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J. MICHAEL GARVISON  
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**AFTER RECORDING MAIL TO:**

Puget Sound Capital Corporation  
2938 Limited Lane NW, Suite C-1  
Olympia, WA 98502

**FILED FOR RECORD AT REQUEST OF:**

Puget Sound Capital Corporation

DOCUMENT TITLE:	
GRANTORS:	
GRANTEES:	
BENEFICIARY	
LEGAL DESCRIPTION:	
ASSESSOR'S PROPERTY TAX PARCEL NO.	02-01-29-2-2-2101-00
AUDITOR'S FILE NO:	

**CONSTRUCTION DEED OF TRUST**

**THIS CONSTRUCTION DEED OF TRUST, made this 20th day of December, 2004, between Millie Hanson and Dan Hatfield, Co-Trustees of the Hanson Living Trust dated March 6, 2002, as GRANTOR(S) whose address is 2035 SE Evergreen Milwaukie, Oregon 97222 and Clark County Title Company, as TRUSTEE, whose address is 1400 Washington Street Suite 100 Vancouver, Wa. 98660, and Puget Sound Capital Corporation dba Healy Mortgage as BENEFICIARY, whose address is 2938 Limited Lane NW Suite C-1, Olympia, Wa. 98502, and may be referred to as "Lender" herein.**

Grantor(s) hereby irrevocably grants, bargains, sells, and conveys to Trustee in trust, with power of sale, right of entry and possession, and for the benefit of Lender as Beneficiary, the following described property in Skamania County, Washington:

***Lot 2 of MF 7 WACOMAC REPLAT Short Plat, recorded in Book "T" of Short Plats, page 116, records of Skamania County, Washington.***

Assessor's Property Tax Parcel/Account Number: 02-07-29-2-2-2101, herein referred to as the "Property."

**TOGETHER WITH** all existing or later erected or affixed buildings, fixtures and improvements, all easements, appurtenances, water and water rights, drainage and drainage rights, and all other rights, royalties, rents, issues, and profits and all other property rights of any kind or nature whatsoever, and all of the estate, rights, title, claim, interest and demand whatsoever of the Grantor, whether in law or equity, of in and to the Property, set forth in this Construction Deed of Trust.

**GRANTOR COVENANTS AND AGREES AS FOLLOWS:**

- 1. NOTE SECURITY.** This Deed of Trust, including the assignment of Rents and the security interest in the Rents and Personal Property, is given to secure the payment of the Indebtedness and performance of any and all obligations owing to Beneficiary under the Note, together with the Construction Loan Agreement and Loan Documents between Grantor as Borrower and Beneficiary as Lender, and this Deed of Trust. Any Event of Default under the Construction Loan Agreement, the Note, or any of the related Loan Documents shall also be an Event of Default under this Deed of Trust.
- 2. FUTURE ADVANCES.** This Deed of Trust secures, in addition to all amounts specified in the Note, all future amounts and advances Lender in its discretion may loan to Grantor, together with all the interest thereon from the date of the advance until fully paid.
- 3. PAYMENT AND PERFORMANCE.** Grantor shall pay to Lender all amounts secured by this Deed of Trust as they become due, and shall strictly and in a timely manner perform all of Grantor's obligations under the Note, this Deed of Trust, the Construction Loan Agreement, and the Loan Documents.
- 4. CONSTRUCTION MORTGAGE.** This Deed of Trust is a "construction mortgage" as defined in Revised Code of Washington, (RCW) § 62A.9-334 and § 62A-2A-309.
- 5. ASSIGNMENT OF RENTS.** Grantor hereby assigns as security to Lender, all of Grantor's right, title and interest in and to all leases, rents, and profits of or from the Property. The lien created by this assignment is intended to be perfected, choate and specific upon the recording of this Deed of Trust, and Lender hereby grants to Grantor a license to collect such 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 assignment is recorded pursuant to RCW § 65.08.070.
- 6. MAINTENANCE, POSSESSION AND USE OF THE PROPERTY.** Grantor's use and possession of the Property is governed by, and subject to, the following requirements:
  - A) Construction Loan.** If any of the Note proceeds are advances to be used for construction of any Improvements on the Property, those Improvements shall be completed the sooner of the Maturity Date of the Note or an earlier date as Lender may reasonably establish, and Grantor shall pay in full all costs, charges and expenses in connection with the construction work. Beneficiary shall commence construction promptly, and in any event within thirty (30) days from the date of this Deed of Trust, or as required in the Loan Documents with Lender, and complete construction the sooner of the date set out in the Loan Documents or within eight (8) months of the date of this Deed of Trust. Grantor shall replace any work or material unsatisfactory to Lender within fifteen (15) days after written notice to Grantor of such fact, and Grantor shall not allow work to cease on the construction of the Improvements for any reason whatsoever for a period of ten (10) consecutive days. No building or other improvement existing on the Property on the date of this Deed of Trust shall be structurally altered, removed or demolished

