

GOLF SAVINGS BANK

ATTENTION: DOCUMENT CONTROL
P.O. BOX 5010
LYNNWOOD, WA 98046-5011
APN # 350331-0-011-0006 (P35074)
LOAN NO.: 103299
ESCROW #
TITLE ORDER #



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[SPACE ABOVE RESERVED FOR RECORDER]

ATTACHED TO DEED OF TRUST / MORTGAGE DATED: FEBRUARY 15, 2007

Loan No: 103299

FIRST AMERICAN TITLE CO.
B89314E-2

Property Address:

12575 C Street; Mount Vernon, WASHINGTON 98273

EXHIBIT A

LEGAL DESCRIPTION

Grantor: Richard W. Stearns and Linda R. Stearns
Grantee: Golf Savings Bank
Trustee: First American Title

Parcel #: P35074

Legal: Section 31, Township 35, Range 3;
Dtn. Gov. Lot 1

Initials RSW JSW

After Recording Return To:
GOLF SAVINGS BANK

ATTENTION: DOCUMENT CONTROL
P.O. BOX 5010
LYNNWOOD, WA 98046-5011
LOAN NO.: 103299

ESCROW NO.:

TITLE NO.:

Document Title(s) DEED OF TRUST

Grantor(s) Richard W. Stearns AND Linda R. Stearns

Grantee(s) GOLF SAVINGS BANK, A WASHINGTON STOCK SAVINGS BANK

First American Title Insurance Company

Legal Description

section 31, township 35, range 3; ptn. gov. lot 1

Assessor's Property Tax Parcel or Account Number 350331-0-011-0006 (P35074)

[SPACE ABOVE THIS LINE FOR RECORDING DATA]

MIN NO.: 1002050-1000056299-1

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 FEBRUARY 15, 2007, together with all Riders to this document.

(B) "Borrower" is
RICHARD W. STEARNS AND LINDA R. STEARNS, HUSBAND AND WIFE

Borrower is the trustor under this Security Instrument.

(C) "Lender" is
GOLF SAVINGS BANK, A WASHINGTON STOCK SAVINGS BANK

Initials RWS/LRL

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Lender is a A WASHINGTON STOCK SAVINGS BANK organized and existing under the laws of WASHINGTON. Lender's address is P.O. BOX 5857; LYNNWOOD, WA 98043

(D) "Trustee" is First American Title Insurance Company

(E) "MERS" is Mortgage Electronic Registration Systems, Inc. MERS is a separate corporation that is acting solely as a nominee for Lender and Lender's successors and assigns. **MERS is the beneficiary under this Security Instrument.** MERS is organized and existing under the laws of Delaware, and has an address and telephone number of P.O. Box 2026, Flint, MI 48501-2026, tel. (888) 679-MERS.

(F) "Note" means the promissory note signed by Borrower and dated FEBRUARY 15, 2007. The Note states that Borrower owes Lender FIVE HUNDRED SIXTY EIGHT THOUSAND AND 00/100 Dollars (U.S. \$ 568,000.00) plus interest. Borrower has promised to pay this debt in regular Periodic Payments and to pay the debt in full not later than DECEMBER 01, 2037.

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

(H) "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.

(I) "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]:

- | | | |
|---|---|--|
| <input checked="" type="checkbox"/> Adjustable Rate Rider | <input type="checkbox"/> Condominium Rider | <input type="checkbox"/> Second Home Rider |
| <input type="checkbox"/> Balloon Rider | <input type="checkbox"/> Planned Unit Development Rider | <input type="checkbox"/> Assumption Rider |
| <input type="checkbox"/> 1-4 Family Rider | <input type="checkbox"/> Biweekly Payment Rider | <input type="checkbox"/> Inter Vivos Trust Rider |
| <input checked="" type="checkbox"/> Other(s) [specify]: | | |

ASSUMPTION ADDENDUM TO ADJUSTABLE RATE RIDER

(J) "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.

(K) "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.

(L) "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.

(M) "Escrow Items" means those items that are described in Section 3.

(N) "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.

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(O) "Mortgage Insurance" means insurance protecting Lender against the nonpayment of, or default on, the Loan.

(P) "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.

(Q) "RESPA" means the Real Estate Settlement Procedures Act (12 U.S.C. § 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.

(R) "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

The beneficiary of this Security Instrument is MERS (solely as nominee for Lender and Lender's successors and assigns) and the successors and assigns of MERS. 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]

LEGAL DESCRIPTION ATTACHED HERETO AND MADE A PART HEREOF

ADJUSTABLE RATE RIDER(S) ATTACHED HERETO AND MADE A PART HEREOF

ASSUMPTION ADDENDUM TO ADJUSTABLE RATE RIDER ATTACHED HERETO & MADE A PART HEREOF

PARCEL NO.: 350331-0-011-0006 (P3507)

which currently has the address of 12575 C Street ;
[Street]
Mount Vernon , , Washington 98273 ("Property Address");
[City/Area] [Zip Code]

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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 understands and agrees that MERS holds only legal title to the interests granted by Borrower in this Security Instrument; but, if necessary to comply with the law or custom, MERS (as nominee for Lender and Lender's successors and assigns) has the right: to exercise any or all those interests, including, but not limited to, the right to foreclose and sell the Property; and to take any action required of Lender including, but not limited to, releasing and canceling this Security Instrument.

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.

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 to each Periodic Payment in the order in which it became due. Any remaining amounts 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.

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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 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.

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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 shortage in accordance with RESPA, but in no more than 12 monthly payments. If there is a deficiency 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.

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.

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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 renewal notices. If Borrower obtains any form of insurance coverage, not otherwise required by Lender, 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 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.

