

19 Appendix H: Title Report

GUARANTEE

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE LIMITS OF LIABILITY AND OTHER PROVISIONS OF THE CONDITIONS AND STIPULATIONS HERETO ANNEXED AND MADE A PART OF THIS GUARANTEE, AND SUBJECT TO THE FURTHER EXCLUSION AND LIMITATION THAT NO GUARANTEE IS GIVEN NOR LIABILITY ASSUMED WITH RESPECT TO THE IDENTITY OF ANY PARTY NAMED OR REFERRED TO IN SCHEDULE A OR WITH RESPECT TO THE VALIDITY, LEGAL EFFECT OR PRIORITY OF ANY MATTER SHOWN THEREIN,

STEWART TITLE[®]
GUARANTY COMPANY

a corporation, herein called the Company,

GUARANTEES

the Assured named in Schedule A against actual monetary loss or damage not exceeding the liability amount stated in Schedule A which the Assured shall sustain by reason of any incorrectness in the assurances set forth in Schedule A.

Dated:

Stewart Morris Jr.
Chairman of the Board

STEWART TITLE[®]
GUARANTY COMPANY



Malcolm S. Morris
President

Countersigned by:

Authorized Signatory

Company

City, State

Please note carefully the liability exclusions and limitations and the specific assurances afforded by this guarantee. If you wish additional liability, or assurances other than as contained herein, please contact the company for further information as to the availability and cost.

Special Certificate or Guarantee

SCHEDULE A

Order Number: 45172

Guarantee No.: G-1578-41566

Date of Guarantee: January 11, 2007 at 12:00 AM

Amount of Liability: \$1,000.00

Premium: \$225.00

Tax: \$18.90

Certificate: Plat

Total: \$ 243.90

Assured:

Associated Projects Consultants, Inc.

Title to the estate or interest in the land is vested in:

Doug Connelly and Louise Connelly, husband and wife

The estate or interest in the land hereinafter described or referred to covered by this Guarantee is:

Fee Simple

The land referred to in this Guarantee is described as follows:

The exact legal description is attached hereto as Exhibit "A" and by reference thereto made a part of this document.

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE LIMITS OF LIABILITY AND OTHER PROVISIONS OF THE CONDITIONS AND STIPULATIONS HERETO ANNEXED AND MADE A PART OF THIS GUARANTEE.

By:



Randy Marshall
Authorized Signatory

Guarantee No: G-1578-41566

stewart
title guaranty company

Special Certificate or Guarantee

The West half of the Southeast quarter of the Southeast quarter of Section 32, Township 41 North, Range 1 East of W.M., except the West 330 feet of the South 660 feet, and except County Road No. 78 (H Street Road) lying along the Southerly line thereof.

Situate in Whatcom County, Washington.

PARCEL E:

The Northeast quarter of the Southeast quarter of the Southeast quarter of Section 32, Township 41 North, Range 1 East of W.M., except County Road No. 109 (Harvey Road), lying along the Easterly line thereof.

Situate in Whatcom County, Washington.

PARCEL F:

The East 155 feet of the West one-half of the Southeast quarter of the Southwest quarter of the Southeast quarter of Section 32, Township 41 North, Range 1 East of W.M., except road along the South line thereof.

Situate in Whatcom County, Washington.

Special Certificate or Guarantee

EXHIBIT A

Legal Description for: 45172

PARCEL A:

The North half of the Southwest quarter of the Southeast quarter of Section 32, Township 41 North, Range 1 East of W.M., less roads.

Situate in Whatcom County, Washington.

Except the West 200 feet of the North 800 feet of the following:

The Southwest quarter of the Northwest quarter of the Southeast quarter and the Northwest quarter of the Southwest quarter of the Southeast quarter of Section 32, Township 41 North, Range 1 East of W.M.

PARCEL B:

The Southwest quarter of the Northwest quarter of the Southeast quarter of Section 32, Township 41 North, Range 1 East of W.M., and the South half of the Northeast quarter of the Southeast quarter of Section 32, said Township and Range, and the South half of the North half of the Northeast quarter of the Southeast quarter of Section 32, Township 41 North, Range 1 East of W.M., except County Road No. 109 along the East line thereof.

Except the South 208.71 feet of the East 417.42 feet of the Northeast quarter of the Southeast quarter of Section 32, Township 41 North, Range 1 East of W.M., except roads; Except the North 208.71 feet of the East 208.71 feet of the South half of the North half of the Northeast quarter of the Southeast quarter of Section 32, Township 41 North, Range 1 East of W.M., except roads; and Except the North 208.71 feet of the South 417.42 feet of the East 417.42 feet of the Northeast quarter of the Southeast quarter of Section 32, Township 41 North, Range 1 East of W.M., except roads.

And except the West 200 feet of the North 800 feet of the following:

The Southwest quarter of the Northwest quarter of the Southeast quarter and the Northwest quarter of the Southwest quarter of the Southeast quarter of Section 32, Township 41 North, Range 1 East of W.M.

PARCEL C:

The Southeast quarter of the Northwest quarter of the Southeast quarter of Section 32, Township 41 North, Range 1 East of W.M.

All situate in Whatcom County, Washington.

PARCEL D:

Guarantee No: G-1578-41566

SCHEDULE B

GENERAL EXCEPTIONS FROM COVERAGE

- A. Rights or claims of parties in possession not shown by the public records.
- B. Easements, claims of easement or encumbrances which are not shown by the public records.
- C. Encroachments, overlaps, boundary line disputes, or other matters which would be disclosed by an accurate survey and inspection of the premises.
- D. Any lien, or right to a lien, for services, labor, material or medical assistance heretofore or hereafter furnished, imposed by law and not shown by the public records.
- E. Taxes or assessments which are not shown as existing liens by the public records.
- F. Unpatented mining claims, (ii) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (iii) water rights, claims or title to water; whether or not these matters (i), (ii) & (iii) are shown in the public records; Indian tribal codes or regulations, Indian treaty or aboriginal rights, including easements or equitable servitudes.
- G. Any service, installation, connection, maintenance, tap, capacity, construction or reimbursement charges for sewer, water, electricity other utilities, or garbage collection and disposal.
- H. GENERAL TAXES, SPECIAL ASSESSMENTS AND SPECIAL LEVIES.

SPECIAL EXCEPTIONS FOLLOW

- 1. Assessments by the City of Blaine, if any.
- 2. Ordinance regarding annexation to City of Blaine
Recorded: September 28, 1990
Recording No.: 900928105
- 3. Easement and the terms and conditions thereof:
Purpose: Water main
Affects: portion of said premises
Recorded: August 9, 1990
Recording No.: 900809012
- 4. Easement and the terms and conditions thereof:
Purpose: buffer and utilities
Affects: portion of said premises
Recorded: March 27, 1992
Recording No.: 920327145

Special Certificate or Guarantee

5. Matters disclosed by survey recorded in Volume 1 of Surveys, Page 37, as recorded under Auditor's File No. 1259623.
6. Easement and the terms and conditions thereof:
 - Purpose: buffer and utilities
 - Affects: portion of said premises
 - Recorded: October 3, 1995
 - Recording No.: 951003113
7. Agreement and the terms and conditions thereof:
 - Between: Doug Connelly and Louise Connelly
 - And: City of Blaine
 - Recorded: September 12, 2005
 - Recording No.: 2050901889
 - Regarding: Amended development agreement
8. Deed of Trust and the terms and conditions thereof:
 - Grantor: Doug Connelly and Louise Connelly, husband and wife
 - Trustee: First American Title
 - Beneficiary: Whidbey Island Bank
 - Amount: \$500,000.00
 - Dated: June 14, 2005
 - Recorded: June 15, 2005
 - Recording No.: 2050602913
 - Affects: portion of said premises
9. Deed of Trust and the terms and conditions thereof:
 - Grantor: Louise Connelly, a married Woman
 - Trustee: Island Title
 - Beneficiary: GreenPoint Mortgage
 - Amount: \$82,800.00
 - Dated: November 3, 2000
 - Recorded: November 9, 2000
 - Recording No.: 2001101084
 - Affects: remainder of said premises
10. Judgment:
 - Against: Doug Connelly
 - In Favor Of: Joe Edwards
 - For: \$400.00, plus interests and costs
 - Entered: March 7, 2006
 - Whatcom County Judgment No.: 06-9-00695-1
 - Superior Court Cause No.: 05-2-02242-2

End of Exceptions



Chicago Title Insurance Company

FILED FOR RECORD AT REQUEST OF 122847

WHEN RECORDED RETURN TO

Name MARK ANDERSON ESCROW CO.
Address P.O. Box 136
City, State, Zip Deming, WA 98244

THIS SPACE PROVIDED FOR RECORDER'S USE:

WHATCOM COUNTY
BELLINGHAM, WA
01/08/90 3:03 PM
REQUEST OF: /CTI
Shirley Forslof, AUDITOR
BY: LR, DEPUTY
\$8.00 DEED

Statutory Warranty Deed

THE GRANTORS MELVIN W. HOLLINGER, who also appears of record as MELVIN WARREN HOLLINGER, as well as MEL HOLLINGER, and WILMA L. HOLLINGER, who also appears of record as WILMA LUCILLE HOLLINGER, husband and wife on November 20, 1959 and all times since for and in consideration of Ten Dollars and Other Valuable Consideration

in hand paid, conveys and warrants to DOUG CONNELLY and LOUISE CONNELLY, husband and wife

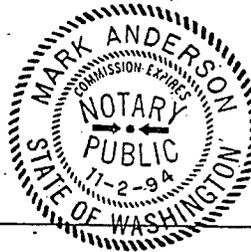
the following described real estate, situated in the County of Whatcom, State of Washington:

LEGAL DESCRIPTION ATTACHED HERETO AS "EXHIBIT A" AND BY REFERENCE MADE A PART HEREOF

SUBJECT TO: Encroachment of a shed over the South line of Parcel A. Record of Survey under AF#1259623. Agreement, including terms, covenants and provisions recorded under AF#900809012.

Vol: 296 Page: 321
File No: 930108124

CHICAGO TITLE INSURANCE CO.



Dated January 20, 1990
Melvin W. Hollinger
Melvin W. Hollinger

Wilma L. Hollinger
Wilma L. Hollinger

STATE OF WASHINGTON }
COUNTY OF Whatcom } ss.

On this day personally appeared before me
Melvin W. Hollinger & Wilma L. Hollinger
to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

STATE OF WASHINGTON }
COUNTY OF _____ } ss.

On this _____ day of _____, 19____
before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared _____
and _____
to me known to be the _____ President and _____ Secretary, respectively, of _____
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 _____ authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation.
Witness my hand and official seal hereto affixed the day and year first above written.

GIVEN under my hand and official seal this _____ day of January, 1990
Mark Anderson
Notary Public in and for the State of Washington,
residing at 2111 9th Ave

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

20070X EX 1/11/93 Paid \$4,683.75

E X H I B I T A

LEGAL DESCRIPTION

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

PARCEL A

THE NORTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., LESS ROADS, SITUATE IN WHATCOM COUNTY, WASHINGTON.

PARCEL B

TH SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., AND THE SOUTH HALF OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, SAID TOWNSHIP AND RANGE, AND THE SOUTH HALF OF THE NORTH HALF OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., EXCEPT COUNTY ROAD NO. 109 ALONG THE EAST LINE THEREOF.

EXCEPT THE SOUTH 208.71 FEET OF THE EAST 417.42 FEET OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., EXCEPT ROADS; EXCEPT THE NORTH 208.71 FEET OF THE EAST 208.71 FEET OF THE SOUTH HALF OF THE NORTH HALF OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., EXCEPT ROADS; AND EXCEPT THE NORTH 208.7 FEET OF THE SOUTH 417.42 FEET OF THE EAST 417.42 FEET OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., EXCEPT ROADS.

AND EXCEPT THE WEST 200 FEET OF THE NORTH 800 FEET OF THE FOLLOWING: THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER AND THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M.

PARCEL C

THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M.

ALL SITUATE IN WHATCOM COUNTY, WASHINGTON.



**First American Title
INSURANCE COMPANY**

This Space Reserved For Recorder's Use:

Filed for Record at Request of
First American Title Company
AFTER RECORDING MAIL TO:

Name DOUG CONNELLY
Address 4258 H STREET
City, State, Zip BLAINE, WA 98230
11433/33292
JV

Statutory Warranty Deed

THE GRANTOR SUSAN C. HAMILTON, formerly SUSAN C. FLEISCHER, and DENNIS A. HAMILTON,
wife and husband

for and in consideration of TEN DOLLARS AND OTHER GOOD AND VALUABLE CONSIDERATION
in hand paid, conveys and warrants to DOUG CONNELLY and LOUISE CONNELLY, husband and wife

the following described real estate, situated in the County of WHATCOM, State of Washington:
THE EAST 155 FEET OF THE WEST ONE-HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST
QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST
OF W.M., EXCEPT ROAD ALONG THE SOUTH LINE THEREOF. 413

SITUATE IN COUNTY OF WHATCOM, STATE OF WASHINGTON.

WHATCOM COUNTY
BELLINGHAM, WA
04/17/90 12:42 PM
REQUEST OF: /FAT
Shirley Forslof, AUDITOR
BY: MRT, DEPUTY
\$7.00 DEED
Vol: 145 Page: 858
File No: 920417105

Dated this 16 day of April, 1990

By Susan C. Hamilton By _____
SUSAN C. HAMILTON

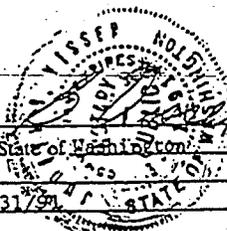
By Dennis Hamilton By _____
DENNIS A. HAMILTON

STATE OF WASHINGTON }
COUNTY OF WHATCOM } ss

I certify that I know or have satisfactory evidence that SUSAN C. HAMILTON and DENNIS A. HAMILTON
are the persons who appeared before me, and said persons acknowledged that
they signed this instrument and acknowledged it to be their free and voluntary act for the uses and purposes
mentioned in this instrument.

Dated: April 19, 1990

Judith
Notary Public in and for the State of Washington
Residing at Bellingham
My appointment expires: 3/31/91



34638 EX 4/17/90 Paid \$1,430.55

When Recorded Return to:
LOUISE CONNELLY
8092 Comox Road
Blaine WA 98230-955



2001101083
Page: 1 of 1
11/09/2000 1:07 PM
DEED \$8.00
Whatcom County, WA
Request of: CHICAGO TITLE INSURANCE

Island Title Company
Order No.: I14843 JLV
JV - LPO

QUIT CLAIM DEED

The GRANTOR DOUG CONNELLY, husband of Louise Connelly for and in consideration of love and affection, to separate community property conveys and quit claims to LOUISE CONNELLY, a married woman as her separate estate the following described real estate, situated in the County of Whatcom, State of Washington, together with all after acquired title of the grantor(s) therein:

The East 155 feet of the West half of the Southeast quarter of the Southwest quarter of the Southeast quarter of Section 32, Township 41 North, Range 1 East of Willamette Meridian;

EXCEPT road along the South line thereof;

Situate in Whatcom County, Washington.

Tax Account No.: 410132 400035 0000

Dated: November 3, 2000

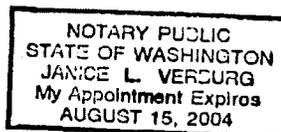
Doug Connelly 11-8-2000
DOUG CONNELLY Dated

STATE OF WASHINGTON
COUNTY OF Whatcom

I certify that I know or have satisfactory evidence that DOUG CONNELLY is the person(s) who appeared before me, and said person(s) acknowledged that he signed this instrument and acknowledged it to be his free and voluntary act for the uses and purposes therein mentioned in this instrument.

Dated: November 8, 2000

Janice L. Verburg
Janice L. Verburg
Notary Public in and for the State of Washington
Residing at Bellingham
My appointment expires: 8/15/04



DEED OF
PERPETUAL EASEMENT

The Grantors, DOUG AND LOUISE CONNELLY, for valuable consideration, convey to the CITY OF BLAINE, WASHINGTON, the following easement:

A. PROPERTY AND EASEMENT DESCRIPTION

A perpetual easement 60 feet in width for a twelve inch (12") water main situated on, across and under the following described real property:

PARCEL 1

Sub-Parcel A:

THE NORTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., LESS ROADS, SITUATE IN WHATCOM COUNTY, WASHINGTON.

Sub-Parcel B:

THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M. AND, THE SOUTH HALF OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, SAID TOWNSHIP AND RANGE, AND THE SOUTH HALF OF THE NORTH HALF OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., EXCEPT COUNTY ROAD NO. 109 ALONG THE EAST LINE THEREOF.

EXCEPT THE SOUTH 208.71 FEET OF THE EAST 417.42 FEET OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., EXCEPT ROADS; EXCEPT THE NORTH 208.71 FEET OF THE EAST 208.71 FEET OF THE SOUTH ONE HALF OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., EXCEPT ROADS; AND EXCEPT THE NORTH 208.71 FEET OF THE SOUTH 417.42 FEET OF THE EAST 417.42 FEET OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., EXCEPT ROADS.



AND EXCEPT THE WEST 200 FEET OF THE NORTH 800 FEET OF THE FOLLOWING: THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER AND THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M.

ALL THE ABOVE SITUATE IN WHATCOM COUNTY, WASHINGTON.

Sub-Parcel C:

THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER OF THE SOUTHEAST OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M.

PARCEL 2:

THE WEST HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., EXCEPT THE WEST 330 FEET OF THE SOUTH 660 FEET, AND EXCEPT COUNTY ROAD NO. 78 (H STREET ROAD) LYING ALONG THE SOUTHERLY LINE THEREOF,

THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., EXCEPT COUNTY ROAD NO. 108 (HARVEY ROAD), LYING ALONG THE EASTERLY LINE THEREOF.

THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., EXCEPT THE EAST HALF THEREOF, AND EXCEPT COUNTY ROAD NO. 78 (H STREET ROAD), LYING ALONG THE SOUTHERLY LINE THEREOF.
ALL SITUATE IN WHATCOM COUNTY, WASHINGTON.

THE CENTERLINE OF THE 60 FOOT WIDE TWELVE INCH (12") WATER MAIN EASEMENT LOCATED ON THE ABOVE DESCRIBED REAL PROPERTY IS MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EASTERLY LINE OF THE ABOVE DESCRIBED REAL PROPERTY 2,000 FEET MORE OR LESS NORTH OF THE SOUTHEAST CORNER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M.; THENCE SOUTHEASTERLY ALONG FUTURE PROPOSED ROAD RIGHT OF WAYS WITHIN THE ABOVE DESCRIBED REAL PROPERTY

Note: it is understood that said easement shall follow and be a part of a future dedicated public street thru the property.

2,700 FEET MORE OR LESS TO AN INTERSECTION OF THE WESTERLY LINE OF THE ABOVE DESCRIBED REAL PROPERTY WITH THE CENTER LINE OF "E" STREET IN THE PLAT OF "STANLEY'S FIRST ADDITION TO BLAINE" AND THE TERMINUS OF THIS CENTER LINE DESCRIPTION.
ALL SITUATE IN WHATCOM COUNTY, WASHINGTON

B. CONSIDERATION

- (1) The GRANTORS and their assigns shall be given utility easements over the above described property upon demand;
- (2) GRANTORS shall be allowed connections to the twelve inch (12") water main described herein. The front footage connection charge described in Blaine Municipal Code 13.04.140 shall be waived for this main. GRANTORS shall, however, pay actual costs of physical attachments to this main for metered services, hydrants and other main extensions from the main.
- (3) Other water mains extended from this 12" main shall not be subject to the connection charge provisions of Blaine Municipal Code 13.04.140 in effect as of the date of this agreement.
- (4) The above described property shall remain open and unfenced and shall be used as public right of way in the event of future subdivisions.
- (5) The GRANTEE shall receive all rights, title and interest to the above described easements at no cost to GRANTEE, subject to the restrictions contained herein.

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File No: 900809012

C. DURATION OF EASEMENT

The easement shall remain in full force and effect in perpetuity provided, however, that if the property is long platted, title to the twelve inch (12") main right of way shall vest in either the City or Whatcom County.

DATED this 13 day of July, 19 90.

Douglas Connelly
DOUGLAS CONNELLY, Grantor

Louise Connelly
LOUISE CONNELLY, Grantor

7-13-90

O'ed by contract holders
Melvin W. Hollinger
Helma L. Hollinger

STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

THIS IS TO CERTIFY that on this 13th day of July, 1990, personally appeared before me DOUGLAS CONNELLY, to me known to be the individual named in and who executed the foregoing DEED OF PERPETUAL EASEMENT and he did acknowledge and declare to me that he executed the same freely and voluntarily for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have set hereunto my hand and official seal the day and year first above written.

Mary Ellen Johnson
NOTARY PUBLIC in and for the State of Washington residing at Whatcom/Custer
My Commission expires: 2/9/93

STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

THIS IS TO CERTIFY that on this 13th day of July, 1990, personally appeared before me LOUISE CONNELLY, to me known to be the individual named in and who executed the foregoing DEED OF PERPETUAL EASEMENT and she did acknowledge and declare to me the she executed the same freely and voluntarily for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, i have set hereunto my hand and official seal the day and year first above written.

Mary Ellen Johnson
NOTARY PUBLIC in and for the State of Washington residing at Whatcom/Custer
My Commission expires: 2/9/93

WHATCOM COUNTY
BELLINGHAM, WA
08/09/90 10:00 AM
REQUEST OF: CITY OF B
Shirley Forslof, AUDITOR
BY: RAW, DEPUTY
\$11.00 DEED

EASEMENT AGREEMENT

This **EASEMENT AGREEMENT**, made and entered into this 19th day of March, 1992 by and between Douglas Connelly hereinafter referred to as Grantor, and Rein and Sharon Neem, hereinafter referred to as Grantees,

WITNESSETH:

For and in consideration of the Grantees signing and maintaining their signature on the Petition of Annexation now before the Blaine City Council, requesting annexation of this said real property, the Grantor does by these presents agree to establish a thirty (30) foot undisturbed and natural vegetative buffer easement to be maintain in its natural state, together with the perpetual right and easement to lay, construct, maintain and repair utilities, at their own cost, including but not limited to water, sewer, and underground power, telephone and television cable, under and across the following described property situate in Whatcom County, Washington, to wit:

BUFFER

A thirty (30) foot buffer parallel to the Grantees northerly and westerly property boundary, Grantees property being described as the North 208.71 feet of the South 417.42 feet of the East 417.42 feet of the Northeast Quarter of the Southeast Quarter, less roads, of Section 32, Township 41 North, Range 1 East, W.M., Whatcom County, Washington. See attached map.

UTILITY EASEMENT

The Grantor proposes to develop the property now controlled by him and will be required to extend utilities into the proposed development as a condition of development approval. At such time in the future as he may receive approval from all required federal, state and local governmental agencies for said development, and at such time as the development utilities are extended to an area immediately adjacent to the Grantee, the Grantor agrees to dedicate a ~~thirty~~ ^{20'} ~~(30)~~ ^{20'} foot utility easement that will allow the Grantees to service their property with the utilities. The cost of extending any and all utilities to the grantees property and any hookup, connection or facilities charges or fees will be paid by the Grantee. In addition to granting these utility and buffer easements, the Grantor further agrees to proposes no more than four (4) lots be platted along the Grantees northerly property line.

PROPERTY DESCRIPTION OF THE GRANTEE

The South half of the North half of the Southeast Quarter together with the South half of the North half of the Northeast quarter of the Southeast quarter EXCEPT the South 417.42 feet of the East 417.42 feet of the Northeast quarter of the Southeast quarter and EXCEPT the North 208.71 feet of the East 208.71 feet of the South half of the North half of the Northeast quarter of the Southeast quarter and EXCEPT the Southeast quarter of the Northwest quarter of the Southeast quarter, less roads, of Section 32, Township 41 North, Range 1 East, W.M., Whatcom County Washington.

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File No: 920327145

EASEMENT AGREEMENT
PAGE 2

It is further agreed that the recording of this EASEMENT AGREEMENT shall be the sole responsibility of the Grantees.

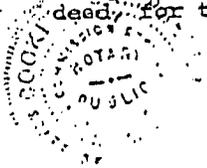
This UTILITY EASEMENT and right shall be perpetual in existence and shall be considered and construed as a covenant running with the land, and shall be binding upon the heirs to the benefit of the heirs, executors, administrators, successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the Grantor has hereunto executed this agreement this 19th day of March, 1992.

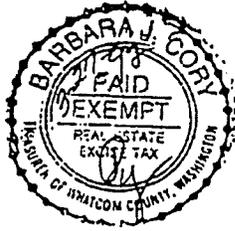
Douglas Connelly
Douglas Connelly
Douglas Connelly, Grantor

STATE OF WASHINGTON)
ss.
COUNTY OF WHEATCOM).

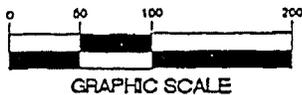
THIS IS TO CERTIFY THAT on this 19th day of March, 1992,
1992, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Douglas Connelly to me known to be individual who executed the within and foregoing instrument and acknowledged to me that he has signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.



Barbara J. Cory
Barbara J. Cory
NOTARY PUBLIC in and for the State of
Washington, residing at Bellingham
My commission expires 11/8/92



Vol: 242 Page: 1934
File No: 920327145



GRAPHIC SCALE

PLEASE

N 88°36'50" W
188.73'

368.15'

EXISTING WATER MAIN

CONNELLY

30.00'

BUFFER

D. Connelly easment

3-19-92

30.00'

BUFFER

NEEM

FLANNING

2651.62'
S 00°35'32" W

HARVEY ROAD NO- 109

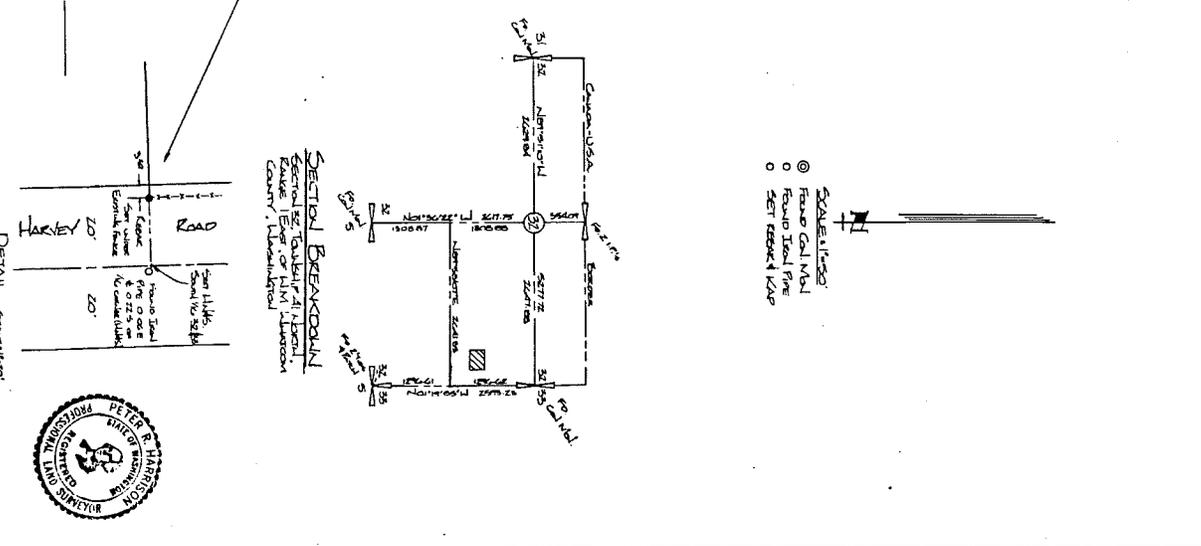
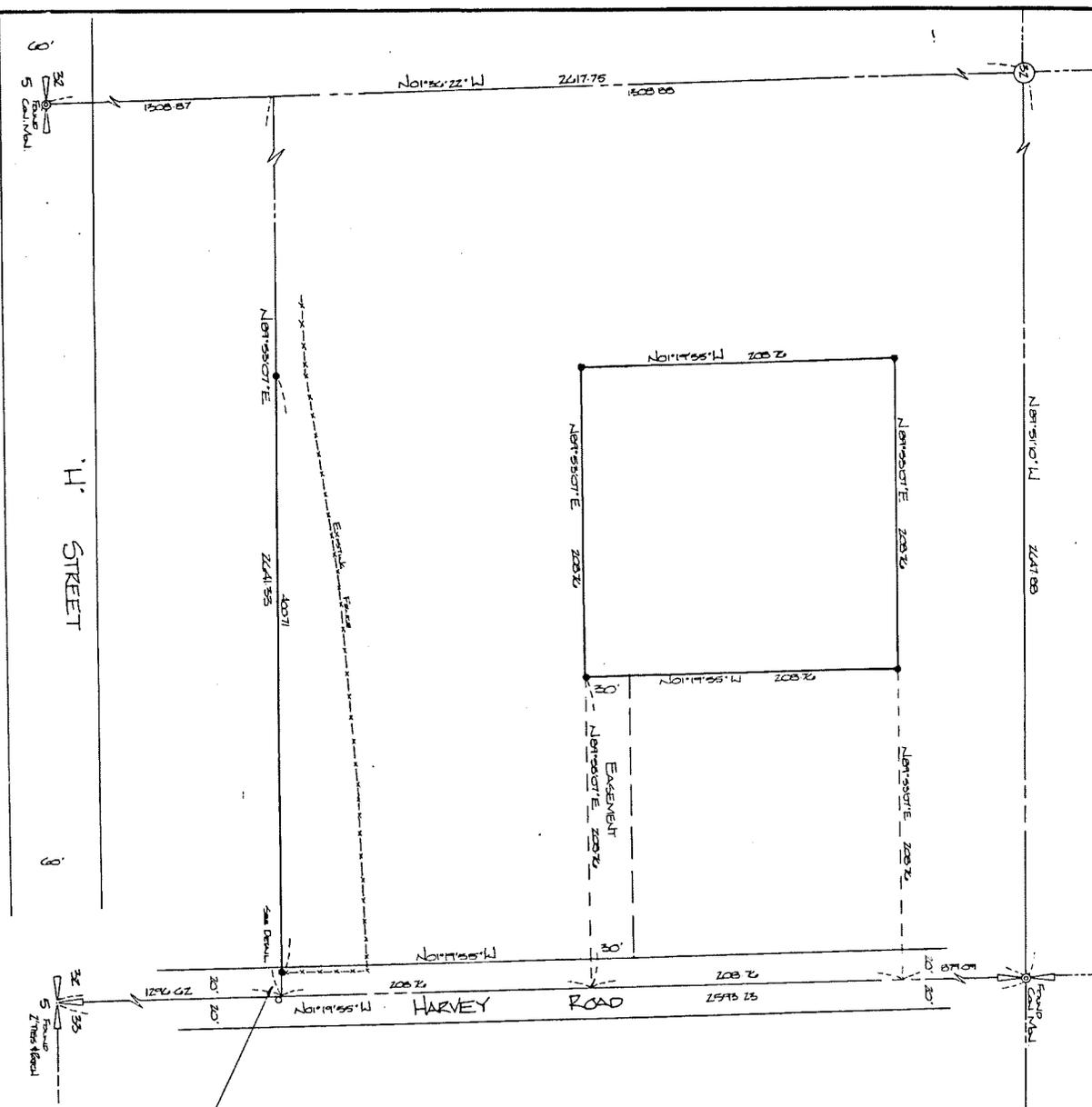
WHATCOM COUNTY
BELLINGHAM, WA
03/27/92 12:48 PM
REQUEST OF: SHARON NE
Shirley Forslof, AUDITOR
BY: MRT, DEPUTY
\$9.00 ERSE

Vol: 242 Page 1935
File No: 920327145

ASSOCIATED
PROJECT CONSULTANTS, INC.

1015 1/2 AVENUE - BELLINGHAM, WASHINGTON 98201
PHONE 3 - 821/1111 FAX 3 - 821/1111

DATE	BY	DESCRIPTION	NO.
3-19-92	DOUG CONNELLY	EAST BLAINE ANNEXATION	1
	NEEM BUFFER		1



ADJUDICATOR'S CERTIFICATE
 This map is a true and correct copy of the original map as shown to me by the surveyor, and I have compared it with the original map and find it to be correct in every particular.
 Witness my hand and seal of office this 12th day of February, 1977.
 JAMES H. HARRISON
 County Auditor

SURVEYOR'S CERTIFICATE
 This map correctly represents a survey made by me or other an (insert name) in accordance with the requirements of the Surveyor's Act of the State of Missouri, Chapter 167, R.S.M., and I am a duly licensed Surveyor in the State of Missouri.
 Witness my hand and seal of office this 12th day of February, 1977.
 PETER D. HARRISON
 License No. 13730

CERTIFIED SURVEY MAP
 Records of the Next 14th of the Southern Quarter or Section 22 Township 41 North, Range 6 East of T1N1, Lincoln County, Missouri.

OWN BY	MARK COULTHEAST	DATE	1977
BY	LEROY FLANNAGAN	DATE	1977
DATE	1977	BY	MARK COULTHEAST
DATE	1977	BY	LEROY FLANNAGAN





Filed for Record at Request of

WHEN RECORDED RETURN TO
Douglas & Louise Connelly

W-17151

NCE# R90150

WHATCOM COUNTY
BELLINGHAM, WA
02/02/90 4:18 PM
REQUEST OF: M/LT
Shirley Forslof, AUDITOR
BY: RAM, DEPUTY
\$7.00 DEED
Vol: 136 Page: 351
File No: 900202140

STATUTORY WARRANTY DEED

THE GRANTOR T. EDMUND BABCOCK AND ELSIE H. BABCOCK, husband and wife
for and in consideration of TEN DOLLARS AND OTHER VALUABLE CONSIDERATION
in hand paid, conveys and warrants to DOUGLAS CONNELLY AND LOUISE CONNELLY,
husband and wife
the following described real estate, situated in the County of Whatcom, State of
Washington:

PARCEL A:
THE WEST HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32,
TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., EXCEPT THE WEST 330 FEET OF THE SOUTH
660 FEET, AND EXCEPT COUNTY ROAD NO.78 (H STREET ROAD) LYING ALONG THE SOUTHERLY
LINE THEREOF.
SITUATED IN WHATCOM COUNTY, WASHINGTON.

PARCEL B:
THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF
SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., EXCEPT COUNTY ROAD NO. 109
HARVEY ROAD), LYING ALONG THE EASTERLY LINE THEROF.
SITUATED IN WHATCOM COUNTY, WASHINGTON.

PARCEL C:
THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF
SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., EXCEPT THE EAST HALF
THEREOF, AND EXCEPT COUNTY ROAD NO.78 (H STREET ROAD) LYING ALONG THE SOUTHERLY
LINE THEREOF.
SITUATED IN WHATCOM COUNTY, WASHINGTON.

