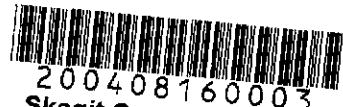


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Return To:
CitiMortgage, Inc.
Attn: Document Processing
P.O. Box 790021
St. Louis, MO 63179-0021

Assessor's Parcel or Account Number: 3914-000-021-0004 (P65432)
Abbreviated Legal Description: Lot 21, Forest Estates

[Include lot, block and plat or section, township and range]

Full legal description located on page 3

Trustee: First American Title Company

LAND TITLE OF SKAGIT COUNTY

112968-5E

[Space Above This Line For Recording Data]

DEED OF TRUST

DEFINITIONS

Words used in multiple sections of this document are defined below and other words are defined in Sections 3, 11, 13, 18, 20 and 21. Certain rules regarding the usage of words used in this document are also provided in Section 16.

(A) "Security Instrument" means this document, which is dated August 10, 2004 together with all Riders to this document.

(B) "Borrower" is BRIAN FRIZZLE and VIRGINIA FRIZZLE, Husband and Wife

Borrower is the trustor under this Security Instrument.

(C) "Lender" is CitiMortgage, Inc.

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WASHINGTON-Single Family-Fannie Mae/Freddie Mac UNIFORM INSTRUMENT

Form 3048 1/01

VMP® -6(WA) (0012)

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Initials:  

VMP MORTGAGE FORMS - (800)521-7291



Lender is a Corporation
organized and existing under the laws of Delaware
Lender's address is 1000 Technology Drive, O'Fallon, MO 63304

Lender is the beneficiary under this Security Instrument.
(D) "Trustee" is First American Title Company

(E) "Note" means the promissory note signed by Borrower and dated August 10, 2004
The Note states that Borrower owes Lender Two Hundred Seven Thousand

Dollars
(U.S. \$207,000.00) plus interest. Borrower has promised to pay this debt in regular Periodic
Payments and to pay the debt in full not later than 03/01/2035

(F) "Property" means the property that is described below under the heading "Transfer of Rights in the
Property."

(G) "Loan" means the debt evidenced by the Note, plus interest, any prepayment charges and late charges
due under the Note, and all sums due under this Security Instrument, plus interest.

(H) "Riders" means all Riders to this Security Instrument that are executed by Borrower. The following
Riders are to be executed by Borrower [check box as applicable]:

☒ Adjustable Rate Rider	☐ Condominium Rider	☐ Second Home Rider
☐ Balloon Rider	☐ Planned Unit Development Rider	☐ 1-4 Family Rider
☐ VA Rider	☐ Biweekly Payment Rider	☐ Other(s) [specify]

Other(s):

(I) "Applicable Law" means all controlling applicable federal, state and local statutes, regulations,
ordinances and administrative rules and orders (that have the effect of law) as well as all applicable final,
non-appealable judicial opinions.
(J) "Community Association Dues, Fees, and Assessments" means all dues, fees, assessments and other
charges that are imposed on Borrower or the Property by a condominium association, homeowners
association or similar organization.
(K) "Electronic Funds Transfer" means any transfer of funds, other than a transaction originated by
check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic
instrument, computer, or magnetic tape so as to order, instruct, or authorize a financial institution to debit
or credit an account. Such term includes, but is not limited to, point-of-sale transfers, automated teller
machine transactions, transfers initiated by telephone, wire transfers, and automated clearinghouse
transfers.
(L) "Escrow Items" means those items that are described in Section 3.
(M) "Miscellaneous Proceeds" means any compensation, settlement, award of damages, or proceeds paid
by any third party (other than insurance proceeds paid under the coverages described in Section 5) for: (i)
damage to, or destruction of, the Property; (ii) condemnation or other taking of all or any part of the
Property; (iii) conveyance in lieu of condemnation; or (iv) misrepresentations of, or omissions as to, the
value and/or condition of the Property.
(N) "Mortgage Insurance" means insurance protecting Lender against the nonpayment of, or default on,
the Loan.
(O) "Periodic Payment" means the regularly scheduled amount due for (i) principal and interest under the
Note, plus (ii) any amounts under Section 3 of this Security Instrument.

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(P) "RESPA" means the Real Estate Settlement Procedures Act (12 U.S.C. Section 2601 et seq.) and its implementing regulation, Regulation X (24 C.F.R. Part 3500), as they might be amended from time to time, or any additional or successor legislation or regulation that governs the same subject matter. As used in this Security Instrument, "RESPA" refers to all requirements and restrictions that are imposed in regard to a "federally related mortgage loan" even if the Loan does not qualify as a "federally related mortgage loan" under RESPA.

(Q) "Successor in Interest of Borrower" means any party that has taken title to the Property, whether or not that party has assumed Borrower's obligations under the Note and/or this Security Instrument.

TRANSFER OF RIGHTS IN THE PROPERTY

This Security Instrument secures to Lender: (i) the repayment of the Loan, and all renewals, extensions and modifications of the Note; and (ii) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property located in the _____ County of SKAGIT

[Type of Recording Jurisdiction] [Name of Recording Jurisdiction]

The Assessor's Parcel Number (Property Tax ID#) for the Real Property is 3914-000-021-0004 (P65432).

Lot 21, "FOREST ESTATES," as per plat recorded in Volume 8 of Plats, pages 53 and 54, records of Skagit County, Washington.

Situate in the County of Skagit, State of Washington.

Property I.D. No: P65432 Act # 3914-000-021-0004

Parcel ID Number: 3914-000-021-0004 (P65432)

1525 WOODLAND PLACE
MT VERNON

("Property Address"):

which currently has the address of
[Street]
[City], Washington 98274-8958 [Zip Code]

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

BORROWER COVENANTS that Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

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UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

1. Payment of Principal, Interest, Escrow Items, Prepayment Charges, and Late Charges. Borrower shall pay when due the principal of, and interest on, the debt evidenced by the Note and any prepayment charges and late charges due under the Note. Borrower shall also pay funds for Escrow Items pursuant to Section 3. Payments due under the Note and this Security Instrument shall be made in U.S. currency. However, if any check or other instrument received by Lender as payment under the Note or this Security Instrument is returned to Lender unpaid, Lender may require that any or all subsequent payments due under the Note and this Security Instrument be made in one or more of the following forms, as selected by Lender: (a) cash; (b) money order; (c) certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality, or entity; or (d) Electronic Funds Transfer.

Payments are deemed received by Lender when received at the location designated in the Note or at such other location as may be designated by Lender in accordance with the notice provisions in Section 15. Lender may return any payment or partial payment if the payment or partial payments are insufficient to bring the Loan current. Lender may accept any payment or partial payment insufficient to bring the Loan current, without waiver of any rights hereunder or prejudice to its rights to refuse such payment or partial payments in the future, but Lender is not obligated to apply such payments at the time such payments are accepted. If each Periodic Payment is applied as of its scheduled due date, then Lender need not pay interest on unapplied funds. Lender may hold such unapplied funds until Borrower makes payment to bring the Loan current. If Borrower does not do so within a reasonable period of time, Lender shall either apply such funds or return them to Borrower. If not applied earlier, such funds will be applied to the outstanding principal balance under the Note immediately prior to foreclosure. No offset or claim which Borrower might have now or in the future against Lender shall relieve Borrower from making payments due under the Note and this Security Instrument or performing the covenants and agreements secured by this Security Instrument.

2. Application of Payments or Proceeds. Except as otherwise described in this Section 2, all payments accepted and applied by Lender shall be applied in the following order of priority: (a) interest due under the Note; (b) principal due under the Note; (c) amounts due under Section 3. Such payments shall be applied first to late charges, second to any other amounts due under this Security Instrument, and then to reduce the principal balance of the Note.

If Lender receives a payment from Borrower for a delinquent Periodic Payment which includes a sufficient amount to pay any late charge due, the payment may be applied to the delinquent payment and the late charge. If more than one Periodic Payment is outstanding, Lender may apply any payment received from Borrower to the repayment of the Periodic Payments if, and to the extent that, each payment can be paid in full. To the extent that any excess exists after the payment is applied to the full payment of one or more Periodic Payments, such excess may be applied to any late charges due. Voluntary prepayments shall be applied first to any prepayment charges and then as described in the Note.

Any application of payments, insurance proceeds, or Miscellaneous Proceeds to principal due under the Note shall not extend or postpone the due date, or change the amount, of the Periodic Payments. **3. Funds for Escrow Items.** Borrower shall pay to Lender on the day Periodic Payments are due under the Note, until the Note is paid in full, a sum (the "Funds") to provide for payment of amounts due for: (a) taxes and assessments and other items which can attain priority over this Security Instrument as a lien or encumbrance on the Property; (b) leasehold payments or ground rents on the Property, if any; (c) premiums for any and all insurance required by Lender under Section 5; and (d) Mortgage Insurance premiums, if any, or any sums payable by Borrower to Lender in lieu of the payment of Mortgage Insurance premiums in accordance with the provisions of Section 10. These items are called "Escrow Items." At origination or at any time during the term of the Loan, Lender may require that Community

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Association Dues, Fees, and Assessments, if any, be escrowed by Borrower, and such dues, fees and assessments shall be an Escrow Item. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this Section. Borrower shall pay Lender the Funds for Escrow Items unless Lender waives Borrower's obligation to pay the Funds for any or all Escrow Items. Lender may waive Borrower's obligation to pay to Lender Funds for any or all Escrow Items at any time. Any such waiver may only be in writing. In the event of such waiver, Borrower shall pay directly, when and where payable, the amounts due for any Escrow Items for which payment of Funds has been waived by Lender and, if Lender requires, shall furnish to Lender receipts evidencing such payment within such time period as Lender may require. Borrower's obligation to make such payments and to provide receipts shall for all purposes be deemed to be a covenant and agreement contained in this Security Instrument, as the phrase "covenant and agreement" is used in Section 9. If Borrower is obligated to pay Escrow Items directly, pursuant to a waiver, and Borrower fails to pay the amount due for an Escrow Item, Lender may exercise its rights under Section 9 and pay such amount and Borrower shall then be obligated under Section 9 to repay to Lender any such amount. Lender may revoke the waiver as to any or all Escrow Items at any time by a notice given in accordance with Section 15 and, upon such revocation, Borrower shall pay to Lender all Funds, and in such amounts, that are then required under this Section 3.

Lender may, at any time, collect and hold Funds in an amount (a) sufficient to permit Lender to apply the Funds at the time specified under RESPA, and (b) not to exceed the maximum amount a lender can require under RESPA. Lender shall estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Escrow Items or otherwise in accordance with Applicable Law.

