



Skagit County Auditor

5/5/2017 Page

1 of

28

\$174.00

1:16PM

AFTER RECORDING RETURN TO:

Columbia State Bank  
Attn: Loan Operations  
2228 South 78th Street  
MS 6100  
Tacoma, WA 98409

CHICAGO TITLE

500054698

**CONSTRUCTION DEED OF TRUST AND FIXTURE FILING**

GRANTOR: Skagit Highlands Homes, LLC., a Washington limited liability company

GRANTEE #1 (Trustee): Chicago Title

GRANTEE #2 (Beneficiary): COLUMBIA STATE BANK

ABBREVIATED LEGAL DESCRIPTION: Lot(s): 1, 2, and 6 THE WOODS AT SUNSET COVE

Full Legal Description on Exhibit A attached hereto

ASSESSOR'S TAX PARCEL ID NUMBER:

P126709/4941-000-002-0000, P126708/4941-000-001-0000 and P126713/4941-000-006-0000

**NOTICE: BE ADVISED THAT THE PROMISSORY NOTE SECURED BY THIS DEED OF TRUST PROVIDES FOR A VARIABLE OR ADJUSTABLE RATE OF INTEREST AND INCLUDES A REVOLVING LINE OF CREDIT. UNDER THE REVOLVING LINE, BENEFICIARY WILL MAKE PERIODIC ADVANCES TO GRANTOR, WHICH MAY BE REPAID AND SUBSEQUENTLY RE-ADVANCED, SUBJECT TO THE TERMS AND CONDITIONS OF THE NOTE AND THE OTHER LOAN DOCUMENTS REFERENCED BELOW. THE UNPAID BALANCE MAY FROM TIME TO TIME BE REDUCED TO ZERO. A ZERO BALANCE DOES NOT TERMINATE THE REVOLVING LINE AND THE LIEN OF THIS DEED OF TRUST WILL REMAIN IN FULL FORCE NOTWITHSTANDING SUCH REDUCTIONS. HOWEVER, NOTHING HEREIN SHALL BE CONSTRUED AS OBLIGATING BENEFICIARY TO MAKE ANY FUTURE ADVANCE TO GRANTOR.**

Loan Number: 161742

**CONSTRUCTION DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT, AND FIXTURE FILING**

THIS CONSTRUCTION DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT, AND FIXTURE FILING (this "**Deed of Trust**"), is made as of **May 1, 2017**, by Skagit Highlands Homes, LLC., a Washington limited liability company, whose address is 16000 Christensen Rd., Ste. 150 Seattle, WA 98188 ("**Grantor**"); to Chicago Title whose address is 4100 194<sup>th</sup> St SW #230 Lynnwood, WA 98036 and its successors in trust and assigns ("**Trustee**"), for the benefit of COLUMBIA STATE BANK, whose address is 719 2nd Avenue, Suite 500, Seattle, WA 98104 Attn: David Adams ("**Beneficiary**").

1. **Granting Clause.** For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in order to secure the Secured Obligations (as defined in **Section 4** below) including, without limitation, payment of the indebtedness evidenced by the Note (as hereinafter defined) with interest thereon, and any other sums payable thereunder and hereunder, and to secure the performance of the obligations contained herein, Grantor grants, bargains, sells, and conveys to Trustee and its successors in trust and assigns, forever, in trust, with power of sale, all of Grantor's estate, right, title, interest, claim and demand in and to the property located **Lots 1, 2 and 6 The Woods at Sunset Cove, County of Skagit, State of Washington**, described as follows, whether now existing or hereafter acquired (all of the property described in all parts of this **Section 1** and all additional property, if any, described in **Section 2** are herein collectively referred to herein as the "**Property**"):

1.1 **Land and Appurtenances.** The land described on **Exhibit A** hereto, and all tenements, hereditaments, rights-of-way, easements, appendages and appurtenances thereto belonging or in any way appertaining, including, without limitation, all of the right, title and interest of Grantor in and to any avenues, streets, ways, alleys, vaults, strips or gores of land adjoining that land, and all claims or demands of Grantor either in law or in equity in possession or expectancy of, in and to the foregoing; and

1.2 **Improvements and Fixtures.** All buildings, structures and other improvements now or hereafter erected on the property described in **Section 1.1** above, and all facilities, fixtures, machinery, apparatus, installations, goods, furniture, and equipment, and other properties of whatsoever nature (including, without limitation, all heating, ventilating, air conditioning, plumbing and electrical equipment, all elevators and escalators, all sprinkler systems, all engines and motors, all lighting, laundry, cleaning, fire prevention and fire extinguishing equipment, all ducts and compressors, all refrigerators, stoves and other appliances, attached cabinets, partitions, rugs, carpets, blinds and draperies, all building

materials and supplies, and all construction materials and equipment), now or hereafter located in or used or procured for use in connection with that property, it being the intention of the parties that all property of the character hereinabove described which is now owned or hereafter acquired by Grantor and which is affixed or attached to or used in connection with the property described in Section 1.1 above shall be, remain and/or become a portion of that property and shall be covered by and subject to the lien of this Deed of Trust, together with all contracts, agreements, permits, plans, specifications, drawings, surveys, engineering reports and other work products relating to the construction of the existing or any future improvements on the property described in Section 1.1, any and all rights of Grantor in, to or under any architect's contracts or construction contracts relating to the construction of the existing or any future improvements on the property described in Section 1.1, and any performance and/or payment bonds issued in connection therewith together with any and all rights of Grantor, without limitation, to make claim for, collect, receive and receipt for any and all rents, income, revenues, issues, royalties, profits, including mineral, oil and gas rights and profits, insurance proceeds, condemnation awards and other moneys payable or receivable from or on account of any of the foregoing, including interest thereon, or to enforce all other provisions of any agreement (including those referred to above) affecting or relating to any of the foregoing; and

1.3 Enforcement and Collection. Any and all rights of Grantor, without limitation, to make claim for, collect, receive and receipt for any and all rents, income, revenues, issues, royalties, and profits, including mineral, oil and gas rights and profits, insurance proceeds, condemnation awards and other moneys, payable or receivable from or on account of any of the property described in Sections 1.1 and 1.2, including interest thereon, or to enforce all other provisions of any other agreement (including those described in Section 1.2 above) affecting or relating to any of the property described in Sections 1.1 and 1.2, to bring any suit in equity, action at law or other proceeding for the collection of such moneys or for the specific or other enforcement of any such agreement, award or judgment, in the name of Grantor or otherwise, and to do any and all things which Grantor is or may be or become entitled to do with respect thereto, provided, however, that no obligation of Grantor under the provisions of any such agreements, awards or judgments shall be impaired or diminished by virtue hereof, nor shall any such obligation be imposed upon Trustee or Beneficiary; and

1.4 Accounts and Income. Any and all rights of Grantor in any and all accounts, rights to payment, contract rights, chattel paper, documents, instruments, licenses, contracts, agreements and general intangibles relating to any of the property described in Sections 1.1, 1.2 and 1.3, including, without limitation, income and profits derived from the operation of any business on the property described in Sections 1.1 and 1.2 or attributable to services that occur or are provided on the property described in Sections 1.1 and 1.2 or generated from the use and operation of the property described in Sections 1.1 and 1.2; and

1.5 Miscellaneous Income and Accounts Receivable. All other income, accounts and accounts receivable of any nature whatsoever generated from any of the foregoing including, without limitation, income from concessions, vending machines, coin-operated laundry equipment and other coin operated-equipment, storage and parking income, and concession, ticket, sales, and advertising income; and

1.6 Leases. All of Grantor's rights and interests as landlord in and to all existing and future leases, subleases, concessions, licenses, rental agreements, franchises, and other occupancy agreements affecting all or any portion of the property described in Sections 1.1 and 1.2 or any part thereof and all amendments, modifications, extensions, renewals, or supplements thereto, whether written or oral and whether for a definite term or month to month (collectively, the "Leases"), including any and all rents, guarantees of the lessees' obligations (including any and all security thereunder), security and other

deposits, and any other security received or receivable thereunder. In accepting this Deed of Trust neither Beneficiary nor Trustee assumes any liability for the performance of any such Leases; and

1.7 Declarant Rights. All of Grantor's right, title and interest in and to any and all units, declarant rights, and any other rights relating to the Property, whether now existing or subsequently arising, under any and all covenants, conditions, restrictions, development agreements, laws or other agreements now existing or later enacted relating to the Property, including, without limitation, those relating to condominiums; and

1.8 Products and Proceeds. All products or proceeds of any of the foregoing described in this Section 1; and

1.9 Books and Records. All books and records of Grantor in any form relating to the foregoing described in this Section 1.

2. Security Agreement. To the extent any of the property described in Section 1 is personal property, Grantor, as debtor, grants to Beneficiary, as secured party, a security interest therein together with a security interest in all other personal property of whatsoever nature which is located on or used or to be used in connection with any of the property described in Section 1, and any products or proceeds of any thereof, pursuant to the Uniform Commercial Code of the state of Washington (the "UCC"), on the terms and conditions contained herein, except that where any provision hereof is in conflict with the UCC, the UCC shall control. Beneficiary hereby assigns such security interest to Trustee, in trust, for the benefit of Beneficiary to be dealt with as a portion of the "Property" except as otherwise specified herein. This Deed of Trust shall be deemed to be a security agreement and a fixture filing with respect to all property subject to the UCC. Information concerning this security interest can be obtained from Beneficiary at the address set forth in Section 13.2. Grantor authorizes Beneficiary to file and/or record such financing statements as Beneficiary deems necessary or advisable to perfect the security interests herein granted.

