

WHEN RECORDED RETURN TO:

Errol Hanson Funding, Inc.
PO Box 508
Sedro-Woolley, WA 98284


200303100203
Skagit County Auditor
3/10/2003 Page 1 of 7 12:56PM

Grantor. Posey, James M. and Sullivan-Posey, Darla C.
Grantee. Hanson Funding, Inc.
Abbrev. Leg. Ptn of E 1/2 of NE 1/4 & of NE 1/4 of SE 1/4 & of SW 1/4 of NE 1/4, Sec. 14, T35N, R3E WM
Tax Account Nos. 350314-4-001-0001/ P34323; 350314-0-011-0007/ P34279;
350314-1-002-0006/ P34294; 350314-1-002-0105/ P34295;
350314-1-008-0000/ P34305; 350314-1-008-0109/ P34306;
350314-1-009-0009/ P34307

Deed of Trust and Security Agreement

THIS DEED OF TRUST AND SECURITY AGREEMENT is made this 10th day of March, 2003, between James M. Posey and Darla C. Sullivan-Posey, husband and wife, GRANTOR, whose address is 8939 Chuckanut Drive, Bow, WA 98232, Land Title Company of Skagit County, TRUSTEE, whose address is 112 George Hopper Road, PO Box 445, Burlington, WA 98233 and Errol Hanson, Funding, Inc., as BENEFICIARY, whose address is PO Box 508, Sedro-Woolley, WA 98284.

WITNESSETH: Grantor hereby bargains, sells and conveys to Trustee in Trust, with power of sale, the following described real property in Skagit County, Washington:

For Description, See EXHIBIT A, Attached Hereto and Incorporated Herein

which real property is not used principally for agricultural or farming purposes, together with all the tenements, hereditaments, and appurtenances now or hereafter thereunto belonging or in any wise appertaining, and the rents, issues and profits thereof.

This deed is for the purpose of securing performance of each agreement of the grantor herein and payment of the sum of One Hundred Fifty Thousand Dollars (\$150,000.00) with interest, in accordance with the terms of a promissory note of even date herewith, payable to Beneficiary or order, and made by the Grantors herein, and all renewals, modifications and extensions thereof, and also such further sums as may be advanced or loaned by Beneficiary to Grantor, or any of their successors or assigns, together with

interest thereon at such rate as shall be agreed upon.

To protect the security of this Deed of Trust, Grantor covenants and agrees:

1. To keep the property in good condition and repair; to permit no waste thereof; to complete any building, structure or improvement being built or about to be built thereon; to restore promptly any building, structure or improvement thereon which may be damaged or destroyed; and to comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the property.
2. To pay before delinquent all lawful taxes and assessments upon the property; to keep the property free and clear of all other charges, liens or encumbrances impairing the security of this Deed of Trust.
3. To keep all buildings now or hereafter erected on the property described herein continuously insured against loss by fire or other hazards in an amount not less than the total debt secured by this Deed of Trust. All policies shall be held by the Beneficiary, and be in such companies as the Beneficiary may approve and have loss payable first to the Beneficiary, as its interest may appear, and then to the Grantor. The amount collected under any insurance policy may be applied upon any indebtedness hereby secured in such order as the Beneficiary shall determine. Such application by the Beneficiary shall not cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of the Grantor in insurance policies then in force shall pass to the purchaser at the foreclosure sale.
4. To defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of title search and attorney's fees in a reasonable amount, in any such action or proceeding, and in any suit brought by Beneficiary to foreclose this Deed of Trust.
5. To pay all costs, fees and expenses in connection with this Deed of Trust, including the expenses of the Trustee incurred in enforcing the obligation secured hereby and Trustee's and attorney's fees actually incurred, as provided by statute.
6. Should Grantor fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances or other charges against the property hereinabove described, Beneficiary may pay the same, and the amount so paid, with interest at the rate set forth in the note secured hereby, shall be added to and become a part of the debt secured in this Deed of Trust.

IT IS MUTUALLY AGREED THAT:

1. 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.



2. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right to require prompt payment when due of all other sums so secured or to declare default for failure to so pay.

3. The Trustee shall reconvey all or any part of the property covered by this Deed of Trust to the person entitled thereto on written request of the Grantor and the Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiary or the person entitled thereto.

