

AFTER RECORDING, RETURN TO:

HUGH LEWIS, ATTORNEY AT LAW, P.C.
2200 Rimland Drive, Suite 220
Bellingham, Washington 98226
360-392-2880



200810310015
Skagit County Auditor

10/31/2008 Page 1 of 7 9:11AM

TITLE OF DOCUMENT:	DEED OF TRUST
GRANTOR:	DAVID & CAROLYN PAYNE
GRANTEE:	3 E DEVELOPMENT, LLC
ABBREV. LEGAL DESCRIPTION:	LOT 4, CAROLINA PLACE ESTATES S.P. #98-0001, AF# 2006080400386
FULL LEGAL APPEARS:	PAGE 1
ASSESSOR'S PARCEL NO.:	<u>4109-001-900-0700</u>
Chicago Title IC46718	
Escrow IMV3381	

DEED OF TRUST

THIS DEED OF TRUST is made this 12th day of SEPTEMBER, 2008, between DAVID & CAROLYN PAYNE, husband & wife, "GRANTOR," whose address is 31 KERNVILLE TRAVEL CA 92602, CHICAGO TITLE INSURANCE COMPANY as "TRUSTEE", whose address is 839 S. BURLINGTON BLVD, BURLINGTON WA and , 3 E DEVELOPMENT, LLC "BENEFICIARY", whose address is 14820 Gibraltar Rd. Anacortes, WA 98221.

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

LOT 4, CAROLINA PLACE SHORT PLAT, NO 98-0001, AS PER THE MAP THEREOF RECORDED AT AUDITOR'S FILE NO. 2006080400386, RECORDS OF SKAGIT COUNTY, WASHINGTON AS MORE FULLY DESCRIBED IN EXHIBIT "A" ATTACHED HERETO.

(hereinafter referred to as the "Property") which Property is not used principally for agricultural purposes, together with all tenements, hereditaments, and appurtenances now or hereafter thereunto belonging or in any way appertaining, and the rents, issues and profits thereof.

This Deed of Trust is granted for the purposes of securing performance of each agreement of Grantor herein contained, and payment of the sum of TWO HUNDRED TWENTY-FIVE THOUSAND DOLLARS (\$225,000.00), with interest, in accordance with the terms of a promissory note of even date herewith made by Grantor payable to Beneficiary or order (hereinafter referred to as the "Note"), and all renewals, modifications and extensions thereof, and all other sums payable under the terms of the Note and/or this Deed of Trust.

GRANTOR COVENANTS AND AGREES, in order to protect the security of this Deed of Trust:

A. To comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the Property.

B. To pay before delinquency 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.

C. To defend any action or proceeding purporting to affect the security hereof, or of the rights or powers of Beneficiary or Trustee, herein provided.

D. To pay all costs, fees and expenses incurred in enforcing the obligations secured hereby and Trustee's and attorney's fees actually incurred, as provided by statute.

E. During the life of this Deed of Trust and until full payment of the Note, Grantor shall maintain, with all premiums prepaid, insurance covering the Property under fire and extended coverage insurance policies for perils customarily insured against, and for such other perils or hazards as Beneficiary may reasonably deem appropriate, for the full insurable value thereof, with loss payable to the Beneficiary, and to deliver all such policies, or certificates evidencing their coverage, along with evidence of payment of premiums therefor, to the Beneficiary annually on the anniversary date of this Deed of Trust, or upon and in accordance with the written request of the Beneficiary. All such policies shall be written by a company or companies reasonably acceptable to Beneficiary and shall provide that they may not be cancelled or substantially modified or reduced without at least 30 days' prior written notice to all insureds, including Beneficiary. In the event of foreclosure of this Deed of Trust or of any other transfer of the title to the Property in lieu of foreclosure, all interest of the Grantor in any such policy or policies shall pass to the purchaser or transferee at such foreclosure or other transfer without additional cost or expense to such transferee or purchaser. Unless Grantor and Beneficiary otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the damage done to the Property, if the restoration or repair is economically feasible and Beneficiary's security is not lessened; if the restoration or repair is not economically or legally feasible, the insurance proceeds shall be applied to the sums secured by this Deed of Trust, whether or not then due, with any excess paid to Grantor. If Grantor abandons the Property, or does not answer within 30 days a notice from Beneficiary that the insurance carrier has offered to settle a claim, then Beneficiary may collect the insurance proceeds. Beneficiary may use the proceeds to repair or restore the Property or to pay sums secured by this Deed of Trust, whether or not then due. The 30-day period will begin when the notice is given.

IT IS MUTUALLY AGREED THAT:

1. In the event that any portion of the Property is taken or damaged in an eminent domain proceeding, the entire amount of the award of such portion thereof 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.

3. The Trustee shall reconvey all or any part of the Property 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. Grantor shall hereby receive and be entitled to exclusive physical possession of the property covered by this Deed of Trust, but shall not have the right to remove, demolish, move or alter in any way, any buildings or other structures now located on the Property without the written consent of the Beneficiary.

5. All demands, notices and correspondence, except original process in the event of litigation shall be deemed sufficient if mailed by certified mail, addressed to the respective parties at the addresses listed on page 1 hereof, or such other address as either party may hereafter designate in writing to the other.

