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AFTER RECORDING MAIL TO:

Name Perkins Coie
Address 1201 Third Ave, 40th Fl.
City / State Seattle, WA 98101

FIRST AMERICAN TITLE CO.

Document Title(s): (or transactions contained therein)
1. Deed of Trust
2.
3.
4.

First American Title Insurance Company

TH629E-1

(this space for title company use only)

Reference Number(s) of Documents assigned or released:

☐ Additional numbers on page _____ of document

Grantor(s): (Last name first, then first name and initials)
1. Wagoner, Keith
2. Wagoner, Wen Lee
3.
4.
5. ☐ Additional names on page _____ of document

Grantee(s): (Last name first, then first name and initials)
1. Lloyds TSB Bank
2.
3.
4. First American Title, Trustee
5. ☐ Additional names on page _____ of document

Abbreviated Legal Description as follows: (i.e. lot/block/plat or section/township/range/quarter/quarter)

Section 29, Township 34, Range 4
ptn. NE 1/4, NW 1/4

☐ Complete legal description is on page _____ of document

Assessor's Property Tax Parcel / Account Number(s):

340429-0-201-0000 P28374

NOTE: *The auditor/recorder will rely on the information on the form. The staff will not read the document to verify the accuracy or completeness of the indexing information provided herein.*

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After recording, return to:

Perkins Coie
1201 Third Avenue, 40th Floor
Seattle, Washington 98101-3099
Attention: Heather K. Trautmann
Loan 2

DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING WITH ASSIGNMENT OF LEASES AND RENTS

Grantor (Borrower): WAGONER, Keith Leonard
WAGONER, Wen Lee

Grantee (Lender): Lloyds TSB Bank plc

Grantee (Trustee): First American Title Insurance Company

Legal Description (abbreviated): Section 29, Township 34, Range 4; ptn NE 1/4 NW1/4; complete legal description on page 17

Assessor's Tax Parcel No.: 340429-0-201-0000 (P28373)

THIS DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING WITH ASSIGNMENT OF LEASES AND RENTS ("Security Instrument") is made on August 7, 2003, among grantor KEITH LEONARD WAGONER (who acquired title as Keith L. Wagoner) and WEN LEE WAGONER (who acquired title as Wen L. Wagoner), husband and wife, whose address is 3-10-21 Higashi Gotanda, Shinagawa-Ku, Tokyo, Japan ("Borrower"), FIRST AMERICAN TITLE INSURANCE COMPANY ("Trustee") and beneficiary LLOYDS TSB BANK PLC, a bank organized and existing under the laws of the United Kingdom ("Lender"), whose address for purposes of this Security Instrument is 3 Temasek Avenue #19-01, Centennial Tower, Singapore 039190.

Borrower and Lender have on May 12, 2003, entered into a Facility Agreement ("Facility Agreement") pursuant to which Lender has agreed to loan Borrower the sum of Ninety-Four Thousand Five Hundred United States Dollars (US$94,500), subject to subsequent advances and adjustments ("Advance"). Borrower has executed a Secured Promissory Note ("Note") of even date herewith evidencing such loan. Borrower has also executed an Assignment of Leases and Rents in favor of Lender ("Assignment of Leases and Rents") of even date herewith. The Advance is made for commercial and not consumer purposes.

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The Advance shall be repaid by Borrower pursuant to the terms of the Note and the Facility Agreement upon written demand by Lender. Interest is payable on the Advance quarterly in arrears and on the last day of each interest period applicable to the currency of the Advance. Borrower may redenominate the currency in which the Advance has been made, as provided for under the Facility Agreement, provided that (a) at the time of such redenomination Borrower is not in default of Borrower's obligations to Lender under this Security Instrument, the Note or Facility Agreement; and (b) Borrower has given Lender ten (10) days' prior written notice of redenomination. Following any redenomination, Borrower's obligations to Lender hereunder shall be denominated in the currency chosen by Borrower as of the date on which the currency redenomination became effective. Redenomination of the Advance shall not affect the extent or priority of Lender's security interest in the Property (defined below) and as provided hereunder. Upon redenomination of the Advance, Lender may but shall not be required to amend this Security Instrument and to record such amendment. Any such amendment shall not affect the priority of Lender's security hereunder, and Borrower shall fully cooperate with Lender in respect of the execution of documents reflecting such amendment and in their recording. Lender may also require, as a condition of the redenomination of the Advance, that Borrower obtain an endorsement to Lender's title insurance policy securing Lender's security interest in the Property (defined below) and stating that such redenomination does not affect the priority of Lender's security hereunder.