3. Assignment of Leases and Rents.

3.1 Assignment. For purposes of securing the Secured Obligations (as defined below), Grantor does hereby absolutely and unconditionally grant, transfer, convey, sell, set over, and assign to Beneficiary all of Grantor's right, title and interest now existing and hereafter arising in and to the Leases, and hereby gives to and confers upon Beneficiary the immediate and continuing right to collect all the income, receipts, rents, revenues, issues, profits, royalties, and proceeds from the Leases and any business conducted on the Property and any and all prepaid rent and security deposits thereunder (collectively, the "Rents") now due or which may become due or to which Grantor may now or shall hereafter (including those Rents coming due during any redemption period) become entitled or may demand or claim, arising or issuing from or out of the Leases or from or out of the Property or any part thereof, including, but not limited to, minimum rents, additional rents, percentage rents, deficiency rents and liquidated damages following default, and all proceeds payable under any policy of insurance covering loss of rents resulting from untenability caused by destruction or damage to the Property, together with any and all rights and claims of any kind which Grantor may have against any tenant under the Leases or any subtenants or occupants of the Property, EXCEPTING THEREFROM, any sums which by the express provisions of any of the Leases are payable directly to any governmental authority or to any other person, firm or corporation other than the landlord under the Lease. Grantor irrevocably appoints Beneficiary its true and lawful attorney at the option of Beneficiary at any time to demand, receive and enforce payment, to give receipts, releases and satisfactions and to sue, either in the name of Grantor or in the name of Beneficiary, for all such Rents and apply the same to the Secured Obligations (as defined below).

3.2 Grantor's Representations and Warranties Re: Leases and Rents. Grantor represents and warrants that:

- (a) As of the date of this Deed of Trust, there are no Leases of the Property;
- (b) Grantor has good title to the Rents hereby assigned and good right to assign the same, and that no other person, firm, or corporation has any right, title or interest therein; and
- (c) Grantor has not previously sold, assigned, transferred, mortgaged or pledged the Rents from the Property, whether now due or hereafter to become due.

3.3 Grantor's Covenants of Performance Re: Leases and Rents. Grantor covenants and agrees:

- (a) to observe, perform and discharge, duly and punctually, all obligations, terms, covenants, conditions and warranties of the Note and Deed of Trust, of all future Leases approved by Beneficiary affecting the Property, on the part of Grantor to be kept, observed and performed, and to give prompt notice to Beneficiary of (i) any failure on the part of Grantor to observe, perform and discharge same, and (ii) any notice, demand or other document received by Grantor from any tenant or subtenant under any future Leases specifying any default claimed to have been made by Grantor under any future Leases;
- (b) to promptly deposit and maintain all security deposits or other deposits under any future Leases received by Grantor from tenants in a segregated trust account in a federally insured bank or savings and loan association;
- (c) to strictly enforce or secure, by all available means, the prompt and faithful performance of and compliance with each and every obligation, term, covenant, condition and agreement in any future Leases by any tenant to be performed and complied with by such tenants, and to notify Beneficiary of the occurrence of any default under any future Leases;
- (d) to appear in and defend any action or proceeding arising under, occurring out of, or in any manner connected with any future Leases or the obligations, duties, or liabilities of Grantor and any tenant thereunder, and upon request by Beneficiary, to do so in the name and on behalf of Beneficiary, but in all cases at the sole expense of Grantor;
- (e) to pay all costs and expenses of Beneficiary, including attorneys' fees in a reasonable sum, in any action or proceeding in which Beneficiary may appear in connection herewith; and
- (f) to neither create nor permit any lien, charge or encumbrance upon its interest as lessor under any Leases except the lien of this Deed of Trust or as permitted under this Deed of Trust.

3.4 Prior Approval For Actions Affecting or Relating to Leases. Grantor further covenants and agrees that it will not, without the prior written consent of Beneficiary (which consent may be withheld in Beneficiary's sole and absolute discretion):

- (a) lease any part of the Property;

Property;

(b) amend, modify, renew, or extend the term of any future Lease of the

(c) receive or collect any rents from any future tenant of the Property or any part thereof for a period of more than one (1) month in advance of the date on which such payment is due, or collect a security deposit in excess of one (1) month's rent (whether in cash, by letter of credit or by promissory note),

(d) pledge, transfer, mortgage, or otherwise encumber or assign future payments of Rents;

(e) waive, excuse, condone, discount, set off, compromise, or in any manner release or discharge any tenant under any Leases of the Property, of and from any obligations, covenants, conditions and agreements by the tenant to be kept, observed and performed, including the obligation to pay the Rents thereunder in the manner and at the place and time specified therein; or

(f) cancel, terminate or consent to any surrender of any future Lease, nor permit any of the aforementioned, nor exercise any right of recapture provided in any future Lease, nor modify, or in any way alter the terms thereof.

In connection with any new or modified Lease to which Beneficiary consents, Grantor shall obtain and deliver to Beneficiary an estoppel certificate and a subordination, attornment and nondisturbance agreement from the tenant, both in form and substance acceptable to Beneficiary. Grantor shall provide copies to Beneficiary of all Leases.

3.5 Rejection of Leases. In the event any lessee under the Leases should be the subject of any proceeding under the Federal Bankruptcy Act or any other federal, state or local statute which provides for the possible termination or rejection of the Leases assigned hereby, Grantor covenants and agrees that in the event any of the Leases is so rejected, no damages settlement shall be made without the prior written consent of the Beneficiary; and further that any check in payment of damages for rejection of any such Lease will be made payable both to Grantor and Beneficiary; and Grantor hereby assigns any such payment to Beneficiary and further covenants and agrees that, upon request of Beneficiary, it will duly endorse to the order of Beneficiary any such check, the proceeds of which will be applied to any portion of the indebtedness secured by this Deed of Trust as Beneficiary may elect.

3.6 License to Collect Rents. So long as there shall exist no Event of Default under the Note or this Deed of Trust, Grantor shall have the right under a license granted hereby (but limited as provided in Section 3.7 below), to collect, but not prior to accrual, all of the Rents arising from or out of said Leases, or any renewals, extensions, and replacements thereof, or from or out of the Property or any part thereof; and Grantor shall receive such Rents and shall hold them, as well as the right and license to receive them, as a trust fund to be applied, and Grantor hereby covenants to so apply them, as required by Beneficiary, first, to the payment of taxes and assessments upon said Property before penalty or interest is due thereon; second, to the cost of insurance, maintenance and repairs required by the terms of this Deed of Trust; third, to the satisfaction of all obligations specifically set forth in the Leases; and fourth, to the payment of interest and principal becoming due on the Note and this Deed of Trust, before using any part of the same for any other purposes.

3.7 Termination of License. Upon an Event of Default under the Note or this Deed of Trust, Beneficiary, at its option and without notice, shall have the complete right, power and authority hereunder to exercise and enforce any or all of the following rights and remedies at any time:

(a) to terminate the license granted to Grantor to collect the Rents without taking possession of the Property, and to demand, collect, receive, sue for, attach and levy against the Rents in Beneficiary's own name; to give proper receipts, releases and acquittance therefor; and after deducting all necessary and proper costs and expenses of operation and collection as determined by Beneficiary, including reasonable attorneys' fees, to apply the net proceeds thereof, together with any funds of Grantor deposited with Beneficiary, upon any indebtedness secured hereby and in such order as Beneficiary may determine;

(b) to declare all sums secured hereby immediately due and payable and, at its option, exercise all or any of the rights and remedies contained herein or in the Note;

(c) without regard to the adequacy of the security or the solvency of Grantor, with or without any action or proceeding through any person or by agent, or by the Trustee, or by a receiver to be appointed by a court, and without regard to Grantor's possession, to enter upon, take possession of, manage and operate the Property or any part thereof; make, modify, enforce, cancel or accept surrender of any Leases now or hereafter in effect on said Property or any part thereof; remove and evict any tenant; increase or decrease Rents; decorate, clean and repair, and otherwise do any act or incur any costs or expenses as Beneficiary shall deem proper to protect the security hereof, as fully and to the same extent as Grantor could do if in possession; and in such event, to apply the Rents so collected in such order as Beneficiary shall deem proper to the operation and management of the Property, including the payment of reasonable management, brokerage and attorneys fees, payment of the indebtedness under the Note and this Deed of Trust, and payment to a reserve fund for replacements, which fund shall not bear interest; and

(d) require Grantor to transfer all security deposits to Beneficiary, together with all records evidencing such deposits.

