

When recorded return to:

Qualstar Credit Union
P.O. Box 96730
Bellevue, WA 98009
1-800-848-0018



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Skagit County Auditor

7/7/2005 Page 1 of 6 11:24AM

CLOSED-END DEED OF TRUST

Grantor(s):
DONALD E. PEPPER

FIRST AMERICAN TITLE CO.
84842-3

Grantee(s):
Qualstar Credit Union

Legal Description:

LOT 100, BLOCK 1, "LAKE CAVANAUGH SUBDIVISION, DIVISION NO. 3", AS PER PLAT RECORDED IN VOLUME 6 OF PLATS, PAGES 25 TO 31, INCLUSIVE, RECORDS OF SKAGIT COUNTY, WASHINGTON.

Assessor's Property Tax Parcel or Account No.: **3939-001-100-0007 P66876**

Reference Numbers of Documents Assigned or Released:

THIS DEED OF TRUST is given on July 7th 2005 by DONALD E. PEPPER, AN UNMARRIED MAN, AS HIS SEPARATE ESTATE.

(hereinafter referred to individually or collectively, as the context may require, as "Grantor") to FIRST AMERICAN TITLE CO whose address is 1301B RIVERSIDE DR., PO BOX 1667 MOUNT VERNON, WA 98273 ("Trustee"), for the benefit of Qualstar Credit Union, its successors and assigns, whose address is P.O. Box 96730, Bellevue, Washington 98009 ("Beneficiary").

Grantor does hereby grant, convey and warrant to Trustee, in trust, with power of sale, the above described property located in the County of SKAGIT, State of WA which has the street address of 33100 DEER PARK LN MOUNT VERNON WA 98274; together with

(i) all improvements, buildings or structures of any nature whatsoever, now or hereafter erected on the property, (ii) all fixtures, including all plumbing, heating, air conditioning and ventilating equipment, now or hereafter located under, on or above the property, (iii) all rights, privileges, rents, royalties, mineral, oil and gas rights and profits, tenements, hereditaments, rights-of-way, easements, appurtenances, appurtenances, or riparian rights now or hereafter belonging or in any way appertaining to the property, and (iv) all of Grantor's right, title and interest in and to any streets, rights-of-way, alleys or strips of land now or hereafter adjoining thereto, including any replacements and additions to any of the foregoing. All of the foregoing is collectively referred to in this Deed of Trust as the "Property."

THE PROPERTY IS NOT USED PRINCIPALLY FOR AGRICULTURAL PURPOSES.

Complete if Applicable:
 The Property is part of a condominium project known as _____
 The Property includes Borrower's unit and all Borrower's rights in the common elements of the condominium project.
 The Property is in a Planned Unit Development known as _____
 This Deed of Trust is given to secure to Lender the following:

- The repayment of all indebtedness, including a principal sum of U.S. \$ FORTY -TWO THOUSAND FIVE HUNDRED and 00/100 (\$ 42,500.00), finance charges, taxes, special assessments, insurance, late fees, and any other charges and collection costs due and to become due ("Debt") under the terms and conditions of the HomeEquity Closed-end Note, Truth in Lending Disclosure Statement and Loan Agreement made by Borrower and dated the same day as this Deed of Trust, including any and all modifications, amendments, extensions and renewals thereof ("Loan Agreement").
- The payment of all other sums advanced in accordance therewith to protect the Property, with finance charges thereon;
- The performance of Borrower's covenants and agreements under this Deed of Trust and under the Plan.
 This deed of trust is intended to and shall be valid and have priority over all subsequent liens and encumbrances, including statutory liens, excepting taxes and assessments levied on the Property not yet due and payable, to the extent of the maximum amount secured hereby.

DEED OF TRUST (continued)

A. REPRESENTATIONS

Grantor hereby represents to Beneficiary as follows:

1. Validity of Security Documents.

(a) The execution, delivery and performance by Grantor of the Agreement, this Deed of Trust and all other documents and instruments now or hereafter furnished to Beneficiary to evidence or secure payment of the Debt (the "Security Documents"), and the borrowing evidenced by the Agreement, will not violate any provision of law, any order of any court or other agency of government, or any mortgage, indenture, trust agreement or other instrument to which Grantor is a party or by which Grantor or any of Grantor's property is bound, or be in conflict with, or will result in a material breach of or constitute (with due notice and/or lapse of time) a default under any such mortgage, indenture, trust agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of Grantor's property or assets, except as contemplated by the provisions of the Security Documents; and

(b) The Security Documents, as and when executed and delivered by Grantor, constitute the legal, valid and binding obligations of Grantor in accordance with their respective terms subject to applicable bankruptcy and insolvency laws.

