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by Beneficiary or the person entitled thereto.

6. Upon default by Grantor in the payment of any indebtedness secured by this Agreement or in the performance of any agreement contained herein, upon written request of Beneficiary Trustee shall sell the Property, in accordance with the laws 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 Agreement; (3) the surplus, if any, shall be distributed to the persons entitled thereto.



7. 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 Grantor had or had the power to convey at the time of his execution of this Agreement, and such as Grantor may have acquired thereafter. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Agreement, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchaser and encumbrances for value.

8. The power of sale conferred by this Agreement and by the laws of the State of Washington is not an exclusive remedy; Beneficiary may cause this Agreement to be foreclosed as a mortgage.

9. In the event of the death, incapacity, disability or resignation of Trustee, 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 Agreement is recorded, the successor trustee shall be vested with all powers of the original trustee. 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 Grantor, Trustee or Beneficiary shall be a party unless such action or proceeding is brought by Trustee.

10. This Agreement applies to, inures to the benefit of, and is binding not only on the parties hereto, but also on their heirs, devisees, legatees, administrators, executors, assigns and successors.

11. The invalidity, illegality, or unenforceability of any provision of this Agreement pursuant to judicial decree shall not affect the validity or enforceability of any other provision of this Agreement, all of which shall remain in full force and effect, and applicable state law shall replace such invalid, illegal or unenforceable provision to the extent possible.

RETENTION AGREEMENT:

12. Grantor's purchase of the Property was partially financed with proceeds from a \$5,000.00 Home\$tart Savings Program Grant ("Grant") from Beneficiary. Federal regulations (12 CFR Part 960) condition Grantor's receipt of the Grant on Grantor's agreement to restrictions on Grantor's ability to sell or refinance the Property, for the purpose of ensuring that the Grant is used for the purchase of housing which is retained as Affordable Housing for at least five years. Accordingly, Grantor agrees:



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13. To notify Beneficiary or Trustee in writing received at least two weeks prior to any sale or refinancing of the Property that occurs within five years of the Recording Date. Grantor may notify Beneficiary by either hand-delivery or certified mail, return receipt requested, at the following address:

Community Investment Officer
Federal Home Loan Bank of Seattle
1501 Fourth Avenue, Suite 1900
Seattle, WA 98101-1693

14. Except as set forth herein, if Grantor sells or refinances the Property less than five years after the Recording Date, Grantor must repay to Beneficiary all or a portion of the Grant, without interest, determined as follows: (a) less than one year, 100%; (b) one to two years, 80%; (c) two to three years, 60%; (d) three to four years, 40%; (e) four to five years, 20%; (f) five years or more, no repayment obligation.

15. If Grantor sells the Property, Grantor is not required to repay an amount exceeding the net gain realized on the sale after deduction of sales expenses.

16. If Grantor sells the Property to a person or family whose income meets the eligibility requirements for participation in the Affordable Housing Program or Home\$tart Savings Program, then Grantor shall not be required to repay any portion of the Grant, but only if: (a) such person or family's purchase of the Property is not partially financed with the proceeds of an Affordable Housing Program or Home\$tart Savings Program Grant; (b) such person or family assumes the obligations under this Agreement, which assumption shall not be valid or recognized unless Beneficiary gives its PRIOR written approval to such assumption; and (c) the Property continues to be subject to this Agreement.

17. If Grantor refinances and the Property remains subject to the encumbrance created by this Agreement, then Grantor shall not be required to repay any portion of the Grant.

SUBORDINATION AGREEMENT:

18. Trustee is Grantor's primary lender for Grantor's purchase of the Property, and is the holder/beneficiary of a mortgage/deed of trust against the Property recorded on or about the Recording Date. To induce Trustee to advance funds under its mortgage/deed of trust, Beneficiary does hereby unconditionally subordinate the lien created by this Agreement to the lien of Trustee's mortgage/deed of trust.

FEDERAL HOME LOAN
BANK OF SEATTLE

GRANTOR(S):

By: *[Signature]*

Its: *Corporate Secty*

x *[Signature]*

Tara Millay

FHLB Seattle - AHP or Home\$tart Program
6FyWA

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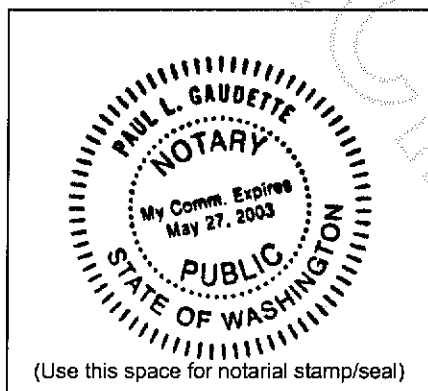
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STATE OF WASHINGTON)
)
COUNTY OF KING) ss.

I certify that I know or have satisfactory evidence that Jane Ramsay is the person who appeared before me, and said person acknowledged that she signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged it as the Corp Sec of the Federal Home Loan Bank of Seattle to be the free and voluntary act of such party for the uses and purposes stated therein.

Dated 1-24-03.



Paul L. Gaudette
Name: Paul L. Gaudette
NOTARY PUBLIC, State of Washington
Residing at Port Orchard WA
My appointment expires 5-27-03

REQUEST FOR FULL RECONVEYANCE

Do not record. To be used only when obligation has been met.

TO: TRUSTEE,

The undersigned is the legal owner and holder of the indebtedness secured by the within Deed of Trust, Retention and Subordination Agreement. Said indebtedness 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, Retention and Subordination Agreement, to cancel all evidences of indebtedness secured by said Deed of Trust, Retention and Subordination Agreement and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, Retention and Subordination Agreement, all the estate now held by you thereunder.

Dated _____, 20____

Mail reconveyance to: _____