Provided, however, that the acceptance by Beneficiary of this Deed of Trust, with all of the rights, powers, privileges and authority so created, shall not, prior to entry upon and taking possession of said Property by Beneficiary, be deemed or construed to constitute Beneficiary a "mortgagee in possession," nor thereafter or at any time or in any event obligate Beneficiary to appear in or defend any action or proceeding relating to the Leases or to the Property, or to take any action hereunder, or to expend any money or incur any expenses or perform or discharge any obligation, duty or liability under the Leases, or to assume any obligation or responsibility for any security deposits or other deposits delivered to Grantor by any lessees thereunder and not assigned and delivered to Beneficiary; nor shall Beneficiary be liable in any way for any injury or damage to person or property sustained by any person or persons, firm or corporation in or about the Property; and

Provided further, that the collection of the Rents and application as aforesaid and/or the entry upon and taking possession of the Property shall not cure or waive any default; or waive, modify or affect any notice of default required under the Note and Deed of Trust; or invalidate any act done pursuant to such notice. Although the original default be cured and the exercise of any such right or remedy be discontinued, the same or any other right or remedy hereunder shall not be exhausted and may be reasserted at any time and from time to time following any subsequent default. The rights and powers conferred on Beneficiary hereunder are cumulative of and not in lieu of any other rights and powers otherwise granted Beneficiary. A demand by Beneficiary of any tenant for payment of rents by reason of any default claimed

by Beneficiary shall be sufficient direction to said tenant to make future payments of all rents to Beneficiary without the necessity for further consent by or notice to Grantor.

3.8 Appointment of Attorney-in-Fact. Grantor hereby constitutes and appoints Beneficiary its true and lawful attorney- in-fact, coupled with an interest of Grantor; and in the name, place and stead of Grantor, to subordinate at any time and from time to time, any Leases affecting the Property or any part thereof, to the lien of this Deed of Trust, or any other deed of trust encumbering the Property, or to any ground lease of the Property; and to request or require such subordination where such option or authority was reserved to Grantor under any such Leases, or in any case where Grantor otherwise would have the right, power or privilege so to do. This appointment is to be irrevocable and continuing and these rights, powers and privileges shall be exclusive in Beneficiary, its successors and assigns as long as any part of the indebtedness secured hereby shall remain unpaid. Grantor hereby warrants that it has not, at any time prior to the date hereof, exercised any right to subordinate any such lease to this Deed of Trust or to any other deed of trust, or ground lease, and further covenants not to exercise any such right.

3.9 Indemnification. Grantor, and if Grantor is a partnership, each general partner of Grantor (collectively, the "**Indemnitors**") hereby agrees to indemnify and hold Beneficiary harmless from any and all liability, loss, damage or expense which Beneficiary may incur under or by reason or in defense of any and all claims and demands whatsoever which may be asserted against Beneficiary arising out of the Leases, including, but not limited to, any claims by any tenants of credit for rental for any period under any Leases, or for any security deposit, paid to and received by Grantor, but not delivered to Beneficiary. Should Beneficiary incur any such liability, loss, damage, or expense, the amount thereof (including reasonable attorneys' fees) with interest thereon at the Default Rate specified in the Note, shall be jointly and severally payable by the Indemnitors immediately and without demand, and shall be secured as a lien by this Deed of Trust.

3.10 Records. Until the Secured Obligations shall have been paid in full, Grantor shall deliver to Beneficiary executed copies of any and all renewals of existing leases and all future leases upon all or any part of the Property, and Grantor will transfer and assign such Leases to Beneficiary upon the same terms and conditions as herein contained, provided, however, that the foregoing shall not be construed as detracting from the validity of this instrument as a valid assignment of any and all existing and future Leases. Grantor hereby covenants and agrees to make, execute and deliver unto Beneficiary upon demand and at any time any and all assignments and other records and instruments, including, but not limited to, rent rolls and books of account sufficient for the purpose that Beneficiary may deem to be advisable for carrying out the purposes and intent of this Deed of Trust.

3.11 Merger. It is understood and agreed that (i) the fact the Leases or the leasehold estates created thereby may be held, directly or indirectly, by or for the account of any person or entity which shall have an interest in the fee estate of the Property; or (ii) any other event, shall not merge any Leases or the leasehold estates created thereby with the fee estate in the Property as long as any of the indebtedness secured hereby shall remain unpaid, unless Beneficiary shall consent in writing to such merger.

4. Obligations Secured. This Deed of Trust is given for the purpose of securing (collectively, the "**Secured Obligations**"):

4.1 Performance and Payment. The performance of the obligations and payment of all amounts contained herein and in that certain Revolving Residential Lot Acquisition and Construction Collateral Pool Facility Agreement which has been executed and delivered by Grantor and certain affiliates of Grantor dated October 31, 2016 (the "**Loan Agreement**"), which provides for revolving acquisition and

construction financing of certain lots and improvements owned by Grantor and certain affiliates of Grantor (together with those improvements described in Section 1.2 above, the "*Improvements*") as more particularly described in the Loan Agreement, and any extensions, modifications, supplements and consolidations thereof, and the payment of TEN MILLION DOLLARS (\$10,000,000.00), with interest thereon, according to the terms of a promissory note of even date herewith made by Grantor and certain affiliates of Grantor, payable to Beneficiary or order, and any and all extensions, renewals, modifications, or replacements thereof, whether the same be in greater or lesser amounts (the "*Note*"), which Note evidences a revolving line of credit and contains provision for a variable or adjustable rate of interest; and

4.2 Future Advances. The repayment of any and all sums disbursed or advanced or expenditures made by Beneficiary subsequent to the execution of this Deed of Trust (i) for the maintenance or preservation of the Property (including, without limitation, payment of taxes, special assessments, utilities, and insurance on the Property), (ii) pursuant to any provision of this Deed of Trust and/or the Loan Agreement (including, without limitation, for the enforcement of the Note, this Deed of Trust, and Loan Agreement and any remedies hereunder), in each case, together with interest thereon; and

4.3 Swap Obligations. The payment or repayment and/or performance of any and all debts, obligations and liabilities (whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several) of Grantor to Beneficiary now or hereafter owing under any Swap Contract (as hereinafter defined) now or hereafter executed in connection with the loan evidenced by the Note. "*Swap Contract*" means any agreement pertaining to a Swap Transaction (as hereinafter defined), including, without limitation, any master agreement, related schedule, or written confirmation, as any or all of them may from time to time be modified, amended, extended, renewed, and restated. "*Swap Transaction*" means any interest rate swap transaction, forward rate transaction, or any combination of the foregoing transactions, or options to enter into any of the foregoing transactions, including, without limitation, any interest rate option, swap, cap, floor, or collar transaction or similar interest rate management transaction.

4.4 Construction Mortgage. This Deed of Trust shall constitute a "construction mortgage" as that term is used in the UCC, RCW 62A.9A-334.

5. Unsecured Obligations. Notwithstanding anything to the contrary set forth herein or in any other document which has been executed in connection with the loan secured hereby, this Deed of Trust does not and shall not secure: (i) the obligations of MTT Holdings, Inc., Thomas L. Tollen III and any other future guarantors of the loan secured hereby (each "*Guarantor*" and collectively, the "*Guarantors*") under any guarantees now or hereafter executed in connection with the loan secured hereby (each a "*Guaranty*" and collectively, the "*Guaranties*"); (ii) the obligations of Grantor and Guarantors under any Certificate and Indemnity Agreements Regarding Hazardous Substances now or hereafter executed in connection with the loan secured hereby (collectively, the "*Environmental Indemnity Agreements*"); and (iii) any provision of this Deed of Trust or any agreement secured by this Deed of Trust that would be considered the "substantial equivalent" of the obligations described in (i) or (ii) above for purposes of RCW Ch. 61.24. All of such obligations (and substantial equivalents thereof) shall constitute the separate, unsecured recourse obligations of Grantor and such other parties and shall not be evidenced by the Note or secured by this Deed of Trust.

6. Warranties and Covenants of Grantor. Grantor warrants, covenants, and agrees:

6.1 Warranties.

(a) Grantor has full power and authority to grant the Property to Trustee.

(b) Grantor has a good and marketable fee simple title in and to the Property, subject only to those matters listed on Schedule B of that certain title insurance policy approved by, and issued to, Beneficiary in connection with this Deed of Trust and thereafter such other title exceptions as Beneficiary may elect, in its sole discretion, to approve in writing.

(c) None of the Property is presently, or will during the term of this Deed of Trust be, used principally or at all for agricultural or farming purposes.

(d) Except as expressly and specifically disclosed in writing by Grantor to Beneficiary, the Property is free from damage and no matter has come to Grantor's attention (including, but not limited to, knowledge of any construction defects or nonconforming work) that would materially impair the value of the Property or as security for the loan evidenced by the Note.

(e) No work of any nature whatsoever has or will be commenced on the Property or materials delivered to the site prior to the recordation of this Deed of Trust.

(f) The loan evidenced by the Note and secured by this Deed of Trust and the proceeds thereof is exclusively for commercial, industrial or business purposes and is not for personal, family or household purposes.

6.2 Preservation of Lien. Grantor will, at its sole cost and expense, preserve and protect the priority of this Deed of Trust as a first lien on the Property and all portions thereof, and will take all actions, and execute and deliver to Beneficiary all documents, that Beneficiary may require in order to perfect the liens and security interests granted in this Deed of Trust or in any other Loan Document. Grantor shall promptly discharge any lien, encumbrance, or other charge, whether superior or inferior to this Deed of Trust, which may be claimed against the Property; provided that Grantor shall have the right to contest the amount or validity in whole or in part of any lien, encumbrance or other charge against the Property by appropriate proceedings conducted in good faith and with due diligence, in which event Grantor, upon prior written notice to Beneficiary, may postpone or defer payment of such lien, encumbrance or other charge so long as (i) such proceedings shall operate to prevent the collection of the lien, encumbrance or other charge; (ii) neither the Property nor any part thereof will, by reason of such postponement or deferment, be in danger of being forfeited or lost; and (iii) Grantor, before the date such lien, encumbrance or other charge becomes delinquent, gives such reasonable security as may be requested by Beneficiary to ensure payment thereof and prevent any forfeiture or loss of the Property or any part thereof.