without the Lender's prior written consent, nor shall any fixture or chattel covered by this Deed of Trust be removed at any time without like consent unless actually replaced by an article of equal suitability, owned by the Grantor, free and clear of any lien or security interest, except as may be approved in writing by the Lender.

**B) Compliance with Laws.** Grantor shall maintain the building and other improvements on the Property in a rentable and tenantable condition and state of repair. Grantor will neither commit nor suffer any waste, promptly comply with all requirements of the federal, state and municipal authorities, and all other laws, ordinances, regulations, covenants, conditions and restrictions respecting said Property, of the use thereof, and pay all fees and charges of any kind in connection therewith. Lender may recover as damages for any breach of this covenant, the amount it would cost to put the Property in the condition called for herein. In the event of breach of any requirement of this section, the Lender may, in addition to all other rights and remedies, at any time thereafter, declare the whole of the Note principal sum immediately due and payable. Proof of impairment of security shall be unnecessary in any suit or proceeding under this section. Grantors shall permit Lender or its agents the opportunity to inspect the property including the interior of any structure, at all reasonable times, whether during construction or after.

**C) Compliance with Environmental Laws.** Grantor represents, warrants and covenants to Lender:

(i) 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, either during Grantor's ownership of the Property, or by any prior owners or occupants of the Property;

(ii) Grantor has no knowledge of, after performing a due diligent investigation, any breach or violation of any Environmental Laws, any actual or threatened litigation or claims of any kind by any person relating to such matters, and Grantor will not authorize or tolerate any use, generation, manufacture, storage, treatment, disposal of, or release of any Hazardous Substance on, under, about or from the Property without the prior written consent of Lender;

(iii) All of Grantor's activities, and all activities on the Property, shall be conducted in strict 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 the Property to make such inspections and tests as Lender may deem appropriate, at Grantor's expense, to determine compliance of the Property with this section of the Deed of Trust. Grantor hereby:

1) Agrees to indemnify, defend and hold harmless Lender against any and all claims, losses, expense, liabilities, damages (including reasonable attorneys fees and engineering fees) which Lender may directly or indirectly suffer resulting from a breach of this section of the Deed of Trust, or as a consequence of any violation of any Environmental Law, whether or not the same was or should have been known to Grantor; and

2) Release and waives any future claims against Lender for indemnity or contribution in the event Grantor become liable for cleanup or other costs under any Environmental Laws. The indemnity, release and other provisions of this section shall survive the payment of the Indebtedness, and the satisfaction and reconveyance of the Note and Deed of Trust, and shall not be affected by Lender's acquisition of any interest in the Property, whether by foreclosure, in lieu of foreclosure or otherwise.

**D) Possession, Maintenance and Use.** Grantor shall maintain the Property in tenantable condition, promptly perform all repairs, replacements and maintenance necessary to preserve the Property and its value and to do all other acts, in addition to all those acts set forth in this section which, from the character and use of the Property, are necessary to protect and preserve it. Grantor agrees to not abandon or leave unattended the Property. **The Property and Real Property is not used principally for agricultural purposes.** Upon the occurrence of an Event of Default, Grantor may remain in possession

and control of the Property, use, operate or manage the Property and collect the Rents from the Property pursuant to license from Lender to Grantor.