4. Upon default by Grantor in the payment of any indebtedness secured hereby or in the performance of any agreement contained herein, all sums secured hereby shall immediately become due and payable at the option of the Beneficiary. In such event and upon written request of Beneficiary, Trustee shall sell the trust property, in accordance with the Deed of Trust Act 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 Deed of Trust; (3) the surplus, if any, shall be distributed to the persons entitled thereto.

5. 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 Deed of Trust, and such as he 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 Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchaser and encumbrances for value.

6. The power of sale conferred by this Deed of Trust and by the Deed of Trust Act of the State of Washington is not an exclusive remedy; Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage.

7. 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 Deed of Trust is recorded, the successor trustee shall be vested with all powers of the original trustee. The 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 the Trustee.

8. This Deed of Trust applies to inures to, the benefit of, and is binding not only on the parties hereto, but on their heirs, devisees, legatees, administrators, executors and assigns. The term Beneficiary shall mean the holder and owner of the note secured hereby, whether or not named as Beneficiary herein.



9. **PERSONAL PROPERTY ENCUMBERED AND SECURITY AGREEMENT.** All personal property and fixtures used in connection with operating, possessing and/or enjoying the premises, whether attached or unattached thereto including all timber and logs, whether growing or severed, and including all personal property hereinafter acquired by Grantor or any subsequent owner of the premises in addition to, substitution for, or replacement of any personal property now in, or used in connection with the premises. This instrument shall constitute a security agreement with respect to any and all of the above included personal property. At the request of the beneficiary, the Grantor shall join in executing one or more financing statements pursuant to the Uniform Commercial Code, in a form satisfactory to the Beneficiary, and will pay for filing the same in the proper public office or offices.

10. **HAZARDOUS SUBSTANCES.** Grantor shall not cause or permit the presence, use, disposal, storage or release of any hazardous substance on or in the premises. Grantor shall not do, nor allow anyone else to do anything, or 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 substances that are generally recognized as appropriate for the normal maintenance of the property. The Grantor shall promptly give Beneficiary written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the property and any hazardous substance or environmental law of which the Grantor has actual knowledge. If the Grantor learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any hazardous substance affecting the property is necessary, the Grantor shall promptly take all necessary remedial actions in accordance with environmental law.

11. **APPOINTMENT OF RECEIVER.** During any default under this deed of trust or the note it secures, the Beneficiary shall be entitled to appointment of a receiver, either separately or in an action to foreclose this deed of trust. Grantor stipulates that the Beneficiary shall have the absolute right to the appointment of a receiver of the premises covered by this deed of trust, including all the income, profits, issues, and revenues from whatever source derived, without notice and without regard to the adequacy of any security for the indebtedness secured, any waste or deterioration of the property. If in default, Grantor agrees that it will, upon demand by Beneficiary, immediately provide to the Beneficiary, agent or receiver, all books, accounting records and any other records kept in the operation of any business operated on the property and shall immediately deliver possession of the property to Beneficiary, Beneficiary's agent or receiver so that Beneficiary, Beneficiary's agent, or receiver may thereafter operate any business on the premises and collect all income, profits, issues and revenues from whatever source derived. The receiver shall have the full rights to operate any business on said premises and incur such costs and expenses of operation and collection therefor, including reasonable fees for the receiver and reasonable attorney's fees. In addition to all the rights customarily given to and exercised by such a receiver, the receiver shall have the all rights and powers granted to the Beneficiary by the covenants herein. Once appointed, at the Beneficiary's option, such receiver may remain in place until all amounts secured hereby are paid in full.



12. DUE ON SALE. If all or any part of the property described in this Deed of Trust, or any interest therein, is sold or transferred without the prior written consent of the Beneficiary, which consent shall not be unreasonably withheld, then the Beneficiary, its successors or assigns, at its sole option, may declare immediately due and payable the entire balance then due on the present Note secured by this Deed of Trust.

DATED this 10 day of March, 2003.

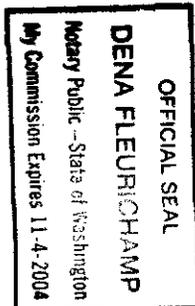
James M. Posey
James M. Posey

Darla C. Sullivan-Posey
Darla C. Sullivan-Posey

STATE OF WASHINGTON)
COUNTY OF Skagit) ss.

