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WHEN RECORDED RETURN TO:

Name: Island Construction Site & Utilities, Inc.
Address: P. O. Box 399
City, State, Zip Oak Harbor, WA 98277-0399

SKAGIT COUNTY
99 JAN 28 P3:29

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SECOND
Deed of Trust

FIRST AMERICAN TITLE CO.

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(For Use in the State of Washington Only)

THIS DEED OF TRUST, made this 1st day of September, 19 98, between
SELF-HELP HOUSING, a Washington non-profit corporation, GRANTOR,
whose address is 405 Hoag Road, Mount Vernon, WA 98273,
FIRST AMERICAN TITLE INSURANCE COMPANY, a corporation, TRUSTEE, whose address
is 301-B Riverside Drive, Mount Vernon, WA 98273,
and ISLAND CONSTRUCTION SITE & UTILITIES, INC., a Washington corp BENEFICIARY,
whose address is P. O. Box 399, Oak Harbor, WA 98277-0399.

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

Legal Description (abbreviated): Portion of Sec 9 Twnsp 34 Range 4, ptn of the SW 1/4 of the SE 1/4 & ptn of the SW 1/4 of the SW 1/4

See Exhibit "A" which is annexed hereto and by this reference incorporated herein. (LEGAL DESCRIPTION)

See Exhibit "B", SUBORDINATION, CROSS-DEFAULT, which is annexed hereto and by this reference incorporated herein.

Tax Account Number: 340409-4-003-0006 and 340409-4-003-0105

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

This deed is for the purpose of securing performance of each agreement of grantor herein contained, and payment of the sum of (\$ 300,350.00 - - - - -)

Three Hundred Thousand Three Hundred Fifty and No/100 - - - - - Dollars with interest, in accordance with the terms of a promissory note of even date herewith, payable to Beneficiary or order, and made by Grantor, and all renewals, modifications and extensions thereof, and also such further sums as may be advanced or loaned by Beneficiary to Grantor, or any of their successors or assigns, together with interest thereon at such rate as shall be agreed upon.

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

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

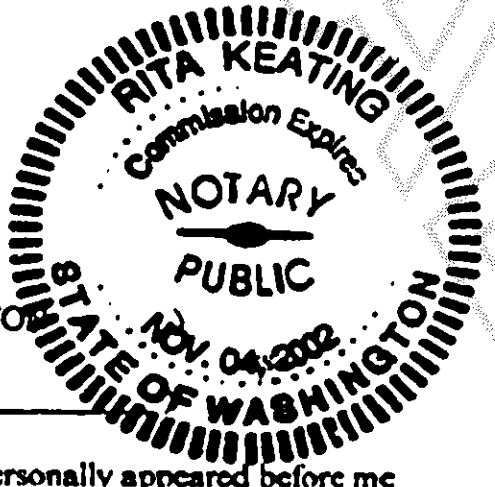
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5. To pay all costs, fees and expenses in connection with this Deed of Trust, including the expenses of the Trustee incurred in enforcing the obligation secured hereby and Trustee's and attorney's fees actually incurred, as provided by statute.
6. Should Grantor fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances or other charges against the property hereinabove described, Beneficiary may pay the same, and the amount so paid, with interest at the rate set forth in the note secured hereby, shall be added to and become a part of the debt secured in this Deed of Trust.

IT IS MUTUALLY AGREED THAT:

1. In the event any portion of the property is taken or damaged in an eminent domain proceeding, the entire amount of the award or such portion as may be necessary to fully satisfy the obligation secured hereby, shall be paid to Beneficiary to be applied to said obligation.
2. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right to require prompt payment when due of all other sums so secured or to declare default for failure to so pay.
3. The Trustee shall reconvey all or any part of the property covered by this Deed of Trust to the person entitled thereto on written request of the Grantor and the Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiary or the person entitled thereto.
4. Upon default by Grantor in the payment of any indebtedness secured hereby or in the performance of any agreement contained herein, all sums secured hereby shall immediately become due and payable at the option of the Beneficiary. In such event and upon written request of Beneficiary, Trustee shall sell the trust property, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (1) to the expenses of the sale, including a reasonable Trustee's fee and attorney's fee; (2) to the obligation secured by this Deed of Trust; (3) the surplus, if any, shall be distributed to the persons entitled thereto.
5. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser the interest in the property which Grantor had or had the power to convey at the time of his execution of this Deed of Trust, and such as he may have acquired thereafter. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchaser and encumbrances for value.
6. The power of sale conferred by this Deed of Trust and by the Deed of Trust Act of the State of Washington is not an exclusive remedy; Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage.
7. In the event of the death, incapacity, disability or resignation of Trustee, Beneficiary may appoint in writing a successor trustee, and upon the recording of such appointment in the mortgage records of the county in which this Deed of Trust is recorded, the successor trustee shall be vested with all powers of the original trustee. The trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Grantor, Trustee or Beneficiary shall be a party unless such action or proceeding is brought by the Trustee.
8. This Deed of Trust applies to inures to, the benefit of, and is binding not only on the parties hereto, but on their heirs, devisees, legatees, administrators, executors and assigns. The term Beneficiary shall mean the holder and owner of the note secured hereby, whether or not named as Beneficiary herein.



SELF-HELP HOUSING
 BY: William N. Miller
 William N. Miller

STATE OF WASHINGTON)
 COUNTY OF _____)
 On this day personally appeared before me

STATE OF WASHINGTON)
 COUNTY OF Island) SS.
 On this 18th day of November, 1998
 before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared William N. Miller

to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that _____ signed the same as _____ free and voluntary act and deed, for the uses and purposes therein mentioned.

and _____
 to me known to be the Executive Director President and Secretary of Self Help Housing the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation.

GIVEN under my hand and official seal this day of _____, 19____.

Witness my hand and official seal hereto affixed the day and year first above written.
Rita Keating
 Notary Public in and for the State of Washington, residing at _____

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

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

TO: TRUSTEE,

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

Dated _____, 19____

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EXHIBIT "A"
Page One

Legal Description
Phase II/III

The land referred to herein is situated in the County of Skagit, State of Washington, and is described as follows:

The Southwest 1/4 of the Southeast 1/4 of Section 9, Township 34 North, Range 4 East, W.M.;

EXCEPT the following described tract:

BEGINNING at the Southwest corner of said subdivision (South 1/4 Corner);
thence North $0^{\circ}47'05''$ West 555.00 feet along the West line of said subdivision, also being the centerline of North 30th Street;
thence North $89^{\circ}12'55''$ East 30.00 feet to a point on a curve;
thence Southeasterly along the arc of said curve concave to the Northeast, having an initial tangent bearing of South $0^{\circ}47'05''$ East, a radius of 25.00 feet, through a central angle of $90^{\circ}00'00''$, an arc distance of 39.27 feet;
thence North $0^{\circ}47'05''$ West 64.35 feet to a point of curvature;
thence along the arc of said curve to the right having a radius of 300.00 feet, through a central angle of $66^{\circ}37'03''$, an arc distance of 348.81 feet to a point of tangency;
thence North $65^{\circ}49'58''$ East 315.82 feet;
thence South $24^{\circ}10'02''$ East 80.00 feet;
thence South $25^{\circ}51'25''$ East 40.02 feet;
thence South $6^{\circ}05'19''$ East 98.00 feet;
thence North $83^{\circ}52'22''$ East 49.41 feet to a point on a curve;
thence Northerly along the arc of said curve, concave to the East, having an initial tangent bearing of North $7^{\circ}13'49''$ East, a radius of 420.00 feet, through a central angle of $1^{\circ}41'13''$, an arc distance of 12.37 feet;
thence South $81^{\circ}04'58''$ East, radial to the center of the aforementioned curve 40.00 feet, to a point on a curve;
thence Southerly along the arc of said curve concave to the East, having an initial tangent bearing of South $8^{\circ}55'02''$ West, a radius of 380.00 feet, through a central angle of $14^{\circ}36'47''$, an arc distance of 96.92 feet to a point of compound curvature;
thence along the arc of said curve to the left, having a radius of 184.00 feet, through a central angle of $41^{\circ}17'12''$, an arc distance of 132.59 feet to a point of compound curvature;
thence along the arc of said curve to the left, having a radius of 26.80 feet; through a central angle of $72^{\circ}02'06''$, an arc distance of 33.69 feet to a point of compound curvature;
thence along the arc of said curve to the left, having a radius of 184.00 feet; through a central angle of $12^{\circ}07'02''$, an arc distance of 38.91 feet;
thence South $43^{\circ}48'51''$ East 47.36 feet to a point on a curve;
thence along the arc of said curve concave to the Southeast, having an initial tangent bearing of South $36^{\circ}55'12''$ West, a radius of 184.00 feet, through a central angle of $13^{\circ}38'06''$, an arc distance of 43.79 feet to a point of compound curvature;
thence along the arc of said curve to the left, having a radius of 26.80 feet, through a central angle of $45^{\circ}21'26''$, an arc distance of 21.22 feet to a point of compound curvature;
thence along the arc of said curve to the left, having a radius of 184.00 feet; through a central angle of $21^{\circ}44'31''$, an arc distance of 69.82 feet;
thence North $42^{\circ}13'49''$ East 58.14 feet;
thence South $43^{\circ}48'51''$ East 92.42 feet to a point on a curve;
thence Easterly along the arc of said curve concave to the Southeast, having an initial tangent bearing North $53^{\circ}19'52''$ East, a radius of 320.00 feet, through a central angle of $7^{\circ}28'25''$, an arc distance of 41.74 feet;