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

**7. TAXES AND LIENS.** Grantor shall strictly and timely comply with the following provisions relating to the taxes and liens on the Property. Grantor shall pay when due, **TIME IS OF THE ESSENCE**, all taxes, assessments, charges, including water, sewer, storm water, utilities, fines and impositions levied against or on account of the Property, and pay when due all claims for work done, materials furnished, or services rendered to the Property. Grantor shall maintain the Property free and clear of all liens having priority over or equal to the interest of Lender under this Deed of Trust, except only for the lien of taxes and assessments not yet due, or as consented to by Lender in writing.

Grantor shall upon demand furnish to Lender evidence of payment of the taxes, assessments or other charges, and shall authorize delivery to Lender at any time, a written statement of the taxes, assessments and/or charges against the Property. At least ten (10) days before any work is commenced, materials supplied or services furnished to the Property, Grantor shall notify Lender in writing, and upon Lender's request, Grantor shall furnish Lender advanced assurances satisfactory to Lender that Grantor can and will pay the costs of such improvements.

**8. PROPERTY DAMAGE INSURANCE.** Grantor shall continuously maintain policies of fire and casualty insurance with standard extended coverage endorsements for the full, insurable value covering all Improvements on the Property in amounts sufficient to avoid any co-insurance requirement, and with standard mortgagee endorsement in favor of Lender. Grantor shall also continuously maintain comprehensive general liability insurance in such amounts as Lender may specify with Trustee and Lender both named as additional insured. Grantor shall maintain such other insurance as Lender may reasonably specify from time to time. All policies of insurance shall be written with coverages, amounts, in form and with companies reasonably acceptable to Lender. Each insurance policy shall (i) be delivered to Lender immediately upon the date of the Deed of Trust; (ii) shall include stipulation that coverages will not be cancelled or reduced without at least thirty (30) days prior written notice to Lender; (iii) shall include endorsement providing that coverage in favor of Lender shall not be impaired by any act, omission or default of Grantor, or any other person or party. Grantor shall obtain and maintain Federal Flood Insurance if the Property is located in a special flood hazard area for the unpaid principal balance of the Note and Indebtedness, and any prior liens on the Property securing the Note, and to maintain such insurance for the term of the Note. In the event of loss or damage to the Property, Grantor shall immediately notify Lender in writing, and Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the loss. Lender may, at Lender's sole election, receive any insurance proceeds and apply same to the reduction of the Indebtedness, or the restoration or repair of the Property, or the payment of any lien effecting the Property. If Lender elects to apply the insurance proceeds to repair and restoration, Grantor shall complete such work in a manner specified by Lender. Insurance proceeds not disbursed within six (6) months after their receipt, unless repair or restoration is underway, shall be used first to pay any amount owing Lender under this Deed of Trust, then accrued interest, then the remainder, if any, applied to the principal balance of the Indebtedness, then any remaining proceeds shall be paid without interest to Grantor. Grantor shall furnish to Lender annually, a report on each existing policy of insurance, showing the information typically contained on an insurance declaration page.

**9. EXPENDITURES BY LENDER.** If Grantor fails to comply with any provision of this Deed of Trust or any of the Loan Documents, or if any action or proceeding is commenced that would materially affect Lender's interest in the Property, Lender, on Grantor's behalf, may but shall not be obligated to,



take such action Lender deems appropriate including, but not limited to, paying taxes, liens, security interests, encumbrances or other claims, and paying all costs for insuring, maintaining, preserving and protecting the Property. All such expenditures incurred or paid by Lender shall bear interest at the rate charged under the Note, shall become part of the Indebtedness, and shall be payable upon demand. The Deed of Trust will also secure payment of such amounts, and Lender's rights herein are in addition to all other rights and remedies to which Lender may be entitled upon Default. This section shall apply to all governmental taxes, fees and charges, including, without limitation those incurred for recording this Deed of Trust, those imposed on the Deed of Trust or all or any part of the Indebtedness secured by this Deed of Trust, and to any tax, fee or charge enacted subsequent to this Deed of Trust of a similar nature.