In the event Borrower redenominates the currency in which the Advance has been made, the value of the currency may increase up to the maximum sum of One Hundred Thirteen Thousand Four Hundred United States Dollars (US$113,400).

This Security Instrument secures in Lender's favor Borrower's obligation to:

(a) Repay the Advance with interest thereon, evidenced by the Note and the Facility Agreement between Borrower and Lender, which Note and Facility Agreement and any and all modifications, extensions, renewals and replacements thereto are by this reference hereby made a part hereof;

(b) Pay all sums advanced by Lender subsequent to the Advance to protect its security interest in the Property (defined below) with interest thereon at the rates referred to in the Note and the Facility Agreement;

(c) Pay all other sums, with interest thereon, which may hereafter be advanced to Borrower or Borrower's successors or assigns, by Lender, or Lender's successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Security Instrument;

(d) Perform every obligation, covenant or agreement of Borrower contained herein and in the Facility Agreement and all supplements, amendments and modifications thereto and all extensions and renewals thereof;

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(e) Perform every obligation, covenant and agreement of Borrower contained in any agreement now or hereafter executed by Borrower which recites that the obligations thereunder are secured by this Security Instrument; and

(f) Comply with and perform each and every material provision of any declaration of covenants, conditions and restrictions pertaining to the Property (defined below) or any portion thereof.

For this purpose, Borrower irrevocably grants and conveys to Trustee, its successors and assigns, in trust, with power of sale, the real estate located in Skagit County, Washington, U.S.A., commonly known as 1408 S. 12th Street, Mount Vernon, Washington, and which is more particularly described on EXHIBIT A attached hereto and by this reference made a part hereof, together with:

(a) All the improvements now or hereafter erected on the real estate, and all easements, rights, appurtenances, royalties, mineral, oil and gas rights and profits, water rights and stock;

(b) All attachments, appliances, fittings, furnishings, fixtures and articles of personal property, and each and every improvement, now in or upon or which shall hereafter be placed in or upon the real estate, adapted to and/or necessary for the proper use and enjoyment of the same, and all replacements and additions thereto;

(c) All right, title and interest of Borrower in and to any bill of sale or chattel mortgage covering any of the foregoing items;

(d) All lease agreements, rents, issues and profits and additional rents now or at any time hereafter covering or affecting all or any portion of the real estate and all proceeds of, and all privileges and appurtenances belonging or in any way pertaining to the real estate, or any part thereof, and all other property subject or required to be subject to the lien of this Security Instrument, including, without limitation, all of the income, revenues, earnings, rents, maintenance payments, tolls, issues and awards (including, without limitation, condemnation awards and insurance proceeds), which income, revenues, earnings, rents, maintenance payments, tolls, issues and awards are hereby expressly assigned with the right to take and collect the same upon the terms set forth in this Security Instrument; and all the estate, right, title, interest and claim whatsoever, at law or in equity, which Borrower now has or may hereafter acquire in and to the foregoing items and every part thereof;

(e) All proceeds of the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims, including, without limitation, proceeds of insurance and condemnation awards; and

(f) All proceeds and products of the foregoing.

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All of the foregoing are collectively referred to in this Security Instrument as the "Property."

BORROWER COVENANTS that Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property to Lender and/or Trustee, as the case may be, and that the Property is unencumbered, except for encumbrances listed on EXHIBIT A ("Permitted Exceptions"). Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to the Permitted Exceptions.

This Security Instrument constitutes a financing statement filed as a fixture filing in the Official Records of the County Recorder of the county in which the Property is located with respect to any and all fixtures included within the term "Property" as used herein and with respect to any goods, personalty or other personal property that may now be or hereafter become fixtures.

Borrower authorizes Lender to file (including electronic or facsimile filing) financing statements describing the Property, including descriptions broader than set forth in this Security Instrument. Borrower agrees that, where allowed by law, a carbon, photographic or other reproduction of a financing statement or this Security Instrument is sufficient as a financing statement.

BORROWER AND LENDER COVENANT AND AGREE AS FOLLOWS:

1. Payment

Borrower shall promptly pay to Lender at its offices in Singapore or at such other place designated by Lender from time to time upon demand and in the then-relevant currency, free and clear of and without reduction by reason of any present or future taxes, levies, imports, deductions, charges or withholdings, the principal of and interest on the debt in accordance with and as evidenced by the Facility Agreement, Note and any promissory note or notes issued thereafter, together with any charges due thereunder from time to time.