2. **Other Information.** All other information, reports, papers and data given to Beneficiary, or to Beneficiary's legal counsel, with respect to Grantor, the Property, or the loan evidenced by the Security Documents are accurate and correct in all material respects and complete insofar as completeness may be necessary to give Beneficiary a true and accurate knowledge of the subject matter.

3. **Title.** Grantor has good and marketable title in fee simple to the Property free and clear of all encumbrances except for encumbrances of record as of the date of this Deed of Trust. Grantor will preserve its title to the Property and will forever covenant and defend the same to Beneficiary and will forever covenant and defend the validity and priority of the lien of this Deed of Trust.

4. **Litigation.** There is not now pending or threatened against or affecting the Property, nor, to the knowledge of Grantor, is there contemplated, any action, suit or proceeding at law or in equity or by or before any administrative agency which, if adversely determined, would impair or adversely affect the value or operation of the Property.

5. **Environmental Indemnity.** Grantor shall indemnify and hold Beneficiary harmless against and from any and all loss, cost, damage, claim or expense (including, without limitation, any and all attorney's fees or expenses of litigation) incurred or suffered by Beneficiary on account of (i) the location on the Property of any chemicals, material, substance, or contaminant (including, without limitation, oil, petroleum products, asbestos, urea, formaldehyde, foam insulation, hazardous waste and/or toxic waste), the presence or storage of which or the exposure to which is prohibited, limited, or regulated by any federal, state, county, regional, or local governmental unit, agency or authority, or which presence, storage, or exposure may pose a hazard to health and safety, or (ii) the failure by Grantor or any prior owner or occupant of the Property to comply with any applicable federal, state, county, regional or local environmental laws, regulations, and court or administrative orders.

B. ADDITIONAL COVENANTS

Until the entire Debt shall have been paid in full, Grantor covenants and agrees as follows:

6. **Payment of Indebtedness.** Grantor shall timely pay and discharge the Debt or any part thereof in accordance with terms and conditions of the Agreement, this Deed of Trust, and the Security Documents.

7. **Payment of Taxes and Assessments.** Grantor shall duly pay and discharge, or cause to be paid and discharged all real estate and personal property taxes and other taxes and assessments, public or private; water and sewer rates and charges; all other governmental or nongovernmental charges applicable to the Property; any interest or costs or penalties with respect to any of the foregoing; and charges for any easement or agreement maintained for the benefit of the Property; general and special, ordinary or extraordinary, foreseen or unforeseen, of any kind and nature whatsoever which may at any time prior to or after execution of this Deed of Trust, be assessed, levied, or imposed upon the Property or the rent or income received therefrom, or any use or occupancy thereof. All of the foregoing are hereinafter collectively referred to as "Assessments." Grantor shall provide Beneficiary with satisfactory proof of payment of any Assessments within ten (10) days of the date any such Assessments are due. In the event Grantor fails to timely pay any such Assessments, Beneficiary may, but shall not be obligated to, make such payments and any amounts so paid by Beneficiary shall constitute Advances in accordance with Paragraph 16 hereof.

8. **Hazard Insurance.** Grantor 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 for which Beneficiary requires insurance. If the Property is located in an area designated by the Director of the Federal Emergency Agency as a special flood hazard area, Grantor agrees to obtain Federal Flood Insurance to the extent such insurance is required for the term of the loan and for the full indebtedness of the loan. Insurance policies shall be maintained in the amounts and for the periods that Beneficiary requires. The insurance carrier providing the insurance shall be chosen by Grantor subject to Beneficiary's approval which shall not be unreasonably withheld.

All insurance policies and renewals shall be acceptable to Beneficiary and shall include a standard mortgage clause. Beneficiary shall have the right to hold the policies and renewals. If Beneficiary requires, Grantor shall name Beneficiary as "loss-payee" and shall promptly give to Beneficiary all receipts of paid premiums and renewal notices. In the event of loss, Grantor shall give prompt notice to the insurance carrier and Beneficiary. Beneficiary may make proof of loss if not made promptly by Grantor.