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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.

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 separately designated payments toward the premiums for Mortgage Insurance. If

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Lender required Mortgage 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).

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. Such Miscellaneous Proceeds shall be applied in the order provided for in Section 2.

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.

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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 in value 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 by this Security Instrument 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 in value 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.

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.

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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 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.

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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) 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.

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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 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

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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.

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' 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.

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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:

Richard W. Stearns (Seal)
Richard W. Stearns -Borrower

Linda R. Stearns (Seal)
Linda R. Stearns -Borrower

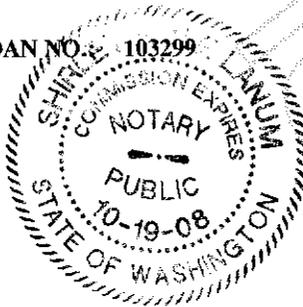
____ (Seal)
-Borrower

____ (Seal)
-Borrower

____ (Seal)
-Borrower

____ (Seal)
-Borrower

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[Space Below This Line For Acknowledgment]

STATE OF WASHINGTON
COUNTY OF

} SS

On this 16th day of FEBRUARY 2007, before me, the undersigned, a Notary Public in and for the said State of Washington, duly commissioned and sworn, personally appeared Richard W. Stearns AND Linda R. Stearns

to me known to be the individual(s) described in and who executed the foregoing instrument, and acknowledged to me that they signed and sealed the said instrument as THEIR free and voluntary act and deed, for the uses and purposes therein mentioned.

Witness my hand and official seal affixed the day and year in this certificate above written.

My Commission expires: 10-19-2008
Shirley Rose Lanum
Notary Public in and for the State of Washington residing at:

(Notarial Seal)

REQUEST FOR RECONVEYANCE

TO TRUSTEE:

The undersigned is the holder of the note or notes secured by this Deed of Trust. Said note or notes, together with all other indebtedness secured by this Deed of Trust, have been paid in full. You are hereby directed to cancel said note or notes 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: _____



ADDENDUM TO ADJUSTABLE RATE RIDER

This addendum is made **FEBRUARY 15, 2007** and is incorporated into and deemed to amend and supplement the Adjustable Rate Rider of the same date.

The property covered by this addendum is described in the Security Instrument and located at:
12575 C Street; Mount Vernon, WASHINGTON 98273

AMENDED PROVISIONS

In addition to the provisions and agreements made in the Security Instrument, I/we further covenant and agree as follows:

TRANSFER OF THE PROPERTY OR A BENEFICIAL INTEREST IN BORROWER

Uniform Covenant 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.

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.

In Witness Whereof, Trustor has executed this addendum.

Shirley Rose Larson
Witness

2-16-07
Date

Richard W. Stearns
Borrower Signature **Richard W. Stearns**

2-16-07
Date

Linda R. Stearns
Borrower Signature **Linda R. Stearns**

Date

Borrower Signature

Date

Borrower Signature



Assessor's Parcel Number: 350331-0-011-0006 (P35074)

After Recording Return To:
GOLF SAVINGS BANK

ATTENTION: DOCUMENT CONTROL
P.O. BOX 5010
LYNNWOOD, WA 98046-5011
Prepared By:

GOLF SAVINGS BANK
6505 218TH STREET SW, SUITE 9
MOUNTLAKE TERRACE, WA 98043

[Space Above This Line For Recording Data]

FIXED/ADJUSTABLE RATE RIDER
(LIBOR One-Year Index (As Published In *The Wall Street Journal*) - Rate Caps)

THIS FIXED/ADJUSTABLE RATE RIDER is made this **15TH** day of **FEBRUARY**, 2007, 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 ("Borrower") to secure Borrower's Fixed/Adjustable Rate Note (the "Note") to **GOLF SAVINGS BANK, A WASHINGTON STOCK SAVINGS BANK**

("Lender") of the same date and covering the property described in the Security Instrument and located at:
12575 C Street
Mount Vernon, WASHINGTON 98273

[Property Address]

THE NOTE PROVIDES FOR A CHANGE IN BORROWER'S FIXED INTEREST RATE TO AN ADJUSTABLE INTEREST RATE. THE NOTE LIMITS THE AMOUNT BORROWER'S ADJUSTABLE INTEREST RATE CAN CHANGE AT ANY ONE TIME AND THE MAXIMUM RATE BORROWER MUST PAY.

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Initials *RW/RL*

Conv

MULTISTATE FIXED/ADJUSTABLE RATE RIDER - WSJ One-Year LIBOR - Single Family INTEREST ONLY

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

A. ADJUSTABLE RATE AND MONTHLY PAYMENT CHANGES

The Note provides for an initial fixed interest rate of **5.875 %**. The Note also provides for a change in the initial fixed rate to an adjustable interest rate, as follows:

4. ADJUSTABLE INTEREST RATE AND MONTHLY PAYMENT CHANGES

(A) Change Dates

The initial fixed interest rate I will pay will change to an adjustable interest rate on the first day of **DECEMBER , 2012** , and the adjustable interest rate I will pay may change on that day every 12th month thereafter. The date on which my initial fixed interest rate changes to an adjustable interest rate, and each date on which my adjustable interest rate could change, is called a "Change Date."

(B) The Index

Beginning with the first Change Date, my adjustable interest rate will be based on an Index. The "Index" is the average of interbank offered rates for one year U.S. dollar-denominated deposits in the London market ("LIBOR"), as published in *The Wall Street Journal*. 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 that 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 AND 250/1000** percentage points (**2.250 %**) 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.