2. Funds for Taxes and Insurance

Upon written notice to Borrower by Lender, Borrower shall pay to Lender on the day quarterly interest payments are due under the Note and Facility Agreement, until the Advance is paid in full, a sum ("Funds") equal to one-fourth of: (a) yearly taxes and assessments on the Property which may attain priority over this Security Instrument; (b) yearly leasehold payments or ground rents on the Property, if any; (c) yearly hazard insurance premiums; and (d) yearly mortgage insurance premiums, if any. These items are called "escrow items." Lender may estimate the Funds due on the basis of current data and reasonable estimates of future escrow items.

The Funds shall be held by an institution in accounts selected by Lender. Lender shall apply Funds received to pay the escrow items. Lender may not charge Borrower for holding

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and applying the Funds, analyzing the account or verifying the escrow items, unless Lender pays interest on the Funds to Borrower and unless applicable law permits Lender to make such a charge. Borrower and Lender agree that interest shall not be paid on the Funds. Lender shall give Borrower, without charge, an annual accounting of the Funds showing credits and debits to the Funds and the purpose for which each debit to the Funds was made. The Funds are pledged as additional security for the sums secured by this Security Instrument.

If the amount of the Funds held by Lender, together with the future quarterly payments of Funds payable prior to the due dates of the escrow items, shall exceed the amount required to pay the escrow items when due, the excess shall be, at Lender's option, either promptly repaid to Borrower or credited to Borrower on subsequent quarterly payments of Funds. If the amount of the Funds held by Lender is not sufficient to pay the escrow items when due, Borrower shall pay to Lender the amount necessary to make up the deficiency in one or more payments, as required by Lender.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any remaining Funds held by Lender. If under **paragraph 19** the Property is sold or acquired by Lender, Lender shall apply, immediately prior to the sale of the Property or its acquisition by Lender, any Funds held by Lender at the time of application as a credit against the sums then owing by Borrower to Lender and secured by this Security Instrument.

3. Application of Payments

Unless applicable law provides otherwise, all payments received by Lender under **paragraphs 1 and 2** shall be applied: first, to fees or charges due Lender under the Note and the Facility Agreement; second, to amounts payable under **paragraph 2**; third, to any sums expended by Lender hereunder to preserve its security interest in the Property; fourth, to interest due; and last, to principal due.

4. Charges; Liens

Unless otherwise directed by Lender as provided under **paragraph 2**, Borrower shall timely pay to the relevant person all escrow items, plus all other taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Security Instrument, and leasehold payments or ground rents, if any. Borrower shall promptly furnish to Lender all notices of amounts paid or to be paid under this paragraph, together with receipts evidencing such payments.

Borrower shall promptly discharge any lien which has or may with the passage of time have 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; (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 against, or which

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may cause the forfeiture of, all or any portion of Borrower's title in or Lender's security interest in the Property; 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 may attain priority over this Security Instrument, Lender may give Borrower notice identifying the lien, in which case Borrower shall satisfy the lien or take one or more of the actions set forth above within ten (10) days following the giving of notice.

Borrower shall not further encumber the Property without Lender's prior written consent.

5. Hazard 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 for which Lender may from time to time require insurance. This insurance shall be maintained in the amounts and for the periods required by Lender. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval, which approval shall not be unreasonably withheld.

All insurance policies and renewals shall be acceptable to Lender and shall include (a) a standard mortgage clause, and (b) an endorsement providing that there shall be no cancellation of coverage or amendment of coverage or claim limit in the absence of thirty (30) days' written notice to Lender by the insurer. Lender shall have the right to hold all policies and renewals. If Lender so requires, Borrower shall promptly give Lender all receipts of paid premiums and renewal notices. In the event of a casualty to the Property, Borrower shall give prompt written notice to each of the insurers and to Lender. Lender may make proof of loss if not promptly made by Borrower.

Unless Lender and Borrower otherwise agree in writing, and provided that restoration or repair is economically feasible and Lender's security is not thereby lessened, all insurance proceeds shall be applied to restoration or repair of the Property. If the restoration or repair of the Property is not possible, economically feasible or if 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 any excess paid to Borrower. If Borrower abandons the Property, or does not within ten (10) days answer a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may directly collect the insurance proceeds. Lender may use the proceeds to repair or restore the Property or to pay sums secured by this Security Instrument, whether or not then due. The ten (10) day period will begin when the notice is given.

Unless Lender and Borrower otherwise agree in writing, any application of insurance proceeds to principal shall not extend or postpone the due date of the quarterly interest payments referred to in **paragraphs 1 and 2** or change the amount of such payments or affect

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Lender's right to call the Advance on demand. If the Property is acquired by Lender as provided under **paragraph 19**, Borrower's right to any insurance policies and to proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Security Instrument and the Note immediately prior to the acquisition.