The Funds shall be held in an institution whose deposits are insured by a federal agency, instrumentality, or entity (including Lender, if Lender is an institution whose deposits are so insured) or in any Federal Home Loan Bank. Lender shall apply the Funds to pay the Escrow Items no later than the time specified under RESPA. Lender shall not charge Borrower for holding and applying the Funds, annually analyzing the escrow account, or verifying the Escrow Items, unless Lender pays Borrower interest on the Funds and Applicable Law permits Lender to make such a charge. Unless an agreement is made in writing or Applicable Law requires interest to be paid on the Funds, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Borrower and Lender can agree in writing, however, that interest shall be paid on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds as required by RESPA.

If there is a surplus of Funds held in escrow, as defined under RESPA, Lender shall account to Borrower for the excess funds in accordance with RESPA. If there is a shortage of Funds held in escrow, as defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the deficiency in accordance with RESPA. If there is a shortage of Funds held in escrow, as defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the deficiency in accordance with RESPA, but in no more than 12 monthly payments. Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender.

4. Charges; Liens. Borrower shall pay all taxes, assessments, charges, fines, and impositions attributable to the Property which can attain priority over this Security Instrument, leasehold payments or ground rents on the Property, if any, and Community Association Dues, Fees, and Assessments, if any. To the extent that these items are Escrow Items, Borrower shall pay them in the manner provided in Section 3.

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Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender, but only so long as Borrower is performing such agreement; (b) contests the lien in good faith by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of the lien while those proceedings are pending, but only until such proceedings are concluded; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which can attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Within 10 days of the date on which that notice is given, Borrower shall satisfy the lien or take one or more of the actions set forth above in this Section 4.

Lender may require Borrower to pay a one-time charge for a real estate tax verification and/or reporting service used by Lender in connection with this Loan.

5. Property Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage," and any other hazards including, but not limited to, earthquakes and floods, for which Lender requires insurance. This insurance shall be maintained in the amounts (including deductible levels) and for the periods that Lender requires. What Lender requires pursuant to the preceding sentences can change during the term of the Loan. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's right to disapprove Borrower's choice, which right shall not be exercised unreasonably. Lender may require Borrower to pay, in connection with this Loan, either: (a) a one-time charge for flood zone determination, certification and tracking services; or (b) a one-time charge for flood zone determination and certification services and subsequent charges each time remappings or similar changes occur which reasonably might affect such determination or certification. Borrower shall also be responsible for the payment of any fees imposed by the Federal Emergency Management Agency in connection with the review of any flood zone determination resulting from an objection by Borrower.

If Borrower fails to maintain any of the coverages described above, Lender may obtain insurance coverage, at Lender's option and Borrower's expense. Lender is under no obligation to purchase any particular type or amount of coverage. Therefore, such coverage shall cover Lender, but might or might not protect Borrower, Borrower's equity in the Property, or the contents of the Property, against any risk, hazard or liability and might provide greater or lesser coverage than was previously in effect. Borrower acknowledges that the cost of the insurance coverage so obtained might significantly exceed the cost of insurance that Borrower could have obtained. Any amounts disbursed by Lender under this Section 5 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

All insurance policies required by Lender and renewals of such policies shall be subject to Lender's right to disapprove such policies, shall include a standard mortgage clause, and shall name Lender as mortgagee and/or as an additional loss payee. Lender shall have the right to hold the policies and renewal certificates. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and for damage to, or destruction of, the Property, such policy shall include a standard mortgage clause and shall name Lender as mortgagee and/or as an additional loss payee.

In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower. Unless Lender and Borrower otherwise agree in writing, any insurance proceeds, whether or not the underlying insurance was required by Lender, shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to

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hold such insurance proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such insurance proceeds, Lender shall not be required to pay Borrower any interest or earnings on such proceeds. Fees for public adjusters, or other third parties, retained by Borrower shall not be paid out of the insurance proceeds and shall be the sole obligation of Borrower. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such insurance proceeds shall be applied in the order provided for in Section 2.

If Borrower abandons the Property, Lender may file, negotiate and settle any available insurance claim and related matters. If Borrower does not respond within 30 days to a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may negotiate and settle the claim. The 30-day period will begin when the notice is given. In either event, or if Lender acquires the Property under Section 22 or otherwise, Borrower hereby assigns to Lender (a) Borrower's rights to any insurance proceeds in an amount not to exceed the amounts unpaid under the Note or this Security Instrument, and (b) any other of Borrower's rights (other than the right to any refund of unearned premiums paid by Borrower) under all insurance policies covering the Property, insofar as such rights are applicable to the coverage of the Property. Lender may use the insurance proceeds either to repair or restore the Property or to pay amounts unpaid under the Note or this Security Instrument, whether or not then due.

6. Occupancy. Borrower shall occupy, establish, and use the Property as Borrower's principal residence within 60 days after the execution of this Security Instrument and shall continue to occupy the Property as Borrower's principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing, which consent shall not be unreasonably withheld, or unless extenuating circumstances exist which are beyond Borrower's control.

7. Preservation, Maintenance and Protection of the Property; Inspections. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate or commit waste on the Property. Whether or not Borrower is residing in the Property, Borrower shall maintain the Property in order to prevent the Property from deteriorating or decreasing in value due to its condition. Unless it is determined pursuant to Section 5 that repair or restoration is not economically feasible, Borrower shall promptly repair the Property if damaged to avoid further deterioration or damage. If insurance or condemnation proceeds are paid in connection with damage to, or the taking of, the Property, Borrower shall be responsible for repairing or restoring the Property only if Lender has released proceeds for such purposes. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. If the insurance or condemnation proceeds are not sufficient to repair or restore the Property, Borrower is not relieved of Borrower's obligation for the completion of such repair or restoration.

Lender or its agent may make reasonable entries upon and inspections of the Property. If it has reasonable cause, Lender may inspect the interior of the improvements on the Property. Lender shall give Borrower notice at the time of or prior to such an interior inspection specifying such reasonable cause.

8. Borrower's Loan Application. Borrower shall be in default if, during the Loan application process, Borrower or any persons or entities acting at the direction of Borrower or with Borrower's knowledge or consent gave materially false, misleading, or inaccurate information or statements to Lender (or failed to provide Lender with material information) in connection with the Loan. Material representations include, but are not limited to, representations concerning Borrower's occupancy of the Property as Borrower's principal residence.

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9. Protection of Lender's Interest in the Property and Rights Under this Security Instrument. If (a) Borrower fails to perform the covenants and agreements contained in this Security Instrument, (b) there is a legal proceeding that might significantly affect Lender's interest in the Property and/or rights under this Security Instrument (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture, for enforcement of a lien which may attain priority over this Security Instrument or to enforce laws or regulations), or (c) Borrower has abandoned the Property, then Lender may do and pay for whatever is reasonable or appropriate to protect Lender's interest in the Property and rights under this Security Instrument, including protecting and/or assessing the value of the Property, and securing and/or repairing the Property. Lender's actions can include, but are not limited to: (a) paying any sums secured by a lien which has priority over this Security Instrument; (b) appearing in court; and (c) paying reasonable attorneys' fees to protect its interest in the Property and/or rights under this Security Instrument, including its secured position in a bankruptcy proceeding. Securing the Property includes, but is not limited to, entering the Property to make repairs, change locks, replace or board up doors and windows, drain water from pipes, eliminate building or other code violations or dangerous conditions, and have utilities turned on or off. Although Lender may take action under this Section 9, Lender does not have to do so and is not under any duty or obligation to do so. It is agreed that Lender incurs no liability for not taking any or all actions authorized under this Section 9.

Any amounts disbursed by Lender under this Section 9 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment. If this Security Instrument is on a leasehold, Borrower shall comply with all the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

10. Mortgage Insurance. If Lender required Mortgage Insurance as a condition of making the Loan, Borrower shall pay the premiums required to maintain the Mortgage Insurance in effect. If, for any reason, the Mortgage Insurance coverage required by Lender ceases to be available from the mortgage insurer that previously provided such insurance and Borrower was required to make separately designated payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums required to obtain coverage substantially equivalent to the Mortgage Insurance previously in effect, at a cost substantially equivalent to the cost to Borrower of the Mortgage Insurance previously in effect, from an alternate mortgage insurer selected by Lender. If substantially equivalent Mortgage Insurance coverage is not available, Borrower shall continue to pay to Lender the amount of the separately designated payments that were due when the insurance coverage ceased to be in effect. Lender will accept, use and retain these payments as a non-refundable loss reserve in lieu of Mortgage Insurance. Such loss reserve shall be non-refundable, notwithstanding the fact that the Loan is ultimately paid in full, and Lender shall not be required to pay Borrower any interest or earnings on such loss reserve. Lender can no longer require loss reserve payments if Mortgage Insurance coverage (in the amount and for the period that Lender requires) provided by an insurer selected by Lender again becomes available, is obtained, and Lender requires insurance as a condition of making the Loan and Borrower was required to make separately designated payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums required to maintain Mortgage Insurance in effect, or to provide a non-refundable loss reserve, until Lender's requirement for Mortgage Insurance ends in accordance with any written agreement between Borrower and Lender providing for such termination or until termination is required by Applicable Law. Nothing in this Section 10 affects Borrower's obligation to pay interest at the rate provided in the Note.

Mortgage Insurance reimburses Lender (or any entity that purchases the Note) for certain losses it may incur if Borrower does not repay the Loan as agreed. Borrower is not a party to the Mortgage Insurance.

Mortgage insurers evaluate their total risk on all such insurance in force from time to time, and may enter into agreements with other parties that share or modify their risk, or reduce losses. These agreements are on terms and conditions that are satisfactory to the mortgage insurer and the other party (or parties) to these agreements. These agreements may require the mortgage insurer to make payments using any source of funds that the mortgage insurer may have available (which may include funds obtained from Mortgage Insurance premiums).

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As a result of these agreements, Lender, any purchaser of the Note, another insurer, any reinsurer, any other entity, or any affiliate of any of the foregoing, may receive (directly or indirectly) amounts that derive from (or might be characterized as) a portion of Borrower's payments for Mortgage Insurance, in exchange for sharing or modifying the mortgage insurer's risk, or reducing losses. If such agreement provides that an affiliate of Lender takes a share of the insurer's risk in exchange for a share of the premiums paid to the insurer, the arrangement is often termed "captive reinsurance." Further:

(a) Any such agreements will not affect the amounts that Borrower has agreed to pay for Mortgage Insurance, or any other terms of the Loan. Such agreements will not increase the amount Borrower will owe for Mortgage Insurance, and they will not entitle Borrower to any refund. (b) Any such agreements will not affect the rights Borrower has - if any - with respect to the Mortgage Insurance under the Homeowners Protection Act of 1998 or any other law. These rights may include the right to receive certain disclosures, to request and obtain cancellation of the Mortgage Insurance, to have the Mortgage Insurance terminated automatically, and/or to receive a refund of any Mortgage Insurance premiums that were unearned at the time of such cancellation or termination.