6.3 Construction. Grantor will continue construction on the Improvements in an expeditious manner and not cease or substantially cease productive construction work for a period of more than ten (10) days without the prior written consent of Beneficiary, complete the Improvements by no later than the Completion Date, as defined in the Loan Agreement, to Beneficiary's satisfaction in accordance with plans and specifications previously furnished to and approved by Beneficiary and comply with all other terms and conditions of the Loan Agreement.

6.4 Repair and Maintenance of Property. Grantor will keep the Property in good condition and repair, which duty shall include but is not limited to continual cleaning, painting, landscaping, repairing and refurbishing of the Property; will complete and not remove or demolish, alter, or make additions to any building or other improvement which is part of the Property, or construct any new structure on the Property, without the express written consent of Beneficiary except as contemplated and permitted under this Agreement; will underpin and support when necessary any such building or other

improvement and protect and preserve the same; will complete or restore promptly and in good and workmanlike manner any such building or other improvement which may be damaged or destroyed and pay when due all claims for labor performed and materials furnished therefor; will not commit, suffer or permit any act upon the Property in violation of law; and will do all other acts which from the character or use of the Property may be reasonably necessary for the continued operation of the Property in a safe and legal manner, the specific enumerations herein not excluding the general.

6.5 Insurance.

(a) Coverages Required. Grantor will keep the following insurance coverages in effect with respect to the Property by an insurance company chosen by Grantor, subject to Beneficiary's approval of the insurance company, which approval will not be unreasonably withheld:

(i) Prior to completion of the Improvements, course of construction insurance covering fire, casualty, and such other hazards as may be specified by Beneficiary in an amount not less than one hundred percent (100%) of the replacement cost of the Property (with a deductible not to exceed \$10,000), providing coverage for materials stored off-site and during transit, naming Beneficiary as mortgagee under the policy and as first loss payee under a lender's loss payee endorsement and including agreed amount (where applicable), equipment breakdown (where applicable), and Law and Ordinance (where applicable).

(ii) After completion of the Improvements, insurance against loss by fire, vandalism, malicious mischief and such other hazards as may now or hereafter be embraced by the standard "all risk" or "special form" policy of insurance, in an amount equal at all times to the current replacement value of all improvements then located on the Property. All such insurance coverage shall (1) contain a "replacement cost endorsement", without deduction for depreciation, (2) if Beneficiary deems it applicable, "law and ordinance" coverage and (3) if Beneficiary deems applicable, equipment breakdown coverage. All such insurance coverage and endorsements shall contain a deductible of not more than Ten Thousand Dollars (\$10,000) per occurrence.

(iii) At all times, flood risk insurance in the maximum amount of insurance coverage available or the full replacement cost of all improvements on the Property, whichever is less, if the Property is now or hereafter designated as being located within a special flood hazard area under the Flood Disaster Protection Act of 1973, as previously or hereafter amended, and if flood insurance is available.

(iv) After completion of the Improvements, loss of rental value insurance and/or business interruption insurance, as follows: If all or any portion of the Property is rented or leased, loss of rental value insurance in an amount equal to six (6) months' aggregate gross rents from the Property as is so occupied. If all or any portion of the Property is occupied by Grantor, business interruption insurance in an amount equal to six (6) months' net income from such portion of the Property as is so occupied. The amount(s) of such coverage(s) shall be subject to adjustment, from time to time at Beneficiary's request, to reflect changes in the rental and/or income levels during the term of the loan evidenced by the Note.

(v) At all times, commercial general public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Property (including coverage for elevators and escalators, if any, on the Property), with the coverage being in an amount of not less than Two Million Dollars (\$2,000,000) combined single-limit liability coverage per occurrence, or in

such greater amount(s) as Beneficiary may reasonably require. All such insurance coverage shall contain a deductible of not more than Ten Thousand Dollars (\$10,000) per occurrence.

(vi) Insurance (excluding, however, earthquake insurance, if permitted to be excluded in Beneficiary's sole discretion) against such similar or other hazards, casualties, liabilities and contingencies, in such forms and amounts, as Beneficiary may from time to time reasonably require.

(b) Policies. Each insurance policy will be in form and content reasonably acceptable to Beneficiary, and will be issued by a company reasonably acceptable to Beneficiary, which company shall, among other things, be (i) duly authorized to provide such insurance in the state in which the Property is located, and (ii) rated "A" or better with a size rating of "VIII" or larger by A.M. Best Company in its most recent publication of ratings (provided, however, that if A.M. Best Company changes its designations, the basis for its ratings or ceases to provide ratings, Beneficiary shall be entitled to select replacement ratings in the exercise of its reasonable business judgment). Each hazard insurance policy will include a Form 438BFU or equivalent mortgagee endorsement in favor of and in form acceptable to Beneficiary, and which endorsement provides that the policy to which it relates will survive foreclosure of this Deed of Trust. Each liability insurance policy will name Beneficiary as an additional insured. An "agreed amount endorsement" will be included in any policy containing a co-insurance clause, and Grantor agrees that any and all co-insurance clauses and "agreed amount endorsements" must be satisfactory to Beneficiary. If any required property insurance coverage is furnished as part of a "blanket policy," either the blanket policy will include an "agreed value endorsement" or "agreed amount endorsement," or Grantor will furnish to Beneficiary a copy of the insurer's "statement of value" for the Property. All required policies will provide for at least thirty (30) days' written notice to Beneficiary prior to the effective date of any cancellation or material amendment, which term shall include any reduction in the scope or limits of coverage. Grantor shall furnish to Beneficiary (x) the complete original of each required insurance policy, or (y) a certified copy thereof (including all declaration pages, policy forms and endorsements), which shall include an original signature of an authorized officer or agent of the insurer, or (z) an uncertified memorandum copy thereof (including all declaration pages, policy forms and endorsements), together with an original evidence of insurance or certificate of insurance setting forth the coverage, the limits of liability, the carrier, the policy number and the expiration date. As security for the indebtedness secured by this Deed of Trust, Grantor hereby assigns to Beneficiary all required insurance policies, together with all monies and proceeds thereof, rights thereto and all unearned premiums returnable upon cancellation (all such assigned items constituting part of the "Property" for purposes of this Deed of Trust).

(c) Payment; Renewals. Grantor shall promptly furnish to Beneficiary all renewal notices relating to insurance policies. Except as the same may otherwise be paid under Section 6.16 below, Grantor will pay all premiums on insurance policies directly to the carrier. At least thirty (30) days prior to the expiration date of each such policy, Grantor shall furnish to Beneficiary a renewal policy in a form acceptable to Beneficiary, together with evidence that the renewal premium has been paid.

(d) Insurance Proceeds.

(i) In the event of any loss, Grantor will give prompt written notice thereof to the insurance carrier and Beneficiary. Grantor hereby grants Beneficiary a power of attorney, which power of attorney is coupled with an interest and is irrevocable, to make proof of loss, to adjust and compromise any claim, to commence, appear in and prosecute, in Beneficiary's or Grantor's name, any action relating to any claim, and to collect and receive insurance proceeds; provided, however, that Beneficiary shall have no obligation to do so. If no Event of Default has occurred and is continuing, the immediately preceding sentence shall apply except that Beneficiary shall not be entitled to act as

Grantor's attorney-in-fact and Grantor shall be entitled to participate jointly with Beneficiary in adjusting and compromising any claim, and appearing in any proceeding.

(ii) Beneficiary shall apply any insurance proceeds received hereunder first to the payment of the costs and expenses incurred in the collection of the proceeds and shall then apply the balance (the "**Net Proceeds**"), in its absolute discretion and without regard to the adequacy of its security, to:

(A) The payment of indebtedness secured hereby, whether then due and payable or not. Any such application of proceeds to principal on the Note shall be without the imposition of any prepayment fee otherwise payable under the Note, but shall not extend or postpone the due dates of the installment payments under the Note, or change the amounts thereof, or

(B) The reimbursement of Grantor, under Beneficiary's prescribed disbursement control procedures set forth in the Loan Agreement, for the cost of restoration or repair of the Property. No insurance proceeds at any time assigned to or held by Beneficiary shall be deemed to be held in trust, and Beneficiary may commingle such proceeds with its general assets and shall not be liable for the payment of any interest thereof. Beneficiary shall in no case be obligated to see to the proper application of any amount paid over to Grantor. Beneficiary may, at its option, condition the reimbursement on Beneficiary's approval of the plans and specifications of the reconstruction, contractor's cost estimates, construction budgets and schedules, architects' certificates, waivers of liens, sworn statements of mechanics and materialmen, and such other evidence of costs, percentage completion of construction, application of payments, satisfaction of liens and such other terms and conditions as set forth in the Loan Agreement or as Beneficiary may otherwise reasonably require.

(iii) Except to the extent, if any, that insurance proceeds are applied to payment of the indebtedness secured hereby, nothing herein contained shall be deemed to excuse Grantor from restoring, repairing or maintaining the Property as provided in Section 6.3, regardless of whether there are insurance proceeds available or whether any such proceeds are sufficient in amount. Grantor shall be responsible for any uninsured losses and any deductibles.