GRANTOR RESERVES THE FOLLOWING: Buyer to deed back to the Seller free and clear
sellers choice of a building lot subdivided from the thirty (30) acres. This
will be recorded and platted as soon as possible, in no event later than January
1, 1993. In the event this does not happen Buyer is to pay the Seller an
additional \$25,000.00.

DATED

T. Edmund Babcock

T. Edmund Babcock
Elsie H. Babcock

Elsie H. Babcock
HAROLD D. BEINER
COMMISSION EXPIRES
NOTARY PUBLIC
6-14-93
STATE OF WASHINGTON

STATE OF WASHINGTON)
)ss
COUNTY OF WHATCOM)

On this day personally appeared before me T. Edmund Babcock and Elsie H. Babcock,
to me known to be the individual, or individuals described in and who executed the
within and foregoing instrument, and acknowledged that they signed the same as their
free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 2 day of February, 1990.

Harold D. Beiner

Notary Public in and for the State of
Washington residing at *Siemshof*

WHATCOM LAND TITLE CO., INC.

0 1036x EX 2/05/90 Paid \$2 10

EASEMENT AGREEMENT

This **EASEMENT AGREEMENT**, made and entered into this 19th day of November, 1992 by and between Douglas Connelly hereinafter referred to as Grantor, and ~~Ryan and Sharon Noon~~, hereinafter referred to as Grantees, LeRoy + Lois FLAMMANG

WITNESSETH:

J.P. D.C.

For and in consideration of the Grantees signing and maintaining their signature on the Petition of Annexation now before the Blaine City Council, requesting annexation of this said real property, the Grantor does by these presents agree to establish a thirty (30) foot undisturbed and natural vegetative buffer easement to be maintain in its natural state, together with the perpetual right and easement to lay, construct, maintain and repair utilities, at their own cost, including but not limited to water, sewer, and underground power, telephone and television cable, under and across the following described property situate in Whatcom County, Washington, to wit:

BUFFER

Vol: 464 Page: 614
File No: 951003113

A thirty (30) foot buffer parallel to the Grantees northerly and westerly property boundary, Grantees property being described as the North 208.71 feet of the South 417.42 feet of the East 417.42 feet of the Northeast Quarter of the Southeast Quarter, less roads, of Section 32, Township 41 North, Range 1 East, W.M, Whatcom County, Washington. See attached map.

UTILITY EASEMENT

The Grantor proposes to develop the property now controlled by him and will be required to extend utilities into the proposed development as a condition of development approval. At such time in the future as he may receive approval from all required federal, state and local governmental agencies for said development, and at such time as the development utilities are extended to an area immediately adjacent to the Grantee, the Grantor agrees to dedicate a thirty (30) foot utility easement that will allow the Grantees to service their property with the utilities. The cost of extending any and all utilities to the grantees property and any hookup, connection or facilities charges or fees will be paid by the Grantee. In addition to granting these utility and buffer easements, the Grantor further agrees to proposes no more than four (4) lots be platted along the Grantees northerly property line.

PROPERTY DESCRIPTION OF THE GRANTOR

The South half of the North half of the Southeast Quarter together with the South half of the North half of the Northeast quarter of the Southeast quarter EXCEPT the South 417.42 feet of the East 417.42 feet of the Northeast quarter of the Southeast quarter and EXCEPT the North 208.71 feet of the East 417.42 feet of the South half of the North half of the Northeast quarter of the Southeast quarter and EXCEPT the Southeast quarter of the Northwest quarter of the Southeast quarter, less roads, of Section 32, Township 41 North, Range 1 East, W.M., Whatcom County Washington.



EASEMENT AGREEMENT
PAGE 2

It is further agreed that the recording of this EASEMENT AGREEMENT shall be the sole responsibility of the Grantees.

This UTILITY EASEMENT and right shall be perpetual in existence and shall be considered and construed as a covenant running with the land, and shall be binding upon the inure to the benefit of the heirs, executors, administrators, successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the Grantor has hereunto executed this agreement this 19 day of November, 1999.

WHATCOM COUNTY
AUDITOR'S NOTE:

Recorded at the
insistance of
Customer

Douglas Connelly
Douglas Connelly, Grantor

WHATCOM COUNTY
AUDITOR'S NOTE:
Complete Notary
Omitted

WHATCOM COUNTY
BELLINGHAM, WA
10/03/95 2:56 PM
REQUEST OF: LEROY FLA
Shirley Forslof, AUDITOR
BY: LR, DEPUTY

STATE OF WASHINGTON)
COUNTY OF WHATCOM).

ss.

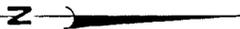
THIS IS TO CERTIFY THAT on this ___ day of ___ 19___, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Douglas Connelly to me known to be individual who executed the within and foregoing instrument and acknowledged to me that he has signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.

NOTARY PUBLIC in and for the State of Washington, residing at _____

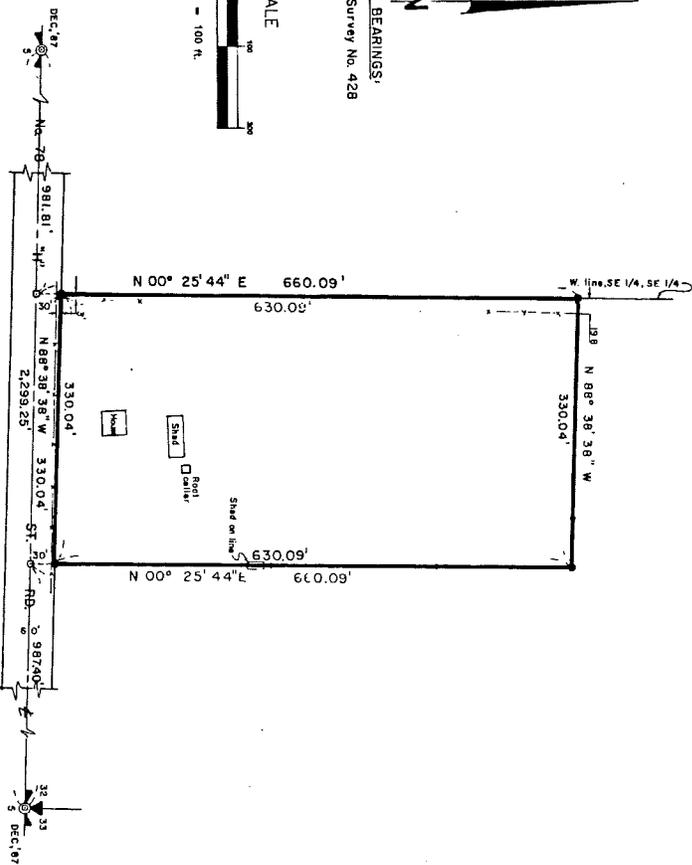
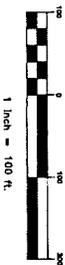
The legal on the property describes the 2 acre tract to the north side of the subject property. The property to the south is to the south ~~of~~ which is same in size shall have the same set ~~back~~ backs and easements for future utilities as the described in the legal.

Doug Connelly
11-19-92

BASIS OF BEARINGS:
Record of Survey No. 428



SCALE



ADJUTOR'S CERTIFICATE

I find the record this 21st day of May 1987, to be correct in all particulars and that the same is a true and correct copy of the record of the same as the same is on file in the office of the Auditor of the State of Washington.

Shirley S. ...
Auditor of the State

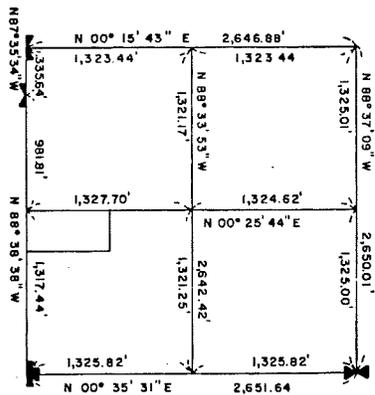
STARTER'S CERTIFICATE

This map correctly represents a survey made by me or under my direction in accordance with the requirements of the Surveying Act of the State of Washington, Chapter 70A, RCW, and the rules and regulations of the Board of Professional Land Surveyors of the State of Washington.

George H. Rabe, P.L.S.
Professional Land Surveyor

ESTATE OF ADOLPH DAHL

Within the SE 1/4, SE 1/4,
Sec. 32, Twp. 41 N, Rge. 1 E, W.M.,
Whatcom County, Washington



SECTION BREAKDOWN

SE Sec. Cor. - Fnd. 7" dia. conc. mon. & casing
S 1/4 Cor. - Fnd. conc. mon. & casing
N 1/4 Cor. - Fnd. conc. mon.
W 1/4 Cor. - Fnd. conc. mon.
E 1/4 Cor. - Fnd. conc. mon.
N 1/4 Sec. S - Fnd. railroad spike

LEGEND:

- O = Set 3/4" iron pipe
- e = Set nail & shiner.
- = Set line side
- - - = Existing fence line

LEGAL DESCRIPTION: Exception in W.F.D., A.F. No. 1356751.
The West 330 feet of the South 660 feet of the Southeast Quarter of the Southeast Quarter of Section 32, Township 41 N, Range 1 East of the Willamette Meridian, LESS road, situate in Whatcom County, Washington.

EQUIPMENT AND PROCEDURES NOTE:

Standard field traverse procedures and a 20 second theodolite and electronic distance meter were used to accomplish this survey in December, 1986.

G.H.R. and ASSOCIATES

LAND SURVEYING - LAND USE PLANNING

308000th Street, Suite 202, Everett, Washington 98203 Telephone: (206) 231-4430

DATE	BY	DATE	BY
1987	W.F.S.	December, 1987	J.H. 87-166
1987	W.F.S.	1987	Book 83, Page 47
1987	W.F.S.	1987	1987



2050901889

Page: 1 of 14
8/12/2005 2:40 PM
AMAG \$45.00
Whatcom County, WA

Request of: CHMELIK SITKIN & DAVIS

Filed for Record at Request of:

CHMELIK SITKIN & DAVIS P.S.
1500 Railroad Avenue
Bellingham, WA 98225
(360)671-1796

DOCUMENT TITLE(S):

AMENDED DEVELOPMENT AGREEMENT

REFERENCE NUMBER(S) OF DOCUMENTS ASSIGNED OR RELEASED:

NOT PREVIOUSLY RECORDED

Additional reference numbers found on page N/A of document.

GRANTOR(S) (Last name, First name and MI):

CITY OF BLAINE

Additional grantors found on page N/A of document.

GRANTEE(S) (Last name, First name, and MI):

DOUGLAS W. CONNELLY AND LOISE B. CONNELLY

Additional grantees found on page N/A of document.

ABBREVIATED LEGAL DESCRIPTION (Lot, block, plat or section, township, range):

PTN. SE/4 OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M.

Additional legal is on Exhibit "A" of this document.

ASSESSOR'S PROPERTY TAX PARCEL/ACCOUNT NUMBER(S):

410132-403162; 410132-400035; 410132-370100; 410132-477076; 410132-540101; 410132-500190

DEVELOPMENT AGREEMENT

THIS AMENDED DEVELOPMENT AGREEMENT (herein "Amended Development Agreement") is between the City of Blaine, a municipal corporation, (herein "City") and Douglas W. Connelly and Loise B. Connelly (herein "Connelly" or as "Developers"), amending the Original Development Agreement, approved by Ordinance No. 96-2228 ("Original Development Agreement"). Subject to the terms, conditions, and limitations herein, this Agreement is effective on the effective date of the City Ordinance approving this Amended Development Agreement (herein "Date of Agreement"), and the contemporaneous execution and recording of a agreement between Kathy and Ken Hertz and Ken and Sonja Schorr (herein "Blossom") and the City of Blaine, amending the Original Development Agreement, approved by Ordinance No. 96-2228.

RECITALS

1. The City has annexed approximately 1,182 acres known as the East Blaine Annexation (herein the "Annexation Area") and which is more particularly described in City of Blaine Ordinance Number 96-2224.
2. The Developers are owners of large development properties constituting approximately 89 acres within the Annexation Area. The real estate owned by the Developers is more particularly described on Exhibits "A", referred to herein as the "subject property" or as the "Development Property".
3. Developers are desirous of amending the Original Development Agreement approved by the City of Blaine by Ordinance Number 96-2228, and the City has negotiated certain changes with the Developer related thereto which would permit the Developers to plan and develop the Development Property in a comprehensive and predictable manner consistent with City goals.

4. RCW 36.70B.170-.210, authorizes the City and the Developers to enter into this Amended Development Agreement.

5. The provisions of this Amended Development Agreement are consistent with applicable development regulations adopted pursuant to Chapter 36.70A RCW.

6. Following public notice as required by law, a public hearing on whether to consider amendments to the Original Development Agreement was held on January 24, 2005

7. Following public notice as required by law, public hearings were held on February 28, 2005, March 14, 2005, and March 28, 2005 regarding the proposed amendments to the Original Development Agreement.

8. The City SEPA official issued a SEPA Determination of Non-Significance on February 16, 2005, which was published on February 18, 2005.

9. The Developers represent and warrant to the City of Blaine that they hold Fee Simple title to the property described in Exhibit "A".

NOW THEREFORE, the parties covenant and agree as follows:

INTRODUCTION

The Original Development Agreement was approved by the City by Ordinance No. 96-2228 was entered into by the predecessor's in title to the Developers, and a third party, Douglas and Louise Connelly. It is the desire of the parties to the Original Development Agreement that both Connelly and the Developers herein each have a separate agreement. The Original Development Agreement is amended in its entirety hereby.

1. **ZONING**. Subject to the limitations and exceptions set forth herein, the subject property shall be subject to, vested in and entitled to the Planned Residential rules and development regulations adopted by Ordinance Number 96-2229, and shall be considered a Major Development, under BMC 17.64. The City specifically reserves the

authority as allowed by RCW 36.70B.170 to impose new or different regulations to the extent required by a serious threat to public health and safety. Further, the Developer acknowledges that SEPA review was not performed for the Original Development Agreement, and that the SEPA done for this Amended Development Agreement was a non-project SEPA review. Subsequent development permit applications such as plat, or other applications will require and be subject to project based SEPA review.

2. **DEVELOPER'S OBLIGATIONS.** Developers agree as follows:

a. The Developers shall pay Four Thousand One Hundred and Twenty Five Dollars (\$4,125.00) contemporaneously with the execution of this Amended Development Agreement. This fee shall be used by the City to partially fund the City developed Subarea Plan (also referred to herein as Master Plan) for the East Blaine Annexation area. Upon the payment of such fee the City shall release any bond, deed of trust or other surety that has been provided by the Developers or their predecessors in title.

b. A one-time mitigation fee will be collected from the building permit applicant at the time of each building permit approval to support police for a two-year period after construction until property taxes are collected to support these services. This mitigation fee will be based on the formulas and cost information from the February 9, 1995, FISCAL IMPACT ANALYSIS FOR EAST BLAINE ANNEXATION by Richard Trottier Associates, as updated, and may be replaced by a City-wide impact mitigation fee upon the adoption of an impact mitigation ordinance. The Developer's vested rights herein are limited such that any future impact fee ordinance shall be applicable to the Developers and the subject property.

c. To dedicate aquifer protection areas of sufficient size and location to protect the aquifer recharge function of this area, the exact size and location of these areas shall be determined prior to the approval of any subdivisions or Planned Unit Developments within the Annexation Area. Any aquifer recharge areas, wetlands and wildlife habitat

located on the subject property shall be required to be protected in accordance with provisions of Title 17 of the Blaine Municipal Code, and the City's critical areas ordinance as they exist as of the date of this Amended Development Agreement.

d. The Developers shall be responsible for the design, extension, development and expansion of the necessary utility infrastructure to support development of the subject property within Annexation Area, including without limitation, the extension of all sewer and water facilities, and road infrastructure to serve the subject property which may be sized to serve the whole Annexation Area if required by conditions of approval attached to the development or the applicable developer extension agreement. In this regard it is agreed that the Developer shall be required to design any required utility infrastructure to service Developer's property, sized to serve the whole Annexation Area. Further, the Developer shall be required to construct the utility infrastructure sized to serve the whole annexation area, where any component of such facilities are reasonably required by the City to serve the development in accordance with RCW 82.02.020, except as otherwise provided for in this Agreement. In the event that the City Public Works Director and the Developer, are not able to agree on whether any component of such facilities are reasonable required to serve development, then such shall be determined by the City Council in accordance with RCW 82.02.020. As part of the foregoing requirements, the Developer shall design the transportation and road infrastructure required to service Developer's property with sufficient capacity to serve the whole Annexation Area, and may construct transportation and road improvements in phases to serve the phases of the Developer's development. The Developer shall not be required to construct on-site infrastructure for properties other than the Developer's property. The Developer shall provide for the planning of the transportation system for the whole Annexation Area, and further shall be required to design and install those portions of the system same if required by the City Council upon demonstration that

such facilities are reasonably necessary as a direct result of the development of the property in phases corresponding to the off-site and on-site transportation impacts of each phase of development. In addition the following shall apply:

1) The Developers shall set forth a schedule of improvements for extension of and expansion of the necessary infrastructure to support the proposed development, all subject to approval by the City's Director of Public Works.