Unless Beneficiary and Grantor otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, if the restoration or repair is economically feasible and Beneficiary's security is not lessened or impaired. If the restoration or repair is not economically feasible or Beneficiary's security would be lessened or impaired, the insurance proceeds shall be applied to the sums secured by this Deed of Trust, whether or not then due, with any excess paid to Grantor. If Grantor abandons the Property, or does not answer within 30 days a notice from Beneficiary that the insurance carrier has offered to settle a claim, then Beneficiary may collect the insurance proceeds. Beneficiary may use the proceeds to repair or restore the Property or to pay sums secured by this Deed of Trust, whether or not then due. The 30-day period will begin when the notice is given.

Unless Beneficiary and Grantor otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in Paragraph 6 or change the amount of the payments. If under Paragraph 21 the Property is acquired by Beneficiary, Grantor's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Beneficiary to the extent of the sums secured by this Deed of Trust immediately prior to the acquisition.



DEED OF TRUST (continued)

9. **Repair.** Grantor shall keep the Property in good order and condition and make all necessary or appropriate repairs, replacements and renewals thereof. Grantor agrees not to permit or allow any waste of the Property or make or permit to be made any material alterations or additions to the Property that would have the effect of diminishing the value thereof or that will in any way increase the risk of any fire or hazard arising out of the construction or operation thereof. Grantor agrees not to alter or remove any structure or fixture in the Property without Beneficiary's prior written consent. Grantor shall prevent any act or thing which might adversely effect or impair the value or usefulness of the Property.

10. **Restoration Following Uninsured Casualty.** In the event of the happening of any casualty, of any kind or nature, ordinary or extraordinary, foreseen or unforeseen, not covered by any insurance policy, resulting in damage to or destruction of the Property, Grantor shall give notice thereof to Beneficiary and Grantor shall promptly at Grantor's sole cost and expense, commence and diligently continue to restore, repair, replace, rebuild or alter the damaged or destroyed Property as nearly as possible to its value, condition and character immediately prior to such damage or destruction.

11. **Compliance With Laws.** Grantor shall promptly and faithfully comply with, conform to and obey or contest by appropriate proceedings in good faith all present, and use its best efforts as to future, laws, ordinances, rules, regulations and requirements of every duly constituted governmental authority or agency and of every board of fire underwriters having jurisdiction, or similar body exercising functions, which may be applicable to it or to the Property or to the use and manner of use, occupancy, possession, operation, maintenance or reconstruction of the Property, whether or not such law, ordinance, rule, order, regulation or requirement shall necessitate structural changes or improvements or interfere with the use or enjoyment of the Property.

12. **Performance of Other Agreements.** Grantor shall duly and punctually perform all covenants and agreements expressed as binding upon it under any agreement of any nature whatsoever that involves the Property, including, without limitation, all rules and regulations of a homeowners or condominium association if the Property is part of a condominium, cooperative, phased developed or other homeowners association.

13. **Inspection.** Grantor shall permit Beneficiary, and parties designated by Beneficiary, at all reasonable times, to inspect the Property.

14. **Hold Harmless.** Grantor shall, at Grantor's sole cost and expense, save, indemnify and hold the Trustee and Beneficiary, and their respective officers, directors, employees and agents, harmless against and from any injury, claim, demand, suit, judgment, execution, liability, debt, damage or penalty (hereinafter collectively referred to as "Claims") affecting the Property, or the value of any of the Security Documents, arising out of, resulting from, or alleged to arise out of or result from, any action or inaction by Grantor, except as may be the direct result of Beneficiary's negligence. Grantor shall pay all expenses incurred by the Trustee and Beneficiary in defending itself with regard to any and all Claims. These expenses shall include all out-of-pocket expenses, such as attorneys' and experts' fees, and shall also include the reasonable value of any services rendered by any employee of Beneficiary.

15. **Expenses.** Grantor shall pay or reimburse Trustee and Beneficiary for all reasonable attorneys' fees, reasonable costs and expenses paid or incurred by Trustee or Beneficiary in any action, proceeding or dispute of any kind in which Trustee or Beneficiary is made a party or appears as party plaintiff or defendant, involving any of the Security Documents, Grantor, or the Property, including, without limitation, to the foreclosure or other enforcement of this Deed of Trust, any condemnation involving the Property, any action to protect the security hereof, or any proceeding in probate or bankruptcy, and any such amounts paid or incurred by Grantor shall constitute Advances in accordance with Paragraph 16 hereof.

