



200707310157

Skagit County Auditor

7/31/2007 Page 1 of 7 4:03PM

WHEN RECORDED RETURN TO:

Name: Valley High Investments, Inc.
Address: P.O. Box 399
City: Oak Harbor, WA 98277

LAND TITLE OF SKAGIT COUNTY

126815-5c

Deed of Trust

(For Use in the State of Washington Only)

THIS DEED OF TRUST, made this 31st of July, 200⁷, between **Richard B. Johnson**, GRANTOR, whose address is 5763 Honeysuckle Lane, Marblemount, WA 98267

Land Title Company, a Washington corporation, TRUSTEE, whose address is **111 E. George Hopper Road, Burlington, WA 98233**, and

Valley High Investments, Inc., BENEFICIARY, whose address is **P.O. Box 399, Oak Harbor, Washington 98277**

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

SEE ATTACHED EXHIBIT A

PTN Mene 13-35-4

Situated in Skagit County, Washington.

Tax Account Number: P36413, P36414, P36417, P70843, P107889, P107891, P70962, P70985, P107890, P107892, and P119955

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

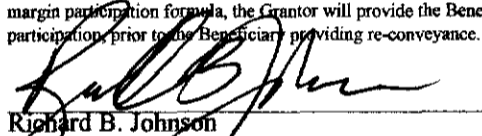
This deed is for the purpose of securing performance of each agreement of grantor herein contained, and payment of the sum of (\$797,000.00) Seven Hundred Ninety Seven Thousand and no/100 Dollars with interest fees, and margin participation in accordance with the terms of a promissory note of even date herewith, payable to Beneficiary or order, and made by Grantor, and all renewals, modifications and extensions thereof, and also such further sums as may be advanced or loaned by Beneficiary to Grantor or any of their successors or assigns, together with interest thereon at such rate as shall be agreed upon.

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

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

IT IS MUTUALLY AGREED THAT:

1. In the event any portion of the property is taken or damaged in an eminent domain proceeding, the entire amount of the award or such portion as may be necessary to fully satisfy the obligation secured hereby, shall be paid to Beneficiary to be applied to said obligation.
2. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right to require prompt payment when due of all other sums so secured or to declare default for failure to so pay.
3. The Trustee shall reconvey all or any part of the property covered by this Deed of Trust to the person entitled thereto on written request of the Grantor and the Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiary or the person entitled thereto.
4. Upon default by Grantor in the payment of any indebtedness secured hereby or in the performance of any agreement contained herein, all sums secured hereby shall immediately become due and payable at the option of the Beneficiary. In such event and upon written request of Beneficiary, Trustee shall sell the trust property, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows. (1) to the expense of the sale, including a reasonable Trustee's fee and attorney's fee; (2) to the obligation secured by this Deed of Trust; (3) the surplus, if any, shall be distributed to the persons entitled thereto.
5. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser the interest in the property which Grantor had or had the power to convey at the time of his execution of this Deed of Trust, and such as he may have acquired thereafter, Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchaser and encumbrances for value.
6. The power of sale conferred by this Deed of Trust and by the Deed of Trust Act of the State of Washington is not an exclusive remedy; Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage.
7. In the event of the death, incapacity, disability or resignation of Trustee, Beneficiary may appoint in writing a successor trustee, and upon the recording of such appointment in the mortgage records of the county in which this Deed of Trust is recorded, the successor trustee shall be vested with all powers of the original trustee. The trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Grantor, Trustee or Beneficiary shall be a party unless such action or proceeding is brought by the Trustee
8. This Deed of Trust applies to inures to, the benefit of, and is binding not only on the parties hereto, but on their heirs, devisees, legatees, administrators, executors and assigns. The term Beneficiary shall mean the holder and owner of the note secured hereby, whether or not named as Beneficiary herein.
9. Due on Sale, Transfer and/or Conveyance of the real property for any purpose, with the exception of any transfer between spouses due to dissolution of marriage and/or a distribution through probate of any interest in the subject real property. The undersigned grantor agrees to repay the principal sum plus accrued interest thereon, upon the first of the following events to occur:
 - A. Sale of Property
 - B. The final payment as provided in the Promissory Note;
 - C. Refinancing of the property described in the Deed of Trust given to secure this Note;
 - D. The creation of any new security interest in the property described in the Deed of Trust given as security for the Note.
 - E. Transfer and/or Conveyance of the real property.
 - F. In case of default on any underlying encumbrance.
10. A default on any encumbrance on any property referenced under the Tax Account numbers and legally described herein will automatically cause a default on this Deed of Trust.
11. Grantor agrees that, in the event the property is refinanced before it is sold in accordance with Section 1D of the Note Disbursement Schedule, the 25% margin participation formula, the Grantor will provide the Beneficiary with a recordable document protecting the Beneficiary's interest in the margin participation, prior to the Beneficiary providing re-conveyance.

