



200801110045
Skagit County Auditor

1/11/2008 Page 1 of 11 11:22AM

AFTER RECORDING MAIL TO:

Name Banner Bank
Address PO Box 907
City/State Walla Walla, WA 99362-0265

Document Title(s):

1. Deed of Trust

GUARDIAN NORTHWEST TITLE CO.

Reference Number(s) of Documents Assigned or released:

A92041-2

Grantor(s):

1. Chaffey Homes, Inc.
2.

[] Additional information on page of document

Grantee(s):

1. Banner Bank

[] Additional information on page of document

Trustee:

1. NORTHWEST FINANCIAL CORPORATION

Abbreviated Legal Description:

Lot 2, Block 9, "WOOD'S ADDITION TO ANACORTES, WASHINGTON"

Tax Parcel Number(s):

P60645

[] Complete legal description is on page of document

I am requesting an emergency nonstandard recording for an additional fee as provided in RCW 36.18.010. I understand that the recording processing requirements may cover up or otherwise obscure some part of the text of the original document.

AFTER RECORDING RETURN TO:

Banner Bank
Attn: Loan Servicing
PO Box 907
Walla Walla, WA 99362

Document Title: Deed of Trust
Grantor(s): Chaffey Homes Inc

Grantee: BANNER BANK
Tax Parcel #: 3839-009-002-0000 (P60645) For Additional #'s See Exhibit B
Legal Description: Lot 2, Block 9, "WOODS ADDITION TO ANACORTES, WASHINGTON"

DEED OF TRUST

Loan #: 14001647

Security Agreement and Assignment of Rents

THIS DEED OF TRUST is made this 3rd day of January, 2008, between _____
Chaffey Homes Inc, A Washington Corporation

as Grantor, whose address is 205 Lake St S, #101 Kirkland WA 98083

and **NORTHWEST FINANCIAL CORPORATION, A WASHINGTON CORPORATION**, as Trustee, whose address is P.O. Box 907, Walla Walla, Washington, 99362 and **BANNER BANK**, whose address is 10 S. First St., Walla Walla, Washington, 99362, as Beneficiary.

Grantor hereby irrevocably conveys to Trustee, in trust, with the power of sale, all Grantor's interest in that real property located at NNA Sunset Ave (Lot 2, Block 9, Wood's Addition) Anacortes WA 98221

described in Exhibit "A", which is attached hereto and incorporated herein by reference (the "Real Property"), together with the following (all of which together with the Real Property may be referenced herein as the "Secured Property"):

- (a) All land lying in streets and roads adjoining the Real Property, and all access rights and easements pertaining to the Real Property.



(b) All the lands, tenements, privileges, reversions, remainders, irrigation and water rights and stock, oil and gas rights, royalties, minerals and mineral rights, hereditaments and appurtenances belonging or in any way pertaining to the Real Property.

(c) All buildings, structures, improvements, fixtures and property now or hereafter attached to or used in the operation of the Real Property including, but not limited to, heating and incinerating apparatus and equipment, boilers, engines, motors, dynamos, generating equipment, computers, computer workstations and terminals, telephone and other communication systems, piping and plumbing fixtures, ranges, cooking apparatus and mechanical kitchen equipment, refrigerators, cooling, ventilating, sprinkling and vacuum cleaning systems, fire extinguishing apparatus, gas and electric fixtures, irrigation equipment, carpeting, underpadding, elevators, escalators, partitions, mantles, built-in mirrors, window shades, blinds, screens, storm sash, awnings, furnishings of public spaces, halls and lobbies, and shrubbery and plants; all property mentioned in this subsection shall be deemed part of the Real Property and not severable wholly or in part without material injury to the Real Property.

(d) All rents, issues and profits of the Real Property, all existing and future leases of the Real Property (including extensions, renewals and subleases), all agreements for use and occupancy of the Real Property (all such leases and agreements whether written or oral, are hereafter referred to as the "Leases"), and all guaranties of lessees' performance under the Leases, together with the immediate and continuing right to collect and receive all of the rents, income, receipts, revenues, issues, profits and other income of any nature now or hereafter due (including any income of any nature coming due during any redemption period) under the Leases or from or arising out of the Real Property including minimum rents, additional rents, percentage rents, parking or common area maintenance contributions, tax and insurance contributions, deficiency rents, liquidated damages following default in any Lease, all proceeds payable under any policy of insurance covering loss of rents resulting from untenability caused by destruction or damage to the Real Property, all proceeds payable as a result of a lessee's exercise of an option to purchase the Real Property, all proceeds derived from the termination or rejection of any Lease in a bankruptcy or other insolvency proceeding, and all proceeds from any right and claims of any kind which Grantor may have against any lessee under the Leases or any occupants of the Real Property (all of the above are hereafter collectively referred to as the "Rents"). This subsection is subject to the right, power and authority given to the Beneficiary in the Loan Documents (as defined herein) to collect and apply the Rents.

(e) All compensation, awards, damages, rights of action and proceeds (including insurance proceeds and any interest on any of the foregoing) arising out of or relating to a taking or damaging of the Property by reason of any public or private improvement, condemnation proceeding (including change of grade), fire, earthquake or other casualty, injury or decrease in the value of the Property; all returned premiums or other payments on any insurance policies pertaining to the Property and any refunds or rebates of taxes or assessments on the Property.

(f) All permits, permit applications, plans, specifications, contracts, agreements and purchase orders pertaining or incidental to the design, construction, maintenance or management of any improvements on the Real Property, Grantor's rights under any payment, performance, or other bond in connection with construction of improvements on the Property, and all construction materials, supplies, and equipment delivered to the Property or intended to be used in connection with the construction of improvements on the Property wherever actually located.



PURPOSE. This Deed is for the purpose of securing performance of each agreement of Grantor contained herein and to secure the payment of the sum of \$ ~~560,000.00~~ ^{560,000.00} with interest thereon according to the terms of a promissory note of even date herewith payable to Beneficiary or order and made by Grantor (the "Note" which term shall include all renewals, modifications or extensions thereof evidencing the indebtedness secured by this Deed of Trust).

In addition this Deed is for the purpose of securing Payment of any further sums advanced or loaned by Beneficiary to Grantor, or any of its successors or assigns, if (1) the Note or other writing evidencing the future advance or loan specifically states that it is secured by this Deed of Trust or (2) the advance, including costs and expenses incurred by Beneficiary, is made pursuant to this Deed of Trust or any other documents executed by Grantor evidencing, securing or relating to the Note and/or the Secured Property, whether executed prior to, contemporaneously with or subsequent to this Deed of Trust (this Deed of Trust, the Note and such other documents, including any construction or other loan agreement, are hereafter collectively referred to as the "Loan Documents") together with interest thereon at the rate set forth in the Note unless otherwise specified in the Loan Documents or agreed to in writing or (3) performance of each agreement, term and condition set forth or incorporated by reference in the Loan Documents unless any such agreement, term or condition is expressly provided to be independent of this Deed of Trust, or is in this Deed of Trust excluded from the obligations secured hereby.

Notwithstanding the foregoing and the covenants hereafter set forth, it is expressly agreed and acknowledged that none of the covenants, representations, or other obligations of Grantor set forth in this Deed of Trust are intended by Grantor and Beneficiary to secure or be the substantial equivalent of obligations of Grantor arising under any hazardous substances warranty and indemnity agreement or provision, including without limitation any agreement or provision pertaining to hazardous or toxic wastes or substances, set forth in the Loan Documents and any reference hereafter to the Loan Documents shall not include any such hazardous substance warranty and indemnity agreement or provision included therein.

This Deed of Trust secures a construction loan for the purpose of constructing certain improvements on the Real Property and constitutes a construction mortgage for the purpose of Article 9 of the Uniform Commercial Code of Washington, entitled to all of the benefits afforded construction mortgages thereunder.

COVENANTS. Grantor covenants and agrees as follows:

1. **Taxes.** Grantor shall pay before delinquent all lawful taxes and assessments upon the Real Property and upon this Deed of Trust and shall keep the Secured Property free and clear of all charges, liens, or encumbrances excepting only this Deed of Trust.

2. **Insurance.** Unless otherwise provided in the Loan Documents, Grantor shall keep all improvements on the premises insured against loss or damage by fire and such other risks covered by extended coverage, in an amount not less than the greater of the total replacement cost new of said improvements or the total indebtedness secured by this Deed of Trust. All policies shall be issued by companies approved by Beneficiary with Lender's loss payable clauses in favor of and in form satisfactory to Beneficiary. Grantor shall also procure and maintain comprehensive general liability insurance in such coverage amounts as Beneficiary may require in the Loan Documents. Should the Real Property at any time become located in an area designated by the Director of the Federal Emergency Management Agency as a special flood hazard area, Grantor agrees to obtain and maintain Federal Flood Insurance in the amount of the full unpaid balance of the indebtedness secured by this Deed of Trust. The proceeds of any policies of insurance affecting the property are hereby assigned to Beneficiary. Unless otherwise agreed in writing by Beneficiary, the amount



collected under any such insurance shall be applied first to Beneficiary's expenses and then to any indebtedness hereby secured in such order as the Beneficiary shall determine. Such application of the proceeds shall not cure any default of Grantor or cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of the Grantor in insurance policies pertaining to the Secured Property shall pass to the Beneficiary.

3. Reserves for Taxes, Insurance, Assessments. If Beneficiary so requires, Grantor shall pay monthly, in addition to the periodic payments payable under the Note, a sum equal to one-twelfth of the annual assessments for real estate taxes, hazard insurance premiums, assessments, rents (if subject property is a leasehold), all as reasonably estimated initially and from time to time by Beneficiary, in Beneficiary's sole discretion (said payments to constitute and be referenced as the "Reserve Fund"). Any waiver by Beneficiary of the right to require that Borrower pay such funds may be revoked by Beneficiary, in Beneficiary's sole discretion, at any time upon notice in writing to Grantor. Beneficiary shall apply the Reserve Fund to pay said taxes, insurance premiums, assessments, rents, and other impositions affecting the Secured Property. The Reserve Fund is solely for the protection of Beneficiary; Beneficiary shall have no responsibility except to credit properly the sums actually received by it. No interest will be paid on the Reserve Fund and Beneficiary shall have no obligation to deposit the Reserve Fund in an interest-bearing account. If there is a shortage in the Reserve Fund, as reasonably determined by Beneficiary, Beneficiary may require Borrower to make higher periodic payments or to make one cash payment to eliminate the shortage. The Reserve Fund is pledged as additional security for the sums secured by this Deed of Trust. Upon Borrower's default hereunder, under the Note, or under any of the Loan Documents the obligations of which are secured hereby, Beneficiary may apply the Reserve Fund in its sole discretion to any obligation secured by this Deed of Trust.

4. Condition of Secured Property. Grantor shall (i) keep the property in good condition and repair; permit no waste thereof; (ii) complete any improvement or structure being built or about to be built thereon; (iii) restore promptly any building, structure or improvement thereon which may be damaged or destroyed; (iv) comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the Secured Property; and (v) do the foregoing in compliance with the

5. Protect and Defend Property. Grantor shall defend any action or proceeding purporting to affect the security hereof or the rights or power of the Beneficiary or Trustee, and shall pay all costs and expenses, including costs of title search and attorney fees paid out by the Beneficiary to protect the security hereof. Grantor shall not, without first obtaining Beneficiary's written consent, change the general nature of the occupancy, initiate any zoning reclassification, approve a Local Improvement District assessment, or do or suffer any act or thing which would impair the value, lien or priority of Beneficiary's rights in the Secured Property or violate any provision of the Loan

6. UCC Security Agreement. This Deed of Trust shall be deemed a security agreement, as defined in the Uniform Commercial Code as adopted and amended by the State of Washington. The remedies for any violation of the covenants, terms and conditions of the agreements contained herein shall be as prescribed (i) herein, or (ii) by general law, or (iii) by the specific statutory consequences now or hereafter enacted, and specified in the Uniform Commercial Code as enacted by the State of Washington, all at Beneficiary's sole election. Grantor and Beneficiary agree that the filing of any financing statement in the records normally having to do with personal property shall not be construed as impairing the hereby stated intention of the parties that everything used in connection with the construction, management, maintenance and production of income from the



Secured Property shall at all times and for all purposes in all proceedings, both legal and equitable, be regarded as part of the Real Property, whether physically attached or specifically identified or not.

7. Costs and Fees. Grantor shall pay all costs, fees, and expenses incurred by Beneficiary to secure Beneficiary's rights hereunder and under the Loan Documents, or to enforce Grantors obligations hereunder and under the Loan Documents, such costs, fees, and expenses to include but not be limited to court costs, costs of appraisals, consultants, title search, and attorney fees, the repayment of all of which shall additionally be secured hereby; in addition thereto, Grantor shall pay all costs, fees and expenses of this trust, including the expenses of the Trustee incurred in enforcing this Deed of Trust, and shall pay reasonable Trustee and attorney fees as provided by statute.

8. Beneficiary's Right to Make Advances. Should Grantor fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances, or any other fees, charges, or expenses which Grantor is obligated to pay under the Loan Documents or are reasonably necessary for the maintenance and protection of the Secured Property, in addition to all other remedies for default, Beneficiary shall have the right, but not the obligation, to pay the same, and any amounts so paid shall bear interest at the default rate provided in the Note and shall become a part of the indebtedness secured hereby. Any payment made by Beneficiary hereunder shall not be deemed a cure of Grantors default.

9. Condemnation. In the event any portion of the property is taken or damaged in an eminent domain proceeding, the entire amount of the award shall be paid to the Beneficiary to be applied as a payment to the obligation secured hereby. Any portion of the award in excess of the obligation secured hereby shall be paid to the Grantor.

10. No Agricultural Use. The Secured Property is not used principally for agricultural or farming purposes.

11. Non-Waiver. Any forbearance by Beneficiary in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver or preclude the exercise of that or any other right or remedy thereafter. The acceptance by Beneficiary of payment of any sum secured by this Deed of Trust after its due date shall not be a waiver of Beneficiary's right to require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment. The procurement of insurance or the payment of taxes or other liens or charges by Beneficiary shall not be a waiver of Beneficiary's right to accelerate the maturity of the indebtedness secured by this Deed of Trust, or exercise any other remedy for default; the receipt of any awards, insurance proceeds or damages shall not operate to cure or waive Grantor's default in

12. Reconveyance by Trustee. The Trustee shall reconvey all or part of the property covered by this Deed of Trust to the person entitled thereto, on written request of the Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiary or the person entitled thereto.

13. Default. Upon default by Grantor in the payment of any indebtedness secured hereby or upon breach by Grantor of any obligation made in this Deed of Trust or in the Loan Documents, all sums secured hereby shall immediately become due and payable at the option of the Beneficiary. In such event and upon request of the Beneficiary, the Trustee may sell the Secured Property, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person may bid at the Trustee's sale. At the Trustee's sale, all property held as



security, whether real, personal, or mixed, may be sold as one parcel. Trustee shall apply the proceeds of the sale as follows: (a) to the expense of sale, including a reasonable Trustee's fee and attorney's fee; (b) to the obligation secured by this Deed of Trust; (c) the surplus, if any, shall be distributed in the manner required by law. At any time Beneficiary may appoint in writing a successor Trustee in the place of any Trustee named herein, which successor shall be vested with all powers of the original Trustee.

14. Trustee's Deed. 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 the law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrancers for value.

15. Remedies not Exclusive. 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 foreclose this Deed of Trust as a mortgage. In the event this Deed of Trust is foreclosed as a mortgage and the Secured Property is sold in accordance therewith, the purchaser at such sale, may, during any period of redemption, make such repairs or alterations to the Secured Property as may be reasonably necessary or desirable for the proper operation, care, preservation, protection, and insuring thereof. Any sums so paid, together with interest at the default rate under the Note from the date of expenditure, shall become part of the amount required to be paid for redemption from such sale.

16. Rents, Issues and Profits. As further security for the payment of all indebtedness and performance of all obligations secured hereby, Grantor irrevocably and absolutely assigns to Beneficiary, the rents, issues, profits and proceeds of contracts of the Secured Property, together with all future leases, profits and contracts, and any and all extensions, renewals and replacements hereof. However, as long as no default shall exist in any obligation secured hereby, Grantor may collect assigned rents and profits as the same shall fall due. All rents or profits receivable from or in respect to the Secured Property which

Grantor shall be permitted to collect hereunder shall be received by it in trust to pay the usual and reasonable operating expenses of, and the taxes upon, the Secured Property and the payment of all sums secured hereby. Upon the occurrence of any default in payment of any indebtedness or performance of any obligation secured hereby, all rights of the Grantor to collect and receive rents and profits shall wholly and immediately terminate without notice, and Beneficiary shall thereafter have the absolute right to all such rents and profits. In addition to, and not in limitation of the foregoing, Beneficiary shall have the right to petition the Court of appropriate jurisdiction for the appointment of a Receiver of the rents, issues and profits of the Secured Property and shall have in addition to the rights and powers customarily given to and exercised by such receiver, the right to enter upon and take possession of the Secured Property and manage the same with all rights and options in regard thereto available to Grantor. Grantor expressly waives the posting of bond by such receiver, and waives any challenge to a proposed receiver based on affiliation with Beneficiary.