**10. DUE ON SALE.** In the event Grantor consents or participates in a sale or transfer of all, any part of, or any interest in the Property, without Lender's prior written consent, then Lender may, at its sole option: (i) immediately declare due and payable all sums secured by this Deed of Trust; or (ii) increase the interest rate provided for in the Note and impose such other conditions as Lender deems appropriate. Any conveyance of any right, title or interest in the Property, whether voluntary or involuntary, legal, beneficial or equitable, by outright sale, deed, real estate contract, lease option contract, lease with term greater than two (2) years, lease option, or any other manner of conveyance of any interest in the Property shall constitute a "sale or transfer" for provisions of this section.

**11. FURTHER ASSURANCES.** Upon Lender's request, Grantor shall make, execute and deliver to Lender, any and all such deeds of trust, security agreements, financing statement, continuation statements, instruments of further assurance, certificates, estoppel certificates, and other documents as may be necessary or desirable in order to effectuate, complete, perfect, continue or preserve Lender's lien on the Property, all as solely determined by Lender: (i) Grantor's obligations under the Note, this Deed of Trust and the Loan Documents; and (ii) the liens and security interests created by this Deed of Trust as first and prior liens on the Property, including after acquired property by Grantor. Grantor shall reimburse Lender for all costs and expenses incurred in connection with all matters referenced in this section. Grantor hereby irrevocably appoints Lender as Grantor's attorney-in-fact, for the purpose of making, executing, filing, recording and doing all things as may be necessary or desirable, as Lender solely determines, to accomplish the matters referred to in this section, in the event Grantor fails to accomplish such requirements in a timely manner.

**12. CONDEMNATION.** If any condemnation proceeding is filed effecting or concerning all or part of the Property, Grantor shall promptly notify Lender in writing, and Grantor shall take such steps as are necessary to defend the action, obtain the award and pay and apply the award to the Note and Indebtedness owed Lender. Upon Lender's request, Lender shall be entitled to participate in the proceeding and be represented by counsel of its choice, all at Grantor's expense, and Grantor will deliver to Lender such instruments and documents as required by Lender to permit such participation. If any award is made from condemnation, eminent domain proceedings, or any proceeding or purchase in lieu of condemnation, it shall be fully applied to the Note and Indebtedness, unless otherwise consented by Lender in writing.

**13. SECURITY AGREEMENT, FINANCING STATEMENTS.** This instrument shall constitute a security agreement to the extent any of the Property constitutes fixtures, and Lender shall have all the rights of a Secured Party under the Uniform Commercial Code, as amended. Upon Lender's request, Grantor shall execute financing statements and take whatever other action required by Lender to continue and perfect Lender's security interest in the Rents and any Personal Property. Upon Default, Grantor shall not remove, detach or sever any Personal Property from the Property, and Grantor shall assemble any Personal Property not affixed to the Property in a manner and place specified by Grantor and within three (3) days of Lender's demand, to the extent permitted by law. All of Lender's expenses incurred in

perfecting or continuing its security interest shall be Additional Expenditures under the terms of this Deed of Trust, and due and payable upon demand.

**14. RECONVEYANCE.** Upon Grantor paying the Note in full and all the Indebtedness, including future advances, all when due, and performing all other obligations imposed upon Grantor under this Deed of Trust, Lender shall provide to Trustee a request for full reconveyance and shall deliver to Grantor statements of termination of any financing statement releasing Lender's security interest in the Rents and Personal Property. Grantor shall pay such termination and reconveyance fees in advance, if specified by Lender.

**15. MARKETABLE TITLE, DEFENSE.** Grantor warrants and covenants to Lender, that Grantor holds good and marketable title to the Property in fee simple, free and clear of all liens and encumbrances other than those set forth in Lender's title insurance policy, and Grantor has the full right, power and authority, and all necessary consents, to execute and deliver this Deed of Trust to Lender. Grantor warrants and covenants that Grantor will forever defend the title to the Property against the lawful claims of all persons, and if any action or proceeding is commenced that challenges Grantor's title or the interest of Trustee or Lender under this Deed of Trust, Grantor shall, at Grantor's sole expenses, defend the action. Lender shall be entitled to participate in the proceedings, and to be represented by counsel of Lender's own choice, at Grantor's expense, and Grantor will provide such documents Lender may require to permit such participation. Grantor further covenants and warrants that the Property and Grantor's use of the Property complies with all applicable laws, statutes, ordinances, regulations and rules of all local, state and federal authorities, as amended. All of Grantor's representations, covenants, warranties and agreements made in this Deed of Trust shall survive the execution and delivery of this Deed of Trust, shall remain continuing in nature, and shall be fully enforceable and effective until such time as Grantor's Note and Indebtedness has been paid in full.

**16. EVENTS OF DEFAULT.** Each of the following shall constitute an Event of Default under this Deed of Trust:

**A) Payment Default.** Grantor fails to make any payment when due under the Note or the Indebtedness.

**B) Other Defaults.** Grantor fails to comply with or perform any other obligation, provision, covenant or condition contained in this Deed of Trust, the Note, any of the Loan Documents, or any other agreement between Lender and Grantor.

**C) Failure to Comply.** Grantor fails to comply with any provision, term, condition, covenant or obligation of Grantor set out in this Deed of Trust, the Note, or any of the Loan Document. If such a failure is curable, it may be cured if Grantor cures the failure within fifteen (15) days after Lender sends written demand for cure, or if the cure requires more than fifteen (15) days, Grantor immediately begins to cure the failure and thereafter continues all necessary steps to produce compliance as soon as reasonably possible.

**D) Default of Other Payments.** Grantor fails to make any payment for taxes, insurance, or any other payment necessary to prevent the filing of or to cause the discharge of any lien, all within the time required by this Deed of Trust.

**E) Default to Third Parties.** Grantor's default under any loan or other agreement where such default may materially effect any of Grantor's property, the Property, or Grantor's ability to repay the Indebtedness or perform their respective obligations under this Deed of Trust or any of the Loan Documents.

**F) Death and Insolvency.** Grantor dies, becomes insolvent, or is subject to any assignment for the benefit of creditors, creditor work out or the commencement of any bankruptcy or insolvency proceeding.

**G) Foreclosure.** Any foreclosure or forfeiture proceeding is commenced against Grantor, whether non-judicial, judicial, self help or by any other method, by any creditor of Grantor or any governmental agency, affecting any or part of the Property securing the Indebtedness, including any garnishment of any of Grantor's accounts. If Grantor gives Lender written notice of such proceedings and deposits sufficient monies or bond as an adequate reserve for such dispute, in an amount and form satisfactory to Lender, then this Event of Default shall not apply.

**H) Cross Collateral Breach.** Grantor breaches the terms of any other agreement between Grantor and Lender, whether existing now or later.

**I) Defective of Security.** Any Loan Document, including this Deed of Trust, ceases to be fully enforceable and effective, or ceases to create a valid and effective security interest or lien, at any time and for any reason.

**J) Guarantor Change.** If any Guarantor, endorser, surety or accommodation party of any of the Indebtedness dies, becomes incompetent, revokes or disputes the validity of or liability of any Guarantor of the Indebtedness, provided, that Lender, may at its sole option, permit a deceased Guarantor's estate to unconditionally assume the obligations subject to Lender's satisfaction.

**K) Material Change.** Any material, adverse change occurs in Grantor's financial condition, the condition or value of the Property, or Lender believes the prospect of Grantor's payment or performance of the Note or Indebtedness is impaired.