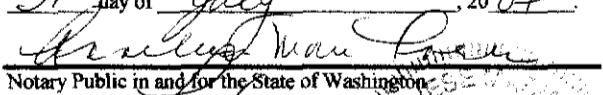

 Richard B. Johnson

STATE OF WASHINGTON)
 COUNTY OF SKAGIT) SS.

STATE OF WASHINGTON)
 COUNTY OF _____) SS.

On this 31st day of July, 2007 before me
RICHARD B. JOHNSON
 To me known to be the individual described in and who executed the
 within and foregoing instrument, and acknowledged that
 signed the same as his free and
 voluntary act and deed, for the uses and purposes therein mentioned.

On this day of, 2007 before me, the undersigned, a
 Notary Public in and for the State of Washington, duly
 commissioned and sworn, personally appeared
 to me known to be the
 respectfully, of _____,
 the corporation 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 _____ is authorized to execute
 the said instrument and that the seal affixed is the corporate seal of
 said corporation.

GIVEN under my hand and official seal this
31st day of July, 2007

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

Witness my hand and official seal hereto affixed the day and
 year first above written.

 Notary Public in and for the State of Washington
 Residing at _____
 My commission expires _____



REQUEST FOR FULL RECONVEYANCE
Do not record. To be used only when note has been paid.

TO: TRUSTEE,
 The undersigned is the legal owner and holder of the note and all other indebtedness secured by the within Deed of Trust. Said note, together with all other indebtedness secured by said Deed of Trust, has been fully paid and satisfied, and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note above mentioned, and all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you thereunder.

Dated _____, 20____



EXHIBIT A

Tax Account No. P36413

DESCRIPTION:

The North 20 rods of the Northeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of Section 13, Township 35 North, Range 4 East, W.M., EXCEPT the North 15 feet thereof reserved by the Skagit Realty Company for road purposes, ALSO EXCEPT those portions thereof lying within the Bassett Road right of way along the East and North line thereof, ALSO EXCEPT that certain 30 foot by 200 foot tract conveyed to Skagit County for the Bassett Road by deed recorded May 5, 1944, under Auditor's File No. 371254, ALSO EXCEPT the right of way for State Highway No. 9 along the East line thereof.

Situate in the County of Skagit, State of Washington.

Tax Account No. P36414

DESCRIPTION:

PARCEL "A":

The South 20 rods of the North 40 rods of the Northeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ in Section 13, Township 35 North, Range 4 East, W.M.;

EXCEPT road;

AND EXCEPT that portion, if any, not lying within the South $\frac{1}{2}$ of the North $\frac{1}{2}$ of said Northeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$.

Situate in the County of Skagit, State of Washington.

Tax Account No. P36417

DESCRIPTION:

PARCEL "A":

Tract "C", City of Sedro Woolley Short Plat No. SW-01-79, approved May 2, 1979, and recorded May 4, 1979, in Volume 3 of Short Plats, page 112, under Auditor's File No. 7905040019, records of Skagit County, Washington; being a portion of the South $\frac{1}{2}$ of the Northeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of Section 13, Township 35 North, Range 4 East, W.M.

Situate in the County of Skagit, State of Washington.

Tax Account No. P70843

DESCRIPTION:

Lots 1 and 2, Block 5, "EVERETT'S SECOND ADDITION TO CONCRETE, SKAGIT COUNTY, WASH.," as per plat recorded in Volume 4 of Plats, page 13, records of Skagit County, Washington.

