

When Recorded Return to:
PEGGY HINTON
302 Prince Avenue
Bellingham WA 98226



200509020098
Skagit County Auditor

9/2/2005 Page 1 of 6 11:29AM

Chicago Title Company - Island Division
Order No: IQOE1943 GMN

1034691 ✓

DEED OF TRUST
(For use in the State of Washington only)

THIS DEED OF TRUST, made this August 18, 2005

ISLAND CONSTRUCTION, INC., a Washington corporation
GRANTOR, whose address is

P. O. Box 399 Oak Harbor WA 98277

Chicago Title Company - Island Division, a Washington Corporation
TRUSTEE, whose address is 770 NE Midway Boulevard
P. O. Box 1050, Oak Harbor WA 982771050
and

PEGGY JEAN HINTON, as her separate estate
BENEFICIARY, whose address is

302 Prince Avenue, Bellingham WA 98226

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

E/2 SW, NW SE Sec 30, T34N, R5EWM and NE SW, E/2 NW and GL2 Sec 31, T34N, R5EWM more fully described on Exhibit "A" attached hereto and made a part thereof.

Tax Account No. :	340531-3-001-0001 P30544	340530-3-002-0001 P30514
	340531-0-002-0006 P30526	340531-2-001-0003 P30542
	340531-2-002-0002 P30543	340530-4-002-0009 P30517
	340530-3-001-0002 P30512	340530-3-001-0200 P104162

The property described herein may not be sold or transferred without the Beneficiary's consent. Upon breach of this provision, Beneficiary may declare all sums due secured by this Deed of Trust immediately due and payable.

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 EIGHT HUNDRED THOUSAND AND 00/100 (\$800,000.00) Dollars with interest, in accordance with 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 and 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 of proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of title search and attorney's fees in a reasonable amount, in any such action or proceeding, and in any suit brought by Beneficiary to foreclose this Deed of Trust.
5. To pay all costs, fees and expenses in connection with this Deed of Trust, including the expenses of the Trustee incurred in enforcing the obligation secured hereby and Trustee's and attorney's fees actually incurred, as provided by statute.
6. Should Grantor fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances or other charges against the property hereinabove described, Beneficiary may pay the same, and the amount so paid, with interest at the rate set forth in the note secured hereby, shall be added to and become a part of the debt secured in this Deed of Trust.

IT IS MUTUALLY AGREED THAT:

1. In the event any portion of the property is taken or damaged in an eminent domain proceeding, the entire amount of the award or such portion as may be necessary to fully satisfy the obligations 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 obligations secured and written request for reconveyance made by the Beneficiary or the person entitled thereto.
4. Upon default by Grantor in the payment of any indebtedness secured hereby or in the performance of any agreement contained herein, all sums secured hereby shall immediately become due and payable at the option of the Beneficiary. In such event and upon written request of Beneficiary, Trustee shall sell the trust property, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (1) to the expense of the sale, including a reasonable Trustee's fee and attorney's fee; (2) to the obligation secured by the Deed of Trust; (3) the surplus, if any, shall be distributed to the persons entitled thereto.

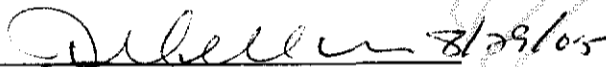
5. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser the interest in the property which Grantor had or had the power to convey at the time of his execution of this Deed of Trust, and such as he may have acquired thereafter. Trustee's deed 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 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 the 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.


ISLAND CONSTRUCTION, INC.