17. Transfer of Property or a Beneficial Interest in Grantor. Grantor shall be in default, and Beneficiary may, at its option, require immediate payment in full of all sums secured by hereby, in the event (i) the Secured Property or any part thereof or interest therein is hypothecated, encumbered, sold (by contract or otherwise), conveyed, leased without Lender's prior approval, or otherwise transferred by Borrower; or (ii) if there is any change in the ownership or control of any



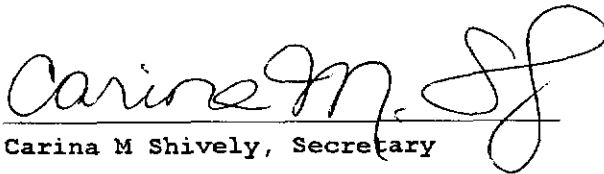
of Borrower's stock, partnership interest, or member interest if Borrower is a respectively a corporation, a partnership, or a limited liability company; or (iii) if there is any change in the ownership or control of any beneficial interests in Borrower if Borrower is an entity of any other kind, all of which are collectively referenced as a Prohibited Transfer. Beneficiary may opt to give consent to a Prohibited Transfer and in so doing, may require such modifications in the terms of any of the Loan Documents, including without limitation the interest rate provided in the Note, as Beneficiary alone shall determine in the exercise of its sole discretion. In addition, to the extent permitted by applicable law, Beneficiary may charge a fee as a condition to Beneficiary's consent to a Prohibited Transfer. Notwithstanding Beneficiary's consent to a Prohibited Transfer, Grantor will continue to be obligated under the Note, this Deed of Trust, and all other Loan Documents unless Beneficiary releases Grantor in writing.

18. Binding Effect. This Deed of Trust applies to, insures to the benefit of, and is binding on the parties hereto, and their heirs, devisees, legatees, administrators, executors, successors and assigns.

19. Financial Statements of Grantor. Until all obligations secured by this Deed of Trust are satisfied, Grantor shall deliver to Beneficiary within 90 days following the end of each fiscal year, at Grantor's expense, Grantor's certified financial statements and certified operating statements in form satisfactory to Beneficiary covering the Secured Property, including tenant lists and current rent schedule. Beneficiary or its authorized representative shall have access to the books and records of Grantor to obtain such statements at Grantor's expense if Grantor fails to provide the same in accordance herewith, or at any time if Grantor is in default.

20. Governing Law - Severability. This Deed of Trust and any judicial or non-judicial foreclosure hereof shall be governed by the laws of the State of Washington. In the event that any provision of this Deed of Trust conflicts with applicable law, such conflict shall not affect other provisions of this Deed of Trust which shall be given effect without the conflicting provisions.

GRANTOR:
Chaffey Homes, Inc.



Carina M Shively, Secretary



INDIVIDUAL ACKNOWLEDGEMENT

STATE OF _____)
) SS.
COUNTY OF _____)

On this day personally appeared before me _____

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

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

Notary Public in and for the State of _____
residing at: _____
My Commission Expires: _____

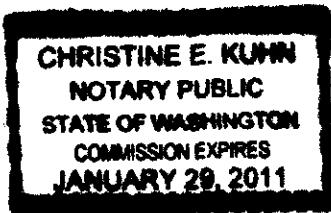
ACKNOWLEDGEMENT
Corporation

STATE OF WA)
) SS.
COUNTY OF King)

*Carina M Shively

On this day personally appeared before me * Jan. 8, 2008
to me known to be a Officer(s) of the Corporation, described herein and which executed the foregoing instrument and acknowledged said instrument to be the free and voluntary act and deed of said company, for the uses and purposes therein mentioned, and on oath stated that he/she was authorized to execute said instrument on behalf of said Corporation.

SUBSCRIBED AND SWORN to before me this 8 day of Jan, 2008.



[Handwritten Signature]

Notary Public in and for the State of WA
residing at: Issaquah WA
My Commission Expires: 01/29/2011



REQUEST FOR FULL RECONVEYANCE

[To be used only when all obligations have been paid under the note and this Deed of Trust].

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 and any sums owing to you under the terms of said Deed of Trust, to cancel said note above mentioned, and all other evidence 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 _____



EXHIBIT A:

Lot 2, Block 9, 'WOOD'S ADDITION TO ANACORTES, WASHINGTON", as per plat recorded in Volume 4 of Plats page 35, records of Skagit County, Washington.



200801110045
Skagit County Auditor