Situate in the Town of Concrete, County of Skagit, State of Washington



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EXHIBIT A (continued)

Tax Account No. P107889

Legal Description

GREISTS TO GRASSMERE, ACRES 0.92, TRACT A (LOTS 1, 2 & 3 COMBINED WITH ADJACENT PROPERTY TO SOUTH) A PORTION OF C W GRIEST'S PLAT OF GRASMERE ACCORDING TO THE RECORDED PLAT THEROF FILED IN VOLUME 3 OF PLATS AT PAGE 94 RECORDS OF SKAGIT COUNTY AND ALSO BEING IN THE EAST HALF OF SECTION 9 TOWNSHIP 35 NORTH RANGE 8 EAST DESCRIBED AS FOLLOWS: BEGINNING AT THE NORTHEAST CORNER OF LOT 3 OF BLOCK 1 OF SAID PLAT; THENCE SOUTH ALONG THE EAST LINE OF SAID LOT 3 AND ITS SOUTHERLY PROJECTION TO THE CENTERLINE OF VACATED PEARL STREET; THENCE WEST ALONG THE CENTERLINE OF SAID STREET TO ITS INTERSECTION WITH THE EAST LINE OF THE MARGINAL STREET ALONG THE WEST LINE OF SAID PLAT; THENCE NORTH ALONG THE EAST LINE OF SAID MARGINAL STREET TO THE NORTHWEST CORNER OF LOT 1 OF SAID PLAT; THENCE SOUTHEASTERLY ALONG THE NORTH LINES OF LOTS 1, 2 AND 3 TO THE POINT OF BEGINNING. ALSO EXCEPT ROAD RIGHT-OF-WAY CONVEYED TO SKAGIT COUNTY PER AF#200304140251.

Tax Account No. P107890

Legal Description

GREISTS TO GRASSMERE, TRACT B (LOTS 4, 5 AND 6 COMBINED WITH ADJACENT PROPERTY TO SOUTH) A PORTION OF C W GRIEST'S PLAT OF GRASMERE ACCORDING TO THE RECORDED PLAT THEREOF FILED IN VOLUME 3 OF PLATS AT PAGE 94 RECORDS OF SKAGIT COUNTY AND ALSO BEING IN THE EAST HALF OF SECTION 9, TOWNSHIP 35 NORTH, RANGE 8 EAST, DESCRIBED AS FOLLOWS: BEGINNING AT THE NORTHEAST CORNER OF LOT 6 BLOCK 1 OF SAID PLAT; THENCE SOUTH ALONG THE EAST LINE OF SAID LOT 6 AND ITS SOUTHERLY PROJECTION TO THE CENTERLINE OF VACATED PEARL STREET; THENCE WEST ALONG THE CENTERLINE OF SAID STREET TO THE SOUTHERLY PROJECTION OF THE WEST LINE OF LOT 4 OF SAID BLOCK 1; THENCE NORTH ALONG SAID WEST LINE AND ITS PROJECTION TO THE NORTHWEST CORNER OF SAID LOT 4; THENCE SOUTHEASTERLY ALONG THE NORTH LINE OF LOTS 4, 5 AND 6 TO THE POINT OF BEGINNING.

Tax Account No. P107891

Legal Description

GREISTS TO GRASSMERE, TRACT C (LOTS 7, 8 AND 9 COMBINED WITH ADJACENT PROPERTY TO SOUTH) A PORTION OF C W GRIEST'S PLAT OF GRASMERE ACCORDING TO THE RECORDED PLAT THEREOF FILED IN VOLUME 3 OF PLATS AT PAGE 94 RECORDS OF SKAGIT COUNTY AND ALSO BEING IN THE EAST HALF OF SECTION 9, TOWNSHIP 35 NORTH, RANGE 8 EAST DESCRIBED AS FOLLOWS: BEGINNING AT THE NORTHEAST CORNER OF LOT 9 BLOCK 1 OF SAID PLAT; THENCE SOUTH ALONG THE EAST LINE OF SAID LOT 9 AND ITS SOUTHERLY PROJECTION TO THE CENTERLINE OF VACATED PEARL STREET; THENCE WEST ALONG THE CENTERLINE OF SAID STREET TO THE SOUTHERLY PROJECTION OF THE WEST LINE OF LOT 7 OF SAID BLOCK 1; THENCE NORTH ALONG SAID WEST LINE AND ITS PROJECTION TO THE NORTHWEST CORNER OF SAID LOT 7; THENCE SOUTHEASTERLY ALONG THE NORTH LINE OF LOTS 7, 8 AND 9 TO THE POINT OF BEGINNING