(D) Limits on Interest Rate Changes

The interest rate I am required to pay at the first Change Date will not be greater than **10.875 %** or less than **2.250 %**. Thereafter, my adjustable interest rate will never be increased or decreased on any single Change Date by more than two percentage points from the rate of interest I have been paying for the preceding 12 months. My interest rate will never be greater than **10.875 %** or less than **2.250 %**.

(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.

(F) Notice of Changes

The Note Holder will deliver or mail to me a notice of any changes in my initial fixed interest rate to an adjustable interest rate and of any changes in my adjustable interest rate before the effective date of any change. The notice will include the amount of my monthly payment, any 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.

LOAN NO.: 103299

Conv

MULTISTATE FIXED/ADJUSTABLE RATE RIDER - WSJ One-Year LIBOR - Single Family INTEREST ONLY

FE-4266 (0603)

DOCPREP SERVICES, INC. FORM - FE4266-4101

Initials RWJ/RS

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

1. UNTIL MY INITIAL INTEREST RATE CHANGES UNDER THE TERMS STATED ABOVE, UNIFORM COVENANT 18 OF THE SECURITY INSTRUMENT IS DESCRIBED 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.

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.

2. AFTER MY INITIAL INTEREST RATE CHANGES UNDER THE TERMS STATED ABOVE, UNIFORM COVENANT 18 OF THE SECURITY INSTRUMENT DESCRIBED IN SECTION 11(A) ABOVE SHALL THEN CEASE TO BE IN EFFECT, AND UNIFORM COVENANT 18 OF THE SECURITY INSTRUMENT SHALL INSTEAD BE DESCRIBED 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 also may 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.

LOAN NO.: 103299

Conv

MULTISTATE FIXED/ADJUSTABLE RATE RIDER - WSJ One-Year LIBOR - Single Family INTEREST ONLY

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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.

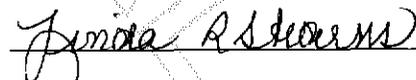
BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Fixed/Adjustable Rate Rider.

I understand that for the Interest Only Period my monthly payments will not reduce the Principal balance on my loan. My monthly payments after the Interest Only Period will consist of both Principal and interest and will be higher unless I have made additional payments to reduce the Principal balance.

ASSUMPTION ADDENDUM ATTACHED HERETO AND MADE A PART HEREOF.

 (Seal)
-Borrower

Richard W. Stearns

 (Seal)
-Borrower

Linda R. Stearns

(Seal)
-Borrower

(Seal)
-Borrower

Conv
MULTISTATE FIXED/ADJUSTABLE RATE RIDER - WSJ One-Year LIBOR - Single Family
INTEREST ONLY
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AFTER RECORDING RETURN TO:

**Attn: Document Control
Golf Savings Bank
PO Box 5010
Lynnwood, WA 98046-5010**

ONE TIME CLOSE MODIFICATION AGREEMENT

[Space Above This Line For Recording Data]

THIS ONE TIME CLOSE MODIFICATION AGREEMENT (the "Agreement") is made as of the day of , by the undersigned ("Borrower"), with an address at **12575 C Street, Mount Vernon, WA 98273** and Golf Savings Bank ("Lender"), with an address at **6505 218th St SW, Suite 9, Mountlake Terrace, WA 98043**.

This instrument modifies the terms of the following instruments: (i) that certain **Interest Only ARM Note** (the "Note"), as modified by that certain **One Time Close Construction Rider to Note** (the "Note Rider") each executed on **February 15, 2007** , by Borrower favor of Lender, and (ii) that certain **Deed of Trust** (the "Security Instrument") as modified by that certain **One Time Close Construction Loan Rider to Deed of Trust and Security Agreement** (the "Security Instrument Rider") each executed on the same date as the Note, by Borrower in favor of Lender and recorded in the official real property records of **Skagit County, WA** under recording number . In connection with the Note Rider and Security Instrument Rider, Borrower also executed that certain **One Time Close Construction Loan Agreement** between Borrower and Lender of even date herewith (the "Loan Agreement"). The purpose of this Agreement is to modify the Loan from the construction loan phase to the permanent loan phase. All terms defined in the Security Instrument and Note shall have the same definitions when used in this Agreement unless expressly set forth otherwise herein. The Security Instrument, the Note, the Loan Agreement and all riders and other documents executed in connection with this One Time Close Loan are hereinafter collectively referred to as the **Loan Documents**.

In accordance with the terms of the Loan Documents, and in consideration of the mutual promises of the parties and other good and valuable consideration, Borrower and Lender hereby agree to amend, modify and change the Note and Security Instrument as follows:

1. PRINCIPAL NOTE AMOUNT

_____ IF CHECKED, the outstanding principal balance of the Note as of the date of this Agreement remains unchanged and is as set forth in the Note (without regard to the Note Rider).

_____ IF CHECKED, the outstanding principal balance on the Note as of the date of this Agreement is hereby changed and reduced to \$ **0.00** based on a principal reduction made by Borrower.

2. MONTHLY PAYMENT AND MATURITY DATE

Fixed Rate Note:

_____ IF CHECKED, the maturity date of the Note remains unchanged and is as set forth in the Note (without regard to the Note Rider). Following the date of this Agreement, the first monthly payment of principal and interest will be due on **January 1, 2008** . On and after the date of this Agreement, the monthly payments of principal and interest payable by Borrower to Lender are \$ **2,780.83** .

Variable Rate Note:

IF CHECKED, Following the date of this Agreement, the Note is changed to provide that Borrower's first monthly payment of principal and interest will be due on **January 1, 2008** and the first Change Date will be **January 1, 2013** . The maturity date of the Note is hereby changed to **December 1, 2037** , at which time the entire unpaid principal balance and all unpaid accrued interest shall be due and payable.