11. Assignment of Miscellaneous Proceeds; Forfeiture. All Miscellaneous Proceeds are hereby assigned to and shall be paid to Lender.

If the Property is damaged, such Miscellaneous Proceeds shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such Miscellaneous Proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may pay for the repairs and restoration in a single disbursement or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such Miscellaneous Proceeds, Lender shall not be required to pay Borrower any interest or earnings on such Miscellaneous Proceeds. If the restoration or repair is not economically feasible or Lender's security would be lessened, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower.

In the event of a total taking, destruction, or loss in value of the Property, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the sums secured immediately before the partial taking, destruction, or loss in value shall be reduced by the amount of the Miscellaneous Proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the partial taking, destruction, or loss in value divided by (b) the fair market value of the Property immediately before the partial taking, destruction, or loss in value. Any balance shall be paid to Borrower.

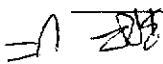
In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss is less than the amount of the sums secured immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the Opposing Party (as defined in the next sentence) offers to make an award to settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the Miscellaneous Proceeds either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due. "Opposing Party" means the third party that owes Borrower Miscellaneous Proceeds or the party against whom Borrower has a right of action in regard to Miscellaneous Proceeds.

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Borrower shall be in default if any action or proceeding, whether civil or criminal, is begun that, in Lender's judgment, could result in forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. Borrower can cure such a default and, if acceleration has occurred, reinstate as provided in Section 19, by causing the action or proceeding to be dismissed with a ruling that, in Lender's judgment, precludes forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. The proceeds of any award or claim for damages that are attributable to the impairment of Lender's interest in the Property are hereby assigned and shall be paid to Lender.

All Miscellaneous Proceeds that are not applied to restoration or repair of the Property shall be applied in the order provided for in Section 2.

12. Borrower Not Released; Forbearance By Lender Not a Waiver. Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to Borrower or any Successor in Interest of Borrower shall not operate to release the liability of Borrower or any Successors in Interest of Borrower. Lender shall not be required to commence proceedings against any Successor in Interest of Borrower or to refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or any Successors in Interest of Borrower. Any forbearance by Lender in exercising any right or remedy including, without limitation, Lender's acceptance of payments from third persons, entities or Successors in Interest of Borrower or in amounts less than the amount then due, shall not be a waiver of or preclude the exercise of any right or remedy.

13. Joint and Several Liability; Co-signers; Successors and Assigns Bound. Borrower covenants and agrees that Borrower's obligations and liability shall be joint and several. However, any Borrower who co-signs this Security Instrument but does not execute the Note (a "co-signer"); (a) is co-signing this Security Instrument only to mortgage, grant and convey the co-signer's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower can agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without the co-signer's consent.

Subject to the provisions of Section 18, any Successor in Interest of Borrower who assumes Borrower's obligations under this Security Instrument in writing, and is approved by Lender, shall obtain all of Borrower's rights and benefits under this Security Instrument. Borrower shall not be released from Borrower's obligations and liability under this Security Instrument unless Lender agrees to such release in writing. The covenants and agreements of this Security Instrument shall bind (except as provided in Section 20) and benefit the successors and assigns of Lender.

14. Loan Charges. Lender may charge Borrower fees for services performed in connection with Borrower's default, for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument, including, but not limited to, attorneys' fees, property inspection and valuation fees. In regard to any other fees, the absence of express authority in this Security Instrument to charge a specific fee to Borrower shall not be construed as a prohibition on the charging of such fee. Lender may not charge fees that are expressly prohibited by this Security Instrument or by Applicable Law.

If the Loan is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the Loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge (whether or not a prepayment charge is provided for under the Note). Borrower's acceptance of any such refund made by direct payment to Borrower will constitute a waiver of any right of action Borrower might have arising out of such overcharge.

15. Notices. All notices given by Borrower or Lender in connection with this Security Instrument must be in writing. Any notice to Borrower in connection with this Security Instrument shall be deemed to have been given to Borrower when mailed by first class mail or when actually delivered to Borrower's

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notice address if sent by other means. Notice to any one Borrower shall constitute notice to all Borrowers unless Applicable Law expressly requires otherwise. The notice address shall be the Property Address unless Borrower has designated a substitute notice address by notice to Lender. Borrower shall promptly notify Lender of Borrower's change of address. If Lender specifies a procedure for reporting Borrower's change of address, then Borrower shall only report a change of address through that specified procedure. There may be only one designated notice address under this Security Instrument at any one time. Any notice to Lender shall be given by delivering it or by mailing it by first class mail to Lender's address stated herein unless Lender has designated another address by notice to Borrower. Any notice in connection with this Security Instrument shall not be deemed to have been given to Lender until actually received by Lender. If any notice required by this Security Instrument is also required under Applicable Law, the Applicable Law requirement will satisfy the corresponding requirement under this Security Instrument.

16. Governing Law; Severability; Rules of Construction. This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. All rights and obligations contained in this Security Instrument are subject to any requirements and limitations of Applicable Law. Applicable Law might explicitly or implicitly allow the parties to agree by contract or it might be silent, but such silence shall not be construed as a prohibition against agreement by contract. In the event that any provision or clause of this Security Instrument or the Note conflicts with Applicable Law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision.

As used in this Security Instrument: (a) words of the masculine gender shall mean and include corresponding neuter words or words of the feminine gender; (b) words in the singular shall mean and include the plural and vice versa; and (c) the word "may" gives sole discretion without any obligation to take any action.

17. Borrower's Copy. Borrower shall be given one copy of the Note and of this Security Instrument.

18. Transfer of the Property or a Beneficial Interest in Borrower. As used in this Section 18, "Interest in the Property" means any legal or beneficial interest in the Property, including, but not limited to, those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement, the intent of which is the transfer of title by Borrower at a future date to a purchaser. If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in accordance with Section 15 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

19. Borrower's Right to Reinstate After Acceleration. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earliest of: (a) five days before sale of the Property pursuant to any power of sale contained in this Security Instrument; (b) such other period as Applicable Law might specify for the termination of Borrower's right to reinstate; or (c) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees, property inspection and valuation fees, and other fees incurred for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument; and (d) takes such action as Lender may reasonably require to assure that Lender's interest in the Property and rights under this Security Instrument, and Borrower's obligation to pay the sums secured by this Security Instrument, shall continue unchanged. Lender may require that Borrower pay such reinstatement sums and expenses in one or more of the following forms, as selected by Lender: (a) cash; (b) money order; (c)

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certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality or entity; or (d) Electronic Funds Transfer. Upon reinstatement by Borrower, this Security Instrument and obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under Section 18.

20. Sale of Note; Change of Loan Servicer; Notice of Grievance. The Note or a partial interest in the Note (together with this Security Instrument) can be sold one or more times without prior notice to Borrower. A sale might result in a change in the entity (known as the "Loan Servicer") that collects Periodic Payments due under the Note and this Security Instrument and performs other mortgage loan servicing obligations under the Note, this Security Instrument, and Applicable Law. There also might be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change which will state the name and address of the new Loan Servicer, the address to which payments should be made and any other information RESPA requires in connection with a notice of transfer of servicing. If the Note is sold and thereafter the Loan is serviced by a Loan Servicer other than the purchaser of the Note, the mortgage loan servicing obligations to Borrower will remain with the Loan Servicer or be transferred to a successor Loan Servicer and are not assumed by the Note purchaser unless otherwise provided by the Note purchaser.

Neither Borrower nor Lender may commence, join, or be joined to any judicial action (as either an individual litigant or the member of a class) that arises from the other party's actions pursuant to this Security Instrument or that alleges that the other party has breached any provision of, or any duty owed by reason of, this Security Instrument, until such Borrower or Lender has notified the other party (with such notice given in compliance with the requirements of Section 15) of such alleged breach and afforded the other party hereto a reasonable period after the giving of such notice to take corrective action. If Applicable Law provides a time period which must elapse before certain action can be taken, that time period will be deemed to be reasonable for purposes of this paragraph. The notice of acceleration and opportunity to cure given to Borrower pursuant to Section 22 and the notice of acceleration given to Borrower pursuant to Section 18 shall be deemed to satisfy the notice and opportunity to take corrective action provisions of this Section 20.

21. Hazardous Substances. As used in this Section 21: (a) "Hazardous Substances" are those substances defined as toxic or hazardous substances, pollutants, or wastes by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials; (b) "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection; (c) "Environmental Cleanup" includes any response action, remedial action, or removal action, as defined in Environmental Law; and (d) an "Environmental Condition" means a condition that can cause, contribute to, or otherwise trigger an Environmental Cleanup.

Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances, or threaten to release any Hazardous Substances, on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property (a) that is in violation of any Environmental Law, (b) which creates an Environmental Condition, or (c) which, due to the presence, use, or release of a Hazardous Substance, creates a condition that adversely affects the value of the Property. 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 to be appropriate to normal residential uses and to maintenance of the Property (including, but not limited to, hazardous substances in consumer products). Borrower shall promptly give Lender written notice of (a) 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 Borrower has actual knowledge, (b) any Environmental Condition, including but not limited to, any spilling, leaking, discharge, release or threat of

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release of any Hazardous Substance, and (c) any condition caused by the presence, use or release of a Hazardous Substance which adversely affects the value of the Property. If Borrower learns, or is notified by any governmental or regulatory authority, or any private party, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Nothing herein shall create any obligation on Lender for an Environmental Cleanup.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

22. Acceleration; Remedies. Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument (but not prior to acceleration under Section 18 unless Applicable Law provides otherwise). The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Borrower, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument and sale of the Property at public auction at a date not less than 120 days in the future. The notice shall further inform Borrower of the right to reinstate after acceleration, the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale, and any other matters required to be included in the notice by Applicable Law. If the default is not cured on or before the date specified in the notice, Lender at its option, may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and/or any other remedies permitted by Applicable Law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this Section 22, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender invokes the power of sale, Lender shall give written notice to Trustee of the occurrence of an event of default and of Lender's election to cause the Property to be sold. Trustee and Lender shall take such action regarding notice of sale and shall give such notices to Borrower and to other persons as Applicable Law may require. After the time required by Applicable Law and after publication of the notice of sale, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of the Property for a period or periods permitted by Applicable Law by public announcement at the time and place fixed in the notice of sale. Lender or its designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it or to the clerk of the superior court of the county in which the sale took place.

23. Reconveyance. Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to reconvey the Property and shall surrender this Security Instrument and all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall reconvey the Property without warranty to the person or persons legally entitled to it. Such person or persons shall pay any recordation costs and the Trustee's fee for preparing the reconveyance.