2) Each development application shall, at a minimum, include plans and specifications for all on-site utilities and street improvement. Stormwater management and treatment facilities shall be designed in compliance with currently adopted State of Washington Department of Ecology Stormwater Manual requirements in effect as of the date of this Amended Development Agreement. Street, water, sewer, electrical facilities improvements shall be designed in compliance with Blaine Municipal Code provisions applicable to Planned Residential zones, and SEPA mitigation conditions imposed on the proposed development as part of the project based SEPA review. In this regard, it is further agreed as follows:

i) All utility facilities and road improvements shall be designed by a professional engineer registered in the State of Washington. Design and installation of the improvements shall be the property owners' responsibility.

ii) Design for on-site and off-site infrastructure constructed and/or paid for by the Developer shall, in addition to the requirements above, shall also be subject to the applicable Departments of Health and Ecology regulations, American Public Works Association/Washington State Department of Transportation standard specifications, City of Blaine Municipal Code, and related professional construction standards in effect as of the date of this Amended Development Agreement.

iii) The Developer shall dedicate to the City the required off-site improvements as may be required by the conditions of approval attached to the development or applicable City of Blaine Public Facilities Construction Agreement together with the necessary easements to the City to provide for egress/ingress and maintenance and repair of the proposed improvements and public infrastructure. Drainage facilities shall either be dedicated to the City, subject to a maintenance agreement approved by the City, provision of necessary easements for maintenance and payment of the fee as required by the City, or retained by the Developer with a private maintenance guaranty in a form approved by the City as may be required by the conditions of approval attached to the development.

3) Prior to PUD or final plat approval, as determined by the City, the Developers shall construct or pay the identified shares of improvements or phased improvements as listed in the schedule of each design report approved by the City, all applicable fees to construct the required improvements or bond for 150% of the cost of improvements as may be permitted and/or required by applicable City of Blaine Codes.

4) *The Developer shall provide on-site infrastructure to service the development of Developer's property. The Developer's responsibility shall include providing the design of the on-site and off-site infrastructure improvements required by the Development with a capacity to service the whole Annexation Area, as well as the Developer's property.*

5) The Developer may request a latecomer agreement (aka a developer's reimbursement agreement under the Blaine Municipal Code) with the City of Blaine. The City agrees to approve a latecomer's agreement upon the request of the Developer in a form consistent with the applicable City ordinances and the terms and conditions of this Amended Development Agreement, provided that such facilities are

designed, installed and accepted by the City, and conveyed to the City after completion. Any future latecomer agreement will provide for collection and reimbursement of the pro rata share of design and installation costs from the owners of property who seek to develop their property in the future within the service area of the developer installed City owned utilities where such developments are to be connected to the applicable City system.

Notwithstanding the forgoing, any existing single-family residences as of the date of this Amended Development Agreement shall not be subject to fees charged as part of a developer reimbursement or latecomer agreement except in those instances when they voluntarily seek to connect to such systems, but are not compelled by City Code or state law to connect to such system. "Existing single family residences" includes those properties where a complete building permit application for a single-family residence has been filed with the City prior to April 11, 2005.

6) Sewer lateral improvements: The Developer will construct sewer pipe lateral and main line stubs to City Standards that extend from the Developer-constructed main to the edge of the City right-of-way at locations approved by the City to serve abutting properties and future mainline extensions within the City limits only. The cost of installing stubs that will benefit future development is eligible for latecomer fees.

7) Notwithstanding any other provision of this Amended Development Agreement, following the completion of the City's Master Planning (also referred to herein as Subarea Planning) process for the Whole Annexation Area, and the City Council's adoption of said Master Plan, the City Public Works Director shall not require the Developer to provide detailed engineering design for that portion of the utility infrastructure that does not have any benefit to the Developer's property or development.

3. **CITY'S OBLIGATIONS.** City agrees as follows:

a. Subject to the terms, conditions and limitation in this Amended Development Agreement, to permit the Developers utilization of the Latecomer's Agreement in order to recoup their costs of developing required infrastructure.

b. To give reasonable consideration to the utilization of local improvement districts and/or utility local improvement districts as a vehicle to assist the Developers in the construction of the utility infrastructure required for the Annexation Area.

c. In the event that the Developer engages in reasonable efforts to seek to identify matching funds, state and federal grants that may provide additional funds to the City in the construction of sewer, roads, water services, open space, trails, parks and related infrastructure and/or plans related to such City owned infrastructure for the entire Annexation Area, the City agrees to reasonably cooperate with the Developer in making application for said funds, which may include sponsoring such requests where the action is consistent with existing City plans; provided however, nothing herein obligates the City to accept any such grant or funds, expend any funds, exercise it's power of eminent domain, or take any other action.

4. **TERM.** The term of this Amended Development Agreement is twenty (20) years from the Date of the Amended Development Agreement.

5. **CONDITIONS OF DEVELOPMENT FROM PROJECT APPROVALS.** Any conditions of approval of the development of Developer's shall bind and obligate the development of the property as if fully set forth herein.

6. **RESERVED.**

7. **RESERVED POWERS.** City hereby reserves its authority to impose new or different regulations on the Annexation Area to the extent required by a serious threat to public health and safety.

8. **BINDING EFFECT.** After recording with the Whatcom County Auditor, this Amended Development Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors.

9. **NOTICES.** All notices or demands to be given by each party to the other pursuant to this Amended Development Agreement shall be in writing and either personally delivered or deposited in the United States mail, postage prepaid, and addressed as follows:

City of Blaine
Attn: City Manager
344 H Street
Blaine, WA 98231

DEVELOPERS:

Doug and Louise Connolly
9070 Custer School Road
Custer, WA
98230

10. **ENTIRE AGREEMENT.** This Amended Development Agreement is a result of extended negotiations and series of proposals and counter-proposals. Each party has been represented by legal counsel. Each party agrees that this Amended Development Agreement constitutes the entire agreement between the parties with respect to subject matter hereof. This Agreement may be amended and modified by a subsequent written agreement following a public hearing as required by RCW 36.70B.170-.210.

11. **SEVERABILITY.** If any provision of this Agreement shall be deemed to be null and void or unenforceable by the action of a court of law, such provision shall be severable and not affect the balance of this Agreement, which shall remain in full force and effect.

12. **APPLICABLE LAW.** This Amended Development Agreement shall be construed, interpreted and enforced pursuant to the laws of the State of Washington and the

parties agree that the Superior Court of Whatcom County shall be the appropriate venue of any suit or proceeding brought with respect to this Agreement.

13. **RELATIONSHIP TO ORDINANCE AMENDING ORDINANCE 96-2224.** A material condition of this Amended Development Agreement that Ordinance 96-2224 is amended to eliminate the conditions of annexation prior to the City Council's approval of this Amended Development Agreement . If Ordinance No. 96-2224 is not amended or if such amendment is found to be void or otherwise without effect, then this Amended Development Agreement shall be void and the Original Development Agreement shall be revived without further action of the parties required.

DATED THIS 29 DAY OF April, 2005

Doug Connelly
Doug Connelly

Louise Connelly
Louise Connelly

CITY OF BLAINE:



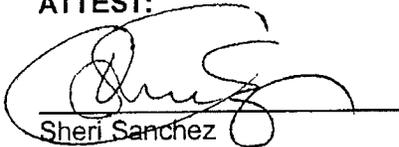
Gary R. Tomsic
City Manager

CITY OF BLAINE:



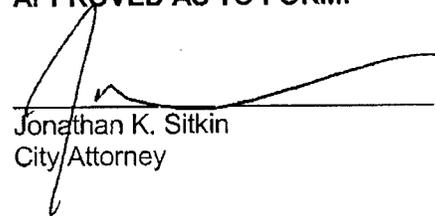
John Liebert
Mayor

ATTEST:



Sheri Sanchez
City Clerk

APPROVED AS TO FORM:

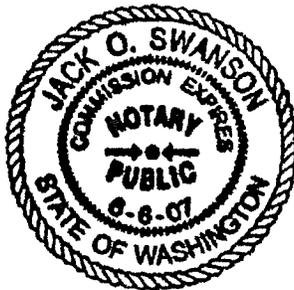


Jonathan K. Sitkin
City Attorney

STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

On this day personally appeared before me **DOUGLAS CONNELLY** to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 29th day of April, 2005.

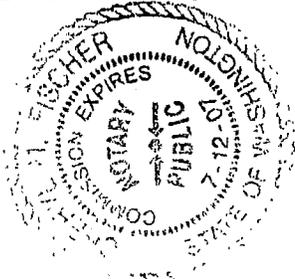



Print Name: JACK O. SWANSON
NOTARY PUBLIC in and for the
State of Washington, residing at Bellingham

STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

On this day personally appeared before me **LOUISE CONNELLY** to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that she signed the same as her free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 2nd day of May 2005.

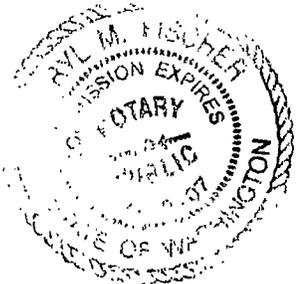


Cheryl M. Fischer
Print Name: CHERYL M. FISCHER
NOTARY PUBLIC in and for the
State of Washington, residing at Blaine

STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

On this 31st day of May 2005, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared **GARY TOMSIC** and **JOHN LIEBERT**, known to me to be the City Manager and Mayor, respectively, of the **CITY OF BLAINE**, 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 they were authorized to execute the said instrument on behalf of the corporation.

Given under my hand and official seal this 31st day of May, 2005.



Cheryl M. Fischer
Print Name: CHERYL M. FISCHER
NOTARY PUBLIC in and for the
State of Washington, residing at Blaine

**EXHIBIT A
LEGAL DESCRIPTION**

THAT PORTION OF THE SOUTHEAST QUARTER OF SECTION 32,
TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M.

COMMENCING AT THE SOUTH QUARTER CORNER OF SAID SECTION 32,
TOWNSHIP 41 NORTH, RANGE 1 EAST OF WILLAMETTE MERIDIAN;
THENCE NORTH 00°15'44" EAST, 661.59 FEET TO THE POINT OF
BEGINNING; THENCE SOUTH 88°28'19" EAST, 834.36 FEET; THENCE
SOUTH 00°23'21" WEST, 635.25 FEET; THENCE SOUTH 88°38'38" EAST,
155.02 FEET; THENCE NORTH 00°23'21" EAST, 634.79 FEET; THENCE
SOUTH 88°28'19" EAST, 329.82 FEET; THENCE SOUTH 00°25'43" WEST,
3.71 FEET; THENCE SOUTH 88°38'38" EAST, 330.04 FEET; THENCE
SOUTH 00°25'43" WEST, 630.08 FEET; THENCE SOUTH 88°38'38" EAST,
328.68 FEET; THENCE NORTH 00°30'38" EAST, 633.35 FEET; THENCE
SOUTH 88°36'23" EAST, 639.64 FEET; THENCE NORTH 00°35'32" EAST,
662.92 FEET; THENCE NORTH 88°34'09" WEST, 397.46 FEET; THENCE
NORTH 00°35'32" EAST, 417.46 FEET; THENCE SOUTH 88°34'09" EAST,
397.46 FEET; THENCE NORTH 00°35'32" EAST, 368.15 FEET; THENCE
NORTH 88°36'50" WEST, 188.73 FEET; THENCE NORTH 00°35'32" EAST,
208.73 FEET; THENCE NORTH 88°36'50" WEST, 1115.26 FEET; THENCE
SOUTH 00°25'42" WEST, 331.12 FEET; THENCE NORTH 88°35'56" WEST,
1122.99 FEET; THENCE SOUTH 00°15'44" WEST, 800.16 FEET; THENCE
NORTH 88°35'56" WEST, 200.04 FEET; THENCE SOUTH 00°15'44" WEST,
523.03 FEET TO THE POINT OF BEGINNING.

SUBJECT TO : PERPETUAL EASEMENT FOR WATER LINE IN FAVOR OF
CITY OF BLAINE RECORDED UNDER AF #900809012.



2050602913

Page: 1 of 10

6/15/2005 2:56 PM

D/T \$29.00

Whatcom County, WA

Request of: FIRST AMERICAN TITLE INSURANCE

RETURN ADDRESS:

Whidbey Island Bank
P.O. Box 1589
Oak Harbor, WA 98277

DEED OF TRUST

DATE: June 14, 2005

Reference # (if applicable): 4279-603474

Additional on page ____

Grantor(s):

1. CONNELLY, DOUGLAS
2. CONNELLY, LOUISE

Grantee(s)

1. Whidbey Island Bank
2. FIRST AMERICAN INSURANCE COMPANY-Bellingham, Trustee

Legal Description: PTNS SE, S 32, T 41 N, R 1 E

Additional on page 10

Assessor's Tax Parcel ID#:

410132 370100 0000(A) and
410132 500190 0000(B) and
410132 403162 0000(C) and
410132 477076 0000(D) and
410132 540101 0000(E)

THIS DEED OF TRUST is dated June 14, 2005, among DOUGLAS CONNELLY and LOUISE CONNELLY, husband and wife, as to Parcels A, B, C, D and E; and Louise Connelly, a married woman as her sole and separate property, as to Parcel F ("Grantor"); Whidbey Island Bank, whose mailing address is Bellingham Office, 265 York St., Bellingham, WA 98225 (referred to below sometimes as "Lender" and sometimes as "Beneficiary"); and FIRST AMERICAN INSURANCE COMPANY-Bellingham, whose mailing address is 215 N. COMMERCIAL STREET, BELLINGHAM, WA 98225 (referred to below as "Trustee").

**DEED OF TRUST
(Continued)**

Page 2

CONVEYANCE AND GRANT. For valuable consideration, Grantor conveys to Trustee in trust with power of sale, right of entry and possession and for the benefit of Lender as Beneficiary, all of Grantor's right, title, and interest in and to the following described real property, together with all existing or subsequently erected or affixed buildings, improvements and fixtures; all easements, rights of way, and appurtenances; all water, water rights and ditch rights (including stock in utilities with ditch or irrigation rights); and all other rights, royalties, and profits relating to the real property, including without limitation all minerals, oil, gas, geothermal and similar matters, (the "Real Property") located in WHATCOM County, State of Washington:

See EXHIBIT "A", which is attached to this Deed of Trust and made a part of this Deed of Trust as if fully set forth herein.

The Real Property or its address is commonly known as **NHN H STREET, BLAINE, WA 98230.**
The Real Property tax identification number is

**410132 370100 0000(A) and
410132 500190 0000(B) and
410132 403162 0000(C) and
410132 477076 0000(D) and
410132 540101 0000(E)**

REVOLVING LINE OF CREDIT. This Deed of Trust secures the indebtedness including, without limitation, a revolving line of credit, with a variable rate of interest, which obligates Lender to make advances to Borrower so long as Borrower complies with all the terms of the Note and the line of credit has not been terminated, suspended or cancelled; the Note allows negative amortization. Funds may be advanced by Lender, repaid, and subsequently readvanced. The unpaid balance of the revolving line of credit may at certain times be lower than the amount shown or zero. A zero balance does not terminate the line of credit or terminate Lender's obligation to advance funds to Borrower. Therefore, the lien of this Deed of Trust will remain in full force and effect notwithstanding any zero balance.

Grantor hereby assigns as security to Lender, all of Grantor's right, title, and interest in and to all leases, Rents, and profits of the Property. This assignment is recorded in accordance with RCW 65.08.070; the lien created by this assignment is intended to be specific, perfected and choate upon the recording of this Deed of Trust. Lender grants to Grantor a license to collect the Rents and profits, which license may be revoked at Lender's option and shall be automatically revoked upon acceleration of all or part of the indebtedness.

THIS DEED OF TRUST, INCLUDING THE ASSIGNMENT OF RENTS AND THE SECURITY INTEREST IN THE RENTS AND PERSONAL PROPERTY, IS GIVEN TO SECURE (A) PAYMENT OF THE INDEBTEDNESS AND (B) PERFORMANCE OF ANY AND ALL OBLIGATIONS UNDER THE NOTE, THE RELATED DOCUMENTS, AND THIS DEED OF TRUST. THIS DEED OF TRUST IS GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:

GRANTOR'S REPRESENTATIONS AND WARRANTIES. Grantor warrants that: (a) this Deed of Trust is executed at Borrower's request and not at the request of Lender; (b) Grantor has the full power, right, and authority to enter into this Deed of Trust and to hypothecate the Property; (c) the provisions of this Deed of Trust do not conflict with, or result in a default under any agreement or other instrument binding upon Grantor and do not result in a violation of any law, regulation, court decree or order applicable to Grantor; (d) Grantor has established adequate means of obtaining from Borrower on a continuing basis information about Borrower's financial condition; and (e) Lender has made no representation to Grantor about Borrower (including without limitation the creditworthiness of Borrower).

GRANTOR'S WAIVERS. Grantor waives all rights or defenses arising by reason of any "one action" or "anti-deficiency" law, or any other law which may prevent Lender from bringing any action against Grantor, including a claim for deficiency to the extent Lender is otherwise entitled to a claim for deficiency, before or after Lender's commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale.

PAYMENT AND PERFORMANCE. Except as otherwise provided in this Deed of Trust, Borrower shall pay to Lender all indebtedness secured by this Deed of Trust as it becomes due, and Borrower and Grantor shall strictly perform all their respective obligations under the Note, this Deed of Trust, and the Related Documents.

POSSESSION AND MAINTENANCE OF THE PROPERTY. Borrower and Grantor agree that Borrower's and Grantor's possession and use of the Property shall be governed by the following provisions:

Possession and Use. Until the occurrence of an Event of Default, Grantor may (1) remain in possession and control of the Property; (2) use, operate or manage the Property; and (3) collect the Rents from the Property (this privilege is a license from Lender to Grantor automatically revoked upon default). The following provisions relate to the use of the Property or to other limitations on the Property. The Real Property is not used principally for agricultural purposes.

Duty to Maintain. Grantor shall maintain the Property in tenable condition and promptly perform all repairs, replacements, and maintenance necessary to preserve its value.