3. INTEREST RATE AND TERM

No Change in Interest Rate

_____ IF CHECKED, the interest rate payable under the Note remains unchanged and shall be as stated in the Note (without regard to the Note Rider).

Change In Fixed Rate of Interest

MODIFICATION AGREEMENT C-7128 (9/03) (04/04)

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IF CHECKED, and effective as of the date of this Agreement, the terms and provisions of the Note are hereby changed to provide for a new fixed rate of interest at the interest rate provided in the "New Loan Terms" set forth in this Section 3 below.

Change From Fixed Rate of Interest To Variable Rate of Interest

IF CHECKED, and effective as of the date of this Agreement, the terms and provisions of the Note are hereby changed from a fixed rate of interest to a variable rate of interest on the terms provided in the "New Loan Terms" set forth in this Section 3 below. Borrower agrees that Borrower's rate of interest, and Borrower's monthly principal and interest payment amount, will change over the term of the loan as further provided below, and any references in the Note to a fixed rate of interest (and fixed monthly payment) are now null and void and of no further force and effect. Lender (also referred to herein and in the Note as the "Note Holder") will determine Borrower's new interest rate and the changed amount of Borrower's monthly payment in accordance with Section 4 of this Agreement.

Change From Variable Rate of Interest To Fixed Rate of Interest

IF CHECKED, effective as of the date of this Agreement, the terms and provisions of the Note are changed from a variable rate of interest to a fixed rate of interest on the terms provided in the "New Loan Terms" set forth in this Section 3 below. Borrower agrees that the interest rate will remain fixed for the term of the loan and any references in the Note to changes in the interest rate (and changes in monthly payment) are now null and void and of no further force and effect.

NEW LOAN TERMS. If Borrower has elected to change the interest rate provisions of the Note by checking the appropriate box as indicated above, the interest rate and related terms are changed are hereby changed as follows:

FIXED RATE

Interest Rate : %
Term: months with a maturity date of _____
Monthly Payment: \$ _____

VARIABLE RATE

Initial Interest Rate: _____ %
Term: _____ months with a maturity date of _____
Initial Monthly Payment \$ _____
Margin: **0.000**
Interest Rate at First Change date will NOT be GREATER than _____ % Or LESS than _____ %
Interest Rate during life of loan will NEVER be GREATER than _____ % Or LESS than the margin

4. VARIABLE INTEREST RATE AND MONTHLY PAYMENT CHANGES. If Borrower has selected a variable rate of interest by checking the appropriate box as indicated above, the Note is hereby amended and modified to incorporate the following variable interest rate terms:

(A) Change Dates

The initial fixed interest rate Borrower will pay will change to an adjustable interest rate on the first day of **December 2012**, and on that day every 12th month thereafter. Each date on which Borrower's adjustable interest rate could change is called "Change Date."

(B) The Index

Beginning with the first Change Date, Borrower's adjustable interest rate will be based on the Index identified below.

IF CHECKED, the "Index" is the average of interbank offered rate for one-year U.S. dollar denominated deposits in the London market ("LIBOR"). The most recent LIBOR Index figure available as of the date 45 days before each Change Date is called the "Current Index."

IF CHECKED, the "Index" is the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one (1) year, as made available by the Federal Reserve Board ("Treasury"). The most recent Treasury Index figure available as of the date 45 days before each Change Date is called the "Current Index."

If the applicable LIBOR or Treasury Index is no longer available, the Note Holder will choose a new index that is based upon comparable information. The Note Holder will give Borrower notice of this choice.

(C) Calculation of Changes

Before each Change Date, the Note Holder will calculate Borrower's new interest rate by adding **Two and One Quarter** percentage points (**2.25 %**) ("the Margin") to the Current Index. 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 Borrower's new interest rate until the



next Change Date. Lender will then determine the amount of the monthly payment that would be sufficient to repay the unpaid principal that Borrower is expected to owe at Change Date in full on the maturity date at Borrower's new interest rate in substantially equal payments. The result of this calculation will be the new amount of Borrower's monthly payment.

(D) Limits on Interest Rate Changes (If Any)

Limits on Maximum and Minimum Interest Rate Charges:

IF CHECKED, the interest rate Borrower's is required to pay at the first Change Date will not be greater than _____% or less than _____% even if the applicable Index plus Margin produces a higher or lower interest rate. Thereafter, Borrower's variable interest rate will never be increased or decreased on any single Change Date by more than Five percentage points (5.000 %) from the rate of interest Borrower has been paying for the immediately preceding period. In no event will Borrower's interest rate during any interest period be greater than _____%, which is called the "Maximum Rate", or less than the Margin.

No Limit on Maximum or Minimum Interest Rate Changes:

IF CHECKED, there is no limit on the amount the interest rate can increase or decrease over the term of this loan, except that the interest rate shall at all times equal or exceed the Margin.

NOTICE TO BORROWER: THE NOTE AS MODIFIED BY THIS AGREEMENT CONTAINS PROVISIONS ALLOWING FOR CHANGES IN MY INTEREST RATE AND MY MONTHLY PAYMENT. UNLESS EXPRESSLY PROVIDED OTHERWISE ABOVE, THERE IS NO LIMIT ON EITHER THE AMOUNT MY VARIABLE INTEREST RATE CAN CHANGE AT ANY ONE TIME OR THE MAXIMUM RATE OF INTEREST I MUST PAY.

(E) Effective Date of Changes

Borrower's new interest rate will become effective on each Change Date. Borrower will pay the amount of Borrower's new monthly payment beginning on the first monthly payment date after the Change Date until the amount of Borrower's monthly payment changes again.