By John Williams Date
Vice President

STATE OF WASHINGTON
COUNTY OF ISLAND

I certify that I know or have satisfactory evidence that John Williams the person(s) who appeared before me, and said person(s) acknowledged that HE signed this instrument, on oath stated that HE IS authorized to execute the instrument and acknowledged it as the Vice President of ISLAND CONSTRUCTION, INC. to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

Dated: August 29, 2005


Notary Public in and for the State of Washington
Residing at Oak Harbor
My appointment expires: 10/1/05

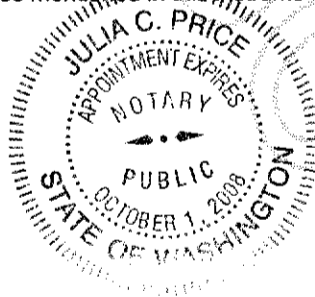


EXHIBIT "A"

PARCEL A:

The Northeast Quarter of the Southwest Quarter of Section 31, Township 34 North, Range 5 East of the Willamette Meridian;

EXCEPT road rights of way

AND EXCEPT a tract conveyed to Skagit County by deed dated December 8, 1936, and recorded March 9, 1937, in Volume 171 of Deed, page 345, records of Skagit County, Washington, which is more particularly described as follows:

Beginning at a point being North 18°38'30" West a distance of 1347.6 feet from the South Quarter corner of said Section 31;
Thence North 0°19' East a distance of 120.0 feet;
Thence North 63°27'30" West a distance of 255.9 feet;
Thence South 0°19' West a distance of 240.0 feet;
Thence North 88°38' East a distance of 230.0 feet, more or less, to a point of beginning;
(bearings are referred to the South line of the Southwest Quarter of said Section 31 as bearing North 87°36'30" East),

ALSO EXCEPT the South Half of the Southwest Quarter of the Northeast Quarter of the Southwest Quarter;

AND ALSO EXCEPT that portion of above described property lying Southwest of the county road commonly known as Walker Valley Road conveyed to Clay Imhof by deed dated April 4, 1984, and recorded April 30, 1984 in Volume 558 of Deed, page 252, under Auditor's File No. 8404300071, records of Skagit County, Washington.

Situated in Skagit County, Washington.

PARCEL B:

The Southeast Quarter of the Southwest Quarter of Section 30, Township 34 North, Range 5 East of the Willamette Meridian, Skagit County Washington.

Situated in Skagit County, Washington.

PARCEL C:

Government Lot 2, in Section 31, Township 34 North, Range 5 East of the Willamette Meridian, Skagit County, Washington.

Situated in Skagit County, Washington.

PARCEL D:

The East Half of the Northwest Quarter of Section 31, Township 34 North, Range 5 East of the Willamette Meridian, Skagit County, Washington.

Situated in Skagit County, Washington.

PARCEL E:

The Northwest Quarter of the Southeast Quarter in Section 30, Township 34 North, Range 5 East of the Willamette Meridian;

EXCEPT county road right of way, commonly known as the Gunderson Road.

ALSO EXCEPT that portion conveyed to Skagit County for Gunderson Road #0600 by deed recorded November 18, 1986 as Auditor's File Nos. 8611180004 and 8611180005, records of Skagit County, Washington.

AND ALSO EXCEPT that portion of said premises lying Northerly of Gunderson Road as conveyed by deed recorded on October 31, 1988 under Auditor's File Nos. 8810310090 and 8810310091, records of Skagit County, Washington.

Situated in Skagit County, Washington.



PARCEL F:

The Northeast Quarter of the Southwest Quarter in Section 30, Township 34 North, Range 5 East, of the Willamette Meridian;

EXCEPT county road right of way, commonly known as the Gunderson Road.

ALSO EXCEPT that portion conveyed to Skagit County for Gunderson Road #0600 by deed recorded November 18, 198 as Auditor's File Nos. 8611180004 and 8611180005, records of Skagit County, Washington.

AND ALSO EXCEPT that portion of said premises lying Northerly of Gunderson Road as conveyed by deed recorded on October 31, 1988, under Auditor's File Nos. 8810310090 and 8810310091, records of Skagit County, Washington.

Situated in Skagit County, Washington.



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 ____.

BY: _____

RETURN Full Reconveyance to the following parties:

