



200602220079

Skagit County Auditor

2/22/2006 Page 1 of 11 1:05PM

RECORD AND RETURN TO:

CBIC
Attn: Eric Sirkin
1213 Valley Street
P.O. Box 9271
Seattle, WA 98109

DEED OF TRUST

This DEED OF TRUST is made this 6th day of February, 2006, between ODETTA STURDEFANT and/or JERRY STURDEFANT as Grantor(s), whose address is 15432 Dewey Crest Lane, Anacortes, WA 98221; CHICAGO TITLE INSURANCE COMPANY, as Trustee, whose address is 701 5th Avenue Suite 1800, Seattle, WA 98104; and CONTRACTORS BONDING AND INSURANCE COMPANY, as Beneficiary, whose address is 1213 Valley Street, Seattle, Washington 98109.

Grantor(s) hereby irrevocably grants, bargains, transfers, assigns and conveys to Trustee in Trust, with Power of Sale, the following described Property in Skagit County, in the state of Washington:

Parcel Number: P73077

SECTION 18, TOWNSHIP 34, RANGE 02
FIDALGO CITY LOTS 8 TO 11 BLK 68

which property is not used principally for agricultural or farming purposes, TOGETHER WITH all improvements, buildings, fixtures, constructions, easements, tenements, hereditaments and appurtenances, now or hereafter thereunto belonging or in anywise appertaining, and the rents, issues and profits thereof and all other property or rights of any kind or nature whatsoever SUBJECT, HOWEVER, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues, and profits.

This Deed is for the purpose of:

- (1) Securing performance of all the terms and conditions of that certain indemnity agreement dated _____, a copy of which is attached and incorporated herein by this reference, as well as all obligations of Grantor(s) relating to any and all surety Bonds which Beneficiary has issued or may issue to Grantor(s), regardless of any change in amount, date, duration, name, number or business organization named on said Bond(s), or any other change relating to said Bond(s);
- (2) Securing every obligation and agreement (a) of Grantor(s) in any way relating thereto or arising therefrom, and (b) of every Principal named thereon in any way relating thereto or arising therefrom;
- (3) Securing such further sums as may be advanced or loaned by Beneficiary to Grantor(s), or by Beneficiary to any Principal named on said Bond(s) as above described, or any of their successors or assigns, together with interest thereon at the rate of twelve percent (12%) per annum from the time of such advance or such loan (unless the highest rate allowable by the law, if any, applicable to transactions of this type is less than said rate, in which event interest shall accrue at the highest rate allowable by such law).

To protect the Security of this Deed of Trust, and with respect to the property above described, Grantor(s) agree:

- (1) To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged, or destroyed thereon and to pay when due all claims for labor performed and materials furnished in the course of said action; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer, or permit any act upon said property in violation of the law; not to cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Property except in the case of small quantities of said substances generally recognized to be appropriate to normal residential use and maintenance of the Property; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which for the character or use of said property may be reasonable necessary, the specific enumerations herein not excluding the general;
- (2) To provide, maintain, and provide proof thereof to Beneficiary or Trustee upon request, insurance against loss by fire, hazards included within the term "extended coverage," and any other hazards, including floods or flooding, for which the



Beneficiary requires insurance. In the event of loss, Grantor(s) shall give prompt notice to the insurance carrier and Beneficiary. The amount collected under any insurance policy may be applied to Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Grantor(s). Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice;

- (3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed of Trust;
- (4) To pay, at least ten days before delinquency, all taxes, assessments, and payments, including mortgage and mortgage insurance, which affect or may affect said property, including assessments on appurtenant water stock, when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees, and expenses of this Trust;

Should Grantor(s) fail to make any payment or to do any act as herein provided:

- (1) Then Beneficiary or Trustee, without notice to or demand upon Grantor(s) and without releasing Grantor(s) from any obligation hereof, may make or do the same in such manner and to such extent as deemed necessary to protect the security hereof, being authorized to: (a) enter upon said property for such purposes; (b) appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; (c) pay, purchase, contest or compromise any encumbrance, charge, or lien which in the judgment of either appears to be prior or superior hereto; and in exercising any such powers, pay necessary expenses, employ counsel, and pay his or her reasonable fees;
- (2) If the Grantor(s) fail to maintain insurance coverage as described above, the Beneficiary may, at their option, obtain coverage to protect the Beneficiary's rights in the Property.
- (3) Grantor(s) agree to pay immediately and without demand any and all sums so expended by Beneficiary or Trustee in the execution of the above, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby, any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

It is mutually agreed that:



- UNRECORDED
- (1) That any award of damages in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received in the same manner and with the same effect as above provided for disposition or proceeds of insurance;
 - (2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive the right to require prompt payment when due of all other sums so secured or to declare default for failure so to pay;
 - (3) That at any time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: (a) reconvey any part of said property, (b) consent to the making of any map or plat thereof, (c) join in granting any easement thereon, or (d) join in any extension or agreement or any agreement subordinating the lien or charge hereof;
 - (4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof;
 - (5) If Grantor(s) fail to perform the covenants and agreements contained in this Instrument, or there is a legal proceeding that may significantly affect Beneficiary's rights in the Property (such as a proceeding in bankruptcy, probate, condemnation, or forfeiture, or to enforce laws or regulations), then Beneficiary may do and pay for whatever is necessary to protect the value of the Property and Beneficiary's rights in the Property. Grantor(s) actions may include paying any sums secured by a lien which has priority over this Instrument, appearing in court, and paying reasonable attorney's fees. Any amounts disbursed by Beneficiary under this paragraph shall become additional debt of Grantor(s) secured by this Instrument, and these amounts shall bear interest from the date of disbursement at the rate of twelve percent (12%) per annum from the time of such advance or such loan (unless the highest rate allowable by the law, if any, applicable to transactions of this type is less than said rate, in which event interest shall accrue at the highest rate allowable by such law);
 - (6) Grantor(s) shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in the Beneficiary's good faith judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Instrument or Beneficiary's security interest. Grantor(s) shall also be in default if Grantor(s) gave materially false or inaccurate information or statements to



Beneficiary (or failed to provide Beneficiary with any material information in connection with either Property or this Instrument;

- (7) That upon default by the Grantor(s) in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with the Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default and notice of sale having been given as then required by law, Trustee without demand on Grantor(s) shall sell said property at the time and place fixed by it in said notice of sale either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at the time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Grantor(s), Trustee, or Beneficiary as hereinafter defined may purchase at such sale.

After deducting all costs, fees, and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof, all other sums then secured hereby, and the remainder, if any, to the person or persons legally entitled thereto;

- (8) Beneficiary, or any other successor in ownership of any indebtedness secured hereby, may, by instrument in writing, substitute a successor of successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers, and duties. Said instrument must contain the name of the original Grantor(s), Trustee, and Beneficiary hereunder, the book and page where this Deed is recorded, and the name and address of the new Trustee;
- (9) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors, and assigns. The term Beneficiary shall mean the owner and holder, including pledges, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the



context so requires, the masculine gender includes the feminine and/or the neuter, and the singular number includes the plural;

(10) That if all or any part of the Property or any interest in it is sold or transferred without Beneficiary's prior written consent, Beneficiary may, at its option, require immediate payment in full of all sums secured by this Instrument provided that such action is not prohibited by federal law as of the date of this Instrument.

(11) The Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obliged to notify any part hereto of pending sale under any other Deed of Trust or any action or proceeding in which Grantor(s), Beneficiary, or Trustee shall be a party unless brought by Trustee.

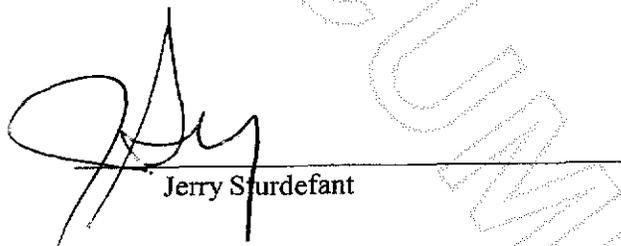
The undersigned Grantor(s) request that a copy of any Notice of Default and of any Notice of Sale hereunder be mailed to him at the address hereinbefore set forth.