16. **Advances.** In the event Grantor fails to perform any act required of Grantor by any of the Security Documents or to pay when due any amount required to be paid by any of the Security Documents, Beneficiary may, but shall not be obligated to, make such payment or perform such act. Such payment or performance by Beneficiary shall not have the effect of curing any Event of Default or of extending the time for making any payment due hereunder or under the Agreement. All amounts so paid by Beneficiary, together with all expenses incurred in connection therewith, shall be deemed advances ("Advances") under this Deed of Trust and the Agreement, shall be immediately due and payable, and shall be added to the Debt. Advances shall bear interest from the date expended at the rate specified in the Agreement and shall be secured by this Deed of Trust as though originally a part of the principal amount of the Debt.

17. **Use Violations.** Grantor shall not use the Property or allow the same to be used or occupied for any unlawful purpose or in violation of any permit or certificate, or any law, ordinance, regulation or restrictive covenant, covering or affecting the use or occupancy thereof, or suffer any act to be done or any condition to exist on the Property or any article to be brought thereon, that may be dangerous, unless safeguarded as required by law, or that may, in law, constitute a nuisance, public or private.

18. **Other Liens.** Grantor shall not, without the prior written consent of Beneficiary, create or permit to be created or to remain, any mortgage, pledge, lien, encumbrance or charge on, security interest in, or conditional sale of or other title retention agreement on (whether prior or subordinate to the liens of the Security Documents) the Property or income therefrom other than the Security Documents ("Liens"). In the event Grantor fails to promptly discharge any such Liens, Beneficiary may, but shall not be obligated to, do so and any amounts paid or incurred by Beneficiary (including reasonable attorney's fees in connection therewith), shall be treated as Advances in accordance with Paragraph 16 hereof.

19. **Transfer of the Property.** Grantor shall not sell, convey, transfer or assign the Property or any beneficial interest therein or any part thereof, whether by operation of law or otherwise, without the prior written consent of Beneficiary. In the event of such a sale, conveyance, transfer or assignment, Beneficiary may, at its option, require immediate payment in full of all sums secured by this Deed of Trust. However, this option shall not be exercised by Beneficiary if exercise is prohibited by applicable law as of the date of this Deed of Trust.

If Beneficiary exercises Beneficiary's option to require immediate payment in full, Beneficiary shall give Grantor notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Grantor must pay all sums secured by this Deed of Trust. If Grantor fails to pay these sums prior to the expiration of this period, Beneficiary may invoke any remedies permitted by this Deed of Trust without further notice or demand on Grantor.

20. **Events of Default.** The term Event of Default, as used in the Security Documents, shall mean the occurrence or happening, from time to time, of any one or more of the following: (a) Grantor fails to make any payment required by this Deed of Trust or the Agreement when it is due; (b) Grantor fails to comply with any of the covenants, terms or conditions of this Deed of Trust, the Agreement or any of the Security Documents; (c) Grantor has engaged in or engages in fraud or material misrepresentation, either by act or omission, in connection with this Deed of Trust or the Agreement at any time during the application process or during the term of this Deed of Trust or the Agreement; or (d) Grantor acts or fails to act in a way that adversely affects the security under this Deed of Trust, including, without limitation, the following: (i) Grantor transfers title to the Property or sells the Property without the consent of Beneficiary.



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DEED OF TRUST (continued)

required to be carried by Grantor according to the terms of this Deed of Trust; (iii) Grantor fails to pay any Assessments on the Property; (iv) Grantor permits the filing of a lien against the Property senior to that held by Beneficiary; (v) the death of Grantor (in the event of more than one Grantor, the death of the last remaining Grantor who executed the Agreement); (vi) the Property is taken by condemnation or power of eminent domain; or (vii) the holder or beneficiary of any mortgage or deed of trust covering the Property commences foreclosure of such mortgage or deed of trust.