Tax Account No.: P107892

Legal Description

GREISTS TO GRASSMERE, TRACT D (LOTS 10, 11 AND 12 COMBINED WITH ADJACENT PROPERTY TO SOUTH) A PORTION OF C W GRIEST'S PLAT OF GRASMERE ACCORDING TO THE RECORDED PLAT THEREOF FILED IN VOLUME 3 OF PLATS AT PAGE 94 RECORDS OF SKAGIT COUNTY AND ALSO BEING IN THE EAST HALF OF SECTION 9, TOWNSHIP 35 NORTH, RANGE 8 EAST, DESCRIBED AS FOLLOWS: BEGINNING AT THE SOUTHEAST CORNER OF LOT 13 BLOCK 1 OF SAID PLAT; THENCE SOUTH ALONG THE SOUTHERLY PROJECTION OF THE EAST LINE OF SAID LOT 13 TO THE CENTERLINE OF VACATED PEARL STREET; THENCE WEST, ALONG THE CENTERLINE OF SAID STREET TO THE SOUTHERLY PROJECTION OF THE WEST LINE OF LOT 10 OF BLOCK 1; THENCE NORTH ALONG SAID WEST LINE AND ITS PROJECTION TO THE NORTHWEST CORNER OF SAID LOT 10; THENCE SOUTHEASTERLY ALONG THE NORTH LINE OF LOTS 10, 11 AND 12 TO THE NORTHEAST CORNER OF LOT 12 OF BLOCK 1; THENCE SOUTH ALONG THE EAST LINE OF SAID LOT 12 TO THE SOUTHEAST CORNER THEREOF; THENCE EASTERLY ALONG THE SOUTH LINE OF SAID LOT 13 TO THE POINT OF BEGINNING



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EXHIBIT A (continued)

Tax Account No. P70962

Legal Description

GREISTS TO GRASSMERE, TRACT E (LOTS 13, 14 AND 15 COMBINED WITH ADJACENT PROPERTY TO SOUTH) A PORTION OF C W GRIESTS PLAT OF GRASMERE ACCORDING TO THE RECORDED PLAT THEREOF FILED IN VOLUME 3 OF PLATS AT PAGE 94 RECORDS OF SKAGIT COUNTY AND ALSO BEING IN THE EAST HALF OF SECTION 9, TOWNSHIP 35 NORTH RANGE 8 EAST, DESCRIBED AS FOLLOWS: ALL OF LOTS 13, 14 AND 15 BLOCK 1 OF SAID PLAT BUT NO INCLUDING IN THIS DESCRIPTION ANY PORTION OF VACATED PARK STREET ADJOINING SAID LOTS

Tax Account No. P70985

Legal Description

LOTS 1 THROUGH 18, INCLUSIVE, BLOCK 5, "C.W. GRIEST'S PLAT OF GRASSMERE," AS PER PLAT RECORDED IN VOLUME 3 OF PLATS, PAGE 94, RECORDS OF SKAGIT COUNTY, WASHINGTON; TOGETHER WITH THOSE PORTIONS OF PEARL STREET, PINE STREET, WESLEY AVENUE AND ALLEY THROUGH SAID BLOCK 5, VACATED APRIL 24, 1939 IN COMMISSIONER'S FILE NO. 5517, AND WHICH WOULD ATTACH TO SAID PREMISES BY OPERATION OF LAW.