**L) Insecurity.** Lender believes in good faith itself insecure.

**M) Right to Cure.** If Grantor fails to comply with any provision, term, condition, covenant or obligation of Grantor, and if such failure is curable, it may be cured if Grantor cures the failure within fifteen (15) days after Lender sends written demand for cure, or if the cure requires more than fifteen (15) days, Grantor immediately begins to cure the failure and thereafter continues all necessary steps to produce compliance as soon as reasonably possible; provided that Grantor's right of cure will not exist if Grantor had been given notice of breach of the same provision of this Deed of Trust within the preceding twelve (12) months.

**17. LENDER'S REMEDIES UPON DEFAULT.** If an Event of Default occurs under this Deed of Trust, Trustee or Lender may exercise any one or more of the following rights and remedies.

**A) Acceleration.** Lender shall have the right to declare the entire Note and Indebtedness immediately due and payable, together with any prepayment penalty which Grantor would be required to pay.

**B) Foreclosure.** The Trustee shall have the right to exercise its power of sale and non-judicially foreclose this Deed of Trust pursuant to Washington State law. Lender shall have the right to foreclose this Deed of Trust judicially. Lender shall have all the rights and remedies of a Secured Party under the Uniform Commercial Code with respect to any Personal Property.

**C) Receivership.** Lender shall have the right to have a Receiver appointed to take possession of all or part of the Property, whether or not the perceived value of the Property exceeds the Indebtedness, the Receiver shall serve without bond, and employment by Lender shall not disqualify any Receiver. The Receiver shall have all powers provided at law, including without limitation the power to operate the

Property before or pending foreclosure or sale, protect, maintain and preserve the Property, collect Rents and apply the proceeds to the costs of Receivership first, then against the Indebtedness.

Lender shall have the right to take possession of, manage the Property, collect the current and past due Rents, and apply the net proceeds, after deducting Lender's costs, to the Note and Indebtedness. Lender may require any tenant or licensee of the Property to pay Rent or fees directly to Lender. Payments by tenants or licensees in response to Lender's demand shall satisfy the obligations for which the payments are made, and if Rents are collected by Lender, then Grantor irrevocably designates Lender full authority to endorse instruments received for payment of Rents and fees in the name of Grantor and to negotiate the same and collect the proceeds.

**D) Election of Remedies.** Lender's election to pursue any remedy shall not exclude any other remedy. Trustee or Lender shall have any other right or remedy provided in this Deed of Trust, in the Note or Loan Documents, or by law. Lender's election to perform any 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.

**E) Tenant at Sufferance.** Upon Default of Grantor, if Grantor remains in possession of the Property after sale, or Lender otherwise becomes entitled to possession of the Property, Grantor shall be become a tenant at sufferance of Lender or any purchaser of the Property and shall, at Lender's sole option, either pay a reasonable rental for the use of the Property or vacate the Property immediately upon demand.

**F) Sale of Property.** Lender shall give Grantor reasonable notice of the time and place of any public sale of the Personal Property or notice of private sale or other disposition, at least ten (10) days before the time of the sale or disposition. To the extent permitted by law, Grantor waives any and all rights to have the property marshalled, and Trustee or Lender shall be free to sell all or any part of the Property together or separately, in one sale or multiple sales. Lender shall be entitled to bid at any sale on all or any portion of the Property.

**G) Expenses, Attorneys Fees.** Whether or not court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that Lender deems necessary for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness, be payable upon demand, and shall bear interest at the Note rate from the date of expenditure until paid in full. Expenses include without limitation, Lender's attorneys fees and legal expenses, including all bankruptcy proceedings (to modify or vacate any automatic stay), appeals, anticipated post-judgment collection efforts, costs of obtaining title reports, for searching records, surveyor's reports, appraisal fees, engineering fees, title insurance, trustee fees, court costs and all other sums provided by this Deed of Trust, the Note or any of the Loan Documents, all to the extent permitted by law.