I certify that I know or have satisfactory evidence that JAMES M. POSEY and DARLA C. POSEY are the person(s) who appeared before me, and said person(s) acknowledged that THEY signed this instrument and acknowledged it to be their free and voluntary act for the uses and purposes mentioned in the instrument.

Witness my hand and official seal hereto affixed this 10th day of March, 2003.



Dena Fleurichamp
Typed/Printed Notary Name Dena Fleurichamp
Notary Public in and for the State of Washington, residing at Sedro Woolley
My appointment expires 11/4/2004

REQUEST FOR FULL RECONVEYANCE

Do not record. To be used only when note has been paid.

TO: TRUSTEE,

The undersigned is the legal owner and holder of the note and all other indebtedness secured by the within Deed of Trust. Said note, together with all other indebtedness secured by said Deed of Trust, 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, to cancel said note above mentioned, and all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you thereunder.

Dated _____, 20____

Name

Title



EXHIBIT A
Legal Description

PARCEL "A":

The Northeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$, EXCEPT the North 62 rods thereof, and part of the Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$, described as follows:

Beginning at the Northeast corner of said Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$;
thence South on the East line of said Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$, 20 rods;
thence West to the West line of said Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$;
thence North to the Northwest corner of said Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$;
thence East to the point of beginning, all in Section 14, Township 35 North, Range 3 East, W.M.,

EXCEPT the North 130 feet of the East 130 feet of the South 496 feet of the following described tract:

The Northeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ and the North 20 rods of the Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of Section 14, Township 35 North, Range 3 East, W.M.,

ALSO EXCEPT the East 30 feet of said tract conveyed to Skagit County for road purposes by deed recorded May 5, 1898, under Auditor's File No. 28466.

Situate in the County of Skagit, State of Washington.

PARCEL "B":

Also, the East $\frac{1}{2}$ of the Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$, EXCEPT the North 330 feet thereof and the East $\frac{1}{2}$ of the North 330 feet of the Northeast $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of Section 14, Township 35 North, Range 3 East, W.M., EXCEPT the East 150 feet of the North 280 feet of said portion of said Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ lying West of the County road running along the East side of said subdivision, ALSO EXCEPT the East 30 feet of said tract conveyed to Skagit County for road purposes by deed recorded May 5, 1898, under Auditor's File No. 28466.

Situate in the County of Skagit, State of Washington.

PARCEL "C":

The West $\frac{1}{2}$ of the Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$, EXCEPT the North 330 feet thereof, and that portion of the West $\frac{1}{2}$ of the North 330 feet of the Northeast $\frac{1}{4}$ of the Southeast $\frac{1}{4}$, lying Easterly of the State Highway, all in Section 14, Township 35 North, Range 3 East, W.M., EXCEPT that portion of the North 330 feet of the Northeast $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of Section 14, Township 35 North, Range 3 East, W.M., lying Northeasterly of the State Highway, described as follows:



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Exhibit A, continued.

PARCEL "C" continued:

Beginning at the intersection of the South line of said North 330 feet of said Northeast $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ with the East line of said State Highway;
thence East along said South line a distance of 350 feet;
thence North 160 feet;
thence West parallel with said South line of the said North 330 feet to the East line of said State Highway;
thence Southeasterly along said Northeasterly line to the point of beginning.

Situate in the County of Skagit, State of Washington.

PARCEL "D":

That portion of the Southwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of Section 14, Township 35 North, Range 3 East, W.M., described as follows:

Beginning at a point on the East line of said subdivision that is 330 feet North of the Southeast corner thereof;
thence West to the East line of the State Highway;
thence Southeasterly along said East line of the highway to the East line of said subdivision;
thence North to the point of beginning.

Situate in the County of Skagit, State of Washington.

PARCEL "E":

That portion of the North 330 feet of the Northeast $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of Section 14, Township 35 North, Range 3 East, W.M., lying Northeasterly of the State Highway, described as follows:

Beginning at the intersection of the South line of said North 330 feet of said Northeast $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ with the East line of said State Highway;
thence East along said South line a distance of 350 feet;
thence North 160 feet;
thence West parallel with said South line of the said North 330 feet to the East line of said State Highway;
thence Southeasterly along said Northeasterly line to the point of beginning.

Situate in the County of Skagit, State of Washington.



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