Tax Account No. P119955

Legal Description

INCLUDING MANUFACTURED HOME 1978 SILVERCREST CHALET; TRACT "C" OF SURVEY RECORDED UNDER AF#200509300208. AKA TRACT "C" OF SURVEY RECORDED UNDER AF#200508260040 AKA TRACT "C" OF A SURVEY RECORDED UNDER AUDITOR'S FILE NUMBER 200212310308, ALSO KNOWN AS A PORTION OF BLOCK 4, LOTS 1 THROUGH 7 OF THE PLAT OF HAMSTROM'S ADDITION TO GRASSMERE, AS RECORDED IN VOLUME 3 OF PLATS, PAGE 82 RECORDS OF SKAGIT COUNTY, WASHINGTON, LOCATED IN SECTION 9, TOWNSHIP 35 NORTH, RANGE 8 EAST, WILLAMETER MERIDIAN, MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEGINNING AT THE SOUTHEAST CORNER OF LOT 7 OF SAID BLOCK 4, THENCE ON A NORTH AZIMUTH 00-01-55 ALONG THE WEST LINE OF FIRST STREET AS SHOWN ON SAID PLAT FOR A DISTANCE OF 120.98 FEET; THENCE ON A NORTH AZIMUTH 270-19-58 FOR A DISTANCE OF 107.55 FEET TO THE CENTERLINE OF A VACATED 14 FOOT WIDE ALLEY RUNNING NORTHERLY AND SOUTHERLY AS SHOWN ON SAID PLAT; THENCE ON A NORTH AZIMUTH 180-02-14 ALONG THE CENTERLINE OF SAID ALLEY, FOR A DISTANCE OF 120.98 FEET, TO THE SOUTH LINE OF BLOCK 4 OF SAID PLAT; THENCE ON A NORTH AZIMUTH 90-19-58 ALONG THE SOUTH LINE OF SAID BLOCK 4 FOR A DISTANCE OF 107.56 FEET TO THE SOUTHEAST CORNER OF SAID LOT 7 AND THE TRUE POINT OF BEGINNING OF THIS DESCRIPTION.



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4:03PM

DISBURSEMENT SCHEDULE

Principal Balance at any time shall be the Principal withdrawn to date plus any interest, fees, and margin participation accrued to date on said withdrawn amount.

Total Note amount of \$797,000.00 does not reflect a 2 1/2% loan fee and a 25% participation margin on sale of the property.

1. Initial Loan For the Purchase of Parcels P36413 and P111098

- a. Amount - \$450,000.00 (does not include Fees)
- b. Interest Rate - 12% per year; compounded monthly
- c. Fee - 2 1/2 % of loan
EXAMPLE: $\$450,000.00 \times 0.025 = \$11,250$
- d. Fee - 25% of the margin on sale
EXAMPLE:
The 25% of project margin will be calculated by subtracting \$1,575,000 (the mutually agreed upon basis) from the total resale value of parcels P111098, P36413, P36414 and P36417. For example, if all parcels sold for a total of \$2,500,000, the 25% of project margin will be calculated as follows:
 $\$2,500,000.00 - \$1,575,000.00 = \$925,000.00 \times 25\% = \$231,250.00$
The pre-development sale price will not be less than \$2,500,000; unless approved by the Lender/Note holder.
- e. Term - Three years or on sale of property
- f. Secured by a First Position Deed of Trust on Parcels P111098, P36413 and P36417 (Township); a Second Position Deed of Trust on Parcel P36414 (Township); and a Second Position Deed of Trust on Parcels P70843, P107889, P107891, P70962, P70985, P107890, P107892, and P119955
- g. Closing - July 31, 2007 or Sooner
- h. Funds advanced through escrow for the purchase of parcels P111098 and P36413