**H) Trustee Rights and Duties.** Trustee shall have all rights, duties and powers arising under governing law. Trustee shall not be obligated to notify any party, except as required under governing law. Trustee shall meet all qualifications required for trustees under governing law. Trustee shall have authority to join in any agreement, covenant, easement or other document upon the written request of Lender and Grantor. In addition to the rights and remedies set forth above, Trustee shall have the right to foreclose by notice and sale, and Lender shall have the right to foreclosure by judicial foreclosure, with respect to all or any part of the Property, in accordance with and to the full extent allowed by governing law. At Lender's option, Lender may appoint a successor trustee by an instrument executed and acknowledged by Lender and recorded in the office of the auditor of the county or counties where this Deed of Trust was recorded. The successor trustee without conveyance of the Property, shall assume and



succeed to all the title, power and duties conferred upon the Trustee in this Deed of Trust and by governing law.

#### **18. MISCELLANEOUS PROVISIONS.**

**A) Notices.** Except for notice required or allowed by governing law to be given in some other manner, any notice required to be given under this Deed of Trust shall be given in writing, and shall be effective when actually delivered, actually received by telefacsimile, when deposited with a nationally recognized overnight courier, or if mailed, when deposited in the United States mail, as first class, certified mail or registered mail postage prepaid, directed to the addresses shown near the beginning of this Deed of Trust. All copies of the 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 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. If there is more than one Grantor, any Notice given by Lender to any Grantor is deemed to be Notice given to all Grantors.

**B) Governing Law.** THIS DEED OF TRUST WILL BE GOVERNED BY, CONSTRUED AND ENFORCED IN ACCORDANCE WITH FEDERAL LAW AND THE LAWS OF THE STATE OF WASHINGTON.

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

**D) Amendments.** This Deed of Trust, the Note and the Loan Documents constitute the entire understanding and agreement of the parties as to the matters set forth in this Deed of Trust. No amendment to this Deed of Trust shall be effective unless given in writing, signed by Lender and Grantor, and executed and acknowledged with the same formalities as this Deed of Trust.

**E) Merger.** There shall be no merger of any 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, directly or indirectly, or by operation of law, without the written consent of Lender.

**F) No Waiver by Lender.** Lender shall not be deemed to have waived any of its rights under this Deed of Trust unless such waiver is given in writing and signed by Lender. No delay or failure to act on the part of the Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of any provision of this Deed of Trust shall not prejudice or constitute a waiver of Lender's rights otherwise to demand strict compliance with that provision or any other provision of this Deed of Trust. No course of dealing between Lender and Grantor or prior waiver by Lender shall constitute a waiver of any of Lender's rights as to any future transactions. Whenever the consent of Lender is required under this Deed of Trust, granting of consent in any instance shall not constitute continuing consent to later instances where such consent is required, and all Lender consents may be granted or refused in the sole determination of Lender.

**G) Severability.** If a court of competent jurisdiction finds any provision of this Deed of Trust to be invalid, illegal or unenforceable under governing law, then such provision shall be deemed modified to the extent necessary in order to render such provision valid, legal and enforceable, provided, that if such provision may not be so saved, it shall be severed and the remainder of this Deed of Trust shall remain fully valid and enforceable.

**H) Venue.** Grantor agrees upon Lender's request to submit to the jurisdiction of the Courts of Thurston County, Washington unless some other venue is required by governing law.

**D) Waiver of Homestead.** 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.

**J) Financial Report.** Grantor shall furnish to Lender upon demand, for any non-residential Property, a certified statement showing all cash receipts from the Property, less all cash expenditures made in operating the Property, in such form and content as Lender may require.

**K) No Agricultural Purpose.** Grantor represents to Lender that the Property is not used principally for agricultural purposes.

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

**19. DEFINITIONS.** The following words and terms shall have the below defined meanings when used in this Agreement. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as specified by the context. Words and terms not otherwise defined shall have the meaning set out in the Uniform Commercial Code, except accounting words or terms shall have the meanings set out in generally accepted accounting principles. All references to money shall mean lawful currency of the United States of America.