(F) Notice of Changes

Lender will deliver or mail to Borrower a notice of any changes in Borrower's adjustable interest rate and the amount of Borrower's monthly payment before the effective date of any change. The Notice will include information required by law to be given to Borrower and also the title and telephone number of a person who will answer any question Borrower may have regarding the notice.

(G) Prepayment

If Borrower makes a partial prepayment, the partial prepayment may reduce the amount of Borrower's monthly payments after the first Change Date following the partial prepayment. However, any reduction due to the partial prepayment may be offset by an interest rate increase.

5. CONSTRUCTION PHASE AND RIDERS TERMINATED. Except as otherwise specifically provided therein, effective as of the date of this Agreement, the loan is hereby modified from the construction phase to the permanent loan phase, and accordingly, the Note Rider and Security Interest Rider are hereby terminated and shall be no further force or effect; provided, nothing herein shall relieve or release Borrower or Borrower's Contractor from any breach of any term or condition of any of the Loan Documents (including without limitation the Loan Agreement) or from any other obligation arising under the Loan Documents, or relating to facts occurring, on or prior to the date of this Agreement, and Borrower acknowledges and agrees that all such liabilities or obligations shall survive the execution of this Agreement. Subject to the foregoing, the loan shall hereafter be evidenced by the Note as modified by this Agreement and secured by the Security Instrument and any other rider or addendum to the Note or Security Instrument not specifically terminated by this Agreement.

6. MISCELLANEOUS. Nothing in the Agreement shall be understood or construed to be a satisfaction or release in whole or in part of the Note and Security Instrument. Except as otherwise specifically provided in this Agreement, the Note and Security Instrument will remain unchanged, and Borrower and Lender will be bound by, and comply with, all of the terms and provisions thereof, as amended by this Agreement. In the event of a conflict between the terms of this Agreement and the terms of the Note or the Security Instrument, the terms of this Agreement shall control. This Agreement contains the entire agreement of the parties with respect to the subject matter herein and supersedes and replaces any prior oral or written Agreement. This Agreement may only be modified by a written instrument executed by both Lender and Borrower. In the event Lender hires an attorney to enforce any terms or condition of this Agreement, Borrower shall reimburse Lender for all costs and reasonable attorney fees incurred by Lender.

ADDITIONAL NOTICES TO BORROWER:

DO NOT SIGN THIS MODIFICATION AGREEMENT BEFORE YOU READ AND UNDERSTAND IT.

THIS MODIFICATION AGREEMENT CHANGES THE TERMS OF YOUR NOTE, THE SECURITY INSTRUMENT AND RELATED LOAN DOCUMENTS.

MODIFICATION AGREEMENT C-7128 (9/03) (04/04)

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Skagit County Auditor

BY SIGNING BELOW EACH BORROWER ACKNOWLEDGES THAT EACH HAS READ THIS MODIFICATION AGREEMENT, UNDERSTANDS ALL OF THE PROVISIONS OF THIS AGREEMENT, AND AGREES TO ALL OF THE TERMS OF THIS AGREEMENT. EACH BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS AGREEMENT.

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

IN WITNESS WHEREOF, this Agreement has been duly executed by this parties hereto effective the day and year first above written.

LENDER:

GOLF SAVINGS BANK, a Washington State stock savings bank

By: *[Signature]*

Print Name: Peter [unclear]

Its: Vice President

BORROWER:

[Signature]
Borrower 1

[Signature]
Borrower 2

Borrower 3

Borrower 4

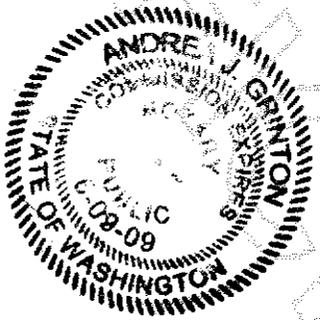


LENDER ACKNOWLEDGEMENT

STATE OF WASHINGTON)
)
COUNTY OF SKAGIT) ss.

On this day personally appeared before me PETE EDGECOMB, to me known to be the VICE PRESIDENT of GOLF SAVINGS BANK, a Washington State stock savings bank that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he/she was authorized to execute the same instrument.

GIVEN under my hand and official seal this 20th day of FEBRUARY, 2007



Andre Grinton

ANDREA GRINTON

(print notary's name)
Notary Public in and for the State of Washington,
residing at Sedro Woolley
My commission expires: 6/9/2009



**ONE TIME CLOSE CONSTRUCTION LOAN RIDER TO SECURITY INSTRUMENT
AND SECURITY AGREEMENT**

Loan Number: 103299

THIS ONE TIME CLOSE CONSTRUCTION LOAN RIDER TO SECURITY INSTRUMENT AND SECURITY AGREEMENT (this "Rider") is made this 15th day of February, 2007, and is incorporated into and shall be deemed to amend and supplement the Deed of Trust (the "Security Instrument") of the same date given by **Richard W. Stearns and Linda R. Stearns, Husband and Wife**, whose address is **12575 C Street, Mount Vernon WA 98273**, to secure Borrower's obligations under that certain Note and Construction Rider to Note (the "Note") in favor of Golf Savings Bank (the "Lender") whose address is **6505 218th St SW Suite 9, Mountlake Terrace WA 98043**, of the same date and covering the real property and improvements located at: **12575 C Street, Mount Vernon WA 98273** and legally described in the Security Instrument as follows (the "Property"):