24. Substitute Trustee. In accordance with Applicable Law, Lender may from time to time appoint a successor trustee to any Trustee appointed hereunder who has ceased to act. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by Applicable Law.

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25. Use of Property. The Property is not used principally for agricultural purposes.
26. Attorneys' Fees. Lender shall be entitled to recover its reasonable attorneys' fees and costs in any action or proceeding to construe or enforce any term of this Security Instrument. The term "attorneys' fees," whenever used in this Security Instrument, shall include without limitation attorneys' fees incurred by Lender in any bankruptcy proceeding or on appeal.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument and in any Rider executed by Borrower and recorded with it.

Witnesses:

Brian Frizzle
BRIAN FRIZZLE
-Borrower
(Seal)

Virginia Frizzle
VIRGINIA FRIZZLE
-Borrower
(Seal)

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STATE OF WASHINGTON

County of Skagit

On this day personally appeared before me

} ss:

Brian Frizzle & Thelma Frizzle

to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged that he/she/they signed the same as his/her/their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this

12th day of

Aug 2004.

Notary Public in and for the State of Washington, residing at

My Appointment Expires on 11-02-06

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ADJUSTABLE RATE RIDER

(1 Year Treasury Index - Rate Caps)

THIS ADJUSTABLE RATE RIDER is made this Tenth day of August, 2004, and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust, or Security Deed (the "Security Instrument") of the same date given by the undersigned (the "Borrower") to secure Borrower's Adjustable Rate Note (the "Note") to CitiMortgage, Inc.

(the "Lender") of the same date and covering the property described in the Security Instrument and located at:

1525 WOODLAND PLACE, MT VERNON, WA 98274-8958

[Property Address]

THE NOTE CONTAINS PROVISIONS ALLOWING FOR CHANGES IN THE INTEREST RATE AND THE MONTHLY PAYMENT. THE NOTE LIMITS THE AMOUNT THE BORROWER'S INTEREST RATE CAN CHANGE AT ANY ONE TIME AND THE MAXIMUM RATE THE BORROWER MUST PAY.

ADDITIONAL COVENANTS. In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree as follows:

A. INTEREST RATE AND MONTHLY PAYMENT CHANGES

The Note provides for an initial interest rate of 5.250 % . The Note provides for changes in the interest rate and the monthly payments as follows:

4. INTEREST RATE AND MONTHLY PAYMENT CHANGES

(A) Change Dates

The interest rate I will pay may change on the first day of March, 2008 and on that day every 12th month thereafter. Each date on which my interest rate could change is called a "Change Date."

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MULTISTATE ADJUSTABLE RATE RIDER - ARM 5-2 -Single Family- Fannie Mae/Freddie Mac UNIFORM INSTRUMENT

Fannie Mae 4-2/5-2/6-2 ARM

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(B) The Index
Beginning with the first Change Date, my interest rate will be based on an Index. The "Index" is the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year, as made available by the Federal Reserve Board. The most recent Index figure available as of the date 45 days before each Change Date is called the "Current Index."

If the Index is no longer available, the Note Holder will choose a new index which is based upon comparable information. The Note Holder will give me notice of this choice.

(C) Calculation of Changes
Before each Change Date, the Note Holder will calculate my new interest rate by adding **Two & 75/100** **(2.750** **%)** to the Current Index. The Note Holder will then round the result of this addition to the nearest one-eighth of one percentage point (0.125%). Subject to the limits stated in Section 4(D) below, this rounded amount will be my new interest rate until the next Change Date.

The Note Holder will then determine the amount of the monthly payment that would be sufficient to repay the unpaid principal that I am expected to owe at the Change Date in full on the maturity date at my new interest rate in substantially equal payments. The result of this calculation will be the new amount of my monthly payment.

(D) Limits on Interest Rate Changes
The interest rate I am required to pay at the first Change Date will not be greater than **7.250** **%** or less than **3.250** **%**. Thereafter, my interest rate will never be increased or decreased on any single Change Date by more than two percentage points (2.0%) from the rate of interest I have been paying for the preceding 12 months. My interest rate will never be greater than **11.250** **%**.

(E) Effective Date of Changes
My new interest rate will become effective on each Change Date. I will pay the amount of my new monthly payment beginning on the first monthly payment date after the Change Date until the amount of my monthly payment changes again.

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(f) Notice of Changes
The Note Holder will deliver or mail to me a notice of any changes in my interest rate and the amount of my monthly payment before the effective date of any change. The notice will include information required by law to be given to me and also the title and telephone number of a person who will answer any question I may have regarding the notice.

B. TRANSFER OF THE PROPERTY OR A BENEFICIAL INTEREST IN BORROWER

Section 18 of the Security Instrument is amended to read as follows:

Transfer of the Property or a Beneficial Interest in Borrower. As used in this Section 18, "Interest in the Property" means any legal or beneficial interest in the Property, including, but not limited to, those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement, the intent of which is the transfer of title by Borrower at a future date to a purchaser.

If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law. Lender also shall not exercise this option if: (a) Borrower causes to be submitted to Lender information required by Lender to evaluate the intended transferee as if a new loan were being made to the transferee; and (b) Lender reasonably determines that Lender's security will not be impaired by the loan assumption and that the risk of a breach of any covenant or agreement in this Security Instrument is acceptable to Lender.

To the extent permitted by Applicable Law, Lender may charge a reasonable fee as a condition to Lender's consent to the loan assumption. Lender may also require the transferee to sign an assumption agreement that is acceptable to Lender and that obligates the transferee to keep all the promises and agreements made in the Note and in this Security Instrument. Borrower will continue to be obligated under the Note and this Security Instrument unless Lender releases Borrower in writing.

If Lender exercises the option to require immediate payment in full, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in accordance with Section 15 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

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[Signature]
BRIAN FRIZZLE
-Bottower (Seal)

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Adjustable Rate Rider.

ADJUSTABLE RATE ASSUMPTION RIDER

THIS ASSUMPTION RIDER is made this 10th day of August, 2004, and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust or Security Deed (the "Security Instrument") of the same date given by the undersigned person whether one or more, (the "Borrower") to secure Borrower's Note to CitiMortgage, Inc., 1000 Technology Drive, O'Fallon, MO 63304 (the "Lender") of the same date and covering the property described in the Security Instrument and located at: 1525 WOODLAND PLACE, MT VERNON, WA 98274-8958

(PROPERTY ADDRESS)

ASSUMPTION COVENANTS. In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree as follows:

A. ASSUMPTION. Any person purchasing the Property from Borrower may assume full liability to repay Borrower's Note to Lender under the terms and conditions set out in this Assumption Rider.

B. AGREEMENT. Lender may require the Purchaser to sign an assumption agreement, in the form required by Lender, which obligates the Purchaser to keep all the promises and agreements made in the Note and Security Instrument. Borrower will continue to be obligated under the Note and Security Instrument unless Lender releases Borrower in writing.

C. APPLICABILITY. Lender is bound by these conditions and terms, as follows:

1. This Assumption Rider applies only to the first transfer of the Property by Borrower and not to a foreclosure sale;
2. Purchaser must be an individual, not a partnership, corporation or other entity;
3. Purchaser must meet Lender's credit underwriting standards for the type of loan being assumed as if Lender were making a new loan to Purchaser;
4. Purchaser shall assume only the balance due on the Note at the time of assumption for the term remaining on the Note;
5. If applicable, Borrower's private mortgage insurance coverage must be transferred to the Purchaser in writing, unless waived by Lender;
6. If Borrower's Note has a conversion feature and Borrower has exercised the right of conversion of this loan to a fixed rate loan from Lender, this Assumption Rider is void and Lender has no obligation to allow assumption by a Purchaser from Borrower; and
7. Lender must reasonably determine that Lender's security will not be impaired by the loan assumption.



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D. ASSUMPTION RATE. Lender will allow assumption by Purchaser at Borrower's Note interest rate in effect at the time of assumption.

E. ADDITIONAL CHARGES. In addition, Lender may charge an amount up to one percent (1%) of the current Note balance and its normal loan closing costs, except the cost of a real estate appraisal.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants of this Assumption Rider.

Brian Frizzle
BRIAN FRIZZLE
(Seal)
-Borrower

Virginia Frizzle
VIRGINIA FRIZZLE
(Seal)
-Borrower



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Skagit County Auditor

Recording Requested By and
When Recorded Return To:

Carrie Collins

1000 Technology Drive, O'Fallon, MO 63304

**CONSTRUCTION LOAN RIDER TO SECURITY INSTRUMENT
(INCLUDING SECURITY AGREEMENT)
(To Be Recorded With The Security Instrument)**

GRANTOR(S) (Borrower(s)): Frizzle, Brian 1525 Woodland Place Mount Vernon, Washington 98274

Frizzle, Virginia 1525 Woodland Place Mount Vernon, Washington 98274

GRANTEE (Lender): CitilMortgage, Inc., 1000 Technology Drive, O'Fallon, MO 63304

LEGAL DESCRIPTION (Abbreviated): Lot 21 FOREST ESTATES Volume 8 of Plats, Pages 53 and 54

ASSESSOR'S PROPERTY TAX PARCEL OR ACCOUNT NUMBER: P65432 Acct #3914-000-021-0004

THIS CONSTRUCTION LOAN RIDER TO SECURITY INSTRUMENT (the "Rider") shall be deemed to amend and supplement the Mortgage, Open-End Mortgage, Deed of Trust, Credit Line Deed of Trust, and any and all riders or amendments thereto (the "Security Instrument") of the same date, to which this Rider is attached, given by the undersigned (the "Borrower") to secure Borrower's Promissory Note to Lender of the same date (the "Note") and covering the property (the "Property") described in this Security Instrument. All terms defined in the Note and elsewhere in this Security Instrument shall have the same meaning in this Rider.

AMENDED AND ADDITIONAL COVENANTS. In addition to the covenants and agreements made in this Security Instrument, Borrower and Lender further covenant and agree as follows:

1. **Construction Loan Agreement.** Borrower's Note evidences Borrower's promise to pay Lender the aggregate amount of all advances made and distributed by Lender under the terms and conditions of a



CONSTRUCTION LOAN RIDER TO SECURITY INSTRUMENT

Construction Loan Agreement between Lender and Borrower dated the same date as the Note (the "Loan Agreement"). The Loan Agreement provides for construction of certain improvements (the "improvements") on the Property. Borrower agrees to comply with the covenants and conditions of the Loan Agreement. This Security Instrument secures to Lender (a) the repayment of the debt evidenced by the Note, including the aggregate amount of all advances made by Lender from time to time under the terms of the Loan Agreement, with interest at the Construction Phase Note Rate, and all renewals, extensions, and modifications of the Note, (b) the performance of all of Borrower's covenants and agreements under the Note, this Security Instrument, and the Loan Agreement (the "Loan Documents"), and (c) the payment of all other sums, with interest at the Note Rate, advanced by Lender to protect the security of this Security Instrument, or to perform any of Borrower's obligations under the Loan Documents. Upon the failure of Borrower to keep and perform all the covenants, conditions and agreements of the Loan Agreement, the Principal and all interest and other charges provided for in the Loan Documents and secured hereby shall, at the option of the Lender, become immediately due and payable in full.