This Deed of Trust shall also serve as a security agreement under the Uniform Commercial Code.

Grantor(s) covenants that Grantor(s) has the right to grant and convey the Property, and that the Property is unencumbered, except for encumbrances of record, and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

WITNESS the hands and seals of the Grantor(s) on the day and year first above written.


Odetta Sturdefant


Jerry Sturdefant



STATE OF WA)

)

)

SS.

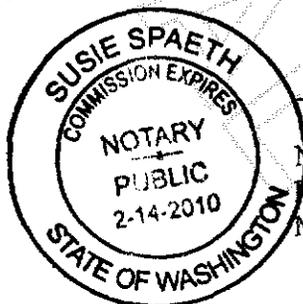
)

COUNTY OF Skagit)

I, Susie Spaeth, certify that I know or have satisfactory evidence that ODETTA STURDEFANT and JERRY STURDEFANT, who personally appeared before me, signed this instrument, and acknowledged to me that (he/she/they) (is/are) authorized to execute the instrument.

Dated this 22nd day of February, 2006.

WITNESS my hand and official seal.



Susie Spaeth

NOTARY PUBLIC in and for the State of WA

Residing at Mt. Vernon

My appointment expires: 2/14/10





COLLATERAL RECEIPT AND AGREEMENT

Home Office: 1213 Valley Street P.O. Box 9271 Seattle, WA 98109-0271 (206) 622-7053 (800) 765-CBIC Toll Free (206) 382-9623 FAX

This agreement (Agreement) granting a security interest in certain property is made this 6th day of February, 2003 by the undersigned (herein called Debtor) in favor of Contractors Bonding and Insurance Company (herein called Secured Party or Surety). THIS AGREEMENT IS GIVEN TO SECURE ALL BONDING (PAST, PRESENT, AND FUTURE) FOR PRINCIPAL(S).

PRINCIPAL(S): Sturdeweld Construction

DATE OF INDEMNITY AGREEMENT: July 31, 2003

Description of Security: (check and complete as appropriate)

- 1. Cash in the amount of \$
2. Irrevocable Letter of Credit No. Dated in the amount of \$ issued by (Bank).
3. Other (Description):

Deed of Trust on 6244 State Route 20; Anacortes, WA 98221 (Parcel # P73077); Section 18, Township 34, Range 02; Fidalgo City Lots 8 to 11 Blk. 68

WHEREAS, in consideration of execution of the Bond(s) herein defined, pursuant to Debtor's obligations to Secured Party under the Indemnity Agreement, and/or for other good and sufficient consideration, the Debtor has given to Secured Party the Security described herein.

NOW, THEREFORE, Debtor hereby represents, covenants and agrees with Secured Party as follows:

A. Definitions:

Affiliate: A person or entity that directly, or indirectly through one or more intermediaries, controls or is controlled by or is under common control with any Principal(s) named herein, any Indemnitor, or any Debtor.

Bond: Any obligation, or undertaking of guaranty or suretyship, express or implied, pursuant to which Secured Party is or may be made liable for any obligation of Principal (including but not limited to debts, defaults, actions, or failures to act), whether or not Principal is also liable.

Debtor: Any signator to this Agreement and any other person or entity providing the Security.

Given: Executed, granted, delivered, assigned, purchased for, pledged, conveyed or otherwise provided in whatever way appropriate to the Security.

Indemnitor: Any signator to any Indemnity Agreement (whether dated on, before, or after the date of this Agreement).

Indemnity Agreement: Any agreement (whether dated on, before, or after the date of this Agreement) wherein the signator promises, among other things, to reimburse Secured Party for Loss on any Bond executed for Principal, including, but not limited to, that Indemnity Agreement referenced herein. It also means any other agreement in connection with Bonds executed for any Principal, Indemnitor, or Debtor.

Liquidate: Taking or collecting and selling, negotiating, realizing upon or otherwise disposing of part or all of the Security in any method or form prescribed herein, or otherwise allowed by law, or appropriate to the Security being liquidated. Where appropriate, liquidate includes draws on Letters of Credit or demands for payment under an Assignment.

Loss: Any payment or expense either incurred or anticipated by Secured Party in connection with any Bond or this Agreement, including but not limited to: payment of bond proceeds or any other expense in connection with claims, potential claims, or demands; claim fees; penalties; interest; court costs; and attorney's fees (both outside attorneys' fees and allocated in-house attorneys' fees), including but not limited to those fees incurred defending and adjusting bond claims, pursuing rights of indemnification or subrogation, obtaining and collecting on any judgment obtained against any Debtor, Principal and/or Indemnitor, and perfecting, enforcing, collecting, conserving, protecting or liquidating its rights in the Security.

Modification: Includes, but is not limited to, renewals, substitutions, riders, endorsements, reinstatements, replacements, increases or decreases in penal sum, continuations or extensions of Bond(s).

Principal: The person(s), or entity, or entities named above, or any Affiliate, or any one or combination thereof, or their successors in interest, whether alone or in joint venture with others named or not named herein, regardless of any changes in business organization or changes in name or trade name made after the date of this Agreement.

Secured Party: Contractors Bonding and Insurance Company.

Security or Collateral: Any property, real or personal, given as collateral or security under this Agreement, any proceeds thereof, any substitution for such security accepted by Secured Party or proceeds thereof, and any additional security or proceeds thereof required by Secured Party hereafter. Proceeds shall include but not be limited to insurance proceeds from any insurance covering the Security, whether or not such insurance is required under this Agreement.

Stock Distributions: All substitutions and exchanges for and all distributions with respect to stock and rights relating to stock included among the Security, including but not limited to stock and cash dividends, stock splits, readjustments, reclassifications, options, and warrants.

- B. The Security given herein is to secure Secured Party's obligations under any Bond and to secure reimbursement of Secured Party for (1) all Loss; (2) all sums owed to Secured Party pursuant to the terms of this Agreement; (3) all sums owed to Secured Party pursuant to the terms of any Indemnity Agreement; all covenants, terms and conditions of the Indemnity Agreement are incorporated herein as if fully set forth; and (4) all premiums and/or deductibles in connection with any Bond or insurance policy issued to the Principal and/or any or all of the Debtors.



C. With respect to the property given as Security:

(1) Release of Security

- (a) Secured Party is entitled to retain the Security until its exposure to Loss shall cease as a matter of law, and all obligations owing, herein or elsewhere, to Secured Party by any Debtor, Principal or Indemnitor have been satisfied. If the Debtor pays the bonded obligation(s) directly, Secured Party shall not be obligated to release the Security until one hundred calendar days has passed from the date the payment transferred (as that term is defined in 11 U.S.C. section 101 (54)) by the Debtor to discharge the bonded obligation(s), and then only after Secured Party has verified that Debtor has not become the subject of any voluntarily or involuntary liquidation, receivership or bankruptcy proceedings within the applicable time frame referenced in this subparagraph.
- (b) Release of Security shall not excuse any obligation owing, herein or elsewhere, to Secured Party by any Debtor, Indemnitor, or Principal.
- (c) In the event more than one person or entity signs this Agreement as "Debtor," Security may be released jointly to all of such Debtors, or to any one or combination of the Debtors, without notice to any of the other Debtors. Cash collateral obtained through a draw on a Letter of Credit may be, in the sole discretion of Secured Party, returned to the Bank that issued the Letter of Credit for further credit to the account of the Bank's account party. Secured Party shall have no obligation to release Security to any person not signing this Agreement as "Debtor," notwithstanding that such person's name may appear on the check or other written document whereby the Security was transmitted to Secured Party.

(2) Secured Party may Liquidate the Security at its sole option:

- (a) At any time Secured Party (in connection with any Bond):
 - (1) Pays any Loss or expense;
 - (2) Incurs or is threatened with any liability for Loss or expense whether or not Secured Party sets a reserve for Loss;
 - (3) Pays or incurs any expense in enforcing its rights in, collecting, conserving or protecting any of the Security;
 - (4) Makes demand for additional security as provided in paragraph F(4) hereof, which demand is not complied with within 5 calendar days;
 - (5) Is owed any premiums on any Bond;
 - (6) Deems itself insecure;
 - (7) Determines that any Principal or Indemnitor is in default of any obligation under any Indemnity Agreement;
 - (8) Determines that any Debtor is in default of any provision of this Agreement or any other collateral agreement given by Debtor;
 - (9) Discovers the falsity of any representation herein or in any other statement(s) oral or written, given or made by any Debtor, Principal, or Indemnitor; or
 - (10) Determines that Debtor is in default of any provision of any Deed of Trust given as Security.
- (b) At any time Secured Party (in connection with any insurance issued to Principal and/or any or all of the Debtors):
 - (1) Is owed any premiums for such insurance; and/or
 - (2) Is owed any deductible in connection with any claim payment(s) made on such insurance.
- (c) By any means provided for in this Agreement or otherwise provided for by law.

(3) Secured Party shall have no obligation, but may, at its sole option:

- (a) Take any action it deems necessary to conserve, protect, realize on, and/or liquidate the Security;
- (b) Fill in all blanks in any transfers of Security, powers of attorney or other documents delivered to it in connection with Bond(s) or the Security, including this Agreement; or
- (c) Transfer to itself all or any part of the Security as agreed herein.

D. In the event of Liquidation of the Security by Secured Party:

- (1) Secured Party may apply, or hold for application, the proceeds of said Liquidation to repay:
 - (a) All Loss;
 - (b) All sums owed to Secured Party pursuant to the terms of this Agreement;
 - (c) All sums owed to Secured Party pursuant to the terms of the Indemnity Agreement; and/or
 - (d) All premiums and/or deductibles in connection with any Bond or insurance policy issued to the Principal and/or any or all of the Debtors.
- (2) Any Security or proceeds of Security remaining after the sums referred to in the foregoing paragraph D(1) have been paid, and after the liability of Secured Party as referred to in paragraph C(1) has ceased, will be returned to Debtor or to the person or entity legally entitled to receive them.
- (3) Application of Security shall not release any Indemnitor, including Debtor if Debtor is an Indemnitor, of any obligation to Secured Party that is not satisfied through application of said Security.

E. Secured Party shall not be liable for:

- (1) Depreciation, damage to, or loss of the Security unless caused by Secured Party's sole negligence;
- (2) Any performance of or failure to perform any of the acts permitted by paragraph C(3);
- (3) Any action or inaction relating to the Security by persons or entities who are not a party to this Agreement;
- (4) Where applicable, investment or reinvestment of the Security; or
- (5) Where applicable, any penalties for early withdrawal or negotiation of the Security.

F. Debtor shall, upon request of Secured Party:

- (1) Repay Secured Party all sums (including attorney fees) which Secured Party may expend or incur:
 - (a) In perfecting, enforcing, collecting, conserving, protecting or Liquidating any Security;
 - (b) In responding to any claims by third parties that they have an interest in the Security, whether or not such claims are justified;
 - (c) In transfer, registration or delivery of the Security by Secured Party or its nominee;
 - (d) In enforcing the terms of this Agreement and any Exhibits hereto; and/or
 - (e) Where applicable, by reason of Bank's failure or refusal to honor the Security.
- (2) Execute all documents and instruments necessary to carry out this Agreement.
- (3) At any time or times hereafter execute such financing statements and other instruments and perform such acts as the Secured Party may request to establish and maintain a valid and perfected Security Interest in the Security at the Debtor's expense, including costs of record searches, filing and recording.
- (4) Deposit with Secured Party additional security satisfactory to Secured Party:
 - (a) To offset any depreciation in the total market value of the Security from the market value as of the date of this Agreement; or
 - (b) Where applicable, whenever Bank refuses or threatens to refuse to honor the Security.