21. Default; Termination and Acceleration; Remedies. (a) *If the Property is located in Oregon, the following provisions apply:* Each of the following events shall constitute an event of default ("event of default") under this Deed of Trust: (1) Borrower commits fraud or makes a material misrepresentation in connection with this Deed of Trust or the Plan; (2) Borrower does not meet the repayment terms of the Plan; or (3) Borrower's action or inaction adversely affects the Lender's rights in the Property secured by this Deed of Trust. If an event of default occurs, then prior to exercising any right or remedy provided for in this Deed of Trust and prior to acceleration, Lender shall give notice as provided in paragraph 34 hereof and as required by applicable law. The notice shall specify: (i) the event of default; (ii) the action required to cure the event of default; (iii) a date, not less than ten days (or any longer period required by applicable law) from the date the notice is mailed to Borrower by which the event of default must be cured; (iv) that failure to cure the event of default on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property; and (v) any other information required by applicable law. The notice shall further inform Borrower of the right to reinstate after acceleration, if applicable, and the right to bring a court action to assert the nonexistence of an event of default or any other defense of Borrower to acceleration and sale. If the event of default is not cured on or before the date specified in the notice, Lender, at Lender's option, without further notice or demand, may declare default, may declare all sums secured by this Deed of Trust to be immediately due and payable, and may invoke the STATUTORY POWER OF SALE and any other remedies permitted by applicable law. Lender shall be entitled to collect all reasonable costs and expenses incurred in pursuing the remedies provided in this paragraph, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute a written notice of the occurrence of default and of Lender's election to cause the Property to be sold and shall cause such notice to be recorded in each county in which any part of the Property is located. Lender or Trustee shall give notice of sale in the manner prescribed by applicable law to Borrower and to other persons prescribed by applicable law. After the time required by applicable law, 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 all or any parcel of the Property by Public announcement at the time and place of any previously scheduled 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: (1) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (2) to all sums secured by this Deed of Trust; and (3) any excess to the person or persons legally entitled to it.

(b) *If the Property is located in Washington, the following provisions apply:* Each of the following events shall constitute an event of default ("event of default") under this Deed of Trust: (1) Borrower commits fraud or makes a material misrepresentation in connection with this Deed of Trust or the Plan; (2) Borrower does not meet the repayment terms of the Plan; or (3) Borrower's action or inaction adversely affects the Lender's rights in the Property secured by this Deed of Trust. If an event of default occurs, then prior to exercising any right or remedy provided for in this Deed of Trust and prior to acceleration, Lender shall give notice as provided in paragraph 34 hereof and as required by applicable law. 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 Deed of Trust 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 nonexistence of an event of default or any other defense of Borrower to acceleration and sale. If the event of default is not cured on or before the date specified in the notice, Lender, at Lender's option, may require immediate payment in full of all sums secured by this Deed of Trust 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, 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 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 Deed of Trust; and (c) any excess to the person or persons legally entitled to it or to the clerk of the superior court of the country in which the sale took place.

22. Successor Trustee. In the event of the death, dissolution, incapacity, disability or resignation of Trustee, Beneficiary shall appoint in writing a successor trustee, and upon the recording of such appointment in the Office of the County Auditor in the county in which the Property is located, the successor trustee shall be vested with all powers of the original trustee.

23. Reconveyance by Trustee. Trustee shall reconvey all or any part of the Property to the person entitled thereto, on written request of Beneficiary, or upon satisfaction of the Debt and written request for reconveyance made by Beneficiary or the person entitled thereto.

24. Condemnation. In the event of the taking by eminent domain proceedings or the like of any part or all of the Property by any federal, state, municipal or other governmental authority or agency thereof, all awards or other compensation for such taking shall be paid to Beneficiary for application on the Debt, provided that no such application shall result in additional interest or have the effect of curing any Event of Default or extending the time for making any payment due hereunder or under the Agreement.

25. Prior Deed of Trust. If this Deed of Trust is subject to a prior mortgage or deed of trust, the lien of which is superior to the lien of this Deed of Trust, Grantor agrees to pay each installment of the debt secured by the prior mortgage or deed of trust, including any acceleration or otherwise. Grantor also agrees to pay and perform all other obligations.



DEED OF TRUST (continued)

or deed of trust. Grantor agrees to provide Beneficiary with proof of payment or performance under the prior mortgage or deed of trust whenever Beneficiary requests it. If Grantor fails to pay any installment of principal or interest when it is due or if Grantor fails to pay or perform any other obligation under the prior mortgage or deed of trust, Beneficiary shall have the right, but not the obligation, to pay the installment or to pay or perform such other obligation on Grantor's behalf. Any amounts Beneficiary spends in performing Grantor's obligations will become part of the Debt, payable by Grantor on Beneficiary's demand, and will bear interest at the same rate as the Debt bears from time to time. Beneficiary may rely upon any written notice of default under the prior mortgage or deed of trust that Beneficiary receives from the holder of the prior mortgage or deed of trust even though Grantor questions or denies the existence, extent, or nature of the default. Grantor shall not renew, extend or modify the prior mortgage or deed of trust, and shall not increase the debt secured by the prior mortgage or deed of trust, without Beneficiary's prior written consent.