6. Should Grantor fail to pay when due any taxes, assessment, insurance premiums, liens, encumbrances, or other charges against the Property which are required to be paid by Grantor under this Deed of Trust, or should Grantor otherwise fail to perform any of Grantor's other covenants herein contained, the performance of which requires the expenditure of money, then, in any such event, the Beneficiary, at its election, may pay such sums as may be necessary to perform such obligations with respect to which the Grantor is in default, without prejudice to Beneficiary's right to accelerate the maturity of this Deed of Trust and to foreclose the same, and any and all amounts so paid shall be repaid by the Grantor to the Beneficiary upon demand, with interest thereon at the same rate as the indebtedness secured by this Deed of Trust from the date of such payment, and all such payments, with interest as above provided, shall, from the date of payment, be added to and become a part of the indebtedness secured by this Deed of Trust.

7. Upon default by Grantors 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 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.

8. 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 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 purchasers and encumbrancers for value.

9. Notwithstanding Beneficiary's acceleration of the sums secured by this Deed of Trust, Grantor shall have the right to have any proceedings begun by Trustee to enforce this Deed of Trust discontinued at any time prior to the earlier to occur of (1) the tenth (10th) day before sale of the property pursuant to the power of sale contained in this Deed of Trust or (2) entry of a judgment enforcing this Deed of Trust if: (a) Grantor pays Beneficiary all sums which would be then due under this Deed of Trust, the Note and notes securing future advances, if any, had no acceleration occurred; (b) Grantor cures all breaches of any other covenants or agreements of Grantor contained in this Deed of Trust; (c) Grantor pays all reasonable expenses incurred by Beneficiary and Trustee in enforcing the covenants and agreements of Grantor contained in this Deed of Trust.

10. 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.



11. In the event of the death, incapacity or disability or resignation of the 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.

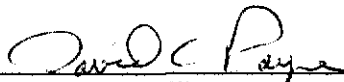
12. If all or any part of the Property or an interest therein is sold or transferred by Grantor without Beneficiary's prior written consent, Beneficiary may, at Beneficiary's option, declare all the sums secured by this Deed of Trust to be immediately due and payable.

13. Upon payment of all sums secured by this Deed of Trust, Beneficiary shall request Trustee to reconvey the Property and shall surrender this Deed of Trust and all notes evidencing indebtedness secured by this Deed of Trust to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled thereto. Such person or persons shall pay all costs of recordation, if any.

14. It is understood and agreed by the parties hereto that if any part, term, or provision of this Deed of Trust is judicially determined to be illegal or in conflict with any law of the State of Washington, the validity of the remaining portions or provisions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the instrument did not contain the particular part, term or provision held to be invalid.

15. This Deed of Trust applies to, inures to the benefit of, and is binding upon the parties hereto, and on their heirs, devisees, legatees, administrators, executors, successors and assigns. The term Beneficiary shall mean the holder and owner of the Note secured hereby, whether or not named as Beneficiary herein.

GRANTOR:



DAVID PAYNE



CAROLYN PAYNE



California
STATE OF WASHINGTON)
Orange) ss.
COUNTY OF SKAGIT)

I hereby certify that I ~~know~~ or have satisfactory evidence that DAVID PAYNE and CAROLYN PAYNE are the persons who appeared before me, and said persons acknowledged that they signed this instrument and acknowledged it to be their free and voluntary acts for the uses and purposes mentioned in the instrument.

EA
DATED: ~~September 12~~ September 12, 2008.

CERTIFICATE ATTACHED

Snick
NOTARY PUBLIC in and for the
State of ~~Washington~~ ^{California}. My
Commission expires June 21, 2012.

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 convey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you thereunder.

DATED this _____ day of _____, 200__.



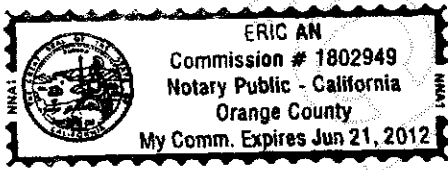
CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Orange

On September 12, 2008 before me, Eric An, Notary Public

personally appeared David Payne and Carolyn Payne



who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Place Notary Seal Above

Signature [Signature]
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

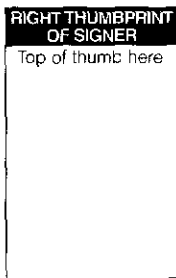
Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

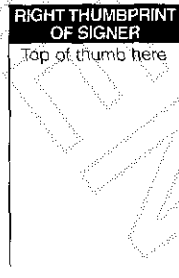
- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing: _____

Signer's Name: _____

- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing: _____



EXHIBIT "A"

PARCEL A:

Lot 4, SKAGIT COUNTY SHORT PLAT NO. 98-0001 as approved August 2, 2006 and recorded August 4, 2006, under Auditor's File No. 200608040036, records of Skagit County, Washington; being a portion of the Southwest Quarter of Section 17, Township 34 North, Range 2 East of the Willamette Meridian.

Situated in Skagit County, Washington

PARCEL B:

An easement for ingress, egress and utilities across the Westerly portion of Lots 1, 2 and 3, as delineated on the face of SKAGIT COUNTY SHORT PLAT NO. 98-0001 as approved August 2, 2006 and recorded August 4, 2006, under Auditor's File No. 200608040036, records of Skagit County, Washington; being a portion of the Southwest Quarter of Section 17, Township 34 North, Range 2 East of the Willamette Meridian.

Situated in Skagit County, Washington

- END OF EXHIBIT "A" -



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Skagit County Auditor