6.6 Right of Inspection. Grantor shall permit Beneficiary or its agents or independent contractors (including, but not limited to, accountants, appraisers, property inspectors and environmental consultants), at all reasonable times, to enter upon and inspect, examine and audit the Property and the books and records for the Property.

6.7 Preservation of Licenses, Etc. Grantor shall observe and comply with all requirements necessary to the continued existence and validity of all rights, licenses, permits, privileges, franchises and concessions relating to any existing or presently contemplated use of the Property, including but not limited to any zoning variances, special exceptions and nonconforming use permits.

6.8 Further Assurances. Grantor will, at its expense, from time to time execute and deliver any and all such instruments of further assurance and other instruments and do any and all such acts, or cause the same to be done, as Trustee or Beneficiary deems necessary or advisable to grant to Trustee the Property or to carry out more effectively the purposes of this Deed of Trust.

6.9 Legal Actions. Grantor will appear in and defend any action or proceeding before any court or administrative body purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and will pay all costs and expenses (the repayment thereof shall be secured hereby), including, without limitation, cost of evidence of title and any attorneys' fees incurred by Beneficiary and

Trustee, in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary or Trustee to foreclose this Deed of Trust.

6.10 Taxes, Assessments and Other Liens. Grantor will pay not later than when due all taxes, assessments, encumbrances, charges, and liens with interest, on the Property or any part thereof, which at any time appear to be or are alleged to be prior and superior hereto, including but not limited to any tax on or measured by rents of the Property, the Note, this Deed of Trust, or any obligation or part thereof secured hereby. Grantor acknowledges that Beneficiary may retain a tax registration service in order to monitor the payment of all real estate taxes and assessments and Grantor shall pay a one-time fee to Beneficiary for the cost of such service.

6.11 Trust Expenses. Grantor will pay all costs, fees and expenses incurred by Beneficiary in connection with this Deed of Trust including all such costs, fees and expenses incident to any default hereunder, including attorneys' fees (and the repayment thereof shall be secured hereby).

6.12 Repayment of Expenditures. Grantor will pay immediately and without demand all sums expended hereunder by Beneficiary or Trustee with interest from date of expenditure at the Default Rate of interest specified in the Note (the repayment thereof shall be secured hereby).

6.13 Sale, Transfer, or Encumbrance. Except in connection with the sale of individual Finished Lots and Homes (as defined in the Loan Agreement) in accordance with the terms of the Loan Agreement, Grantor will not, without the prior written consent of Beneficiary, which consent may be given or denied in Beneficiary's sole discretion, sell, transfer or otherwise convey the Property or any interest therein, further encumber the Property or any interest therein, cause or permit any change in the entity, ownership or control of Grantor (each, a "Sale or Encumbrance") or agree to do any Sale or Encumbrance without first repaying in full the Note and all other sums secured hereby. In connection with any Sale or Encumbrance to which Beneficiary is asked to consent, Grantor agrees to pay to Beneficiary, all costs and expenses incurred by Beneficiary in reviewing and evaluating such matter, whether or not such consent is granted, including, without limitation: (i) a non-refundable fee of \$1,500, which amount shall be paid by Grantor to Beneficiary upon delivery of Grantor's request for Beneficiary's consent and (ii) Beneficiary's reasonable in-house and outside counsel attorneys' fees incurred in reviewing and evaluating such matter. In addition to any other conditions required by Beneficiary to granting its consent to a Sale or Encumbrance, Beneficiary shall require any person or entity that will, after such Sale or Encumbrance, directly or indirectly hold twenty percent (20%) or more of the ownership interests in Grantor to, jointly and severally, unconditionally guarantee the full repayment of the loan secured by this Deed of Trust and provide an environmental indemnity, each in form and substance acceptable to Beneficiary (Beneficiary shall be reimbursed upon demand for its reasonable in-house and outside counsel attorneys' fees incurred in preparing any such guarantees and environmental indemnities). Consent to any one such occurrence shall not be deemed a waiver of the right to require consent to any future occurrences. If any Sale or Encumbrance occurs without the prior written consent of Beneficiary, or Grantor agrees to any Sale or Encumbrance without the prior written consent of Beneficiary, the Note shall, at the option of the Beneficiary, be immediately due and payable, and an Event of Default shall be deemed to have occurred under this Deed of Trust and the Note.

6.14 Additional Information. Grantor agrees to furnish such information and confirmations as may be required from time to time by Beneficiary (including in connection with any potential loan participations or assignments). Grantor agrees to make adjustments in this Deed of Trust, the Note, and the other documents evidencing or securing the loan secured hereby to accommodate any loan participant's requirements, provided that such requirements do not substantially vary the economic terms of the loan secured hereby.

6.15 Grantor Existence. As Beneficiary is making this loan in reliance on Grantor's continued existence, ownership and control in its existing limited liability company form, Grantor will not alter said limited liability company structure nor, except as expressly permitted under Section 6.13 above, the existing ownership or control of Grantor, in each case, without the prior written consent of Beneficiary, and will do all things necessary to preserve and maintain said limited liability company existence and to insure its continuous right to carry on its business, including, but not limited to, filing within the prescribed time all tax returns and reports, and paying when due all such taxes. Without limiting the generality of the foregoing, without the prior written consent of Beneficiary, which consent may be given or denied in Beneficiary's sole discretion, Thomas L. Tollen III shall, directly or indirectly, through one or more intermediaries, retain (i) a fifty-one percent (51%) ownership interest in Grantor and (ii) management control of Grantor throughout the term of the Loan.

6.16 Intentionally Deleted.

6.17 Management. After completion of the Improvements, the Property shall at all times be managed by Grantor or a third-party manager experienced with properties similar to the Property and acceptable to Beneficiary in its sole discretion.

6.18 Hazardous Substances.

(a) For purposes of this Deed of Trust, "**Hazardous Substance**" means any hazardous or toxic substances, materials or wastes, including, but not limited to, those substances, materials, and wastes listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 302) and amendments thereto, or such substances, materials and wastes which are or become regulated under any applicable local, state or federal law including, without limitation, any material, waste or substance which is (i) petroleum, (ii) asbestos, (iii) mold, (iv) poly-chlorinated biphenyls, (v) defined as a "hazardous waste", "extremely hazardous waste", "restricted hazardous waste" or "hazardous substance" under RCW Chapter 70.105 (Hazardous Waste Management), RCW Chapter 70.105D (Hazardous Waste Cleanup-Model Toxics Control Act), or any other similar terms under any other applicable state laws, (vi) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. §1251 et seq. (33 U.S.C. §1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. §1317), (vii) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. §6903), or (viii) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §9601, et seq. (42 U.S.C. §9601), all as amended, replaced or succeeded, and any other substance or matter defined as a toxic or hazardous substance or material or pollutant or contaminant under any other federal, state or local laws, ordinances or regulations or under any reported decision of a state or federal court, or any substance or matter imposing liability for clean-up costs or expenses on any person or entity under any statutory or common law theory.

(b) Grantor represents and warrants to Beneficiary that: (i) to the best of Grantor's knowledge, no asbestos has ever been used in the construction, repair or maintenance of any building, structure or improvement now or heretofore located on the Property; (ii) no Hazardous Substance is currently being generated, manufactured, refined, transported, treated, stored, handled or disposed of, transferred, produced or processed on, under or about the Property, except in compliance with all applicable federal, state and local statutes, ordinances, rules, regulations and other laws; (iii) neither Grantor nor, to the best of Grantor's knowledge, any other person or entity has ever caused or permitted any Hazardous Substance to be generated, manufactured, refined, transported, treated, stored, handled or

disposed of, transferred, produced or processed on, under or about the Property, except in compliance with all applicable federal, state and local statutes, ordinances, rules, regulations and other laws; (iv) Grantor has not received any notice of, nor is Grantor aware of, any actual or alleged violation with respect to the Property of any federal, state or local statute, ordinance, rule, regulation or other law pertaining to Hazardous Substances; and (v) neither Grantor nor the Property is subject to any governmental or judicial claim, order, judgment or lien with respect to the clean-up of Hazardous Substances at or with respect to the Property. Grantor further represents and warrants to Beneficiary that the foregoing representations and warranties contained in this Section 6.18(a) are made after and are based upon inspection of the Property by Grantor and due inquiry by Grantor as to the prior uses of the Property.

(c) Grantor will not cause or permit the Property to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process any Hazardous Substance, except in compliance with all applicable federal, state and local statutes, ordinances, rules, regulations and other laws, nor shall Grantor cause or permit, as a result of any intentional or unintentional act or omission on the part of Grantor or any tenant, subtenant or other user or occupier of the Property, a releasing, spilling, leaking, pumping, pouring, emitting, emptying or dumping of any Hazardous Substance onto the Property or any other property or into any waters, except in compliance with all such laws.

(d) Grantor will immediately notify Beneficiary if Grantor becomes aware of (i) any Hazardous Substance problem or liability with respect to the Property, (ii) any actual or alleged violation with respect to the Property of any federal, state or local statute, ordinance, rule, regulation or other law pertaining to Hazardous Substances, or (iii) any lien or action with respect to any of the foregoing. Grantor will, at its sole expense, take all actions as may be necessary or advisable for the clean-up of Hazardous Substances on or with respect to the Property, including, without limitation, all removal, containment and remedial actions in accordance with all applicable laws and in all events in a manner satisfactory to Beneficiary, and shall further pay or cause to be paid all clean-up, administrative and enforcement costs of governmental agencies with respect to Hazardous Substances on or with respect to the Property if obligated to do so by contract or by law.