Compliance With Environmental Laws. Grantor represents and warrants to Lender that: (1) During the period of Grantor's ownership of the Property, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance by any person on, under, about or from the Property; (2) Grantor has no knowledge of, or reason to believe that there has been, except as previously disclosed to and acknowledged by Lender in writing, (a) any breach or violation of any Environmental Laws, (b) any use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance on, under, about or from the Property by any prior owners or occupants of the Property, or (c) any actual or threatened litigation or claims of any kind by any person relating to such matters; and (3) Except as previously disclosed to and acknowledged by Lender in writing, (a) neither Grantor nor any tenant, contractor, agent or other authorized user of the Property shall use, generate, manufacture, store, treat, dispose of or release any Hazardous Substance on, under, about or from the Property; and (b) any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations and ordinances, including without limitation all Environmental Laws. Grantor authorizes Lender and its agents to enter upon the Property to make such inspections and tests, at Grantor's expense, as Lender may deem appropriate to determine compliance of the Property with this section of the Deed of Trust. Any inspections or tests made by Lender shall be for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Grantor or to any other person. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Property for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under

**DEED OF TRUST
(Continued)**

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any such laws; and (2) agrees to indemnify and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Deed of Trust or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release occurring prior to Grantor's ownership or interest in the Property, whether or not the same was or should have been known to Grantor. The provisions of this section of the Deed of Trust, including the obligation to indemnify, shall survive the payment of the indebtedness and the satisfaction and reconveyance of the lien of this Deed of Trust and shall not be affected by Lender's acquisition of any interest in the Property, whether by foreclosure or otherwise.

Nuisance, Waste. Grantor shall not cause, conduct or permit any nuisance nor commit, permit, or suffer any stripping of or waste on or to the Property or any portion of the Property. Without limiting the generality of the foregoing, Grantor will not remove, or grant to any other party the right to remove, any timber, minerals (including oil and gas), coal, clay, scoria, soil, gravel or rock products without Lender's prior written consent.

Removal of Improvements. Grantor shall not demolish or remove any Improvements from the Real Property without Lender's prior written consent. As a condition to the removal of any Improvements, Lender may require Grantor to make arrangements satisfactory to Lender to replace such Improvements with Improvements of at least equal value.

Lender's Right to Enter. Lender and Lender's agents and representatives may enter upon the Real Property at all reasonable times to attend to Lender's interests and to inspect the Real Property for purposes of Grantor's compliance with the terms and conditions of this Deed of Trust.

Compliance with Governmental Requirements. Grantor shall promptly comply, and shall promptly cause compliance by all agents, tenants or other persons or entities of every nature whatsoever who rent, lease or otherwise use or occupy the Property in any manner, with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the use or occupancy of the Property, including without limitation, the Americans With Disabilities Act. Grantor may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Grantor has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Property are not jeopardized. Lender may require Grantor to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Duty to Protect. Grantor agrees neither to abandon or leave unattended the Property. Grantor shall do all other acts, in addition to those acts set forth above in this section, which from the character and use of the Property are reasonably necessary to protect and preserve the Property.

DUE ON SALE - CONSENT BY LENDER. Lender may, at Lender's option, (A) declare immediately due and payable all sums secured by this Deed of Trust or (B) increase the interest rate provided for in the Note or other document evidencing the indebtedness and impose such other conditions as Lender deems appropriate, upon the sale or transfer, without Lender's prior written consent, of all or any part of the Real Property, or any interest in the Real Property. A "sale or transfer" means the conveyance of Real Property or any right, title or interest in the Real Property; whether legal, beneficial or equitable; whether voluntary or involuntary; whether by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than three (3) years, lease-option contract, or by sale, assignment, or transfer of any beneficial interest in or to any land trust holding title to the Real Property, or by any other method of conveyance of an interest in the Real Property. However, this option shall not be exercised by Lender if such exercise is prohibited by federal law or by Washington law.

TAXES AND LIENS. The following provisions relating to the taxes and liens on the Property are part of this Deed of Trust:

Payment. Grantor shall pay when due (and in all events prior to delinquency) all taxes, special taxes, assessments, charges (including water and sewer), fines and impositions levied against or on account of the Property, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property. Grantor shall maintain the Property free of all liens having priority over or equal to the interest of Lender under this Deed of Trust, except for the lien of taxes and assessments not due and except as otherwise provided in this Deed of Trust.

Right to Contest. Grantor may withhold payment of any tax, assessment, or claim in connection with a good faith dispute over the obligation to pay, so long as Lender's interest in the Property is not jeopardized. If a lien arises or is filed as a result of nonpayment, Grantor shall within fifteen (15) days after the lien arises or, if a lien is filed, within fifteen (15) days after Grantor has notice of the filing, secure the discharge of the lien, or if requested by Lender, deposit with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender in an amount sufficient to discharge the lien plus any costs and attorneys' fees, or other charges that could accrue as a result of a foreclosure or sale under the lien. In any contest, Grantor shall defend itself and Lender and shall satisfy any adverse judgment before enforcement against the Property. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings.

Evidence of Payment. Grantor shall upon demand furnish to Lender satisfactory evidence of payment of the taxes or assessments and shall authorize the appropriate governmental official to deliver to Lender at any time a written statement of the taxes and assessments against the Property.

Notice of Construction. Grantor shall notify Lender at least fifteen (15) days before any work is commenced, any services are furnished, or any materials are supplied to the Property, if any mechanic's lien, materialmen's lien, or other lien could be asserted on account of the work, services, or materials. Grantor will upon request of Lender furnish to Lender advance assurances satisfactory to Lender that Grantor can and will pay the cost of such improvements.

PROPERTY DAMAGE INSURANCE. The following provisions relating to insuring the Property are a part of this Deed of Trust.

Maintenance of Insurance. Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a fair value basis for the full insurable value covering all Improvements on the Real Property in an amount sufficient to avoid application of any coinsurance clause, and with a standard mortgagee clause in favor of Lender. Grantor shall also procure and maintain comprehensive general liability insurance in such coverage amounts as Lender may request with Trustee and Lender being named as additional insureds in such liability insurance policies. Additionally, Grantor shall maintain such other insurance, including but not limited to hazard, business interruption, and boiler insurance, as Lender may reasonably require. Policies shall be written in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act,

**DEED OF TRUST
(Continued)**

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omission or default of Grantor or any other person. Should the Real Property be 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, if available, within 45 days after notice is given by Lender that the Property is located in a special flood hazard area, for the full unpaid principal balance of the loan and any prior liens on the property securing the loan, up to the maximum policy limits set under the National Flood Insurance Program, or as otherwise required by Lender, and to maintain such insurance for the term of the loan.

Application of Proceeds. Grantor shall promptly notify Lender of any loss or damage to the Property if the estimated cost of repair or replacement exceeds \$1,000.00. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. Whether or not Lender's security is impaired, Lender may, at Lender's election, receive and retain the proceeds of any insurance and apply the proceeds to the reduction of the Indebtedness, payment of any lien affecting the Property, or the restoration and repair of the Property. If Lender elects to apply the proceeds to restoration and repair, Grantor shall repair or replace the damaged or destroyed improvements in a manner satisfactory to Lender. Lender shall, upon satisfactory proof of such expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration if Grantor is not in default under this Deed of Trust. Any proceeds which have not been disbursed within 180 days after their receipt and which Lender has not committed to the repair or restoration of the Property shall be used first to pay any amount owing to Lender under this Deed of Trust, then to pay accrued interest, and the remainder, if any, shall be applied to the principal balance of the Indebtedness. If Lender holds any proceeds after payment in full of the Indebtedness, such proceeds shall be paid without interest to Grantor as Grantor's interests may appear.

Grantor's Report on Insurance. Upon request of Lender, however not more than once a year, Grantor shall furnish to Lender a report on each existing policy of insurance showing: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured, the then current replacement value of such property, and the manner of determining that value; and (5) the expiration date of the policy. Grantor shall, upon request of Lender, have an independent appraiser satisfactory to Lender determine the cash value replacement cost of the Property.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Property or if Grantor fails to comply with any provision of this Deed of Trust or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Deed of Trust or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Property and paying all costs for insuring, maintaining and preserving the Property. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Deed of Trust also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

WARRANTY; DEFENSE OF TITLE. The following provisions relating to ownership of the Property are a part of this Deed of Trust:

Title. Grantor warrants that: (a) Grantor holds good and marketable title of record to the Property in fee simple, free and clear of all liens and encumbrances other than those set forth in the Real Property description or in any title insurance policy, title report, or final title opinion issued in favor of, and accepted by, Lender in connection with this Deed of Trust, and (b) Grantor has the full right, power, and authority to execute and deliver this Deed of Trust to Lender.

Defense of Title. Subject to the exception in the paragraph above, Grantor warrants and will forever defend the title to the Property against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Grantor's title or the interest of Trustee or Lender under this Deed of Trust, Grantor shall defend the action at Grantor's expense. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of Lender's own choice, and Grantor will deliver, or cause to be delivered, to Lender such instruments as Lender may request from time to time to permit such participation.

Compliance With Laws. Grantor warrants that the Property and Grantor's use of the Property complies with all existing applicable laws, ordinances, and regulations of governmental authorities.

Survival of Representations and Warranties. All representations, warranties, and agreements made by Grantor in this Deed of Trust shall survive the execution and delivery of this Deed of Trust, shall be continuing in nature, and shall remain in full force and effect until such time as Borrower's Indebtedness shall be paid in full.

CONDEMNATION. The following provisions relating to condemnation proceedings are a part of this Deed of Trust:

Proceedings. If any proceeding in condemnation is filed, Grantor shall promptly notify Lender in writing, and Grantor shall promptly take such steps as may be necessary to defend the action and obtain the award. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of its own choice all at Grantor's expense, and Grantor will deliver or cause to be delivered to Lender such instruments and documentation as may be requested by Lender from time to time to permit such participation.

Application of Net Proceeds. If all or any part of the Property is condemned by eminent domain proceedings or by any proceeding or purchase in lieu of condemnation, Lender may at its election require that all or any portion of the net proceeds of the award be applied to the Indebtedness or the repair or restoration of the Property. The net proceeds of the award shall mean the award after payment of all reasonable costs, expenses, and attorneys' fees incurred by Trustee or Lender in connection with the condemnation.

IMPOSITION OF TAXES, FEES AND CHARGES BY GOVERNMENTAL AUTHORITIES. The following provisions relating to governmental taxes, fees and charges are a part of this Deed of Trust:

Current Taxes, Fees and Charges. Upon request by Lender, Grantor shall execute such documents in addition to this Deed of Trust and take whatever other action is requested by Lender to perfect and continue Lender's lien on the Real Property. Grantor shall reimburse Lender for all taxes, as described below, together with all expenses incurred in recording, perfecting or continuing this Deed of Trust, including without limitation all taxes, fees, documentary stamps, and other charges for recording or registering this Deed of Trust.

Taxes. The following shall constitute taxes to which this section applies: (1) a specific tax upon this type of Deed of Trust or upon all or any part of the Indebtedness secured by this Deed of Trust; (2) a specific tax on Borrower which Borrower is authorized or required to deduct from payments on the Indebtedness secured by this

**DEED OF TRUST
(Continued)**

Page 5

type of Deed of Trust; (3) a tax on this type of Deed of Trust chargeable against the Lender or the holder of the Note; and (4) a specific tax on all or any portion of the indebtedness or on payments of principal and interest made by Borrower.

Subsequent Taxes. If any tax to which this section applies is enacted subsequent to the date of this Deed of Trust, this event shall have the same effect as an Event of Default, and Lender may exercise any or all of its available remedies for an Event of Default as provided below unless Grantor either (1) pays the tax before it becomes delinquent, or (2) contests the tax as provided above in the Taxes and Liens section and deposits with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender.

SECURITY AGREEMENT; FINANCING STATEMENTS. The following provisions relating to this Deed of Trust as a security agreement are a part of this Deed of Trust:

Security Agreement. This instrument shall constitute a Security Agreement to the extent any of the Property constitutes fixtures, and Lender shall have all of the rights of a secured party under the Uniform Commercial Code as amended from time to time.

Security Interest. Upon request by Lender, Grantor shall take whatever action is requested by Lender to perfect and continue Lender's security interest in the Rents and Personal Property. In addition to recording this Deed of Trust in the real property records, Lender may, at any time and without further authorization from Grantor, file executed counterparts, copies or reproductions of this Deed of Trust as a financing statement. Grantor shall reimburse Lender for all expenses incurred in perfecting or continuing this security interest. Upon default, Grantor shall not remove, sever or detach the Personal Property from the Property. Upon default, Grantor shall assemble any Personal Property not affixed to the Property in a manner and at a place reasonably convenient to Grantor and Lender and make it available to Lender within three (3) days after receipt of written demand from Lender to the extent permitted by applicable law.

Addresses. The mailing addresses of Grantor (debtor) and Lender (secured party) from which information concerning the security interest granted by this Deed of Trust may be obtained (each as required by the Uniform Commercial Code) are as stated on the first page of this Deed of Trust.

FURTHER ASSURANCES; ATTORNEY-IN-FACT. The following provisions relating to further assurances and attorney-in-fact are a part of this Deed of Trust:

Further Assurances. At any time, and from time to time, upon request of Lender, Grantor will make, execute and deliver, or will cause to be made, executed or delivered, to Lender or to Lender's designee, and when requested by Lender, cause to be filed, recorded, refiled, or rerecorded, as the case may be, at such times and in such offices and places as Lender may deem appropriate, any and all such mortgages, deeds of trust, security deeds, security agreements, financing statements, continuation statements, instruments of further assurance, certificates, and other documents as may, in the sole opinion of Lender, be necessary or desirable in order to effectuate, complete, perfect, continue, or preserve (1) Borrower's and Grantor's obligations under the Note, this Deed of Trust, and the Related Documents, and (2) the liens and security interests created by this Deed of Trust as first and prior liens on the Property, whether now owned or hereafter acquired by Grantor. Unless prohibited by law or Lender agrees to the contrary in writing, Grantor shall reimburse Lender for all costs and expenses incurred in connection with the matters referred to in this paragraph.

Attorney-in-Fact. If Grantor fails to do any of the things referred to in the preceding paragraph, Lender may do so for and in the name of Grantor and at Grantor's expense. For such purposes, Grantor hereby irrevocably appoints Lender as Grantor's attorney-in-fact for the purpose of making, executing, delivering, filing, recording, and doing all other things as may be necessary or desirable, in Lender's sole opinion, to accomplish the matters referred to in the preceding paragraph.

FULL PERFORMANCE. If Borrower pays all the indebtedness when due, and otherwise performs all the obligations imposed upon Grantor under this Deed of Trust, Lender shall execute and deliver to Trustee a request for full reconveyance and shall execute and deliver to Grantor suitable statements of termination of any financing statement on file evidencing Lender's security interest in the Rents and the Personal Property. Any reconveyance fee shall be paid by Grantor, if permitted by applicable law. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto", and the recitals in the reconveyance of any matters or facts shall be conclusive proof of the truthfulness of any such matters or facts.

EVENTS OF DEFAULT. Each of the following, at Lender's option, shall constitute an Event of Default under this Deed of Trust:

Payment Default. Borrower fails to make any payment when due under the indebtedness.

Other Defaults. Borrower or Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Deed of Trust or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower or Grantor.

Compliance Default. Failure to comply with any other term, obligation, covenant or condition contained in this Deed of Trust, the Note or in any of the Related Documents.

Default on Other Payments. Failure of Grantor within the time required by this Deed of Trust to make any payment for taxes or insurance, or any other payment necessary to prevent filing of or to effect discharge of any lien.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or Grantor or on Borrower's or Grantor's behalf under this Deed of Trust or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Defective Collateralization. This Deed of Trust or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

Death or Insolvency. The death of any Borrower or Grantor, the insolvency of Borrower or Grantor, the appointment of a receiver for any part of Borrower's or Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower or Grantor.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or Grantor or by any governmental agency against any property securing the indebtedness. This includes a garnishment of any of Borrower's or Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower or Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower or Grantor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture

proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Breach of Other Agreement. Any breach by Borrower or Grantor under the terms of any other agreement between Borrower or Grantor and Lender that is not remedied within any grace period provided therein, including without limitation any agreement concerning any indebtedness or other obligation of Borrower or Grantor to Lender, whether existing now or later.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the Indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness. In the event of a death, Lender, at its option, may, but shall not be required to, permit the guarantor's estate to assume unconditionally the obligations arising under the guaranty in a manner satisfactory to Lender, and, in doing so, cure any Event of Default.

Adverse Change. A material adverse change occurs in Borrower's or Grantor's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

Insecurity. Lender in good faith believes itself insecure.

Right to Cure. If any default, other than a default in payment is curable and if Grantor has not been given a notice of a breach of the same provision of this Deed of Trust within the preceding twelve (12) months. It may be cured if Grantor, after receiving written notice from Lender demanding cure of such default: (1) cures the default within ten (10) days; or (2) if the cure requires more than ten (10) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

RIGHTS AND REMEDIES ON DEFAULT. If an Event of Default occurs under this Deed of Trust, at any time thereafter, Trustee or Lender may exercise any one or more of the following rights and remedies:

Election of Remedies. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Deed of Trust, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

Accelerate Indebtedness. Lender shall have the right at its option to declare the entire Indebtedness immediately due and payable, including any prepayment penalty which Borrower would be required to pay.

Foreclosure. With respect to all or any part of the Real Property, the Trustee shall have the right to exercise its power of sale and to foreclose by notice and sale, and Lender shall have the right to foreclose by judicial foreclosure, in either case in accordance with and to the full extent provided by applicable law.

UCC Remedies. With respect to all or any part of the Personal Property, Lender shall have all the rights and remedies of a secured party under the Uniform Commercial Code.

Collect Rents. Lender shall have the right, without notice to Borrower or Grantor to take possession of and manage the Property and collect the Rents, including amounts past due and unpaid, and apply the net proceeds, over and above Lender's costs, against the Indebtedness. In furtherance of this right, Lender may require any tenant or other user of the Property to make payments of rent or use fees directly to Lender. If the Rents are collected by Lender, then Grantor irrevocably designates Lender as Grantor's attorney-in-fact to endorse instruments received in payment thereof in the name of Grantor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Lender in response to Lender's demand shall satisfy the obligations for which the payments are made, whether or not any proper grounds for the demand existed. Lender may exercise its rights under this subparagraph either in person, by agent, or through a receiver.

Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Property, with the power to protect and preserve the Property, to operate the Property preceding or pending foreclosure or sale, and to collect the Rents from the Property and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

Tenancy at Sufferance. If Grantor remains in possession of the Property after the Property is sold as provided above or Lender otherwise becomes entitled to possession of the Property upon default of Grantor, Grantor shall become a tenant at sufferance of Lender or the purchaser of the Property and shall, at Lender's option, either (1) pay a reasonable rental for the use of the Property, or (2) vacate the Property immediately upon the demand of Lender.

Other Remedies. Trustee or Lender shall have any other right or remedy provided in this Deed of Trust or the Note or by law.

Notice of Sale. Lender shall give Grantor reasonable notice of the time and place of any public sale of the Personal Property or of the time after which any private sale or other intended disposition of the Personal Property is to be made. Reasonable notice shall mean notice given at least ten (10) days before the time of the sale or disposition. Any sale of the Personal Property may be made in conjunction with any sale of the Real Property.

Sale of the Property. To the extent permitted by applicable law, Borrower and Grantor hereby waives any and all rights to have the Property marshalled. In exercising its rights and remedies, the Trustee or Lender shall be free to sell all or any part of the Property together or separately, in one sale or by separate sales. Lender shall be entitled to bid at any public sale on all or any portion of the Property.

Attorneys' Fees; Expenses. If Lender institutes any suit or action to enforce any of the terms of this Deed of Trust, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and upon any appeal. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees and expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees, title insurance, and fees for the Trustee, to the extent permitted by applicable law. Grantor also will pay any court costs, in addition to all other sums provided by law.

Rights of Trustee. Trustee shall have all of the rights and duties of Lender as set forth in this section.

**DEED OF TRUST
(Continued)**

Page 7

POWERS AND OBLIGATIONS OF TRUSTEE. The following provisions relating to the powers and obligations of Trustee (pursuant to Lender's instructions) are part of this Deed of Trust:

Powers of Trustee. In addition to all powers of Trustee arising as a matter of law, Trustee shall have the power to take the following actions with respect to the Property upon the written request of Lender and Grantor: (a) join in preparing and filing a map or plat of the Real Property, including the dedication of streets or other rights to the public; (b) join in granting any easement or creating any restriction on the Real Property; and (c) join in any subordination or other agreement affecting this Deed of Trust or the interest of Lender under this Deed of Trust.

Obligations to Notify. Trustee shall not be obligated to notify any other party of a pending sale under any other trust deed or lien, or of any action or proceeding in which Grantor, Lender, or Trustee shall be a party, unless required by applicable law, or unless the action or proceeding is brought by Trustee.

Trustee. Trustee shall meet all qualifications required for Trustee under applicable law. In addition to the rights and remedies set forth above, with respect to all or any part of the Property, the Trustee shall have the right to foreclose by notice and sale, and Lender shall have the right to foreclose by judicial foreclosure, in either case in accordance with and to the full extent provided by applicable law.

Successor Trustee. Lender, at Lender's option, may from time to time appoint a successor Trustee to any Trustee appointed under this Deed of Trust by an instrument executed and acknowledged by Lender and recorded in the office of the recorder of WHATCOM County, State of Washington. The instrument shall contain, in addition to all other matters required by state law, the names of the original Lender, Trustee, and Grantor, the book and page or the Auditor's File Number where this Deed of Trust is recorded, and the name and address of the successor trustee, and the instrument shall be executed and acknowledged by Lender or its successors in interest. The successor trustee, without conveyance of the Property, shall succeed to all the title, power, and duties conferred upon the Trustee in this Deed of Trust and by applicable law. This procedure for substitution of Trustee shall govern to the exclusion of all other provisions for substitution.

NOTICES. Subject to applicable law, and except for notice required or allowed by law to be given in another manner, any notice required to be given under this Deed of Trust, including without limitation any notice of default and any notice of sale shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Deed of Trust. All copies of notices of foreclosure from the holder of any lien which has priority over this Deed of Trust shall be sent to Lender's address, as shown near the beginning of this Deed of Trust. Any party may change its address for notices under this Deed of Trust by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Subject to applicable law, and except for notice required or allowed by law to be given in another manner, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Deed of Trust:

Amendments. This Deed of Trust, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Deed of Trust. No alteration or amendment to this Deed of Trust shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Annual Reports. If the Property is used for purposes other than Grantor's residence, Grantor shall furnish to Lender, upon request, a certified statement of net operating income received from the Property during Grantor's previous fiscal year in such form and detail as Lender shall require. "Net operating income" shall mean all cash receipts from the Property less all cash expenditures made in connection with the operation of the Property.

Caption Headings. Caption headings in this Deed of Trust are for convenience purposes only and are not to be used to interpret or define the provisions of this Deed of Trust.

Merger. There shall be no merger of the interest or estate created by this Deed of Trust with any other interest or estate in the Property at any time held by or for the benefit of Lender in any capacity, without the written consent of Lender.

Governing Law. This Deed of Trust will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Washington without regard to its conflicts of law provisions. This Deed of Trust has been accepted by Lender in the State of Washington.

Choice of Venue. If there is a lawsuit, Grantor agrees upon Lender's request to submit to the jurisdiction of the courts of Whatcom County, State of Washington.

Joint and Several Liability. All obligations of Borrower and Grantor under this Deed of Trust shall be joint and several, and all references to Grantor shall mean each and every Grantor, and all references to Borrower shall mean each and every Borrower. This means that each Borrower and Grantor signing below is responsible for all obligations in this Deed of Trust.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Deed of Trust unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Deed of Trust shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Deed of Trust. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Deed of Trust, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Severability. If a court of competent jurisdiction finds any provision of this Deed of Trust to be illegal, invalid, or unenforceable as to any person or circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other person or circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Deed of Trust. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Deed of Trust shall not affect the legality, validity or enforceability of any other provision of this Deed of Trust.

Successors and Assigns. Subject to any limitations stated in this Deed of Trust on transfer of Grantor's interest, this Deed of Trust shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Property becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Deed of Trust and the indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Deed of Trust or liability under the indebtedness.

**DEED OF TRUST
(Continued)**

Page 8

Time is of the Essence. Time is of the essence in the performance of this Deed of Trust.

Waiver of Homestead Exemption. Grantor hereby releases and waives all rights and benefits of the homestead exemption laws of the State of Washington as to all indebtedness secured by this Deed of Trust.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Deed of Trust. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Deed of Trust shall have the meanings attributed to such terms in the Uniform Commercial Code:

Beneficiary. The word "Beneficiary" means Whidbey Island Bank, and its successors and assigns.

Borrower. The word "Borrower" means DOUGLAS W CONNELLY and LOUISE B CONNELLY and includes all co-signers and co-makers signing the Note.

Deed of Trust. The words "Deed of Trust" mean this Deed of Trust among Grantor, Lender, and Trustee, and includes without limitation all assignment and security interest provisions relating to the Personal Property and Rents.

Default. The word "Default" means the Default set forth in this Deed of Trust in the section titled "Default".

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

Event of Default. The words "Event of Default" mean any of the events of default set forth in this Deed of Trust in the events of default section of this Deed of Trust.

Grantor. The word "Grantor" means DOUGLAS CONNELLY and LOUISE CONNELLY.

Guaranty. The word "Guaranty" means the guaranty from guarantor, endorser, surety, or accommodation party to Lender, including without limitation a guaranty of all or part of the Note.

Hazardous Substances. The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

Improvements. The word "Improvements" means all existing and future improvements, buildings, structures, mobile homes affixed on the Real Property, facilities, additions, replacements and other construction on the Real Property.

Indebtedness. The word "Indebtedness" means all principal, interest, and other amounts, costs and expenses payable under the Note or Related Documents, together with all renewals of, extensions of, modifications of, consolidations of and substitutions for the Note or Related Documents and any amounts expended or advanced by Lender to discharge Grantor's obligations or expenses incurred by Trustee or Lender to enforce Grantor's obligations under this Deed of Trust, together with interest on such amounts as provided in this Deed of Trust.

Lender. The word "Lender" means Whidbey Island Bank, its successors and assigns.

Note. The word "Note" means the promissory note dated June 14, 2006, in the original principal amount of \$500,000.00 from Borrower to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement. **NOTICE TO GRANTOR: THE NOTE CONTAINS A VARIABLE INTEREST RATE.**

Personal Property. The words "Personal Property" mean all equipment, fixtures, and other articles of personal property now or hereafter owned by Grantor, and now or hereafter attached or affixed to the Real Property; together with all accessions, parts, and additions to, all replacements of, and all substitutions for, any of such property; and together with all issues and profits thereon and proceeds (including without limitation all insurance proceeds and refunds of premiums) from any sale or other disposition of the Property.

Property. The word "Property" means collectively the Real Property and the Personal Property.

Real Property. The words "Real Property" mean the real property, interests and rights, as further described in this Deed of Trust.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the indebtedness.

Rents. The word "Rents" means all present and future rents, revenues, income, issues, royalties, profits, and other benefits derived from the Property.

Trustee. The word "Trustee" means FIRST AMERICAN INSURANCE COMPANY-Bellingham, whose mailing address is 215 N. COMMERCIAL STREET, BELLINGHAM, WA 98226 and any substitute or successor trustees.

DEED OF TRUST
(Continued)

EACH GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS DEED OF TRUST, AND EACH GRANTOR AGREES TO ITS TERMS.

GRANTOR:

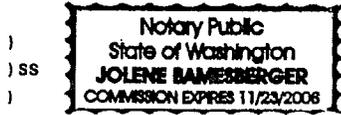
x *Douglas Connelly*
DOUGLAS CONNELLY

x *Louise Connelly*
LOUISE CONNELLY

INDIVIDUAL ACKNOWLEDGMENT

STATE OF WASHINGTON

COUNTY OF WHATCOM



On this day before me, the undersigned Notary Public, personally appeared DOUGLAS CONNELLY and LOUISE CONNELLY, husband and wife, personally known to me or proved to me on the basis of satisfactory evidence to be the individuals described in and who executed the Deed of Trust, and acknowledged that they signed the Deed of Trust as their free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 14th day of JUNE, 2005

By *Jolene Bamesberger*
Notary Public in and for the State of WA

Residing at BELLINGHAM
My commission expires 11.23.08

REQUEST FOR FULL RECONVEYANCE

To: _____, Trustee

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust. You are hereby requested, upon payment of all sums owing to you, to reconvey without warranty, to the persons entitled thereto, the right, title and interest now held by you under the Deed of Trust.

Date: _____

Beneficiary: _____

By: _____

Its: _____

**EXHIBIT A
LEGAL DESCRIPTION**

PARCEL A:
THE NORTH HALF OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32,
TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., LESS ROADS.
AND EXCEPT THE WEST 200 FEET OF THE NORTH 800 FEET OF THE FOLLOWING: THE SOUTHWEST
QUARTER OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER AND THE NORTHWEST
QUARTER OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP
41 NORTH, RANGE 1 EAST OF W.M.

PARCEL B:
THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF
SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., AND THE SOUTH HALF OF THE
NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, SAID TOWNSHIP AND RANGE,
AND THE SOUTH HALF OF THE NORTH HALF OF THE NORTHEAST QUARTER OF THE SOUTHEAST
QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., EXCEPT COUNTY ROAD NO.
109 ALONG THE EAST LINE THEREOF.
EXCEPT THE SOUTH 208.71 FEET OF THE EAST 417.42 FEET OF THE NORTHEAST QUARTER OF THE
SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., EXCEPT ROAD;
EXCEPT THE NORTH 208.71 FEET OF THE EAST 208.71 FEET OF THE SOUTH HALF OF THE NORTH
HALF OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41
NORTH, RANGE 1 EAST OF W.M., EXCEPT ROADS; AND EXCEPT THE NORTH 208.7 FEET OF THE SOUTH
417.42 FEET OF THE EAST 417.42 FEET OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER
OF SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., EXCEPT ROADS.
AND EXCEPT THE WEST 200 FEET OF THE NORTH 800 FEET OF THE FOLLOWING: THE SOUTHWEST
QUARTER OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER AND THE NORTHWEST
QUARTER OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP
41 NORTH, RANGE 1 EAST OF W.M.

PARCEL C:
THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF
SECTION 32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M.

PARCEL D:
THE WEST HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32,
TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., EXCEPT THE WEST 330 FEET OF THE SOUTH 660
FEET, AND EXCEPT COUNTY ROAD NO. 78 (H STREET ROAD) LYING ALONG THE SOUTHERLY LINE
THEREOF.

PARCEL E:
THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION
32, TOWNSHIP 41 NORTH, RANGE 1 EAST OF W.M., EXCEPT COUNTY ROAD NO. 109 HARVEY ROAD,
LYING ALONG THE EASTERLY LINE THEREOF.

ALL SITUATE IN COUNTY OF WHATCOM, STATE OF WASHINGTON

APN: 410132 370100 0000(A)
APN: 410132 500190 0000(B)
APN: 410132 403162 0000(C)
APN: 410132 477076 0000(D)
APN: 410132 540101 0000(E)

CourtsOnLine Case Details for: 069006951

Case Title: Joe Edwards Vs Doug Connelly Sand & Gravel
Court: Washington State -- Whatcom County Superior Court
Date Filed: 03/07/2006
Date Printed: 1/18/2007 9:10:52 AM

Summary

<u>Summary Item</u>	<u>Item Description</u>
Associated Case:	05-2-02242-2
# Judgments For Case:	1
Judgment Type:	General Recovery
Effective Date:	03/07/2006
Signed By:	Comm. Gross
Date Signed:	03/07/2006

Names

<u>Name/Address/Bar No.</u>	<u>Connection</u>	<u>Litigants</u>
Edwards, Joe	Judgment Creditor 1	
Connelly, Doug	Judgment Debtor 1	

Docket

<u>Date</u>	<u>Code</u>	<u>Description</u>	<u>Amount</u>
03/07/2006	JD	Judgment On Trial De Novo	
		Principal-----	400.00
		Costs Of Suit----- Interest At 12%	5.00

End of Docket

This output contains results from the Federal, Oregon or Washington State Courts. Please Note:
Neither the court nor clerk makes any representation as to the accuracy and completeness of the Federal, Oregon, or Washington Court data except for court purposes.

<----- End of Report ----->



2001101084
 Page: 1 of 19
 11/09/2000 1:07 PM
 D/T \$26.00
 Whatcom County, WA

Request of: CHICAGO TITLE INSURANCE

Return To:
GreenPoint Mortgage Funding, Inc.
 1100 Larkspur Landing Circle, Suite 101
 Larkspur, California 94939

Assessor's Parcel or Account Number: 410132 400035 0000
 Abbreviated Legal Description: PTN SW SE 32-41N-1E, *,

[Include lot, block and plat or section, township and range]

Full legal description located on page 3 . Additional Grantees located on page

[Space Above This Line For Recording Data]

J14843 JV

DEED OF TRUST

MIN 100013801017865159

DEFINITIONS

Words used in multiple sections of this document are defined below and other words are defined in Sections 3, 11, 13, 18, 20 and 21. Certain rules regarding the usage of words used in this document are also provided in Section 16.

(A) "Security Instrument" means this document, which is dated 11/03/2000 together with all Riders to this document.

(B) "Borrower" is Louise Connelly, A Married Woman

Borrower is the trustor under this Security Instrument.

(C) "Lender" is GreenPoint Mortgage Funding, Inc.

Trustee is Island Title.

BBAP-106
 WASHINGTON Single Family-Fannie Mae/Freddie Mac UNIFORM INSTRUMENT WITH MERS

0101786515
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VMP MORTGAGE FORMS - (800)521-7291

Lender is a corporation organized and existing under the laws of The State of New York Lender's address is 1100 Larkspur Landing Circle, Suite 101 Larkspur, California 94939 (D) "Trustee" is ISLAND TITLE

(E) "MERS" is Mortgage Electronic Registration Systems, Inc. MERS is a separate corporation that is acting solely as a nominee for Lender and Lender's successors and assigns. MERS is the beneficiary under this Security Instrument. MERS is organized and existing under the laws of Delaware, and has an address and telephone of P.O. Box 2026, Flint, MI 48501-2026, tel. (888) 679-MERS.

(F) "Note" means the promissory note signed by Borrower and dated 11/03/2000 The Note states that Borrower owes Lender

Eighty-Two Thousand Eight Hundred and 00/100ths Dollars (U.S. \$82,800.00) plus interest. Borrower has promised to pay this debt in regular Periodic Payments and to pay the debt in full not later than 12/1/2030

(G) "Property" means the property that is described below under the heading "Transfer of Rights in the Property."

(H) "Loan" means the debt evidenced by the Note, plus interest, any prepayment charges and late charges due under the Note, and all sums due under this Security Instrument, plus interest.

(I) "Riders" means all riders to this Security Instrument that are executed by Borrower. The following riders are to be executed by Borrower [check box as applicable]:

- Adjustable Rate Rider, Balloon Rider, VA Rider, Condominium Rider, Planned Unit Development Rider, Biweekly Payment Rider, Second Home Rider, 1-4 Family Rider, Other(s) [specify]

(J) "Applicable Law" means all controlling applicable federal, state and local statutes, regulations, ordinances and administrative rules and orders (that have the effect of law) as well as all applicable final, non-appealable judicial opinions.

(K) "Community Association Dues, Fees, and Assessments" means all dues, fees, assessments, and other charges that are imposed on Borrower or the Property by a condominium association, homeowners association or similar organization.

(L) "Electronic Funds Transfer" means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, computer, or magnetic tape so as to order, instruct, or authorize a financial institution to debit or credit an account. Such term includes, but is not limited to, point-of-sale transfers, automated teller machine transactions, transfers initiated by telephone, wire transfers, and automated clearinghouse transfers.

(M) "Escrow Items" means those items that are described in Section 3.

(N) "Miscellaneous Proceeds" means any compensation, settlement, award of damages, or proceeds paid by any third party (other than insurance proceeds paid under the coverages described in Section 5) for: (i) damage to, or destruction of, the Property; (ii) condemnation or other taking of all or any part of the Property; (iii) conveyance in lieu of condemnation; or (iv) misrepresentations of, or omissions as to, the value and/or condition of the Property.

(O) "Mortgage Insurance" means insurance protecting Lender against the nonpayment of, or default on, the Loan.

(P) "Periodic Payment" means the regularly scheduled amount due for (i) principal and interest under the Note, plus (ii) any amounts under Section 3 of this Security Instrument.

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(Q) "RESPA" means the Real Estate Settlement Procedures Act (12 U.S.C. Section 2601 et seq.) and its implementing regulation, Regulation X (24 C.F.R. Part 3500), as they might be amended from time to time, or any additional or successor legislation or regulation that governs the same subject matter. As used in this Security Instrument, "RESPA" refers to all requirements and restrictions that are imposed in regard to a "federally related mortgage loan" even if the Loan does not qualify as a "federally related mortgage loan" under RESPA.

(R) "Successor in Interest of Borrower" means any party that has taken title to the Property, whether or not that party has assumed Borrower's obligations under the Note and/or this Security Instrument.

TRANSFER OF RIGHTS IN THE PROPERTY

The beneficiary of this Security Instrument is MERS (solely as nominee for Lender and Lender's successors and assigns) and the successors and assigns of MERS. This Security Instrument secures to Lender: (i) the repayment of the Loan, and all renewals, extensions and modifications of the Note; and (ii) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, the County of Whatcom :

[Type of Recording Jurisdiction]

[Name of Recording Jurisdiction]

THE EAST 155 FEET OF THE WEST HALF OF THE SOUTHEAST QUARTER OF THE
SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 32, TOWNSHIP 41
NORTH, RANGE 1 EAST OF WILLIAMETTE MERIDIAN.

EXCEPT ROAD ALONG THE SOUTH LINE THEREOF;
SITUATE IN WHATCOM COUNTY, WASHINGTON.

Parcel ID Number: 410132 400035 0000
4258 "H" Street Road
Blaine
("Property Address"):

which currently has the address of
[Street]
[City], Washington 98230 [Zip Code]

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property." Borrower understands and agrees that MERS holds only legal title to the interests granted by Borrower in this Security Instrument, but, if necessary to comply with law or custom, MERS (as nominee for Lender and Lender's successors and assigns) has the right: to exercise any or all of those interests, including, but not limited to, the right to foreclose and sell the Property; and to take any action required of Lender including, but not limited to, releasing and canceling this Security Instrument.

BORROWER COVENANTS that Borrower is lawfully seised of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for encumbrances BBAP-106 0101786515

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of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

1. Payment of Principal, Interest, Escrow Items, Prepayment Charges, and Late Charges. Borrower shall pay when due the principal of, and interest on, the debt evidenced by the Note and any prepayment charges and late charges due under the Note. Borrower shall also pay funds for Escrow Items pursuant to Section 3. Payments due under the Note and this Security Instrument shall be made in U.S. currency. However, if any check or other instrument received by Lender as payment under the Note or this Security Instrument is returned to Lender unpaid, Lender may require that any or all subsequent payments due under the Note and this Security Instrument be made in one or more of the following forms, as selected by Lender: (a) cash; (b) money order; (c) certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality, or entity; or (d) Electronic Funds Transfer.

Payments are deemed received by Lender when received at the location designated in the Note or at such other location as may be designated by Lender in accordance with the notice provisions in Section 15. Lender may return any payment or partial payment if the payment or partial payments are insufficient to bring the Loan current. Lender may accept any payment or partial payment insufficient to bring the Loan current, without waiver of any rights hereunder or prejudice to its rights to refuse such payment or partial payments in the future, but Lender is not obligated to apply such payments at the time such payments are accepted. If each Periodic Payment is applied as of its scheduled due date, then Lender need not pay interest on unapplied funds. Lender may hold such unapplied funds until Borrower makes payment to bring the Loan current. If Borrower does not do so within a reasonable period of time, Lender shall either apply such funds or return them to Borrower. If not applied earlier, such funds will be applied to the outstanding principal balance under the Note immediately prior to foreclosure. No offset or claim which Borrower might have now or in the future against Lender shall relieve Borrower from making payments due under the Note and this Security Instrument or performing the covenants and agreements secured by this Security Instrument.

2. Application of Payments or Proceeds. Except as otherwise described in this Section 2, all payments accepted and applied by Lender shall be applied in the following order of priority: (a) interest due under the Note; (b) principal due under the Note; (c) amounts due under Section 3. Such payments shall be applied to each Periodic Payment in the order in which it became due. Any remaining amounts shall be applied first to late charges, second to any other amounts due under this Security Instrument, and then to reduce the principal balance of the Note.

If Lender receives a payment from Borrower for a delinquent Periodic Payment which includes a sufficient amount to pay any late charge due, the payment may be applied to the delinquent payment and the late charge. If more than one Periodic Payment is outstanding, Lender may apply any payment received from Borrower to the repayment of the Periodic Payments if, and to the extent that, each payment can be paid in full. To the extent that any excess exists after the payment is applied to the full payment of one or more Periodic Payments, such excess may be applied to any late charges due. Voluntary prepayments shall be applied first to any prepayment charges and then as described in the Note.

Any application of payments, insurance proceeds, or Miscellaneous Proceeds to principal due under the Note shall not extend or postpone the due date, or change the amount, of the Periodic Payments.

3. Funds for Escrow Items. Borrower shall pay to Lender on the day Periodic Payments are due under the Note, until the Note is paid in full, a sum (the "Funds") to provide for payment of amounts due for: (a) taxes and assessments and other items which can attain priority over this Security Instrument as a lien or encumbrance on the Property; (b) leasehold payments or ground rents on the Property, if any; (c) premiums for any and all insurance required by Lender under Section 5; and (d) Mortgage Insurance premiums, if any, or any sums payable by Borrower to Lender in lieu of the payment of Mortgage Insurance premiums in accordance with the provisions of Section 10. These items are called "Escrow Items." At origination or at any time during the term of the Loan, Lender may require that Community

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Association Dues, Fees and Assessments, if any, be escrowed by Borrower, and such dues, fees and assessments shall be an Escrow Item. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this Section. Borrower shall pay Lender the Funds for Escrow Items unless Lender waives Borrower's obligation to pay the Funds for any or all Escrow Items. Lender may waive Borrower's obligation to pay to Lender Funds for any or all Escrow Items at any time. Any such waiver may only be in writing. In the event of such waiver, Borrower shall pay directly, when and where payable, the amounts due for any Escrow Items for which payment of Funds has been waived by Lender and, if Lender requires, shall furnish to Lender receipts evidencing such payment within such time period as Lender may require. Borrower's obligation to make such payments and to provide receipts shall for all purposes be deemed to be a covenant and agreement contained in this Security Instrument, as the phrase "covenant and agreement" is used in Section 9. If Borrower is obligated to pay Escrow Items directly, pursuant to a waiver, and Borrower fails to pay the amount due for an Escrow Item, Lender may exercise its rights under Section 9 and pay such amount and Borrower shall then be obligated under Section 9 to repay to Lender any such amount. Lender may revoke the waiver as to any or all Escrow Items at any time by a notice given in accordance with Section 15 and, upon such revocation, Borrower shall pay to Lender all Funds, and in such amounts, that are then required under this Section 3.

Lender may, at any time, collect and hold Funds in an amount (1) sufficient to permit Lender to apply the Funds at the time specified under RESPA and (2) not to exceed the maximum amount a lender can require under RESPA. Lender shall estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Escrow Items or otherwise in accordance with Applicable Law.

The Funds shall be held in an institution whose deposits are insured by a federal agency, instrumentality, or entity (including Lender, if Lender is an institution whose deposits are so insured) or in any Federal Home Loan Bank. Lender shall apply the Funds to pay the Escrow Items no later than the time specified under RESPA. Lender shall not charge Borrower for holding and applying the Funds, annually analyzing the escrow account, or verifying the Escrow Items, unless Lender pays Borrower interest on the Funds and Applicable Law permits Lender to make such a charge. Unless an agreement is made in writing or Applicable Law requires interest to be paid on the Funds, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Borrower and Lender can agree in writing, however, that interest shall be paid on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds as required by RESPA.

If there is a surplus of Funds held in escrow, as defined under RESPA, Lender shall account to Borrower for the excess funds in accordance with RESPA. If there is a shortage of Funds held in escrow, as defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the shortage in accordance with RESPA, but in no more than twelve monthly payments. If there is a deficiency of Funds held in escrow, as defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the deficiency in accordance with RESPA, but in no more than twelve monthly payments.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender.

4. Charges; Liens. Borrower shall pay all taxes, assessments, charges, fines, and impositions attributable to the Property which can attain priority over this Security Instrument, leasehold payments or ground rents on the Property, if any, and Community Association Dues, Fees, and Assessments, if any. To the extent that these items are Escrow Items. Borrower shall pay them in the manner provided in Section 3.

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Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender, but only so long as Borrower is performing such agreement; (b) contests the lien in good faith by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of the lien while those proceedings are pending, but only until such proceedings are concluded; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which can attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Within 10 days of the date on which that notice is given, Borrower shall satisfy the lien or take one or more of the actions set forth above in this Section 4.

Lender may require Borrower to pay a one-time charge for a real estate tax verification and/or reporting service used by Lender in connection with this Loan.

5. Property Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage," and any other hazards including, but not limited to, earthquakes and floods, for which Lender requires insurance. This insurance shall be maintained in the amounts (including deductible levels) and for the periods that Lender requires. What Lender requires pursuant to the preceding sentences can change during the term of the Loan. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's right to disapprove Borrower's choice, which right shall not be exercised unreasonably. Lender may require Borrower to pay, in connection with this Loan, either: (a) a one-time charge for flood zone determination, certification and tracking services; or (b) a one-time charge for flood zone determination and certification services and subsequent charges each time remappings or similar changes occur which reasonably might affect such determination or certification. Borrower shall also be responsible for the payment of any fees imposed by the Federal Emergency Management Agency in connection with the review of any flood zone determination resulting from an objection by Borrower.

If Borrower fails to maintain any of the coverages described above, Lender may obtain insurance coverage, at Lender's option and Borrower's expense. Lender is under no obligation to purchase any particular type or amount of coverage. Therefore, such coverage shall cover Lender, but might or might not protect Borrower, Borrower's equity in the Property, or the contents of the Property, against any risk, hazard or liability and might provide greater or lesser coverage than was previously in effect. Borrower acknowledges that the cost of the insurance coverage so obtained might significantly exceed the cost of insurance that Borrower could have obtained. Any amounts disbursed by Lender under this Section 5 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

All insurance policies required by Lender and renewals of such policies shall be subject to Lender's right to disapprove such policies, shall include a standard mortgage clause, and shall name Lender as mortgagee and/or as an additional loss payee. Lender shall have the right to hold the policies and renewal certificates. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. If Borrower obtains any form of insurance coverage, not otherwise required by Lender, for damage to, or destruction of, the Property, such policy shall include a standard mortgage clause and shall name Lender as mortgagee and/or as an additional loss payee.

In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower. Unless Lender and Borrower otherwise agree in writing, any insurance proceeds, whether or not the underlying insurance was required by Lender, shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to

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hold such insurance proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such insurance proceeds, Lender shall not be required to pay Borrower any interest or earnings on such proceeds. Fees for public adjusters, or other third parties, retained by Borrower shall not be paid out of the insurance proceeds and shall be the sole obligation of Borrower. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such insurance proceeds shall be applied in the order provided for in Section 2.

If Borrower abandons the Property, Lender may file, negotiate and settle any available insurance claim and related matters. If Borrower does not respond within 30 days to a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may negotiate and settle the claim. The 30-day period will begin when the notice is given. In either event, or if Lender acquires the Property under Section 22 or otherwise, Borrower hereby assigns to Lender (a) Borrower's rights to any insurance proceeds in an amount not to exceed the amounts unpaid under the Note or this Security Instrument, and (b) any other of Borrower's rights (other than the right to any refund of unearned premiums paid by Borrower) under all insurance policies covering the Property, insofar as such rights are applicable to the coverage of the Property. Lender may use the insurance proceeds either to repair or restore the Property or to pay amounts unpaid under the Note or this Security Instrument, whether or not then due.

6. Occupancy. Borrower shall occupy, establish, and use the Property as Borrower's principal residence within sixty days after the execution of this Security Instrument and shall continue to occupy the Property as Borrower's principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing, which consent shall not be unreasonably withheld, or unless extenuating circumstances exist which are beyond Borrower's control.

7. Preservation, Maintenance and Protection of the Property; Inspections. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate or commit waste on the Property. Whether or not Borrower is residing in the Property, Borrower shall maintain the Property in order to prevent the Property from deteriorating or decreasing in value due to its condition. Unless it is determined pursuant to Section 5 that repair or restoration is not economically feasible, Borrower shall promptly repair the Property if damaged to avoid further deterioration or damage. If insurance or condemnation proceeds are paid in connection with damage to, or the taking of, the Property, Borrower shall be responsible for repairing or restoring the Property only if Lender has released proceeds for such purposes. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. If the insurance or condemnation proceeds are not sufficient to repair or restore the Property, Borrower is not relieved of Borrower's obligation for the completion of such repair or restoration.

Lender or its agent may make reasonable entries upon and inspections of the Property. If it has reasonable cause, Lender may inspect the interior of the improvements on the Property. Lender shall give Borrower notice at the time of or prior to such an interior inspection specifying such reasonable cause.

8. Borrower's Loan Application. Borrower shall be in default if, during the Loan application process, Borrower or any persons or entities acting at the direction of Borrower or with Borrower's knowledge or consent gave materially false, misleading, or inaccurate information or statements to Lender (or failed to provide Lender with material information) in connection with the Loan. Material representations include, but are not limited to, representations concerning Borrower's occupancy of the Property as Borrower's principal residence.

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9. Protection of Lender's Interest in the Property and Rights Under this Security Instrument.

(a) Borrower fails to perform the covenants and agreements contained in this Security Instrument, (b) there is a legal proceeding that might significantly affect Lender's interest in the Property and/or rights under this Security Instrument (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture, for enforcement of a lien which may attain priority over this Security Instrument or to enforce laws or regulations), or (c) Borrower has abandoned the Property, then Lender may do and pay for whatever is reasonable or appropriate to protect Lender's interest in the Property and rights under this Security Instrument, including protecting and/or assessing the value of the Property, and securing and/or repairing the Property. Lender's actions can include, but are not limited to: (a) paying any sums secured by a lien which has priority over this Security Instrument; (b) appearing in court; and (c) paying reasonable attorneys' fees to protect its interest in the Property and/or rights under this Security Instrument, including its secured position in a bankruptcy proceeding. Securing the Property includes, but is not limited to, entering the Property to make repairs, change locks, replace or board up doors and windows, drain water from pipes, eliminate building or other code violations or dangerous conditions, and have utilities turned on or off. Although Lender may take action under this Section 9, Lender does not have to do so and is not under any duty or obligation to do so. It is agreed that Lender incurs no liability for not taking any or all actions authorized under this Section 9.

Any amounts disbursed by Lender under this Section 9 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

If this Security Instrument is on a leasehold, Borrower shall comply with all the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

10. Mortgage Insurance. If Lender required Mortgage Insurance as a condition of making the Loan, Borrower shall pay the premiums required to maintain the Mortgage Insurance in effect. If, for any reason, the Mortgage Insurance coverage required by Lender ceases to be available from the mortgage insurer that previously provided such insurance and Borrower was required to make separately designated payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums required to obtain coverage substantially equivalent to the Mortgage Insurance previously in effect, at a cost substantially equivalent to the cost to Borrower of the Mortgage Insurance previously in effect, from an alternate mortgage insurer selected by Lender. If substantially equivalent Mortgage Insurance coverage is not available, Borrower shall continue to pay to Lender the amount of the separately designated payments that were due when the insurance coverage ceased to be in effect. Lender will accept, use and retain these payments as a non-refundable loss reserve in lieu of Mortgage Insurance. Such loss reserve shall be non-refundable, notwithstanding the fact that the Loan is ultimately paid in full, and Lender shall not be required to pay Borrower any interest or earnings on such loss reserve. Lender can no longer require loss reserve payments if Mortgage Insurance coverage (in the amount and for the period that Lender requires) provided by an insurer selected by Lender again becomes available, is obtained, and Lender requires separately designated payments toward the premiums for Mortgage Insurance. If Lender required Mortgage Insurance as a condition of making the Loan and Borrower was required to make separately designated payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums required to maintain Mortgage Insurance in effect, or to provide a non-refundable loss reserve, until Lender's requirement for Mortgage Insurance ends in accordance with any written agreement between Borrower and Lender providing for such termination or until termination is required by Applicable Law. Nothing in this Section 10 affects Borrower's obligation to pay interest at the rate provided in the Note.

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11. Assignment of Miscellaneous Proceeds; Forfeiture. All Miscellaneous Proceeds are hereby assigned to and shall be paid to Lender.

If the Property is damaged, such Miscellaneous Proceeds shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such Miscellaneous Proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may pay for the repairs and restoration in a single disbursement or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such Miscellaneous Proceeds, Lender shall not be required to pay Borrower any interest or earnings on such Miscellaneous Proceeds. If the restoration or repair is not economically feasible or Lender's security would be lessened, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such Miscellaneous Proceeds shall be applied in the order provided for in Section 2.

In the event of a total taking, destruction, or loss in value of the Property, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the Miscellaneous Proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the partial taking, destruction, or loss in value divided by (b) the fair market value of the Property immediately before the partial taking, destruction, or loss in value. Any balance shall be paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is less than the amount of the sums secured immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the Opposing Party (as defined in the next sentence) offers to make an award to settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the Miscellaneous Proceeds either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due. "Opposing Party" means the third party that owes Borrower Miscellaneous Proceeds or the party against whom Borrower has a right of action in regard to Miscellaneous Proceeds.

Borrower shall be in default if any action or proceeding, whether civil or criminal, is begun that, in Lender's judgment, could result in forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. Borrower can cure such a default and, if acceleration has occurred, reinstate as provided in Section 19, by causing the action or proceeding to be dismissed with a ruling that, in Lender's judgment, precludes forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. The proceeds of any award or claim for damages that are attributable to the impairment of Lender's interest in the Property are hereby assigned and shall be paid to Lender.

All Miscellaneous Proceeds that are not applied to restoration or repair of the Property shall be applied in the order provided for in Section 2.

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12. Borrower Not Released; Forbearance By Lender Not a Waiver. Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to Borrower or any Successor in Interest of Borrower shall not operate to release the liability of Borrower or any Successors in Interest of Borrower. Lender shall not be required to commence proceedings against any Successor in Interest of Borrower or to refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or any Successors in Interest of Borrower. Any forbearance by Lender in exercising any right or remedy including, without limitation, Lender's acceptance of payments from third persons, entities or Successors in Interest of Borrower or in amounts less than the amount then due, shall not be a waiver of or preclude the exercise of any right or remedy.

13. Joint and Several Liability; Co-signers; Successors and Assigns Bound. Borrower covenants and agrees that Borrower's obligations and liability shall be joint and several. However, any Borrower who co-signs this Security Instrument but does not execute the Note (a "co-signer"): (a) is co-signing this Security Instrument only to mortgage, grant and convey the co-signer's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower can agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without the co-signer's consent.

Subject to the provisions of Section 18, any Successor in Interest of Borrower who assumes Borrower's obligations under this Security Instrument in writing, and is approved by Lender, shall obtain all of Borrower's rights and benefits under this Security Instrument. Borrower shall not be released from Borrower's obligations and liability under this Security Instrument unless Lender agrees to such release in writing. The covenants and agreements of this Security Instrument shall bind (except as provided in Section 20) and benefit the successors and assigns of Lender.

14. Loan Charges. Lender may charge Borrower fees for services performed in connection with Borrower's default, for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument, including, but not limited to, attorneys' fees, property inspection and valuation fees. In regard to any other fees, the absence of express authority in this Security Instrument to charge a specific fee to Borrower shall not be construed as a prohibition on the charging of such fee. Lender may not charge fees that are expressly prohibited by this Security Instrument or by Applicable Law.

If the Loan is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the Loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge (whether or not a prepayment charge is provided for under the Note). Borrower's acceptance of any such refund made by direct payment to Borrower will constitute a waiver of any right of action Borrower might have arising out of such overcharge.

15. Notices. All notices given by Borrower or Lender in connection with this Security Instrument must be in writing. Any notice to Borrower in connection with this Security Instrument shall be deemed to have been given to Borrower when mailed by first class mail or when actually delivered to Borrower's notice address if sent by other means. Notice to any one Borrower shall constitute notice to all Borrowers unless Applicable Law expressly requires otherwise. The notice address shall be the Property Address unless Borrower has designated a substitute notice address by notice to Lender. Borrower shall promptly notify Lender of Borrower's change of address. If Lender specifies a procedure for reporting Borrower's change of address, then Borrower shall only report a change of address through that specified procedure.

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There may be only one designated notice address under this Security Instrument at any one time. Any notice to Lender shall be given by delivering it or by mailing it by first class mail to Lender's address stated herein unless Lender has designated another address by notice to Borrower. Any notice in connection with this Security Instrument shall not be deemed to have been given to Lender until actually received by Lender. If any notice required by this Security Instrument is also required under Applicable Law, the Applicable Law requirement will satisfy the corresponding requirement under this Security Instrument.

16. Governing Law; Severability; Rules of Construction. This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. All rights and obligations contained in this Security Instrument are subject to any requirements and limitations of Applicable Law. Applicable Law might explicitly or implicitly allow the parties to agree by contract or it might be silent, but such silence shall not be construed as a prohibition against agreement by contract. In the event that any provision or clause of this Security Instrument or the Note conflicts with Applicable Law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision.

As used in this Security Instrument: (a) words of the masculine gender shall mean and include corresponding neuter words or words of the feminine gender; (b) words in the singular shall mean and include the plural and vice versa; and (c) the word "may" gives sole discretion without any obligation to take any action.

17. Borrower's Copy. Borrower shall be given one copy of the Note and of this Security Instrument.

18. Transfer of the Property or a Beneficial Interest in Borrower. As used in this Section 18, "Interest in the Property" means any legal or beneficial interest in the Property, including, but not limited to, those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement, the intent of which is the transfer of title by Borrower at a future date to a purchaser.

If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in accordance with Section 15 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

19. Borrower's Right to Reinstate After Acceleration. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earliest of: (a) five days before sale of the Property pursuant to any power of sale contained in this Security Instrument; (b) such other period as Applicable Law might specify for the termination of Borrower's right to reinstate; or (c) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees, property inspection and valuation fees, and other fees incurred for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument; and (d) takes such action as Lender may reasonably require to assure that Lender's interest in the Property and rights under this Security Instrument, and Borrower's obligation to pay the sums secured by this Security Instrument, shall continue unchanged. Lender may require that Borrower pay such reinstatement sums and expenses in one or more of the following forms, as selected by Lender: (a) cash; (b) money order; (c)

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certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality or entity; or (d) Electronic Funds Transfer. Upon reinstatement by Borrower, this Security Instrument and obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under Section 18.

20. Sale of Note; Change of Loan Servicer; Notice of Grievance. The Note or a partial interest in the Note (together with this Security Instrument) can be sold one or more times without prior notice to Borrower. A sale might result in a change in the entity (known as the "Loan Servicer") that collects Periodic Payments due under the Note and this Security Instrument and performs other mortgage loan servicing obligations under the Note, this Security Instrument, and Applicable Law. There also might be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change which will state the name and address of the new Loan Servicer, the address to which payments should be made and any other information RESPA requires in connection with a notice of transfer of servicing. If the Note is sold and thereafter the Loan is serviced by a Loan Servicer other than the purchaser of the Note, the mortgage loan servicing obligations to Borrower will remain with the Loan Servicer or be transferred to a successor Loan Servicer and are not assumed by the Note purchaser unless otherwise provided by the Note purchaser.

Neither Borrower nor Lender may commence, join, or be joined to any judicial action (as either an individual litigant or the member of a class) that arises from the other party's actions pursuant to this Security Instrument or that alleges that the other party has breached any provision of, or any duty owed by reason of, this Security Instrument, until such Borrower or Lender has notified the other party (with such notice given in compliance with the requirements of Section 15) of such alleged breach and afforded the other party hereto a reasonable period after the giving of such notice to take corrective action. If Applicable Law provides a time period which must elapse before certain action can be taken, that time period will be deemed to be reasonable for purposes of this paragraph. The notice of acceleration and opportunity to cure given to Borrower pursuant to Section 22 and the notice of acceleration given to Borrower pursuant to Section 18 shall be deemed to satisfy the notice and opportunity to take corrective action provisions of this Section 20.

21. Hazardous Substances. As used in this Section 21: (a) "Hazardous Substances" are those substances defined as toxic or hazardous substances, pollutants, or wastes by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials; (b) "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection; (c) "Environmental Cleanup" includes any response action, remedial action, or removal action, as defined in Environmental Law; and (d) an "Environmental Condition" means a condition that can cause, contribute to, or otherwise trigger an Environmental Cleanup.

Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances, or threaten to release any Hazardous Substances, on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property (a) that is in violation of any Environmental Law, (b) which creates an Environmental Condition, or (c) which, due to the presence, use, or release of a Hazardous Substance, creates a condition that adversely affects the value of the Property. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property (including, but not limited to, hazardous substances in consumer products).

Borrower shall promptly give Lender written notice of (a) any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge, (b) any Environmental Condition, including but not limited to, any spilling, leaking, discharge, release or threat of

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release of any Hazardous Substance, and (c) any condition caused by the presence, use or release of a Hazardous Substance which adversely affects the value of the Property. If Borrower learns, or is notified by any governmental or regulatory authority, or any private party, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Nothing herein shall create any obligation on Lender for an Environmental Cleanup.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

22. Acceleration; Remedies. Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument (but not prior to acceleration under Section 18 unless Applicable Law provides otherwise). The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Borrower, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument and sale of the Property at public auction at a date not less than 120 days in the future. The notice shall further inform Borrower of the right to reinstate after acceleration, the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale, and any other matters required to be included in the notice by Applicable Law. If the default is not cured on or before the date specified in the notice, Lender at its option, may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and/or any other remedies permitted by Applicable Law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this Section 22, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender invokes the power of sale, Lender shall give written notice to Trustee of the occurrence of an event of default and of Lender's election to cause the Property to be sold. Trustee and Lender shall take such action regarding notice of sale and shall give such notices to Borrower and to other persons as Applicable Law may require. After the time required by Applicable Law and after publication of the notice of sale, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of the Property for a period or periods permitted by Applicable Law by public announcement at the time and place fixed in the notice of sale. Lender or its designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it or to the clerk of the superior court of the county in which the sale took place.

23. Reconveyance. Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to reconvey the Property and shall surrender this Security Instrument and all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall reconvey the Property without warranty to the person or persons legally entitled to it. Such person or persons shall pay any recordation costs and the Trustee's fee for preparing the reconveyance.

24. Substitute Trustee. In accordance with Applicable Law, Lender may from time to time appoint a successor trustee to any Trustee appointed hereunder who has ceased to act. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by Applicable Law.

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25. Use of Property. The Property is not used principally for agricultural purposes.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument and in any rider executed by Borrower and recorded with it.

Witnesses:

Louise Connelly (Seal)
Louise Connelly -Borrower

(Seal)
-Borrower

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STATE OF WASHINGTON

County of Whatcom

On this day personally appeared before me
Louise Connelly

} ss:

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

GIVEN under my hand and official seal this 8th day of November, 2000.

NOTARY PUBLIC
STATE OF WASHINGTON
JANICE L. VERBURG
My Appointment Expires
AUGUST 15, 2004

Janice L. Verburg
Notary Public in and for the State of Washington, residing at
Bellingham
My Appointment Expires on 8/15/04

JANICE L. VERBURG

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1-4 FAMILY RIDER (Assignment of Rents)

THIS 1-4 FAMILY RIDER is made this 3RD day of November, 2000, and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust or Security Deed (the "Security Instrument") of the same date given by the undersigned (the "Borrower") to secure Borrower's Note to

GreenPoint Mortgage Funding, Inc.

(the "Lender") of the same date and covering the property described in the Security Instrument and located at:

4258 "H" Street Road, Blaine, Washington 98230

[Property Address]

1-4 FAMILY COVENANTS. In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree as follows:

A. ADDITIONAL PROPERTY SUBJECT TO THE SECURITY INSTRUMENT. In addition to the Property described in the Security Instrument, the following items now or hereafter attached to the Property to the extent they are fixtures are added to the Property description, and shall also constitute the Property covered by the Security Instrument: building materials, appliances and goods of every nature whatsoever now or hereafter located in, on, or used, or intended to be used in connection with the Property, including, but not limited to, those for the purposes of supplying or distributing heating, cooling, electricity, gas, water, air and light, fire prevention and extinguishing apparatus, security and access control apparatus, plumbing, bath tubs, water heaters, water closets, sinks, ranges, stoves, refrigerators, dishwashers, disposals, washers, dryers, awnings, storm windows, storm doors, screens, blinds, shades, curtains and curtain rods, attached mirrors, cabinets, paneling and attached floor coverings, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the Property covered by the Security Instrument. All of the foregoing together with the Property described in the Security Instrument (or the leasehold estate if the Security Instrument is on a leasehold) are referred to in this 1-4 Family Rider and the Security Instrument as the "Property."

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MULTISTATE 1-4 FAMILY RIDER - Fannie Mae/Freddie Mac Uniform Instrument

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B. USE OF PROPERTY; COMPLIANCE WITH LAW. Borrower shall not seek, agree to or make a change in the use of the Property or its zoning classification, unless Lender has agreed in writing to the change. Borrower shall comply with all laws, ordinances, regulations and requirements of any governmental body applicable to the Property.

C. SUBORDINATE LIENS. Except as permitted by federal law, Borrower shall not allow any lien inferior to the Security Instrument to be perfected against the Property without Lender's prior written permission.

D. RENT LOSS INSURANCE. Borrower shall maintain insurance against rent loss in addition to the other hazards for which insurance is required by Section 5.

E. "BORROWER'S RIGHT TO REINSTATE" DELETED. Section 19 is deleted.

F. BORROWER'S OCCUPANCY. Unless Lender and Borrower otherwise agree in writing, the first sentence in Section 6 concerning Borrower's occupancy of the Property is deleted. All remaining covenants and agreements set forth in Section 6 shall remain in effect.

G. ASSIGNMENT OF LEASES. Upon Lender's request after default, Borrower shall assign to Lender all leases of the Property and all security deposits made in connection with leases of the Property. Upon the assignment, Lender shall have the right to modify, extend or terminate the existing leases and to execute new leases, in Lender's sole discretion. As used in this paragraph G, the word "lease" shall mean "sublease" if the Security Instrument is on a leasehold.

H. ASSIGNMENT OF RENTS; APPOINTMENT OF RECEIVER; LENDER IN POSSESSION. Borrower absolutely and unconditionally assigns and transfers to Lender all the rents and revenues ("Rents") of the Property, regardless of to whom the Rents of the Property are payable. Borrower authorizes Lender or Lender's agents to collect the Rents, and agrees that each tenant of the Property shall pay the Rents to Lender or Lender's agents. However, Borrower shall receive the Rents until (i) Lender has given Borrower notice of default pursuant to Section 22 of the Security Instrument and (ii) Lender has given notice to the tenant(s) that the Rents are to be paid to Lender or Lender's agent. This assignment of Rents constitutes an absolute assignment and not an assignment for additional security only.

If Lender gives notice of default to Borrower: (i) all Rents received by Borrower shall be held by Borrower as trustee for the benefit of Lender only, to be applied to the sums secured by the Security Instrument; (ii) Lender shall be entitled to collect and receive all of the Rents of the Property; (iii)

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Borrower agrees that each tenant of the Property shall pay all Rents due and unpaid to Lender or Lender's agents upon Lender's written demand to the tenant; (iv) unless applicable law provides otherwise, all Rents collected by Lender or Lender's agents shall be applied first to the costs of taking control of and managing the Property and collecting the Rents, including, but not limited to, attorneys' fees, receiver's fees, premiums on receiver's bonds, repair and maintenance costs, insurance premiums, taxes, assessments and other charges on the Property, and then to the sums secured by the Security Instrument; (v) Lender, Lender's agents or any judicially appointed receiver shall be liable to account for only those Rents actually received; and (vi) Lender shall be entitled to have a receiver appointed to take possession of and manage the Property and collect the Rents and profits derived from the Property without any showing as to the inadequacy of the Property as security.

If the Rents of the Property are not sufficient to cover the costs of taking control of and managing the Property and of collecting the Rents any funds expended by Lender for such purposes shall become indebtedness of Borrower to Lender secured by the Security Instrument pursuant to Section 9.

Borrower represents and warrants that Borrower has not executed any prior assignment of the Rents and has not performed, and will not perform, any act that would prevent Lender from exercising its rights under this paragraph.

Lender, or Lender's agents or a judicially appointed receiver, shall not be required to enter upon, take control of or maintain the Property before or after giving notice of default to Borrower. However, Lender, or Lender's agents or a judicially appointed receiver, may do so at any time when a default occurs. Any application of Rents shall not cure or waive any default or invalidate any other right or remedy of Lender. This assignment of Rents of the Property shall terminate when all the sums secured by the Security Instrument are paid in full.

I. CROSS-DEFAULT PROVISION. Borrower's default or breach under any note or agreement in which Lender has an interest shall be a breach under the Security Instrument and Lender may invoke any of the remedies permitted by the Security Instrument.

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BY SIGNING BELOW, Borrower accepts and agrees to the terms and provisions contained in this 1-4 Family Rider.

Louise Connelly (Seal)
Louise Connelly -Borrower

_____ (Seal)
-Borrower

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