**A) Beneficiary.** "Beneficiary" means Puget Sound Capital Corporation, its successors and assigns.

**B) Borrower.** "Borrower" means the undersigned Grantor, and includes all co-signers and co-makers signing the Note.

**C) Deed of Trust.** "Deed of Trust" means this Deed of Trust by and between Grantor, Lender and Trustee, and includes without limitation all assignment and security interest provisions relating to the Personal Property and Rents.

**D) Default.** "Default" means the Default set forth in this Deed of Trust and the section entitled "Default".

**E) Environmental Laws.** "Environmental Laws" means any all local, state and federal statutes, regulations and ordinances concerning or relating to the protection of human health or the environment, without limitation, and as used in the very broadest sense.

**F) Event of Default.** "Event of Default" means any of the events of default set forth in the Events of Default section of this Deed of Trust.

**G) Grantor.** "Grantor" means the Borrower identified near the beginning of this Deed of Trust.

**H) Guarantee.** "Guarantee" means any guarantee from guarantor, endorser, surety or accommodation party to Lender, including without limitation a guarantee of all or part of the Note or Indebtedness.

**I) Hazardous Substances.** "Hazardous Substances" means material that, because of their quantity, concentration or physical, chemical or harmful characteristics, may cause or pose a present or potential hazard to human health or the environment and includes without limitation, any and all hazardous, dangerous or toxic substances, materials or waste as defined by or listed under any of the Environmental Laws, and also includes without limitation petroleum and petroleum by-products, asbestos, lead and mercury. The words "Hazardous Substances" are to be used in their very broadest senses.

**K) Indebtedness.** “Indebtedness” means the indebtedness evidenced by the Note or any of the Loan Documents including all principal and interest together with all indebtedness, costs and expenses for which Borrower is responsible under the Note, Loan Documents or this Deed of Trust, together with all renewals, extensions, modifications or substitutions for the Note or Loan Documents, and with 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 the Note. Indebtedness specifically includes all future advances together with all interest thereon, as provided for in the Note or Loan Documents.

**M) Loan Documents.** “Loan Documents” means all promissory notes, loan agreements, construction loan agreements, security agreements, guarantees, credit agreements, deeds of trusts and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Note and/or Indebtedness.

**O) Personal Property.** “Personal Property” means all equipment, fixtures and other items of personal property now or hereafter owned by Grantor and now or hereafter attached or affixed to the Property, together with all accessions, parts and additions to, or replacements of, and all substitutions for any such property and together with all issues, rents and profits thereon, and proceeds and insurance proceeds from any sale or other disposition of the Property.

**Q) Rents.** "Rents" means all present and future rents, revenues, profits, income, issues, royalties and other economic benefits derived from the Property or the Personal Property.

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THE GRANTOR DOES HEREBY EXECUTE THIS DEED OF TRUST AS OF THE DAY AND YEAR FIRST ABOVE WRITTEN. GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS DEED OF TRUST, AND GRANTOR AGREES TO ITS TERMS:

GRANTOR: HANSON LIVING TRUST DATED MARCH 6, 2002

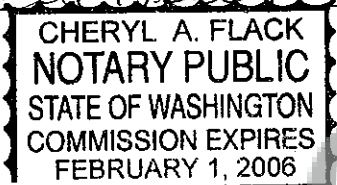
(x) Dan Hatfield, Trustee  
Dan Hatfield, Trustee

(x) Millie Hanson, Trustee  
Millie Hanson, Trustee

### CORPORATE ACKNOWLEDGMENT

STATE OF WA )  
COUNTY OF CLALLAM )-ss

I certify that I know or have satisfactory evidence that Dan Hatfield + Millie Hanson (is/are) the person(s) who appeared before me, and said person(s) acknowledged that (he/she/they) signed this instrument, on oath stated that (he/she/they) (is/are) authorized to execute the instrument and acknowledged it as the Trustees of Hanson Living Trust to be the free and voluntary act of such party(ies) for the uses and purposes mentioned in this instrument.

Dated: Dec 17, 2004  


Cheryl A. Flack  
Notary Public in and for the state of WA  
Residing at Vancouver  
My appointment expires: 2/1/2006

### 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: \_\_\_\_\_