(e) For the purposes of inspecting the Property to ascertain the accuracy of all representations and warranties in this Deed of Trust relating to Hazardous Substances, and the observance of all covenants contained in this Section 6.18, (i) Beneficiary is hereby authorized to enter and inspect the Property, including the interior of any structures, at reasonable times and after reasonable notice; and (ii) if and at any time Hazardous Substances are being handled on the Property, Grantor shall furnish Beneficiary with such information and documents as may be reasonably requested by Beneficiary to confirm that such Hazardous Substances are being handled in compliance with all applicable federal, state and local statutes, ordinances, rules, regulations and other laws. Grantor shall reimburse Beneficiary upon demand for all costs and expenses, including, without limitation, attorneys' fees, incurred by Beneficiary in connection with any such entry and inspection and the obtaining of such information and documents.

(f) All of the representations, warranties, covenants, rights, and remedies in this Section 6.18 shall be in addition to and not limit any representations, warranties, covenants, rights, and/or remedies in the Environmental Indemnity Agreement.

(g) Notwithstanding anything to the contrary set forth herein or in any other document which has been executed in connection with the loan secured hereby, (i) this Deed of Trust does not secure the obligations and liabilities of Grantor under this Section 6.18 and (ii) the representations, warranties, covenants, rights, and remedies in this Section 6.18 shall survive the repayment of the Note and

satisfaction and reconveyance of the lien of this Deed of Trust and shall not be affected by Beneficiary's acquisition of any interest in the Property, whether by foreclosure or otherwise.

6.19 Financial Statements; Books and Records. Grantor shall keep accurate books and records of account of the Property and its own financial affairs sufficient to permit the preparation of financial statements therefrom in accordance with generally accepted accounting principles (GAAP). Beneficiary and its duly authorized representatives and independent contractors shall have the right to examine copy and audit Grantor's records and books of account at all reasonable times. So long as this Deed of Trust continues in effect, Grantor shall provide to Beneficiary, in addition to any other financial statements required hereunder or under the Loan Agreement, all financial statements and other information regarding the Property and the construction of the Improvements.

6.20 Condominium Provisions. Grantor shall perform all of Grantor's obligations under the following (collectively, the "Project's Condominium Documents"): (i) any condominium declaration and any condominium survey map and plans recorded against the Property, (ii) any articles of incorporation, bylaws, rules and regulations, and other documents governing the formation or governance of the owner's association for any condominium created with respect to the Property, (iii) all other documents governing the ownership, use or maintenance of any condominium created with respect to the Property, and (iv) RCW 64.34 with respect to any condominium created with respect to the Property. Grantor shall promptly pay, when due, all dues and assessments imposed pursuant to the Project's Condominium Documents. In addition to the insurance required under Section 6.5 above, Grantor shall obtain and maintain all insurance required under the Project's Condominium Documents and RCW 64.34 with respect to the common elements and units owned by Grantor. In the event of a distribution of property insurance proceeds to Grantor in lieu of restoration or repair following a loss to the Property under the insurance policies maintained under the Project's Condominium Documents, whether to units or to common elements, any proceeds payable to Grantor are hereby assigned and shall be paid to Beneficiary for application to the sums secured by this Deed of Trust, whether or not then due, with the excess, if any, paid to Grantor. The proceeds of any award or claim for damages, direct or consequential, payable to Grantor in connection with any condemnation or other taking of all or any part of the Property, whether of the units or of the common elements, or for any conveyance in lieu of condemnation, are hereby assigned and shall be paid to Beneficiary. Such proceeds shall be applied by Beneficiary to the sums secured by this Deed of Trust as provided herein. Except after prior written notice to Beneficiary and with Beneficiary's prior written consent, which consent may be withheld in Beneficiary's sole discretion, Grantor shall not consent to nor permit (1) any abandonment or termination of any condominium on the Property or (2) any amendment or modifications to any Project's Condominium Documents. If Grantor does not pay condominium dues and/or assessments or other amounts payable under any Project's Condominium Documents when due, then Beneficiary may pay them. Any amounts disbursed by Beneficiary under this Section shall become additional debt of Grantor secured by this Deed of Trust. Unless Grantor and Beneficiary agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Default Rate (as defined in the Note) and shall be payable, with interest, upon notice from Beneficiary to Grantor requesting payment.

7. Default.

7.1 Definition. Any of the following shall constitute an "Event of Default" under this Deed of Trust, the Note and the other Loan Documents (as defined below):

- (a) An occurrence of any "Event of Default" (as defined in the Note);

(b) Any representation or warranty made by or for the benefit of Grantor herein or elsewhere in connection with the loan secured hereby, including, but not limited to, any representations in connection with the security therefor, shall prove to have been incorrect or misleading in any material respect;

(c) Grantor or any other person or entity liable therefor shall fail to pay when due any indebtedness secured hereby;

(d) Grantor or any other signatory thereto shall default in the performance of any other covenant or agreement contained in this Deed of Trust, the Note, the Loan Agreement, or any other agreement securing or evidencing the indebtedness secured hereby;

(e) Grantor or any other person or entity liable for the repayment of the indebtedness secured hereby shall become unable or admit in writing its inability to pay its debts as they mature, or file, or have filed against it, a voluntary or involuntary petition in bankruptcy, or make a general assignment for the benefit of creditors, or be adjudicated bankrupt or insolvent;

(f) A tax, charge or lien shall be placed upon or measured by the Note, this Deed of Trust, or any obligation secured hereby which Grantor does not or may not legally pay in addition to the payment of all principal and interest as provided in the Note; or

(g) There shall occur a default under any of the Environmental Indemnity Agreements.

7.2 Beneficiary's and Trustee's Right to Perform. Upon the occurrence of any Event of Default, Beneficiary or Trustee, but without the obligation so to do and without notice to or demand upon Grantor and without releasing Grantor from any obligations hereunder, may: make any payments or do any acts required of Grantor hereunder in such manner and to such extent as either may deem necessary to protect the security hereof (including, without limitation, obtaining insurance and/or paying any premiums or charges for insurance required to be carried under this Deed of Trust), Beneficiary or Trustee being authorized to enter upon the Property for such purposes; commence, appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien in accordance with the following paragraph; and in exercising any such powers, pay necessary expenses, employ counsel and pay a reasonable fee therefor. All sums so expended shall be payable on demand by Grantor, and be secured hereby (except that advances made under this Section 7.2 to cure any default under the Environmental Indemnity Agreements or any guaranties of the loan shall not be secured by this Deed of Trust), and bear interest at the Default Rate specified in the Note from the date advanced or expended until repaid. For clarification, if Beneficiary makes any advances pursuant to this Section 7.2 to cure any default under the Environmental Indemnity Agreements or any guaranties of the loan evidenced by the Note, any such advances are made on an unsecured basis under the Environmental Indemnity Agreements or guaranties of the loan evidenced by the Note.

Beneficiary or Trustee in making any payment herein and hereby authorized, in the place and stead of Grantor, in the case of a payment of taxes, assessments, water rates, sewer rentals and other governmental or municipal charges, fines, impositions or liens asserted against the Property, may make such payment in reliance on any bill, statement or estimate procured from the appropriate public office without inquiry into the accuracy of the bill, statement or estimate or into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim thereof; in the case of any apparent or threatened adverse claim of title, lien, statement of lien, encumbrance, deed of trust, claim or charge Beneficiary or

Trustee, as the case may be, shall be the sole judge of the legality or validity of same; and in the case of a payment for any other purpose herein and hereby authorized, but not enumerated in this paragraph, such payment may be made whenever, in the sole judgment and discretion of Trustee or Beneficiary, as the case may be, such advance or advances shall seem necessary or desirable to protect the full security intended to be created by this instrument; provided further, that in connection with any such advance, Beneficiary at its option may and is hereby authorized to obtain a continuation report of title and/or an appropriate title endorsement prepared by a title insurance company, the cost and expenses of which shall be repayable by Grantor without demand and shall be secured hereby.

Without restricting the generality of the foregoing and for the purposes aforesaid in this Section 7.2, Grantor hereby appoints and constitutes Beneficiary as Grantor's true and lawful attorney-in-fact with full power of substitution to perform, *without notice to Grantor*, any and all of the foregoing acts in this Section 7.2 on Grantor's behalf, if and at the times when Beneficiary in its sole discretion may so choose; it being understood and agreed that this power of attorney shall be a power coupled with an interest and cannot be revoked and will not be affected by any disability of Grantor.

The above notwithstanding, Beneficiary may not make advances secured by this Deed of Trust to cure defaults under the Environmental Indemnity Agreements or any guaranties executed in connection with the loan secured hereby.

7.3 Remedies on Default. Upon the occurrence of any Event of Default all sums secured hereby shall become immediately due and payable, without notice or demand, at the option of Beneficiary and Beneficiary may:

- (a) Have a receiver appointed as a matter of right, without regard to the sufficiency of the Property or any other security for the indebtedness secured hereby;
- (b) Foreclose this Deed of Trust as a mortgage or otherwise realize upon the Property;
- (c) Cause Trustee to exercise the power of sale granted to Trustee under this Deed of Trust;
- (d) Sue on the Note according to law;
- (e) To the extent permitted by applicable law, seek and obtain a deficiency judgment following the completion of a judicial foreclosure or a trustee's sale of all or a portion of the security for the obligations secured by this Deed of Trust; and/or
- (f) Exercise any other remedy permitted by this Deed of Trust, the Note, the Loan Agreement, other Loan Documents, and/or applicable law.