2. **Future Advances.** During the construction of the Improvements (the "Construction Phase"), interest will accrue on the outstanding Principal according to the terms set forth in the Note and the Construction Loan Rider To Note. Provided there has been no default as defined in the Note, the Loan Agreement, or this Security Instrument, Lender is legally obligated to make advances of principal upon application therefore by the Borrower in accordance with the provisions of the Note and Loan Agreement up to a maximum Principal amount (including present and future obligations), which is equal to the amount of the Note as set forth in the Security Instrument. Such advances shall be evidenced by the Note, made under the terms of the Loan Agreement and secured by this Security Instrument and may occur for a period up to the end of the Construction Phase.

3. **Assignment of Rights or Claims.** From time to time as Lender deems necessary to protect Lender's interest, Borrower shall, upon request of Lender, execute, acknowledge before a notary, and deliver to Lender, assignments of any and all rights or claims which relate to the construction on the Property.

4. **Breach by Borrower.** In case of breach by Borrower of the covenants and conditions of the Loan Agreement, subject to any right of Borrower to cure Borrower's default, Lender, at Lender's option, with or without entry upon the Property (a) may invoke any of the rights or remedies provided in the Loan Agreement, (b) may accelerate the sums secured by this Security Instrument and invoke any of the remedies provided in this Security Instrument, or (c) may do both. Lender's failure to exercise any of its rights and remedies at any one time shall not constitute a waiver by Lender of its right to exercise that right or remedy, or any other right or remedy, in the future.

5. **Permanent Mortgage Date.** On the day the Construction Phase ends, the loan evidenced by the Note will be a permanent mortgage loan ("Permanent Mortgage Date"). Beginning on the Permanent Mortgage Date, interest shall accrue as stated in the Note and monthly payments of principal and interest shall be due and payable as set forth in the Note.

6. **Security Agreement and Financing Statement.** The property covered by this Security Instrument includes the Property previously described or referred to in this Security Instrument, together with the following, all of which are referred to as the "Property." The portion of the Property that constitutes real property is sometimes referred to as the "Real Property." The portion of the Property which constitutes personal property is sometimes referred to as the "Personal Property," and is described as follows: (i) Borrower's right to possession of the Property; (ii) any and all fixtures, machinery, equipment, building materials, appliances, and goods of every nature whatsoever now or hereafter located in, or on, or used, or intended to be used in connection with the Property or the Improvements, and all replacements of and accessions to those goods; and (iii) proceeds and products of the Personal Property. Despite any other provision of this



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CONSTRUCTION LOAN RIDER TO SECURITY INSTRUMENT

Rider or any other Loan Document, however, Lender is not granted, and will not have, a non-purchase money security interest in household goods, to the extent that such a security interest would be prohibited by applicable law.

This Security Instrument is and shall be a security agreement granting Lender a first and prior security interest in all of Borrower's right, title and interest in and to the Personal Property, under and within the meaning of applicable state laws, as well as a document granting a lien upon and against the Real Property. In the event of any foreclosure sale, whether made by Trustee, or under judgment of a court, all of the Real Property and Personal Property may, at the option of Lender, be sold as a whole or in parcels. It shall not be necessary to have present at the place of such sale the Personal Property or any part thereof. Lender, as well as Trustee on Lender's behalf, shall have all the rights, remedies and recourse with respect to the Personal Property afforded to a "Secured Party" by applicable state laws in addition to and not in limitation of the other rights and remedies afforded Lender and/or Trustee under this Security Instrument. Borrower shall, upon demand, pay to Lender the amount of any and all expenses, including the fees and disbursements of Lender's legal counsel and of any experts and agents, which Lender may incur in connection with: (i) the making and/or administration of this Security Instrument; (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon any Property, real and/or personal, described in this Security Instrument; (iii) the exercise or enforcement of any of the rights of Lender under this Security Instrument; or (iv) the failure by Borrower to perform or observe any of the provisions or covenants in this Security Instrument.

Lender may, at its election, at any time after the delivery of this Security Instrument, sign one or more copies of this Security Instrument in order that such copies may be used as a financing statement under applicable state laws. Lender's signature need not be acknowledged, and is not necessary to the effectiveness hereof as a deed of trust, a security agreement, or (unless otherwise required by applicable law) a financing statement.

Borrower also authorizes Lender to sign and file, without Borrower's signature, such financing and continuation statements, amendments, and supplements thereto, and other documents that Lender may from time to time deem necessary to perfect, preserve and protect Lender's security interest in the Property. If any other documents are necessary to protect Lender's interest in the Property, Borrower agrees to sign these documents whenever Lender asks. Borrower also gives Lender permission to sign these documents for Borrower.

7. **Invalid Provisions.** If any provision of this Security Instrument is declared invalid, illegal, or unenforceable by a court of competent jurisdiction, then such invalid, illegal or unenforceable provision shall be severed from this Security Instrument and the remainder enforced as if such invalid, illegal or unenforceable provision is not a part of this Security Instrument.

8. **Relation to Loan Agreement.** This Security Instrument is subject to all of the applicable terms and conditions contained in the Loan Agreement. The Loan Agreement is to be filed in the County Clerk's Office in the County where the Property is located at the same time this Security Instrument is recorded. If Borrower fails to keep any of the promises Borrower makes in the Loan Agreement, Lender may require that the entire balance of Borrower's debt to Lender be paid immediately. The terms and conditions of this Rider shall survive the termination of the Loan Agreement and the repayment of the Loan.

9. **Paragraph 6 of the Security Instrument.** The first sentence of Paragraph 6 of the Security Instrument is hereby modified to read as follows:

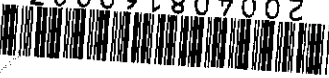
Borrower shall occupy, establish, and use the Property as Borrower's principal residence within 60 days after the end of the Construction Phase and shall continue to occupy the Property as Borrower's principal residence for at least one year after the date of occupancy, unless Lender

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CONSTRUCTION LOAN RIDER TO SECURITY INSTRUMENT

otherwise agrees in writing, which consent shall not be unreasonably withheld, or unless extenuating circumstances exist which are beyond Borrower's control.

All other provisions in Paragraph 6 of this Security Instrument remain unchanged.



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CONSTRUCTION LOAN RIDER TO SECURITY INSTRUMENT

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Rider.

DATED August 10, 2004.

Brian Frizzle

Brian Frizzle

Virginia Frizzle

Virginia Frizzle

STATE OF

Clark

COUNTY OF

Skagit

)
) ss.:
)

On this 10th day of *Aug*, 2004, before me the subscriber personally appeared *Brian Frizzle and Virginia Frizzle* to me known and known to me to be the same person(s) described in and who executed the foregoing instrument, and (s)he(they)duly (jointly and severally) acknowledged to me that (s)he(they) executed the same.

Notary Signature

K. Trausey

Notary Printed Name

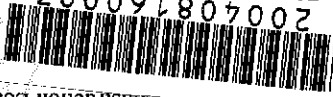
Notary Public; State of

Qualified in the County of *Skagit*

My commission expires: *11-02-07*

Official Seal:

ATTENTION COUNTY CLERK. This instrument covers goods that are or are to become fixtures on the Property described herein and is to be filed for record in the records where Security Instruments on real estate are recorded. Additionally, this instrument should be appropriately indexed, not only as a Security Instrument but also as a financing statement covering goods that are or are to become fixtures on the Property described herein. The mailing address of the Borrower (Debtor) and Lender (Secured Party) are set forth in this Security Instrument.



Recording Request by and
When Recorded Return To:
Carrie Collins
1000 Technology Drive, O'Fallon, MO 63304

CONSTRUCTION LOAN AGREEMENT

GRANTOR(S) (Borrower(s)): Frizzle, Brian 1525 Woodland Place Mount Vernon, Washington 98274

Frizzle, Virginia 1525 Woodland Place Mount Vernon, Washington 98274

GRANTEE (Lender): CitiMortgage, Inc., 1000 Technology Drive, O'Fallon, MO 63304

LEGAL DESCRIPTION (Abbreviated Form): Lot 21, FOREST ESTATES Volume 8 of Plats, Pages 53 and 54. The complete legal description can be found on page ___ of this Loan Agreement.

ASSESSOR'S PROPERTY TAX PARCEL OR ACCOUNT NUMBER: P65432 Acct #3914-000-021-0004

THIS CONSTRUCTION LOAN AGREEMENT ("Loan Agreement") dated August 10, 2004 is made by and between: *Brian Frizzle and Virginia Frizzle* ("Borrower", "I", "me" or "my"), and CitiMortgage, Inc., a Delaware corporation having a place of business at 1000 Technology Drive, O'Fallon, MO 63304 and a mailing address at CitiMortgage, Inc. c/o Granite Loan Management, LLC, 10770 East Briarwood Avenue, Centennial, CO 80112 ("Lender").

1. ABOUT THIS LOAN AGREEMENT

1.1. **Certain Terms of This Loan Agreement.** The terms of this Loan Agreement preceded by a "□" are part of this Loan Agreement only if the box is checked.



CONSTRUCTION LOAN AGREEMENT

1.1.

Lender's Loan to Me. I have signed a Promissory Note payable to Lender ("Note"). The Note is for the loan by Lender to me in the principal amount of *Two Hundred Seven Thousand Dollars (\$207,000.00)* ("Loan"). The purpose of the Loan is:

☐ to purchase the real property described in Exhibit "A" to this Loan Agreement ("Property");

☒ to pay in full any outstanding liens on the Property;

and to pay for labor and materials to construct certain improvements ("Improvements") on the Property ("Work").

"Property" includes the Improvements. The Work is described in the Schedule of Advances attached as "Exhibit D" to this Loan Agreement. I also have executed a Mortgage, Open-end Mortgage, Deed of Trust, Credit Line Deed of Trust or Trust Indenture ("Security Instrument") granting Lender a ☒ first ☐ second priority lien on the Property. In this Loan Agreement, "Loan Documents" means the Note, the Security Instrument, and this Loan Agreement. All terms defined in the Note and the Security Instrument shall have the same meaning in this Loan Agreement.