26. **Survival of Warranties and Covenants.** The warranties, representations, covenants and agreements set forth in the Security Documents shall survive the making of the loan and the execution and delivery of the Agreement, and shall continue in full force and effect until the Debt shall have been paid in full.

27. **Further Assurances.** Grantor shall, upon the reasonable request of Beneficiary, execute, acknowledge and deliver such further instruments (including, without limitation, a declaration of no set-off) and do such further acts as may be necessary, desirable or proper to carry out more effectively the purposes of the Security Documents and to subject to the liens thereof any property intended by the terms thereof to be covered thereby and any renewals, additions, substitutions, replacements or betterments thereto.

28. **Recording and Filing.** Grantor shall, at Grantor's sole cost and expense, cause those Security Documents and all supplements thereto, for which constructive notice must be given to protect Beneficiary, at all times to be recorded and filed, and re-recorded and re-filed, in such manner and in such places as Beneficiary shall reasonably request, and shall pay all such recording, filing, re-recording and re-filing fees and other charges.

29. **Loan Expenses.** Grantor shall pay all applicable costs, expenses and fees set forth in the Agreement.

30. **No Representation by Beneficiary.** By accepting or approving anything required to be observed, performed or fulfilled, or to be given to Beneficiary, pursuant to this Deed of Trust, including (but not limited to any officer's certificate, balance sheet, statement of profit and loss or other financial statement, survey or appraisal), Beneficiary shall not be deemed to have arranged or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, and such acceptance or approval thereof shall not be or constitute any warranty or representation with respect thereto by Beneficiary.

31. **Incorporation of Agreement.** Each and every term, covenant and provision contained in the Agreement is, by this reference, incorporated into this Deed of Trust as if fully set forth herein.

32. **Notice.** Except for any notice required under applicable law to be given in another manner, any notice provided for in this Deed of Trust shall be in writing and shall be deemed properly delivered by mailing it by both first class mail and either registered or certified mail, return receipt requested, to the following address(es) as follows or at such other address as may be designated by notice as provided herein:

If to the Grantor:

DONALD E PEPPER 22132 VILLA Dr
SNOHOMISH WA 98296

If to the Beneficiary:

Qualstar Credit Union
P.O. Box 96730
Bellevue, WA 98009

33. **Covenants Running With the Land.** All covenants contained in this Deed of Trust shall run with the Land.

34. **Successors and Assigns.** All of the terms of this Deed of Trust shall apply to and be binding upon, and inure to the benefit of, the successors and assigns of Grantor and Beneficiary, respectively, and all persons claiming under or through them; provided that nothing in this Paragraph shall be construed to permit a transfer, conveyance or assignment other than as expressly permitted by this Deed of Trust.

35. **Multiple Grantors.** Grantor's covenants and agreements hereunder shall be joint, several and primary. Any Grantor who co-signs this Deed of Trust but does not execute the Agreement: (a) is co-signing this Deed of Trust only to mortgage, grant and convey the Property; (b) is not personally obligated to pay the Debt; and (c) agrees that Beneficiary and any other Grantor may agree to extend, modify, forebear or make any accommodations with regard to the terms of this Deed of Trust or the Agreement without that Grantor's consent.

36. **Severability.** In case any one or more of the obligations or the provisions of this Deed of Trust or of the Agreement shall be determined to be invalid, illegal or unenforceable in any respect, the validity of the remaining obligations or provisions of this Deed of Trust shall be in no way affected, prejudiced or disturbed thereby.

37. **Modification.** This Deed of Trust may not be changed, waived, discharged or terminated orally, but only by an instrument or instruments in writing, signed by the party against which enforcement of the change, waiver, discharge or termination is asserted.

38. **Governing Law; Severability.** The state and local laws applicable to this Deed of Trust shall be the laws of the jurisdiction in which the Property is located. The foregoing sentence shall not limit the applicability of Federal law to this Deed of Trust. In the event that any provision or clause of this Deed of Trust or the Plan conflicts with applicable law, such conflict shall not affect other provisions of this Deed of Trust or the Plan which can be given effect without the conflicting provision, and to this end the provisions of this Deed of Trust and the Plan are declared to be severable. As used herein, "costs," "expenses" and "attorneys' fees" include all sums to the extent not prohibited by applicable law or limited herein.

39. **Strict Performance.** Any failure by Beneficiary to insist upon strict performance by Grantor of any of the terms and provisions of this Deed of Trust or any of the Security Documents shall not be deemed to be a waiver of any of the terms or provisions of this Deed of Trust or any of the Security Documents, and Beneficiary shall have the right thereafter to insist upon strict performance by Grantor of any and all of them.

40. **Heading.** The headings and the section and paragraph entitlements hereof are inserted for convenience of reference only, and shall in no way alter or modify the text of such paragraphs, sections and subsections.

41. **Riders.** If one or more riders are attached to and made a part of this Deed of Trust the covenants and agreements for each such rider shall be incorporated into and shall amend and supplement the covenants and agreements



DEED OF TRUST (continued)

42. **Protective Advances.** This Deed of Trust secures any advances Lender, at its discretion, may make under Section 12 of this Deed of Trust to protect Lender's interests in the Property and rights under this Deed of Trust.

43. **Attorneys' Fees.** Lender shall be entitled to recover, as applicable law may allow, its reasonable attorneys' fees and costs in any action or proceeding to construe or enforce any term of this Deed of Trust. The term "attorneys' fees" whenever used in this Deed of Trust, shall include without limitation attorneys' fees incurred by Lender in any bankruptcy proceeding or on appeal, as allowed by applicable law.

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.

WARNING

Unless you provide us with evidence of the insurance coverage as required by Lender's Agreement, Lender may purchase insurance at your expense to protect Lender's interest. This insurance may, but need not, also protect your interest. If the collateral becomes damaged, the coverage Lender purchases may not pay any claim you make or any claim made against you. You may later cancel this coverage by providing evidence that you have obtained property coverage elsewhere.

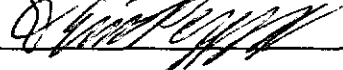
You are responsible for the cost of any insurance purchased by Lender. The cost of this insurance may be added to your contract or loan balance. If the cost is added to your contract or loan balance, the interest rate on the underlying contract or loan will apply this added amount. The effective date of coverage may be the date your prior coverage lapsed or the date you failed to provide proof of coverage.

The coverage Lender purchases may be considerably more expensive than insurance you can obtain on your own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

REQUEST FOR NOTICE OF DEFAULT AND FORECLOSURE UNDER SUPERIOR MORTGAGES OR DEEDS OF TRUST

Borrower and Lender request the holder of any mortgage, deed of trust or other encumbrance with a lien which has priority over this Deed of Trust to give Notice to Lender, at Lender's address set forth on page one of this Deed of Trust, of any default under the superior encumbrance and of any sale or other foreclosure action.

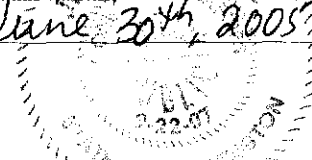
BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Deed of Trust and in any rider(s) executed by Borrower and recorded with it.

<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
	(Seal)		(Seal)
DONALD E. PEPPER			
Borrower 1		Borrower 2	
<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
	(Seal)		
Borrower 3		Borrower	

THIS SECURITY INSTRUMENT IS JUNIOR AND SUBORDINATE TO THAT CERTAIN SECURITY INSTRUMENT RECORDED UNDER AUDITOR'S FILE

STATE OF WA
COUNTY OF SKAGIT Shohomish SS: # _____

I certify that I know or have satisfactory evidence that DONALD E. PEPPER is (are) the person(s) who appear before me, and said person(s) acknowledge his signed this instrument and acknowledge it to be his free and voluntary act for the uses and purposes mentioned in this statement.

DATED: June 30th, 2005

Jennifer R Rife
NOTARY PUBLIC for the State of Washington, residing at Everett, WA
My appointment expires: 09/22/2007

REQUEST FOR RECONVEYANCE

TO TRUSTEE:
The undersigned is holder of the Plan secured by this Deed of Trust, Said Plan, together with all other indebtedness secured by this Deed of Trust, have been paid in full. You are hereby directed to cancel said Plan and this Deed of Trust, which are delivered hereby, and to reconvey, without warranty, all the estate now held by you under this Deed of Trust to the person or persons legally entitled thereto.

DATED: _____



200507070065
Skagit County Auditor