7.4 No Waiver. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured or to declare an Event of Default for failure to do so.

8. Condemnation. Grantor will promptly notify Beneficiary of any action or proceeding relating to any condemnation, eminent domain or other taking (including, without limitation, any change in the grade of the Property), whether direct or indirect, of the Property or part thereof or interest therein, and Grantor shall appear in and prosecute any such action or proceeding unless otherwise directed by

Beneficiary in writing. Grantor grants Beneficiary a power of attorney, which power of attorney is coupled with an interest and is irrevocable, to commence, appear in and prosecute, in Beneficiary's or Grantor's name, any action or proceeding relating to any such condemnation or other taking, and to settle or compromise any claim in connection with such condemnation or other taking; provided however, that Beneficiary shall have no obligation to do so. All awards, payments, damages, direct, consequential and otherwise, claims, and proceeds thereof, in connection with any past or future condemnation or other taking, or for conveyances in lieu of condemnation, are hereby assigned to Beneficiary (all such assigned items constituting part of the "Property" for purposes of this Deed of Trust), and all proceeds of any such awards, payments, damages or claims shall be paid to Beneficiary. Beneficiary shall apply any such proceeds in the manner and upon the terms and conditions set forth in Section 6.5(d)(ii) relating to the application of insurance proceeds. No condemnation award at any time assigned to or held by Beneficiary shall be deemed to be held in trust, and Beneficiary may commingle such award with its general assets and shall not be liable for the payment of any interest thereon.

9. Trustee.

9.1 General Powers and Duties of Trustee. At any time or from time to time, without liability therefor and without notice and without affecting the liability of any person for the payment of the indebtedness secured hereby, upon written request of Beneficiary, payment of its own fees and presentation of this Deed of Trust and the Note for endorsement (in case of full reconveyance, for cancellation or retention), Trustee may:

- (a) Consent to the making of any map or plat of the Property;
- (b) Join in granting any easement or creating any restriction thereon;
- (c) Join in any subordination or other agreement affecting this Deed of Trust or the lien or charge thereof; or
- (d) Reconvey, without warranty, all or any part of the Property.

9.2 Reconveyance.

(a) Partial Reconveyance. Subject to Grantor's fulfillment and satisfaction of all of the terms and conditions set forth in the Loan Agreement and set forth below, Beneficiary agrees, at any time upon the written request of Grantor, to direct Trustee to execute and deliver a partial reconveyance or partial release releasing from the lien of this Deed of Trust each of the separate Homes or Finished Lots that collectively constitute the Property (each Home or Finished Lot to be reconveyed/released is hereinafter referred to as a "**Release Unit**") so long as: (i) there does not exist any uncured default or event of default under any of the Loan Documents or any event which, following notice and/or the expiration of any applicable cure period without a cure, would constitute an default or event of default thereunder, (ii) Beneficiary receives the release price established in the Loan Agreement (the "**Release Price**") and all other amounts it is entitled to receive thereunder and (iii) all other conditions to such release as provided in the Loan Agreement and other Loan Documents are satisfied. Except as specifically provided in the Loan Documents, Beneficiary shall not be obligated to reconvey or release the lien of the Deed of Trust, in whole or in part, until it has received payment in full of all amounts due Beneficiary under any of the Loan Documents. Beneficiary's acceptance of any payment or instruction to the Trustee to issue any partial reconveyance or partial release shall not affect Grantor's obligation to repay all amounts that remain owing under the Loan Documents or the security of this Deed of Trust regarding any Collateral that is not reconveyed or released. If Beneficiary does not require satisfaction of all of the

conditions set forth in the Loan Agreement or in this Section before releasing one or more Release Units, that alone shall not be a waiver of such conditions, and Beneficiary reserves the right to require their satisfaction in full before releasing any further Release Units from this Deed of Trust.

(b) Full Reconveyance. Upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and the Note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recitals in any reconveyance executed under this Deed of Trust of any matters of fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

In the event Trustee shall properly reconvey the Property under this Section 9.2, the assignment of Leases and Rents hereunder shall be void and of no effect.

9.3 Powers and Duties on Default. Upon written request therefor by Beneficiary specifying the nature of the default, or the nature of the several defaults, and the amount or amounts due and owing, Trustee shall execute a written notice of breach and of its election to cause the Property to be sold to satisfy the obligation secured hereby, and shall cause such notice to be recorded and otherwise given according to law.

Notice of sale having been given as then required by law and not less than the time then required by law having elapsed after recordation of such notice of sale, Trustee, without demand on Grantor, shall sell the Property at the time and place of sale specified in the notice, all as provided by applicable law, either as a whole or in separate parcels and in such order as it may determine, at public auction to the highest and best bidder for cash in lawful money of the United States, payable at time of sale. Grantor agrees that such a sale (or a sheriff's sale pursuant to judicial foreclosure) of all the Property as real estate constitutes a commercially reasonable disposition thereof, but that with respect to all or any part of the Property which may be personal property, Trustee shall have and exercise, at Beneficiary's sole election, all the rights and remedies of a secured party under the UCC. Whenever notice is permitted or required hereunder or under the UCC, ten (10) days advanced notice of any sale shall be deemed reasonable notice. Trustee may postpone sale of all or any portion of the Property, and from time to time thereafter may postpone such sale, as provided by applicable law. Trustee shall deliver to the purchaser its deed and bill of sale conveying the Property so sold, but without any covenant or warranty, express or implied. The recital in such deed and bill of sale (if applicable) of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person or entity other than Trustee, including Grantor or Beneficiary, may purchase at such sale, except if prohibited by applicable law.

After deducting all costs, fees and expenses of Trustee and of this trust, including the cost of evidence of title search and reasonable counsel fees in connection with the sale, Trustee shall apply the proceeds of sale to payment of: all sums expended by Beneficiary and/or Trustee under the terms hereof not then repaid, with accrued interest at the Default Rate specified in the Note; all other sums then secured hereby; and the remainder, if any, in the manner provided by applicable law.

9.4 Reassignment of Security Interest. At the request of Beneficiary, to the extent required by applicable law, Trustee shall reassign to Beneficiary the security interest created hereby and after such reassignment Beneficiary shall have the right, upon the occurrence or continuance of any Event of Default, to realize upon the personal property subject to this Deed of Trust, independent of any action of Trustee, pursuant to the UCC. In that regard, Beneficiary shall have the right to collect all accounts and accounts receivable that are encumbered by this Deed of Trust directly from the obligors at any time after the occurrence of an Event of Default hereunder.

9.5 Acceptance of Trust. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto except Beneficiary of pending sale under any other deed of trust or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party unless brought by Trustee.

9.6 Reliance. Trustee, upon presentation to it of an affidavit signed by Beneficiary setting forth facts showing a default by Grantor under this Deed of Trust, is authorized to accept as true and conclusive all facts and statements therein, and to act thereon hereunder.

9.7 Replacement of Trustee. Beneficiary may, from time to time, as provided by statute, appoint another trustee in place and stead of Trustee herein named, and thereupon Trustee herein named shall be discharged and the trustee so appointed shall be substituted as Trustee hereunder, with the same effect as if originally named Trustee herein.

9.8 No Impairment of Right to Pursue Unsecured Obligations. The foreclosure of this Deed of Trust or sale by Trustee of the Property through the exercise of its power of sale granted hereunder shall not preclude or impair any action to collect or enforce any obligation of Grantor or any guarantor or other party liable for any of the obligations secured by this Deed of Trust, or the substantial equivalent of such obligation, which obligation is not secured by this Deed of Trust including, without limitation, the obligations of the parties under the Environmental Indemnity Agreements and the obligations of each such guarantor under its guaranty. All of such obligations (and all substantial equivalents of such obligations) shall constitute separate recourse obligations of Grantor and each such guarantor or other party and shall not be deemed to be evidenced by the Note or secured by this Deed of Trust.

10. Additional Security. If Beneficiary at any time holds additional security for any of the Secured Obligations, all such security shall be taken, considered, and held as cumulative, and Beneficiary may enforce the sale thereof or otherwise realize upon the same, at its option, either before or concurrently with the exercise of any of its rights or remedies hereunder or after a sale is made hereunder. The taking of additional security, the execution of partial releases of the security, or any extension of the time of payment of the Secured Obligations shall not diminish the force, effect, or lien of this Deed of Trust and shall not affect or impair the liability of any maker, surety, or endorser for the payment of any such *indebtedness*.

11. Imposition of Tax. For purposes of this Section, "*Tax*" shall mean: (a) a specific tax on deeds of trust or on all or any part of the indebtedness secured by a deed of trust, or (b) a specific tax on the owner of the Property covered by a deed of trust which the taxpayer is authorized or required to deduct from payments on the deed of trust, or (c) a tax on Property covered by a deed of trust chargeable against a beneficiary or trustee under the deed of trust or the holder of the note secured by the deed of trust, or (d) a specific tax (other than an income tax or a gross receipts tax) on all or any portion of the obligations secured hereby or on payments of principal and interest made by a grantor under a deed of trust. If any Tax is enacted subsequent to the date of this Deed of Trust, enactment of the Tax shall constitute an Event of Default, and Beneficiary may exercise any or all of the remedies available to it upon the occurrence of any Event of Default, unless the following conditions are met (i) Grantor may lawfully pay the Tax without causing any resulting economic disadvantage or increase of tax to Beneficiary or Trustee, and (ii) Grantor pays the Tax (including any tax on the payment made) within thirty (30) days after notice from Beneficiary that the tax law has been enacted.