G. Substituted and Additional Security:

- (1) Secured Party may, at its sole discretion, permit Debtor to substitute other security, acceptable to Secured Party, for the Security given herein. All terms and conditions of this Agreement shall govern the substituted security.
- (2) Secured Party may, pursuant to this Agreement, the Indemnity Agreement, and/or as a requirement for further Bond(s), require or accept additional security. Acceptance of additional security shall not release the Security given herein. All terms and conditions of this Agreement shall govern the additional security.
- (3) Later agreements for security executed by Debtor or any other person or entity shall not abrogate this Agreement, nor release the Security given herein. Secured Party's rights under this and later agreements shall be



explicitly released.

- (4) If the Security herein is given in the form of cash or is at any time converted to the form of cash, Debtor agrees that interest credited to Debtor's collateral account by Secured Party shall become part of the Security only from the date that Secured Party receives from Debtor all documents required by the Internal Revenue Service or any other taxing authority regarding interest on such accounts (including IRS Form W-9 and its successors). Interest earned prior to receipt by Secured Party of such documents shall be the sole property of Secured Party. Interest that is credited to the Security shall be held by Secured Party as part of the Security unless explicitly agreed in writing otherwise. All rights of Secured Party to the Security shall apply to interest credited to the Security. All taxes on interest credited to the Security shall be the sole responsibility of Debtor.
- H. Contemporaneous with the execution of this Agreement, Debtor agrees to sign all documents and to take such action as is necessary to perfect Secured Party's lien on or security interest in the Security. Secured Party may file or record this Agreement or any other document executed by Debtor as a security agreement or as part of a financing statement or as notice of its prior interest and assignment under any provision of the Uniform Commercial Code or any statute, ordinance or regulation of any jurisdiction or agency, but the filing or recording of such document shall be solely at the option of the Secured Party and the failure to do so shall not release or impair any obligation of the undersigned. A carbon, photographic or other reproduction of this Agreement, or of any other document so filed or recorded by Secured Party is sufficient as a financing statement, security agreement or notice of a prior interest under this Agreement.
- I. Termination:
- (1) Debtor may terminate this Agreement as to future Bonds executed for Principal by sending written notice to Secured Party at its Home Office, 1213 Valley Street, Seattle, Washington 98109.
 - (2) Future Bonds are all Bonds executed after the termination date, with the exceptions noted in paragraph I(3). The termination date shall be thirty (30) calendar days after receipt by Secured Party of the written notice of termination.
 - (3) Future Bonds shall not include:
 - (a) Bonds executed or Authorized prior to the termination date, and Modifications thereof;
 - (b) Bonds executed pursuant to a bid or proposal Bond which was executed or Authorized prior to the termination date, and Modifications thereof; and/or
 - (c) Any maintenance or guarantee Bond thereafter executed incidental to any other Bond which was executed prior to the termination date, and Modifications thereof.
 - (4) A Bond is "Authorized" when approved for execution by Secured Party's underwriters, or promised to Principal or any third party, where, in Secured Party's sole discretion, Secured Party shall deem itself liable or potentially liable in any way for failure to execute such Bond.
 - (5) The terms and conditions of this Agreement shall not be terminated by reason of the failure of Secured Party to disclose fact(s) known or learned by Secured Party about any Principal, even though such fact(s) may materially increase the risk secured herein. Debtor waives notice of such fact(s) even if Secured Party has reason to believe such fact(s) are unknown to Debtor and Secured Party has had reasonable opportunity to communicate such fact(s) to Debtor. Such fact(s) include but are not limited to fact(s) regarding claims or potential claims against Bonds or regarding Secured Party's decision to Liquidate the Collateral herein.
- J. General provisions:
- (1) If any term(s) or condition(s) of this Agreement shall be found to be inapplicable(s) or unenforceable as to the Security given or substituted hereunder, such finding shall not alter the validity of all other terms and conditions herein.
 - (2) Secured Party shall not be obliged to exhaust its recourse against the Principal on any Bond or any Indemnitor, but may resort to the Security hereunder, without recourse to such parties.
 - (3) Debtor waives any and all defenses based on the taking or release of other indemnity or security or based on disability.
 - (4) Secured Party's nominee shall have the same rights as Secured Party hereunder upon Secured Party's direction.
 - (5) Venue for any suit on this Agreement shall be in King County, Washington and this Agreement is governed by the laws of the State of Washington.
 - (6) No waiver by Secured Party of any right or remedy hereunder shall be deemed to waive any other right or remedy hereunder or else where.
 - (7) This Agreement inures only to the benefit of the Secured Party, its successors and assigns, and shall bind the heirs, personal representatives, successors and assigns of Debtor.
 - (8) Debtor warrants and agrees that this Agreement and all obligations secured hereby are business and not consumer transactions and that Debtor has full power to enter into this Agreement.
 - (9) All of Secured Party's rights and remedies, whether evidenced hereby or by any other writing shall be cumulative and may be exercised singularly or concurrently. All obligations of Debtor herein shall at once be mature and payable without notice or demand. Unless otherwise required by law, any demand upon or notice to Debtor that Secured Party may elect to give shall be effective when deposited in the mails or delivered to a courier, express, or similar delivery service addressed to Debtor at the address shown at the end of this agreement, or transmitted by telefax or other electronic communication device to a number provided by Debtor to Secured Party. Demands or notices addressed or sent to any other address or telefax number of Debtor at which Secured Party customarily communicates with Debtor shall also be effective when deposited, delivered or transmitted as described above.
 - (10) If at any time by assignment or otherwise Secured Party transfers any obligations and Security therefor, such transfer shall carry with it Secured Party's powers and rights under this Agreement with respect to the obligations and the Security transferred and the transferee shall become vested with said powers and rights, whether or not they are specifically referred to in the transfer.
 - (11) Words used herein shall take the singular or plural number, and such gender, as the number and gender of parties Debtor herein shall require. Headings are for convenience only and shall not affect the meaning of the terms of this Agreement.
 - (12) This Agreement is intended to take effect when signed by Debtor and delivered to Secured Party.
 - (13) Time is of the essence of this contract, and Debtor shall be deemed to be in default of this Agreement upon occurrence of any event set forth in paragraph C(2). Interest shall accrue, before and after judgment, on all obligations secured by this Agreement at the rate of 1.5% per month from the date of Loss. If this rate exceeds the highest rate allowed by law for transactions of this type, interest shall accrue at the highest rate allowed by such law. All interest is secured hereby.
 - (14) This Agreement may not be changed or modified orally. No change or modification shall be effective unless specifically agreed to by Secured Party in writing.
 - (15) If more than one Principal is named in this Agreement, or in the Indemnity Agreement, conjunctively or disjunctively, this Agreement applies in its entirety to Bonds for any and all such Principals, singly or in combination.
 - (16) It is the intent of the parties to maximize the protection of Secured Party, and any ambiguities shall be construed in favor of Secured Party.
 - (17) Debtor waives any counterclaim or defenses against any assignee for value.
 - (18) All Debtors signing this Agreement are jointly and severally liable hereunder.
- K. Where the Security is a Letter of Credit or other bank account, certificate, instrument, or document:
- (1) "Deemed insecure" as used in paragraph C(2)(a)(6) includes but is not limited to reasonable concerns regarding the ability of Bank to honor the Security.
 - (2) For Letters of Credit, in the event that Bank elects not to renew or extend the Security to the time set forth for Release of Security set forth in paragraph C(1) above, Secured Party may draw on part or all of the Security.



books as if the collateral had originally been deposited as cash. The proceeds shall be deemed a substituted security as defined in paragraph G herein, and allocation of interest shall be as described in that paragraph.

L. Where the Security is real or miscellaneous personal property:

- (1) Debtor agrees to maintain the Security in good repair, excepting normal wear and tear. Debtor shall not waste, injure, or destroy the Security nor allow others to do so. Debtor's obligations to maintain the Security include but are not limited to:
 - (a) Compliance with all government regulations affecting the use of the Security.
 - (b) Payment before delinquency of all taxes or other governmental charge.
 - (c) Keeping the Security continuously insured by an insurer acceptable to Secured Party against fire, theft and other foreseeable hazards, and such other hazards as may be designated at any time by Secured Party. The insurance shall be in an amount equal to the full insurable value of the Security. At Secured Party's request, such insurance will be designated as payable to Secured Party and Debtor will deliver such policies to Secured Party with proof of payment of premium. Surety shall have all rights to insurance proceeds that are given as to the Security herein with full power to collect such proceeds. Any proceeds paid to or collected by Secured Party shall be considered substituted Security and shall be subject to the terms of paragraph G herein.
- (2) Secured Party may inspect the Security at reasonable hours and for this purpose may enter the premises or enter any premises on which the Security is located.

M. Where the Security is miscellaneous personal property, Debtor further agrees that:

- (1) Unless Secured Party agrees in writing, Debtor shall not remove (or allow anyone else to remove) the Security from the State designated herein as its primary location.
- (2) Debtor warrants that Debtor owns the Security free and clear of all security interests and encumbrances whatsoever. Debtor will not create or permit the existence of any lien or security interest on the Security other than that created herein.
- (3) Debtor shall not sell or lease the Security or any interest therein without prior written approval of Secured Party.
- (4) Any Certificate of Title now or hereafter existing on the Security will be delivered to Secured Party as legal owner for any motor vehicle and appropriately as secured party or legal owner of any other Security.
- (5) Upon default, the debtor shall make the above-described miscellaneous personal property available to Secured Party, and shall assist Secured Party in taking possession of the same.

N. Where the Security is real property, Secured Party and Debtor agree that any warranty of Debtor's sole ownership contained in Exhibit A is subject to only those exceptions presented to Secured Party in writing and accepted by the Secured Party in writing prior to the date of this Agreement.

O. Where the Security is cash, Secured Party shall establish an account on its books for such cash deposit, but shall not be obligated to hold the funds deposited in any segregated account in a financial institution or otherwise separate from Secured Party's own assets. For good and sufficient consideration, Debtor agrees to the above provisions and authorizes Secured Party to do any and all of the acts set forth in such provisions when it deems such action to be appropriate.

DEBTOR WARRANTS THAT DEBTOR HAS READ THE ABOVE PROVISIONS AND UNDERSTANDS THAT THEY ARE LEGALLY BINDING ON DEBTOR. DEBTOR UNDERSTANDS THAT COLLATERAL MAY NOT BE RELEASED UPON EXPIRATION OR CANCELLATION OF THE BOND, OR UPON COMPLETION OF THE BONDED OBLIGATION, BUT MAY BE HELD UNTIL SURETY'S EXPOSURE TO LOSS ON BOND(S) HAS TERMINATED AS A MATTER OF LAW (e.g., THE STATUTE OF LIMITATION AND ANY ADDITIONAL SERVICE PERIOD HAS EXPIRED), AND ALL OBLIGATIONS OWING, HEREIN OR OTHERWISE, TO SECURED PARTY BY ANY DEBTOR, PRINCIPAL OR INDEMNITOR HAVE BEEN SATISFIED.

Signature of Debtor:

Debtor Name: Surdewald Construction
 Signature: [Signature]
Jerry Stordewald, Owner
 (print name of person signing, if not the same as Debtor)

 (title of person signing, if not the same as Debtor)

- Debtor Status:
- Individual / Sole Proprietor
 - Corporation.
 - Partnership.
 - Limited Liability Company
 - Trust

Additional Debtor (OPTIONAL):

NOTE: Collateral may be released (when release is appropriate) to either or both debtors, without notice, if more than one person/entity signs as Debtor.

Debtor Name: _____
 Signature: _____

 (print name of person signing, if not the same as Debtor)

 (title of person signing, if not the same as Debtor)

- Debtor Status:
- Individual / Sole Proprietor
 - Corporation.
 - Partnership.
 - Limited Liability Company
 - Trust

Contractors Bonding and Insurance Company hereby acknowledges receipt of this Agreement and the Security described herein.

Contractors Bonding and Insurance Company

Dated: _____

By: _____

Title: Eric Sirkin, CBIC Underwriter