2. MY AGREEMENTS

2.1. The Work.

2.1.1. My Contractor. I will enter into a written agreement ("Construction Contract") with *Piazza Construction Inc* with offices at *Piazza Construction Inc, 224 Stewart Road Suite 230, Mount Vernon, Washington 98273* ("Contractor") for all the Work. The Construction Contract will state the total amount that I will pay Contractor for the Work ("Contract Price"), and will include (i) the blueprints, shop drawings, plans and specifications for the Work ("Plans"); (ii) a written itemization of the Work and the Contract Price ("Construction Budget"); and (iii) an itemized description of each segment of the Work (each a "Stage") that sets the timetable for completing the Work, and the corresponding payments for the Work ("Work and Payment Schedule"). I will give Lender a copy of the Construction Contract. Except as provided in Section 2.1.2, I will have no other agreements for the Work. The Contractor will make reasonable efforts to give Lender the name, address and telephone number of each person that has a contract with Contractor to supply materials or labor for Work (each, a "Supplier") I will give Contractor a copy of this Loan Agreement.

I will not hire a new contractor without Lender's prior written consent, which Lender may withhold in Lender's sole discretion. If I replace Contractor, I will pay Lender a fee of *Three Hundred Fifty Dollars (\$350.00)*.

2.1.2. Other Contractors and Suppliers

☐ In addition to the Construction Contract, I will enter into other written agreements for Work ("Secondary Contracts") with the contractors and suppliers



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CONSTRUCTION LOAN AGREEMENT

identified in "Exhibit B" ("Secondary Contractors"). Work to be performed by Secondary Contractors is described in the Schedule of Advances attached as "Exhibit D" to this Loan Agreement.

Each Secondary Contract will state the total amount that I will pay the Secondary Contractor for the Work ("Secondary Contract Price"). Each Secondary Contract will include (i) Plans; (ii) a written itemization of the Work and the Secondary Contract Price ("Secondary Construction Budget"); and (iii) a Work and Payment Schedule for the Secondary Contract Work. I will give Lender a copy of each Secondary Contract. Each Secondary Contractor will make reasonable efforts to give Lender the name, address and telephone number of each person that has a contract with the Secondary Contractor to supply materials or labor for Work (each, a "Supplier"). I will give each Secondary Contractor a copy of this Loan Agreement.

Except as provided in Section 2.1.1 of this Loan Agreement, the term "Contractor" also means each Secondary Contractor, the term "Construction Contract" also means each Secondary Contract, and the term "Supplier" also means each person that has a contract with the Secondary Contractor to supply materials or labor for Work.

I will not hire a new contractor without Lender's prior written consent, which Lender may withhold in Lender's sole discretion. If I replace a Secondary Contractor, I will pay Lender a fee of *Three Hundred Fifty Dollars (\$350.00)*.

2.1.3. Permits.

I will get, and keep in force, all approvals of the Work (each, a "Permit") that are required by any federal, state, county, or local government agency (each, a "Government Authority"). I will comply with all applicable laws of any Government Authority ("Government Regulations"). Contractor will have any license required by any Government Authority. I will get from Contractor and give Lender copies of all licenses and Permits required by Government Authorities.

2.1.4. Change Orders.

Any change in the Contract Price, the Work or the Work and Payment Schedule must be in a written agreement signed by me and Contractor and approved by Lender ("Change Order").

2.1.5. Care of the Property.

If Lender requests, I will provide Lender with a certified report that the Property is free of wood-boring insects. I will comply with all of the recommendations of any engineer making any soil report for the Property. I will notify Lender immediately of any fire or other casualty relating to the Property or the Work.

2.1.6. Completing the Work.

The Work will begin promptly after I sign the Loan Documents. The Work will continue diligently and in a good and workmanlike manner in strict accordance with the Construction Contract and all Government Regulations. The Work will not violate any of the conditions, covenants or restrictions on the Property.



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CONSTRUCTION LOAN AGREEMENT

I will notify Lender immediately in writing if (i) I think that the Work does not comply with the Construction Contract or this Loan Agreement; (ii) any notice of lien on the Property is served on me or Contractor; or (iii) any Government Authority issues any notice or claim relating to the Property.

I promise the Work will be completed on or before February 28, 2005 ("Completion Date"). Lender will accept the Work as completed when I satisfy all of the conditions in Section 2.8.4.8 of this Loan Agreement ("Substantial Completion").

2.1.7. Loan Administration.

I will pay Lender a non-refundable loan administration fee of *One Thousand and One Hundred Thirty Eight Dollars and Fifty Cents (\$1,138.50)*. Lender has the right to retain a third party to assist with Loan administration during the Construction Phase ("Loan Administrator").

Loan Administrator's services are for Lender's benefit only. Loan Administrator's services create no liability or responsibility to me, Contractor, any Suppliers, or any third parties. Lender is not obligated to use Loan Administrator.

2.1.8. Inspections.

Lender has the right to enter the Property to inspect the Work, without notice to me, during normal business hours, or any other times that Lender arranges with me. I will pay for all inspections performed at the request of Lender or any Government Authority.

Lender inspections are for Lender's benefit only. Lender's inspections create no liability or responsibility to me, Contractor, any Suppliers, or any third parties. Lender is not obligated to inspect the Property or the Work.

2.1.9. I Am Responsible for the Work.

I have full and sole responsibility to make sure that the Work complies with the Plans and all Government Regulations. Lender has no liability, obligation or responsibility for the Work. Lender is not liable for any failure to construct, complete, protect, or insure the Work. Lender is not liable for any costs of the Work. Nothing Lender does (including inspecting the Work or making an advance) will be a representation or warranty by Lender that the Work complies with the Construction Contract, this Loan Agreement, the Permits or any Government Regulations. If Lender asks, I will repair or replace at my expense any Work that does not comply with the Plans. I have no right to assert or claim any offset, counterclaim or defense against Lender because of any claim I may have against Contractor or any Suppliers.

2.2.

Costs and Expenses. I will pay all costs and expenses required to satisfy the conditions of this Loan Agreement, including any Change Orders.

2.3.

No Other Financing. ☒ Until paid in full, the Loan will be my only financing for ☐ the Work ☒ the Property and the Work.



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2.4. My Title to the Property.

- ☐ I will get a title report as described in Section 2.4.1 of this Loan Agreement.
- ☒ I will get title insurance as described in Section 2.4.2 of this Loan Agreement.

2.4.1. Title Report. I will get a title report, prepared by a title company or an attorney admitted to practice in the jurisdiction where the Property is located, certified to Lender ("Title Report"). The Title Report must show that the lien of the Security Instrument will be a valid ☐ first ☐ second priority lien on my interest in the Property, and that the title to my interest in the Property is free and clear of all defects and encumbrances except those Lender approves in writing.

2.4.2. Title Insurance. I will get and keep in force a mortgagee's or lender's policy of title insurance ("Title Policy"). The Title Policy will insure: (i) that the total amount of the lien of Lender's Security Instrument is a valid ☒ first ☐ second priority lien on my interest in the Property; and (ii) that the title to my interest in the Property is free and clear of all defects and encumbrances except those Lender approves in writing.

At or prior to the closing of the Loan, I will provide Lender with the commitment of the Title Company to issue the Title Policy ("Title Commitment"). When the Work is completed, I will provide Lender with endorsements to the Title Policy insuring Lender to the full amount of the Loan disbursed.

2.5.

Survey. If Lender requests, I will provide and certify ☒ to Lender ☒ to the Title Company ☒ a survey of the Property ☐ a final as-built survey of the Property and the Improvements, including dimensions and locations of all completed Improvements and all easements or other rights or restrictions (each, a "Survey"). Each Survey must be satisfactory to Lender ☒ and to the Title Company.

2.6.

Appraisal. If Lender requests, I will get an appraisal of the Property and the Improvements. I will get the appraisal ☒ before Lender disburses any part of the Loan ("Initial Appraisal") ☐ before the final advance of the Loan ("Final Appraisal"). The appraisal will show the value of the Property and the Improvements, using the ☒ "as built" ☐ "drive-by" ☐ property value estimate ☐ tax assessment method. ☐ I ☒ Lender will choose the appraiser. Each appraisal shall reflect an appraised value and be in form and substance satisfactory to Lender.

2.7.

Hazard Insurance. ☒ Contractor must get and keep in force the insurance policies described in Section 2.7.1 ("Contractor's Insurance"). ☐ Borrower must get and keep in force the insurance policies described in Section 2.7.2 ☒ and Section 2.7.2.1 ("Borrower's Insurance").

2.7.1. Contractor's Insurance. Contractor must get and keep in force the following insurance policies ("Contractor's Insurance"); (i) a builder's all risk insurance policy (with a mortgagee's loss payable clause in favor of Lender and with a physical loss form endorsement), without co-insurance, in an amount not



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less than one hundred percent (100%) of the replacement cost of the improvements, with the standard conditions; (ii) public liability insurance with limits of liability equal to at least \$500,000 per occurrence; and (iii) workers' compensation insurance as required by applicable state law. Contractor's insurance will be in force until I accept the improvements.

I will give Lender a copy of each insurance policy.

2.7.2. Borrower's Insurance.

2.7.2.1.

During Construction. I will get and keep in force the following insurance policies ("My Construction Phase Insurance"): (i) a builder's all risk insurance policy (with a mortgagee's loss payable clause in favor of Lender and with a physical loss form endorsement), without co-insurance, in an amount not less than one hundred percent (100%) of the replacement cost of the improvements, with the standard conditions; (ii) public liability insurance with limits of liability equal to at least \$500,000 per occurrence; and (iii) workers' compensation insurance as required by applicable state law.

My Construction Phase Insurance will (i) not terminate until the Permanent Mortgage Date; (ii) permit me to occupy the project prior to Substantial Completion; (iii) will not contain an interval dollar limitation on the "theft of building materials" coverage; (iv) not exclude coverage for "resultant losses" from errors in design, defective materials or faulty workmanship; (v) cover weather-related claims for a property in the open; (vi) cover me, Lender, Contractor and subcontractors of every tier; (vii) have a term of not less than twelve (12) months; and (viii) have a deductible not greater than one percent (1%) of the coverage amount or one thousand dollars (\$1,000.00), whichever is less.

I will give Lender a copy of each insurance policy.

2.7.2.2.

My Insurance After Construction. I will get a standard hazard insurance policy as required by the Security Instrument. This insurance will be effective when the Contractor's Insurance or my Construction Phase insurance terminates.

2.8. The Loan.

2.8.1. Administration. Lender shall disburse the Loan proceeds ("Loan Proceeds"):

- ☐ on the date the Loan closes ("Closing Date"), (\$), in escrow, to a federally insured interest bearing account ("Disbursement Account" or "Account"), to be disbursed by Lender, or Lender's escrow agent ("Escrow Agent"), as provided in Section 2.8.4.4 of this Loan Agreement.



CONSTRUCTION LOAN AGREEMENT

- ☐ on the date the Loan closes ("Closing Date"), (\$) in escrow, to a federally insured interest bearing account ("Equity Disbursement Account" or "Account"), to be disbursed by Lender, or Lender's escrow agent ("Escrow Agent"), as provided in Section 2.8.4.4 of this Loan Agreement ("Borrower Equity Deposit").
- ☐ on the Closing Date, (\$), to me in the form of one or more checks, payable jointly to me and Contractor or one or more Suppliers.

☒ Seventy Eight Thousand Four Hundred Seven Dollars and Twenty Eight Cents (\$78,407.28), directly to me or to Contractor or to Suppliers, as provided in Section 2.8.4.4 of this Loan Agreement.

2.8.2. Use of the Loan Funds.

2.8.2.1.

Advances. "Advance" means Lender's advance of any part of the Loan or Borrower's Equity Deposit under this Loan Agreement, or my endorsement and delivery of any Loan Proceeds check to Contractor or a Supplier.

2.8.2.2.

Loan Commitment Amount. As of the Closing Date, Lender commits to disburse Loan principal in the total amount of the Loan ("Loan Commitment Amount"). After the Closing Date, the Loan Commitment Amount will equal the principal amount of the Loan less the total amount of Advances made to date. Any Loan Commitment Amount that remains after all Advances have been made will be credited as a partial prepayment of the principal amount of the Loan at the time of the final Advance. The partial prepayment will reduce the ☒ amount of ☐ number of my monthly payments. If, at any time, the Loan Commitment Amount is not enough to pay the amount scheduled for any Advance, I will pay the difference from my own funds.

2.8.2.3.

No Changes. Unless Lender agrees in writing first, I will not change the Plans or the Construction Contract, or permit any part of any Advance to be paid except as specified in the Schedule of Advances, or in a Construction Loan Disbursement Request/Authorization.

2.8.2.4.

Contingency Reserve. If my Loan Commitment Amount includes an amount to pay unanticipated costs ("Contingency Reserve"), (i) I may request Lender, in its sole discretion, to fund Advances from my Contingency Reserve, and (ii) I will provide any information Lender reasonably requests to support my request.

2.8.2.5.

Trust Fund. I will receive all Advances in trust. I will apply the Advances first to the payment of the cost of the Work before using any part for any other purpose.



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2.8.3. The Accounts. If the Loan will be disbursed from a Disbursement Account or an Equity Disbursement Account, I will enter into an agreement with Lender governing the Account. All interest on the Account, if any, will be paid to me. If Lender is a depository institution that offers demand deposit accounts, the Account must be with Lender.

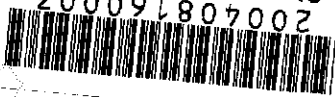
2.8.4. Advances; Conditions To Advances. Each of the promises I make in this Loan Agreement shall be considered made again as of the time (i) Lender, or Loan Administrator, or Escrow Agent, receives any request from me and Contractor for an Advance ("Construction Loan Disbursement Request/Authorization"); or (ii) I endorse any Loan Proceeds check to Contractor or a Supplier; or Lender disburses funds from the Equity Deposit Account. ☒ Lender will hold Zero percent (0%) of each Advance for the Work ("Holdback"). Lender will disburse Holdback only as part of the final Advance. Lender will pay for Work as itemized in the Schedule of Advances ("Exhibit D"), but only if all the following conditions are satisfied:

2.8.4.1. Plans Approved. I have reviewed the Plans; the Plans are satisfactory and have been approved by all Government Authorities having jurisdiction over the Property and the Work.

2.8.4.2. Work Completed. The Work for which an Advance is requested has been completed in a good and workmanlike manner, and complies with the Construction Contract, the Plans, the Permits, and all Government Regulations.

2.8.4.3. My Financial Condition; No Defaults. There is no material adverse change in my financial condition or employment status since the time I applied for the Loan. I am not in default under any of the Loan Documents or the Construction Contract. I have complied completely with all of my promises about the Work (including the promises in Section 2.1.6 of this Loan Agreement).

2.8.4.4. Construction Loan Disbursement Request/Authorization; Invoices and Lien Waivers. If the Loan will be disbursed from a Disbursement Account or an Equity Deposit Account, or directly by Lender, Contractor, or one or more Suppliers will deliver to Lender, Escrow Agent, or Loan Administrator (i) a Construction Loan Disbursement Request/Authorization, in the form set forth in Exhibit "C," properly completed, and signed by me and Contractor; (ii) the invoices for the Work; (iii) construction lien waivers from Contractor and each Supplier for all Work covered by the Construction Loan Disbursement Request/Authorization and (iv) all other required information described in the Construction Loan Disbursement Request/Authorization.



CONSTRUCTION LOAN AGREEMENT

If I have an Equity Deposit Account, following the Closing Date, Lender shall not disburse any Loan Proceeds, other than Advances from the Interest Reserve, until Lender disburses all funds in the Account ("Borrower Equity") in payment of Construction Loan Disbursement Requests/Authorizations.

Lender may rely on my statements, and on Contractor's or Supplier's statements in the Construction Loan Disbursement Request/Authorization, and on the invoices and lien waivers submitted by Contractor or Supplier. Lender does not have to verify any of that information. The funds obtained with the Construction Loan Disbursement Request/Authorization will be used to pay for the Work described in the Construction Loan Disbursement Request/Authorization.

Lender, in its sole discretion may wire Advances directly to Contractor or Suppliers.

2.8.4.5. Limits on Construction Loan Disbursement Requests/Authorizations

The first Construction Loan Disbursement Request/Authorization shall be submitted no sooner than ten days following the Closing Date.

No more than 5 Construction Loan Disbursement Requests/Authorizations shall be submitted. No more than two Construction Loan Disbursement Requests/Authorizations shall be submitted in any calendar month.

I will pay Loan Administrator *One Hundred Seventy-five Dollars* \$175.00 for each Construction Loan Disbursement Request/Authorization exceeding either limit.

After the Advance, the Loan Commitment Amount remaining will be sufficient to complete all Improvements described in this Loan Agreement, the Plans and the Construction Contract

If Lender makes Advances with the assistance of an Escrow Agent or a Loan Administrator, Lender will provide me with written guidelines that will supplement procedures for Advances described in this Loan Agreement. I will follow those procedures.

2.8.4.6. Interest Reserve. I will establish an Interest Reserve from which Lender shall make Advances to pay interest during the Construction Phase. If the amount in the Interest Reserve is not enough to pay interest that is due prior to the Permanent Mortgage Date, I will pay those amounts directly to Lender from my own funds. Unless and until Interest Reserves are paid into a Disbursement Account, no interest shall be paid by Lender on the Interest Reserve.



CONSTRUCTION LOAN AGREEMENT

2.8.4.7. Monthly Payment Reserve. ☐ My Loan is a Renovation Mortgage. ☐ I elect ☒ Lender requires me to pay from the Loan Commitment Amount the first 6 monthly payments of principal and interest and ☐ Escrow Items on the dates those payments become due. These payments designated by Lender are called the "Monthly Payment Reserve Account."

If the amount in the Monthly Payment Reserve Account is not enough to pay in full a payment of principal and interest or Escrow Item, I will pay those amounts directly to Lender from my own funds.

2.8.4.8. Loan Commitment Amount. The Loan Commitment Amount remaining after each Advance will be enough to complete all the Work.

2.8.4.9. Completion of Improvements. The Work will be completed as required by this Loan Agreement.

☒ Before the final Advance, I will deliver to Lender a copy of ☒ the final inspection report, ☒ the final title endorsement, ☐ a notice of completion certificate signed by me and Contractor, ☐ a notice of occupancy issued by the Government Authority, if required by law.

☐ Within six months after the Work is completed, I will deliver to Lender a copy of ☐ the final inspection report, ☐ the final title endorsement, ☐ a completion certificate signed by me and Contractor, ☐ a notice of completion, ☐ the final, unconditional certificate of occupancy issued by the Government Authority, if required by law.

3. DEFAULT AND REMEDIES

3.1. Events of Default. I will be in default under this Loan Agreement and the other Loan Documents if any of the following events ("Events of Default") occurs:

- 3.1.1. Nonpayment.** I fail to make any payment due under any Loan Document.
- 3.1.2. Other Broken Promises.** I fail to keep any promise in this Loan Agreement or any other Loan Document.
- 3.1.3. False Statements.** Any statement of fact, representation or warranty I make to Lender in my loan application, this Loan Agreement or in any other Loan Document is false, inaccurate, or incomplete.



CONSTRUCTION LOAN AGREEMENT

3.2. Lender's Rights and Remedies. Subject to my right to notice of default and right to cure the default(s), to the extent required by law, if an Event of Default occurs, Lender has the following rights and remedies ("Rights and Remedies"):

3.2.1. Declare a Default. Lender may declare the Note, the Security Instrument, or both, in default.

3.2.2. Finish the Construction and Protect the Property. Lender may take possession of the Property. Lender may do every act and thing I or any subsequent owner of the Property might or could do for the protection, construction, repair, operation, maintenance and leasing of the Property.

I authorize Lender, as my attorney-in-fact, to exercise any right I may have in or under the Construction Contract, any Secondary Contract, or any Permit. I irrevocably authorize and direct each party to any Construction Contracts or Permits to provide Lender the benefits of the Permits and the Construction Contracts upon Lender's written notice. I agree that any such party shall have the right to rely upon any written notice from Lender without any obligation or right to inquire as to whether an Event of Default actually exists and notwithstanding any notice from me or claim by me to the contrary. I will have no right or claim against any such party for any benefit provided to Lender by such party. If I cure the Event of Default, or if Lender reinstates the Loan in good standing, Lender will give written notice of reinstatement to each such party and authorize each such party to render such benefits to me.

3.2.3. Take the Escrow Account. Lender may take any funds in the Disbursement Account or the Equity Deposit Account, if any, to apply to any amounts I owe under the Loan Documents.

3.2.4. Indemnity. I will indemnify and hold Lender and Lender's affiliates, and the officers, directors, employees and agents of Lender and its affiliates ("Indemnified Parties"), harmless from any liability, claim, loss, cost, legal expenses (including suits, claims, proceedings, damages, and costs arising from or relating to any third-party claim), incurred by or alleged against any of the Indemnified Parties arising from or related to (i) the Property, (ii) the Work, or (iii) my default under this Loan Agreement.

3.2.5. Lender's Fees, Costs, and Expenses. I shall promptly pay to Lender all attorney's fees, costs, and other expenses paid or incurred by Lender in enforcing or exercising Lender's Rights and Remedies under this Loan Agreement. Interest will accrue on these amounts at the rate in the Note from the date the expense is incurred. The expense plus interest will be secured by Lender's Security Instrument.