12. Waiver of Marshaling. Grantor waives all rights, legal and equitable, it may now or hereafter have to require marshaling of assets or to require upon foreclosure sales of assets in a particular

order. Each successor and assign of Grantor, including any holder of a lien subordinate to this Deed of Trust, by acceptance of its interest or lien agrees that it shall be bound by the above waiver, as if it had given the waiver itself.

13. Notices.

13.1 Trustee. Any notice, demand, request, or other communication to Trustee shall be sent to the following address:

Chicago Title  
425 Commercial  
Mt Vernon, WA 98273

13.2 Grantor and Beneficiary. Any notice, demand, request, or other communication to Grantor (including any notice of default or notice of sale) or Beneficiary shall be sent in writing to the following address:

If to Grantor: Skagit Highlands Homes, LLC  
16000 Christensen Rd., Suite 150  
Seattle, WA 98188  
Attn: Thomas L. Tollen III

If to Beneficiary: Columbia State Bank  
719 2<sup>nd</sup> Avenue, Suite 500  
Seattle, WA 98104  
Attn: David Adams  
Fax No.: (206) 233-4540

or to such other address as may be filed in writing by Grantor or Beneficiary with Trustee and the other party in accordance with this Section 13.

13.3 Method of Giving Notice. Any notice, demand, request or other communication which any party hereto may be required or may desire to give hereunder shall be in writing addressed as set forth above and shall be deemed to have been properly given (a) if hand delivered, when delivered or rejected by the intended recipient; (b) if mailed by United States Certified Mail (postage prepaid, return receipt requested), when delivered or rejected by the intended recipient; (c) if by Federal Express or other reliable overnight courier service, when delivered or rejected by the intended recipient; or (d) if by facsimile transmission, upon actual receipt of a complete, legible facsimile transmission, except that if a facsimile transmission is received after business hours or on a weekend or holiday, then the notice shall be deemed given on the next business day following the receipt of the facsimile transmission.

13.4 Waiver of Notice. The giving of notice may be waived in writing by the person or persons entitled to receive such notice, either before or after the time established for the giving of such notice.

14. Modifications. Upon written request of any party then liable for any sum secured hereby, Beneficiary reserves the right to extend the term, or otherwise modify the terms, hereof or of the Note as Beneficiary and such person may from time to time deem appropriate and any such change shall not operate to release, in any manner, the liability of the original Grantor or Grantor's successors in interest.

15. Successors and Assigns. The terms, covenants, conditions, and warranties contained herein and the powers granted hereby shall run with the land and shall inure to the benefit of and bind all parties hereto and their respective heirs, successors and assigns; all tenants and their subtenants and assigns; and all subsequent owners of the Property and subsequent holders of all or any portion of the Note.

16. Governing Law; Severability. This Deed of Trust was negotiated in the State of Washington, and made by Grantor and accepted by Beneficiary in the State of Washington, and the proceeds of the Note secured hereby were disbursed from the State of Washington, which state the parties agree has a substantial relationship to the underlying transaction embodied hereby, and in all respects, including, without limiting the generality of the foregoing, matters of construction, validity and performance, this Deed of Trust and the obligations arising hereunder shall be governed by, and construed in accordance with, the laws of the State of Washington applicable to contracts made and performed in such state (without regard to principles of conflicts of laws) and any applicable law of the United States of America, except that at all times the provisions for the creation, perfection and enforcement of the liens and security interests created pursuant hereto and pursuant to the other Loan Documents other than with respect to liens and security interests in property whose perfection and priority is covered by Article 9 of the UCC (including, without limitation, the accounts, which shall be governed by the law of the jurisdiction applicable thereto in accordance with Article 9 of the UCC) shall be governed by and construed according to the law of the state in which the Property is located, except to the extent that the law of Grantor's state of organization may apply under Article 9 of the UCC, it being understood that, to the fullest extent permitted by the law of such state, the law of the State of Washington shall govern the construction, validity and enforceability of all Loan Documents, including, without limitation, the enforcement of any guaranty or environmental indemnity following foreclosure of this Deed of Trust, and all of the obligations hereunder or thereunder. In the event that any provision or clause of this Deed of Trust or the Note conflicts with applicable law, the conflict shall not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provision, and to this end the provisions of this Deed of Trust and the Note are declared to be severable.

17. Jurisdiction. If there is any litigation or other proceeding to enforce or interpret any provision of this Deed of Trust, jurisdiction shall be exclusively in the State or Federal Courts located in Pierce County in the State of Washington, unless the remedy sought requires jurisdiction to be in the State or Federal Courts of the county in which the Property is located.

18. Grantor's Right To Possession. Grantor may remain in possession of the Property for so long as it is not in default hereunder or under the terms of the Note and Grantor may, while it is entitled to possession of the Property, use the same.

19. Attorneys' Fees. In the event any action or proceeding is brought to enforce or interpret the provisions of this Deed of Trust, the prevailing party shall be entitled to recover, as a part of the prevailing party's costs, a reasonable attorneys' fee at trial, in bankruptcy proceedings and on appeal, the amount of which shall be fixed by the court and made a part of any judgment rendered.

20. Intentionally Omitted.

21. Time Of Essence. Time is of the essence under this Deed of Trust and in the performance of every term, covenant and obligation contained herein.

22. Construction. Whenever used herein whenever the context so requires, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders. All obligations of each Grantor hereunder shall be joint and several.

23. Subrogation. Beneficiary shall be subrogated to the liens of all encumbrances, whether released of record or not, that are discharged in whole or in part by Beneficiary in accordance with this Deed of Trust or with the proceeds of the Loan.

24. Miscellaneous.

24.1 Whenever the context so requires the *singular number* includes the plural herein, and the impersonal includes the personal.

24.2 The headings to the various sections have been inserted for convenient reference only and shall not modify, define, limit or expand the express provisions of this Deed of Trust.

24.3 This Deed of Trust, the Note, the Loan Agreement, and the other documents, instruments, and agreements entered into by Grantor and Beneficiary in connection therewith (collectively, the "*Loan Documents*") constitute the final expression of the entire agreement of the parties with respect to the transactions set forth therein. No party is relying upon any oral agreement or other understanding not expressly set forth in the Loan Documents. The Loan Documents may not be amended or modified except by means of a written document executed by the party sought to be charged with such amendment or modification.

25. Waiver of Jury Trial. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, GRANTOR AND BENEFICIARY EACH (A) AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS DEED OF TRUST THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

26. Beneficiary's Right to Force-Place Insurance Coverage. UNLESS YOU PROVIDE BENEFICIARY WITH EVIDENCE OF THE INSURANCE COVERAGE AS REQUIRED BY THIS DEED OF TRUST OR LOAN AGREEMENT, BENEFICIARY MAY PURCHASE INSURANCE AT YOUR EXPENSE TO PROTECT BENEFICIARY'S INTEREST. THIS INSURANCE MAY, BUT NEED NOT, ALSO PROTECT YOUR INTEREST. IF THE COLLATERAL BECOMES DAMAGED, THE COVERAGE BENEFICIARY PURCHASES MAY NOT PAY ANY CLAIM YOU MAKE OR ANY CLAIM MADE AGAINST YOU. YOU MAY LATER CANCEL THIS COVERAGE BY PROVIDING EVIDENCE THAT YOU HAVE OBTAINED PROPERTY COVERAGE ELSEWHERE.

YOU ARE RESPONSIBLE FOR THE COST OF ANY INSURANCE PURCHASED BY BENEFICIARY. THE COST OF THIS INSURANCE MAY BE ADDED TO THIS DEED OF TRUST OR LOAN BALANCE. IF THE COST IS ADDED TO THIS DEED OF TRUST OR LOAN BALANCE, THE INTEREST RATE ON THE NOTE SECURED BY THIS DEED OF TRUST WILL APPLY TO THIS ADDED AMOUNT. THE EFFECTIVE DATE OF COVERAGE MAY BE THE DATE YOUR PRIOR COVERAGE LAPSED OR THE DATE YOU FAILED TO PROVIDE PROOF OF COVERAGE.

**THE COVERAGE BENEFICIARY PURCHASES MAY BE CONSIDERABLY MORE EXPENSIVE THAN INSURANCE YOU CAN OBTAIN ON YOUR OWN AND MAY NOT SATISFY ANY NEED FOR PROPERTY DAMAGE COVERAGE OR ANY MANDATORY LIABILITY INSURANCE REQUIREMENTS IMPOSED BY APPLICABLE LAW.**

[signature on following page]



**EXHIBIT A  
TO  
DEED OF TRUST, ASSIGNMENT OF LEASES AND RENT, SECURITY AGREEMENT, AND  
FIXTURE FILING**

Legal Description

Lots 1, 2 and 6, THE WOODS AT SUNSET COVE, according to the plat thereof, recorded October 17, 2007, under Auditor's File No. 200710170081, records of Skagit County, Washington.

Situated in Skagit County, Washington.

EXHIBIT A