2. Takeout Funding of First Position Deed of Trust in December 2008 on Parcel P36414

- a. Amount - \$280,000.00 (does not include Fees)
- b. Interest Rate - 12% per year; compounded monthly
- c. Fee - 2 1/2% of loan
EXAMPLE: $\$280,000.00 \times 0.025 = \$7,000.00$
- d. Fee - 25% of the margin on sale
EXAMPLE:
The 25% of project margin will be calculated by subtracting \$1,575,000 (the mutually agreed upon basis) from the total resale value of parcels P111098, P36413, P36414 and P36417. For example, if all parcels sold for a total of \$2,500,000, the 25% of project margin will be calculated as follows:
 $\$2,500,000.00 - \$1,575,000.00 = \$925,000.00 \times 25\% = \$231,250.00$
The pre-development sale price will not be less than \$2,500,000; unless approved by the Lender/Note holder.
- e. Term - Three years or on sale of property
- f. Secured by a First Position Deed of Trust on Parcels P111098, P36413 and P36417 (Township); a Second Position Deed of Trust on Parcel P36414 (Township); and a Second Position Deed of Trust on Parcels P70843, P107889, P107891, P70962, P70985, P107890, P107892, and P119955
- g. Funds advanced through escrow to pay off first position note holder

3. Consulting Fees for Urban Growth Expansion Process

- a. Amount - \$20,000.00 (does not include Fees)
- b. Interest Rate - 12% per year; compounded monthly
- c. Fee - 2 1/2% of loan
EXAMPLE: $\$20,000.00 \times 0.025 = \500.00
- d. Fee - 25% of the margin on sale
EXAMPLE:
The 25% of project margin will be calculated by subtracting \$1,575,000 (the

Borrower:


Richard B. Johnson, A Single Man

7-31-07
Date

At

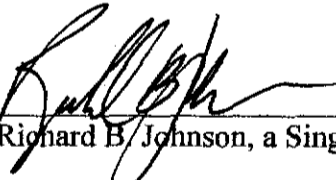


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mutually agreed upon basis) from the total resale value of parcels P111098, P36413, P36414 and P36417. For example, if all parcels sold for a total of \$2,500,000, the 25% of project margin will be calculated as follows:
 $\$2,500,000.00 - \$1,575,000.00 = \$925,000.00 \times 25\% = \$231,250.00$

The pre-development sale price will not be less than \$2,500,000; unless approved by the Lender/Note holder.

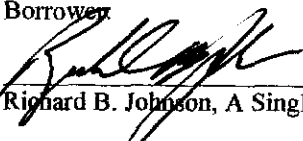
- e. Term – Three years or on sale of property
 - f. Secured by a First Position Deed of Trust on Parcels P111098, P36413 and P36417 (Township); a Second Position Deed of Trust on Parcel P36414 (Township); and a Second Position Deed of Trust on Parcels P70843, P107889, P107891, P70962, P70985, P107890, P107892, and P119955
 - g. Funds advanced directly to consultant as invoiced
4. Loan Servicing of \$280,000.00 First Position Note on Parcel P36414 through December 2008
- a. Amount - \$47,000.00 (does not include Fees)
 - b. Interest Rate – 12% per year; compounded monthly
 - c. Fee – 2 ½% of loan
EXAMPLE: $\$47,000 \times 0.025 = \$1,175.00$ (charge effective at time of closing of initial loan)
 - d. Fee – 25% of the margin on sale
EXAMPLE
The 25% of project margin will be calculated by subtracting \$1,575,000 (the mutually agreed upon basis) from the total resale value of parcels P111098, P36413, P36414 and P36417. For example, if all parcels sold for a total of \$2,500,000, the 25% of project margin will be calculated as follows:
 $\$2,500,000.00 - \$1,575,000.00 = \$925,000.00 \times 25\% = \$231,250.00$
The pre-development sale price will not be less than \$2,500,000; unless approved by the Lender/Note holder.
 - e. Term – Three years or on sale of property
 - f. Secured by a First Position Deed of Trust on Parcels P111098, P36413 and P36417 (Township); a Second Position Deed of Trust on Parcel P36414 (Township); and a Second Position Deed of Trust on Parcels P70843, P107889, P107891, P70962, P70985, P107890, P107892, and P119955
 - g. Monthly payments advanced directly to note holder (Cook)
5. Reconveyance Administration Fee: \$900.00 per Reconveyance.


Richard B. Johnson, a Single Man

Approved as to form by Lender:

Valley High Investments, Inc.
William L. Massey, President

Borrower

 7-31-07
Richard B. Johnson, A Single Man Date



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Skagit County Auditor