3.2.6. Remedies Cumulative. Lender may (but is not required to) exercise any or all of the rights under this Loan Agreement. All of Lender's Rights and Remedies contained in this Loan Agreement are cumulative and are in addition to any other Rights and Remedies created in any other Loan Document or existing at law or in equity.



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CONSTRUCTION LOAN AGREEMENT

4. GENERAL

- 4.1. My Cooperation.** I will, at my own cost and expense, sign any other instruments or documents, and supply any information and data that Lender considers necessary to accomplish the purposes of this Loan Agreement. If, in Lender's opinion, a material modification of the terms of this Loan Agreement is required, or occurs, I will execute an appropriate Construction Loan Modification Agreement. All documents delivered to Lender by me shall become Lender's property.
- 4.2. Credit Information.** I will provide Lender with updated financial or credit information when Lender requests it. Lender may get consumer reports from consumer reporting agencies when Lender reviews my Loan.
- 4.3. No Waivers.** Lender may choose to delay enforcing any of Lender's rights or waive any of Lender's rights under this Loan Agreement. Lender may delay enforcing or waive any of Lender's rights without affecting Lender's other rights. If Lender waives a right, Lender may enforce the same right later.
- 4.4. Entire Agreement.** This Loan Agreement and the other Loan Documents are the entire understanding between Lender and me about the Loan, the Improvements, and the Work, and may not be modified, amended, or terminated except by written agreement signed by Lender and me.
- 4.5. Binding Agreement; Assignment.** This Loan Agreement is for the benefit of Lender and Lender's successors and assigns, and binds me, my heirs, executors, administrators, successors and assigns. I may not assign this Loan Agreement without Lender's prior written consent, which Lender may withhold in Lender's sole discretion.
- 4.6. Survival of Representations.** Any promise I make shall survive the termination of this Loan Agreement and the repayment of the Loan.
- 4.7. Joint and Several Liability.** Each person executing this Loan Agreement as a Borrower has joint and several liability.
- 4.8. Notices.** Any communication required by this Loan Agreement shall be in writing and addressed to the addressee at the address indicated on the first page of this Loan Agreement.
- 4.9. No Third Party Beneficiary.** This Loan Agreement is for the sole benefit of Lender, Escrow Agent, Loan Administrator and me, and is not for the benefit of anyone else. All conditions to Lender's obligation to make any Advance are solely for Lender's benefit. No other person or entity shall have standing to require satisfaction of those conditions or be deemed to be the beneficiary of those conditions.
- 4.10. Governing Law.** This Loan Agreement is entered into in the state where the Property is located (the "State") and shall be controlled and interpreted by the laws of the United States and the State.
- 4.11. Exhibits.** The following exhibits are attached to and a part of this Loan Agreement.



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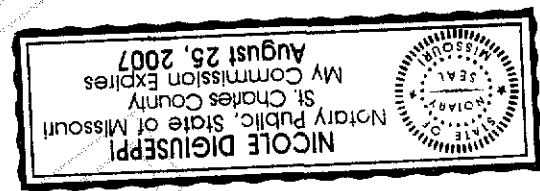
UNIFORM ACKNOWLEDGEMENT
(For use on Documents being Acknowledged Outside Of Washington)

State, Missouri, Territory, Possession or Foreign County)

On the 5th day of August in the year 2004 before me, the undersigned, personally appeared Christopher B. Giles, personally known to me or proved to me on the basis of satisfactory evidence to be the Individual(s) is (are) subscribed to the within instrument and acknowledged to me that he capacity(ies), and that by his signature(s) on the instrument, the individual(s) or the person upon behalf of which the individual(s) acted, executed the instrument and that such individual made such appearance before the undersigned in the County of St. Charles and State of Missouri.
(Insert the city or other political subdivision and the state or county or other place the acknowledgement was taken).

Christine B. Giles

Signature and office of individual taking acknowledgement.



CONSTRUCTION LOAN AGREEMENT

Exhibit "A" - Description of the Property

Exhibit "B" - Secondary Contractors

Exhibit "C" - Construction Loan Disbursement Request/Authorization

Exhibit "D" - Schedule of Advances

IN WITNESS WHEREOF, Borrower and Lender have executed this Loan Agreement as of the date first set forth on page one.

LENDER: CitiMortgage, Inc.

BY:

ITS:

Brian Frizzle
Brian Frizzle
Virginia Frizzle
Virginia Frizzle



CONSTRUCTION LOAN AGREEMENT

STATE OF Utah COUNTY OF Skaist
)
) SS:)

On this 10th day of Aug, 2004, before me the subscriber personally appeared Brian Frizzle and Virginia Frizzle to me known and known to me to be the same person(s) described in and who executed the foregoing instrument, and (s)he/they/duly (jointly and severally) acknowledged to me that (s)he/they executed the same.

Notary Signature [Signature]
Notary Printed Name K. TRANEY

Notary Public; State of Utah
Qualified in the County of Skaist
My commission expires: 11-02-06

Official Seal:



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CONSTRUCTION LOAN AGREEMENT

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

Lot 21, "FOREST ESTATES," as per plat recorded in Volume 8 of Plats, pages 53 and 54, records of Skagit County, Washington.

Situate in the County of Skagit, State of Washington.

Property I.D. No: P65432 Acct # 3914-000-021-0004

WASHINGTON

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CONSTRUCTION LOAN AGREEMENT

EXHIBIT B

SECONDARY CONTRACTORS

Secondary Contractor License Number	Secondary Contractor Contact Person	Secondary Contractor Address	Secondary Contract Price	Secondary Contract Date	Nature of Work	Secondary Contractor Name



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CONSTRUCTION LOAN AGREEMENT

EXHIBIT C

CONSTRUCTION LOAN DISBURSEMENT REQUEST/AUTHORIZATION

Date	Loan Number 2001840453		
Borrower Brian Frizzle	Telephone (area code) 360-416-3371	Fax (area code)	
Contractor Piazza Construction Inc	Telephone (area code) 360-424-3547	Fax (area code) 360-424-3547	
Property Address			
City Mount Vernon		State Washington	
		Zip Code 98274	

By signing below, Borrower and Contractor each represent and agree that:

1. They have reviewed the Plans, the Plans are satisfactory and have been approved by all Governmental Authorities having jurisdiction over the Property and the Work;
2. The Improvements do not violate any of the conditions, covenants or restrictions on the Property;
3. There are no defaults under the terms of the Loan Agreement, any other Loan Document, or under the Construction Contract;
4. Borrower acknowledges and reaffirms the terms and conditions set forth in the Loan Documents;
5. Borrower and Contractor acknowledge and reaffirm the terms and conditions set forth in the Construction Contract Modification Agreement;
6. The Work for which this Construction Loan Disbursement Request/Authorization is made has been duly completed in a good and workmanlike manner, in accordance with the Plans and in compliance with all Governmental Regulations;
7. There are no claims or disputes concerning the Work;
8. The Loan Commitment Amount remaining will be sufficient to complete all Improvements contemplated by the Loan Agreement, the Plans and the Construction Contract;
9. Lender has received invoices, and unconditional construction lien releases from the General Contractor, and each Supplier for all Work covered by for all Construction Loan Disbursement Requests/Authorizations previously submitted;
10. The funds obtained with each prior Construction Loan Disbursement Request/Authorization were used to pay in full the costs of labor performed or materials supplied as requested in each such Construction Loan Disbursement Request/Authorization;
11. The funds obtained with the Construction Loan Disbursement Request/Authorization will be used to pay in full the costs of labor performed or materials supplied as requested in this Construction Loan Disbursement Request/Authorization;
12. There has been no material adverse change in Borrower's financial condition or employment status since the time Borrower applied for the Loans.

By signing below Borrower and Contractor request Lender to make following payments:

Line Number	Payee	Amount (\$)
Current Request:		Total in the amount of (\$)



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Skagit County Auditor

CONSTRUCTION LOAN AGREEMENT

By: _____
Contractor Authorized Signature

Its: _____
Title

Borrower also represents and agrees that Borrower has forwarded to CitiMortgage's fund administrator, Granite Loan Management, LLC, certified mail return receipt requested, at 5251 DTC Parkway, Suite 625 Greenwood Village, Denver, Colorado 80111, any notices, preliminary notices, lien claims or documents relating thereto, claims or the like, and agrees to indemnify and hold harmless CitiMortgage and CitiMortgage's fund control administrator, as a result of Borrower's failure to do so. Borrower expressly acknowledges that CitiMortgage has not waived any of its rights by reason of any acts occurring on or before this date and hereby represents that Borrower has no claims or causes of action against CitiMortgage and/or releases CitiMortgage and its agents, from any and all acts from the date of the Loan Documents through the date of this Advance.

Borrower's Signature

Date

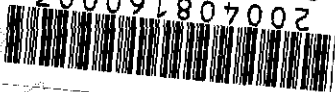
If you do not follow the procedures outlined in the Construction Loan Operating Guide, your Advance will be delayed.

By signing below the authorized CitiMortgage representative named below approves the disbursement requested in this Construction Loan Disbursement Request/Authorization but, to the extent permitted by applicable law, makes no warranty or representation as to the quality of work completed and/or materials delivered thus far.

CitiMortgage, Inc. ("Lender")

Authorized Representative

Date



CONSTRUCTION LOAN AGREEMENT

EXHIBIT "D" SCHEDULE OF ADVANCES

Item	Amount	Reference
Loan Commitment Amount	207,000.00	The principal amount of the Loan
Hard Cost	78,407.28	Hard cost includes the cost of labor and materials for the Work.
Soft Cost		Soft cost includes fees for permits, inspections, architects, engineers, consultants and the Loan Administrator
Loan/Closing Cost		See your Settlement Statement (HUD-1)
Interest Reserve	3,803.63	See Section 2.8.4.6 of the Loan Agreement
Contingency Reserve		See Section 2.8.4.2 of the Loan Agreement
Property Purchase Price		See your Settlement Statement (HUD-1)
Existing Mortgage Payoff	131,407.82	See your Settlement Statement (HUD-1)
[reserved]		[reserved]
Total Project Cost		
Seller/Builder Contribution		The total of the amount, if any, paid by Seller/Builder to the Total Project Cost.
Cash Due from Borrower	9,695.98	A positive number represents funds Borrower must pay at closing. A negative number equals the proceeds Lender will pay Borrower at closing.
Loan Commitment Amount	207,000.00	The Total Project Cost minus the sum of Seller/Builder Contribution plus Cash Due from Borrower.

The "Project Budget Listing" on the following pages is part of this Schedule of Advances. The Project Budget Listing is a schedule of each Hard Cost included in the Total Project Cost. Following the Closing Date, Lender or Loan Administrator may restate the Project Budget Listing in a form called the Project Cost Report ("Form N"). I must notify Lender in writing within thirty (30) days after I receive Form N if I disagree with any information in Form N. If I do not, the information will be deemed to be correct.