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EXHIBIT "A"
Page Two

Legal Description
Phase II/III

thence South 29 11'43" East 40.00 feet radial to the center of the aforementioned curve;
thence North 60 48'17" East 40.00 feet;
thence South 29 11'43" East 74.00 feet;
thence South 89 54'20" East 151.40 feet, more or less, parallel with the South line of said subdivision to the West line of the East 99.00 feet of said subdivision;
thence South 0 42'00" East 382.56 feet along said West line to the South line of said subdivision;
thence North 89 54'20" West 1214.12 feet along said South line to the
POINT OF BEGINNING.

EXCEPT road along the South and West lines thereof;

AND EXCEPT mineral rights as reserved in Deed recorded December 10, 1926, in Volume 142 of Deeds, Page 146.

(Also known as Phase II/III of that to be recorded/approved PLAT OF ROSEWOOD P.U.D. PHASE II/III)

SUBJECT TO AND TOGETHER WITH easements, reservations, restrictions, covenants, liens and other instruments of record.

Situate in the County of Skagit, State of Washington.

This boundary line adjustment description revises current ownership boundary lines of that certain parcel described in document recorded under Auditor's File No. 9612040095.

This boundary line adjustment is not for the purpose of creating an additional building lot.

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EXHIBIT "B"
Page One

SUBORDINATION:

The Beneficiary, ISLAND CONSTRUCTION SITE AND UTILITIES, INC., agrees to subordinate to a development loan which will be in a first position in an amount not to exceed \$800,000.00 for Phase I. For Phases II and III, Island Construction Site and Utilities, Inc. shall be in a second position to a Deed of Trust held by Grandy Lake Forest Associates in an amount not to exceed \$500,000.00.

CROSS-DEFAULT AGREEMENT:

Grantor covenants and agrees with Beneficiary that in the event of a default in the payment of any of the Deeds of Trust which encumber this Property (Phase II and III, proposed Plat of Rosewood) or property legally described below for Phase I, proposed Plat of Rosewood, such default shall constitute a default hereunder and if the same is not cured within thirty (30) days, beneficiary shall be entitled to all remedies contained in this Deed of Trust, including but not limited to increasing the interest rate to 12.0% per annum and/or declaring, at Beneficiary's option, that all sums secured hereby shall immediately become due and payable in full.

LEGAL DESCRIPTION, PHASE I: See Exhibit "B", Page Two

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EXHIBIT "B"
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Phase II/III

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EXHIBIT "B"
Page Three

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Phase II/III

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