The land referred to in this report/policy is situated in the State of Washington, County of Skagit, and is described as follows: That portion of Government Lot 1 in Section 31, Township 35 North, Range 3 East, W.M., described as follows: Beginning on the North line of "B" Street at a point which is intersected by a line drawn parallel to and 355 feet Westerly of the centerline of 5th Street as said streets are set forth in the "Plat of Bay View, (Mckenna & Elliott's 2nd Addition)", as per Plat recorded in volume 3 of plats, page 19, records of Skagit County, Washington; thence Northwesterly along said line which is parallel to and 355 feet Westerly of the centerline of 5th Street to the North line of Government Lot 1; thence Westerly along the North line of said Government Lot 1 to the East line of 2nd Street as shown in said Plat; thence Southerly along the East line of 2nd Street to the North line of "B" Street; thence Easterly along the North line of "B" Street to the point of beginning, except streets; Together with those portions of the vacated streets and alleys which have reverted thereto by operation of law.

Additional Covenants

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

A. Incorporation of All In One Construction Loan Agreement

Lender and Borrower entered into a One Time Close Construction Loan Agreement of even date herewith (the "Loan Agreement"), which is hereby incorporated herein by reference. Any default under the terms of the Loan Agreement shall be default under the terms of the Security Instrument, which default entitles the Lender to accelerate the maturity of the Note and to exercise all available remedies. All capitalized terms not otherwise defined herein shall have the meaning defined in the Loan Agreement

B. Construction Mortgage

The Security Instrument is intended to be a "construction mortgage" or "construction deed of trust" entitled to the priority for future advances as provided by applicable law (which priority is intended to relate back to the original priority date of the



Security Interest), and secures a loan for the cost of construction of certain improvements on the Property. It is understood and agreed that the funds to be advanced under the Note are to be used in the construction of certain improvements on the Property in accordance with the Loan Agreement and other Loan Documents.

C. Future Advances

The Security Instrument is given wholly or partly to secure Borrower's current and future obligations incurred under the Note and the Loan Documents. The face amount of obligations evidenced by the Note and secured by the Security Instrument is **Five Hundred Sixty Eight Thousand and no/100 Dollars (\$568,000.00)**. Notwithstanding the foregoing, the maximum amount secured by the Security Instrument may be increased by such additional amounts as may be advanced by Lender pursuant to the Security Instrument and other Loan Documents, and all such additional amounts (including without limitation amounts advanced under Section G of this Rider below) shall be deemed necessary expenditures for the protection of the security in accordance with and to the extent allowed by applicable law with priority of each such advance relating back to the original priority date of the Security Instrument. Future advances evidenced by the Note shall be made as provided in the Loan Agreement and other Loan Documents. Borrower does not require, and does hereby expressly waive, any necessity for written notice of, notation or evidence of each future advance under the Note or other Loan Documents.

D. Security Agreement

Without limiting any of the provisions of the Security Instrument, Borrower, as Debtor (and being referred to in this paragraph as "Debtor", whether one or more), expressly GRANTS unto Lender, as Secured Party, (and being referred to in this paragraph as "Secured Party," whether one or more), a security interest in the following described property (including both those now and those hereafter existing, and all proceeds and profits therefrom) (collectively, "Collateral") to the full extent that such properties may be subject to the Uniform Commercial Code (the "UCC") of the jurisdiction where the Property is located:

(1) To the extent owned by Debtor and/or Debtor's successors and assigns, whether acquired with the proceeds of the loan secured by the Security Instrument or otherwise, all fixtures, goods, furnishings, equipment, inventory, accessions, building material, machinery, and personal property now or hereafter located in, on, or used or intended to be used in connection with the Property, including without limitation: doors and partitions; window and floor coverings; apparatus, material, or equipment for supplying, holding, or distributing heating, cooling, electricity, gas, water, air, and household appliances; bathroom and kitchen fixtures; cabinetry; and landscaping (collectively, "Fixtures and Personal Property");

(2) All proceeds on sums payable in lieu of or as compensation for the loss of or damage to the Property and Fixtures and Personal Property, and all rights in and to all present and future fire and hazard insurance policies and commercial tort claims;

(3) All proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking, in whole or in part, of the Property, or for conveyance in lieu thereof;

(4) All of Debtor's interest and rights, as lessor, in and to all leases now or hereafter affecting the Property, and all rental income payable thereunder or otherwise;

(5) All bonds, deposits, letters of credit and letter of credit rights, and any other sums at any time credited by or due from Secured Party to Debtor or any guarantor, co-maker, and any other sums at any time credited by or due from Secured Party to Debtor or any guarantor, co-maker, or surety of Debtor, and held by Secured Party;



(6) Any replacements, additions, or betterments to, proceeds of, or profits from the Collateral, the sale or distribution of which is not authorized hereby.

(7) All permits, plans, specifications, and contracts pertaining to the construction of improvements to the Property.

In this regard, Debtor and Secured Party further covenant and agree as follows:

1. In addition to any other remedies granted in the Security Instrument to Secured Party or Trustee, Secured Party, may, in event of default, proceed under the UCC as to all or any part of the Collateral, and shall have and may exercise with respect to the Collateral all of the rights, remedies, and powers of a secured party under the UCC, including without limitation the right and power to sell at public or private sale or sales or otherwise dispose of, lease, or utilize the Collateral, or any part or parts thereof, in any manner authorized or permitted under the UCC after default by a Debtor, and to apply the proceeds thereof first toward payment of any costs, expenses, reasonable attorneys' fees, and legal expenses thereby incurred by Secured Party and thereafter toward payment of indebtedness described in the Security Instrument in such order or manner as Secured Party may elect.

2. Among the rights of Secured Party in the event of default and without limitation, Secured Party shall have the right to take possession of the Collateral and to enter upon any premises upon which the Collateral may be situated for such purpose without being deemed guilty of trespass and without liability for damages thereby occasioned and to take any action deemed necessary, appropriate, or desirable by Secured Party, at its option and in its sole discretion, to repair, refurbish, or otherwise prepare the Collateral for sale, lease, or other use or disposition as herein authorized.

3. To the extent permitted by law, Debtor expressly waives any notice of sale or other disposition of the Collateral and any other rights or remedies of a debtor or formalities prescribed by law relative to sale or disposition of the Collateral or exercise of any other right or remedy of Secured Party existing after default hereunder; and to the extent any such notice is required and cannot be waived, Debtor agrees that if such is mailed, postage prepaid, to Debtor at the address shown herein at least ten (10) days before the time of the sale or disposition, such notice shall be deemed reasonable and shall fully satisfy any requirement for giving of such notice.

4. After default, Secured Party is expressly granted the right, at its option, to transfer, at any time to itself or to its nominee, the Collateral (or any part thereof) and to receive the monies, income, proceeds, or benefits attributable or accruing thereto and to hold the same as security for amounts owing on any of the indebtedness, or to apply it to the principal and interest or other amounts owing on any of the indebtedness, whether or not then due, in such manner as Secured Party may elect. All rights to marshalling of assets of Debtor, including any such right with respect to the Collateral, are hereby waived.

5. All recitals in any instrument of assignment or any other instrument executed by Secured Party or by Trustee incident to sale, transfer, assignment, lease, or other disposition or utilization of the Collateral (or any part thereof), shall serve to establish full legal authority and propriety of the sale or other action and any fact, condition, or thing incident thereto, and all prerequisites of such sale or other action and of any fact, condition, or thing incident thereto shall be conclusively presumed to have been performed or to have occurred.

6. Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. All expenses of retaking, holding, preparing for sale, lease, or other use or disposition, selling, leasing, or otherwise using or disposing of the Collateral, including all reasonable attorneys' fees, legal expenses, and costs, shall be added to the indebtedness secured by the Security Instrument and Debtor shall be liable therefore.



7. Certain of the Collateral is or will become "fixtures" (as that term is defined in the UCC) on the Property, and the Security Instrument upon being recorded in the recording office of the County in which the Property is located shall operate also as a financing statement upon such of the Collateral that is or may become fixtures.

8. A copy of the Security Instrument, together with this Rider, which is signed by Debtor, may also serve as a financing statement under the UCC between Debtor and Secured Party, whose addresses are set forth in the Security Instrument.

9. So long as any amount remains unpaid on any indebtedness secured by the Security Instrument, Debtor shall not execute and there shall not be filed in any public office any financing statement or statements affecting the Collateral other than financing statements in favor of Secured Party hereunder, unless the prior written specific consent and approval of Secured Party shall have first been obtained.

10. Secured Party is authorized to file in appropriate jurisdictions financing statement(s) signed only by Secured Party covering the Collateral and, at the request of Secured Party, Debtor shall join Secured Party in executing one or more financing statements pursuant to the UCC (in form satisfactory to Secured Party) and shall pay the cost of filing or recording any financing statement (including where the Security Instrument serves as a financing statement). Any reproductions of this Rider may be filed by Secured Party and shall be sufficient as a financing statement.

11. Debtor further warrants and represents to Secured Party that, except for the security interest granted hereby in the Collateral, Debtor is the sole owner of the Property and sole owner and holder of the Collateral, free of any adverse claim, security interest, or encumbrance, and Debtor agrees to defend the Collateral against all claims and demands of any person at any time claiming the same or any interest therein. Debtor further warrants and represents that Debtor has not heretofore signed, or consented to be filed, any financing statements in connection with any or all of the Collateral and that there are no financing statements now on file in any public office.

E. Insurance

Until the Rollover Date (as defined in the All In One Construction Rider to Note), Borrower agrees to cause the Contractor to maintain general liability insurance coverage in a minimum sum of five hundred thousand dollars (\$500,000.00), general contractors/builders risk-course of construction coverage with a full replacement cost endorsement, worker's compensation insurance with full coverage as required by law, and such other insurance coverage as Lender may require. All such coverage shall (i) be issued by an insurance company with a minimum Best's rating of A-VII, (ii) name Lender as an additional insured (with respect to liability policies) and as loss payee (with respect to any property and builders risk policies), and (iii) such coverage may not be cancelled without the insuring company providing Lender with thirty (30) days prior written notice of cancellation. Borrower shall provide Lender with a certificate of insurance with respect to each of the required coverages on or before the initial advance under the Note.

F. Loan Sale

At Lender's election in its sole discretion, this rider shall be null and void at the time the Loan is sold in whole or in part.

G. Additional Advances For Completion of Project In Event of Default. In addition to any and all other rights and remedies available to Lender under the Security Instrument and other Loan Documents, in Borrower the event Borrower defaults in any of its obligations under the Note, Loan Agreement, Security Instrument or any other of the Loan Documents defaults, Lender shall have the right, in person, by agent or receiver, to take exclusive possession of the Project, and, either in its own name or in the name of and for the account of Borrower, to complete the construction of the Project (whether or not theretofore commenced by Borrower); and in furtherance thereof, Lender shall have the right without limitation to utilize (i) any

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materials purchased by Borrower or Contractor, whether or not located on the Property, (ii) any undisbursed funds from the Loan and any escrowed fund or other funds of Borrower or Contractor in connection with this Agreement, (iii) any equipment of Contractor which may be located on the Property, and (iv) any other material, services or facilities of Contractor in connection with the Project. Lender may in its sole discretion (A) make such additions, changes and corrections in the Plans and Specifications and the Budget as it shall deem necessary or advisable, (B) employ any contractors, subcontractors agents, architects and inspectors as Lender may elect, (C) pay, settle or compromise any and all existing bills and claims in connection with the Project and shall be authorized to execute (either in its name or in the name of the Borrower) all applications and certificates which may be necessary or advisable (in the opinion of Lender) in connection with the completion of the construction of the Project, (D) prosecute and defend all actions or proceedings in connection with the Project and take such action and require such performance as Lender deems necessary, and (E) further do any and every act which Borrower might do in its own behalf in order to complete the Project. All sums paid by Lender under this subsection shall be deemed to be advances of principal under the Note (and regardless of whether such advances exceed the stated face amount of the Note), shall be secured by the Security Instrument, and shall bear interest at the lesser of eighteen percent (18%) per annum or the highest rate permitted by applicable law, and shall be due and payable on demand. After the improvements on the Property have been completed by Lender under this subsection, Borrower will, at the request of Lender, execute such warranty deed and other documents as may be necessary to sell and convey same upon such terms and for such consideration as Lender shall from time to time designate; all proceeds from any of said sales shall be paid directly to Lender for application, first to interest and then to principal on the Note and other sums which may be due under the Note, this Agreement and the Security Instrument, with any balance remaining after all indebtedness under the Note, Security Instrument and this Agreement have been paid in full delivered to Borrower and Contractor as their respective interest may appear. It is understood and expressly agreed that any action, or failure to act, by Lender under the provisions of this subsection shall not result in any liability by Lender to any contractor, subcontractor, or creditor of Borrower or Contractor or to Borrower, Contractor or to any third party, regardless of any fault or negligence of Lender. In the event any claim by Lender hereunder is referred to any attorney for collection, Lender shall be entitled to recover its reasonable attorney's fees. All rights if Lender under this subsection are in addition to its rights under the Note, Security Instrument and other Loan Documents.

H. Miscellaneous

If any term or provision of this Rider shall be in conflict with any term or provision of the Security Instrument, the term or provision of this Rider shall control. Except as amended or supplemented hereby, the terms and provisions of the Security Instrument shall remain unchanged and shall continue in full force and effect. This Rider shall be a part of the Security Instrument and is hereby fully incorporated therein.

By signing below, Borrower accepts and agrees to the terms and covenants contained in this All In One Construction Loan Rider to Security Instrument and Security Agreement.

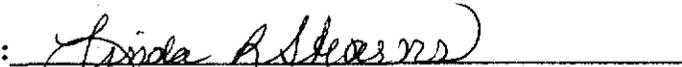
ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FOREBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER LAW.

BORROWER:

Richard W. Stearns, Linda R. Stearns

By: 

(Printed) _____

By: 

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(Printed) _____

By: _____

(Printed) _____

By: _____

(Printed) _____

BORROWER(S) ACKNOWLEDGMENT

(individual)

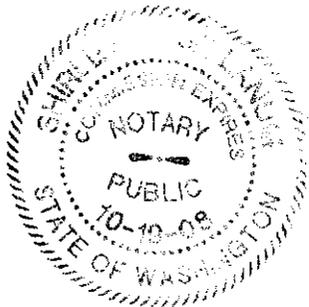
STATE OF WASHINGTON
) ss.
COUNTY OF SKAGIT

On this day personally appeared before me RICHARD W. GREEN and LINDA R. GREEN, to me known to be the individuals described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 16th day of February, 2007

Shirley Rose Lanum
SHIRLEY ROSE LANUM
(print notary's name)

Notary Public in and for the State of Washington,
residing at BURLINGTON
My commission expires: 10-19-2008



(LLC form of acknowledgement)



STATE OF: _____)
) ss.:
COUNTY OF: _____)

On this the ____ day of _____, 20__, before me a Notary Public duly authorized in and for the said County in the State aforesaid to take acknowledgments personally appeared _____ known to me to be _____ of _____ LLC, the limited liability company described in the foregoing instrument, and acknowledged that as such member, manager or officer, being authorized so to do, (s)he executed the foregoing instrument on behalf of said company by subscribing the name of such corporation by himself/herself as such officer and caused the corporate seal of said corporation to be affixed thereto, as his free and voluntary act, and as the free and voluntary act of said company, for the uses and purposes therein set forth.

Given under my hand and official seal this ____ day of _____, 20__.

Notary Public

[Printed Name]

Residing at

My Commission Expires:



Schedule "C"
Legal description

The land referred to in this report/policy is situated in the State of Washington, County of Skagit, and is described as follows:

That portion of Government Lot 1 in Section 31, Township 35 North, Range 3 East, W.M., described as follows:

Beginning on the North line of "B" Street at a point which is intersected by a line drawn parallel to and 355 feet Westerly of the centerline of 5th Street as said streets are set forth in the "PLAT OF BAY VIEW. (MCKENNA & ELLIOTT'S 2ND ADDITION)", as per Plat recorded in Volume 3 of Plats, page 19, records of Skagit County, Washington; thence Northwesterly along said line which is parallel to and 355 feet Westerly of the centerline of 5th Street to the North line of Government Lot 1; thence Westerly along the North line of said Government Lot 1 to the East line of 2nd Street as shown in said Plat; thence Southerly along the East line of 2nd Street to the North line of "B" Street; thence Easterly along the North line of "B" Street to the point of beginning, EXCEPT streets;

TOGETHER WITH those portions of the vacated streets and alleys which have reverted thereto by operation of law.



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