6. Preservation and Maintenance of Property; Leaseholds

Borrower shall not destroy, damage or substantially change the Property, allow the Property to deteriorate or commit waste. If this Security Instrument is on a leasehold, Borrower shall comply with the provisions of the lease, and if Borrower acquires fee title to the Property, the leasehold and fee title shall not merge unless Lender agrees to the merger in writing.

7. Protection of Lender's Right in the Property; Mortgage Insurance

If Borrower fails to perform the covenants and agreements contained in this Security Instrument, the Note or Facility Agreement, or if there arises any legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or to enforce laws or regulations), then Lender may do and pay such sums as may be necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include, without limitation, the paying of any amounts secured by a lien which has priority over this Security Instrument, appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Lender's failure to take action under this **paragraph 7** shall in no event prejudice Lender's rights in the Property, including Lender's security interest in the Property.

Any amounts disbursed by Lender under this **paragraph 7** shall be added to the Advance and shall be secured by this Security Instrument. Unless Borrower and Lender agree to other terms of payment, such amounts shall bear interest from the date of disbursement at the then-prevailing interest rate under the Facility Agreement and Note and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

If Lender required that Borrower purchase mortgage insurance as a condition of making the Advance secured by this Security Instrument, Borrower shall pay the premiums required to maintain the insurance in effect until such time as the requirement for the insurance terminates in accordance with Borrower's and Lender's written agreement or applicable law.

8. Inspection

Lender or Lender's agents may make reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to an inspection specifying reasonable cause of the inspection.

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9. Condemnation

The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender.

In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the proceeds.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within thirty (30) days after the date the notice is given, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the quarterly payments referred to in **paragraphs 1 and 2**, change the amount of such payments or affect Lender's right to call the Advance on demand.

10. Borrower Not Released; Forbearance by Lender Not a Waiver

No extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to Borrower or to any successor in interest of Borrower shall operate to release the liability of Borrower or Borrower's successors in interest to Lender. Lender shall not be required to commence proceedings against any successor in interest of Borrower, and may in Lender's sole discretion refuse to extend time for any payment or otherwise modify amortization of the sums secured by this Security Instrument. No forbearance by Lender in exercising any right or remedy shall constitute a waiver of or preclude the exercise of any right or remedy by Lender, and all remedies provided in this Security Instrument are cumulative and may be exercised concurrently, independently or successively.

11. Successors and Assigns Bound; Joint and Several Liability; Co-signers

The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of **paragraph 17**. Borrower's covenants and agreements shall be joint and several.

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12. Interest and Loan Charges

If the Advance secured by this Security Instrument is, or subsequent to the execution hereof may become, subject to the laws of any jurisdiction which prescribes maximum interest or loan charges, and such law provides that the interest or loan charges paid or payable under the Facility Agreement or the Note exceed the permitted limits, then: (a) any such interest or loan charges shall be reduced by the amount necessary to comply with the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be applied to reduce Borrower's obligations under the Facility Agreement and the Note.

13. Legislation Affecting Lender's Rights

If enactment or expiration of applicable law has the effect of rendering any provision of the Facility Agreement, the Note or this Security Instrument unenforceable, Lender, at Lender's option, may require immediate payment in full of all sums secured by this Security Instrument and may invoke any remedies permitted by **paragraph 19**. If Lender exercises this option, Lender shall take the steps specified in the second paragraph of **paragraph 17**.

14. Notices

Any notice to Borrower provided for in this Security Instrument shall be deemed given (a) on the fifth (5th) day following posting by registered mail or delivery to a courier service, or (b) on the same day of facsimile transmission, and shall be given by registered mail, by courier or by facsimile transmission unless applicable law requires use of another method. The notice shall be directed to Borrower at the Property address or to any other address Borrower designates by notice to Lender. Notice to one Borrower shall be construed as effective notice to all Borrowers. Any notice to Lender shall be effective upon receipt and shall be given by registered mail, by courier or by facsimile transmission to Lender's address as stated herein or to any other address Lender designates by notice to Borrower.

15. Governing Law; Severability

This Security Instrument shall be governed by the laws of the state of Washington. In the event that any provision or clause of this Security Instrument, the Facility Agreement, the Assignment of Leases and Rents or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument, the Facility Agreement, the Assignment of Leases and Rents or the Note which can be given effect without the conflicting provision. To this end, the provisions of this Security Instrument, the Facility Agreement, the Assignment of Leases and Rents and the Note are declared to be severable. The parties acknowledge that the Facility Agreement and the Note are made and enforceable under the laws of Singapore.

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16. Borrower's Copy

Borrower shall be given one conformed copy of each of the Facility Agreement, the Note and this Security Instrument.

17. Lease of the Property, Transfer of the Property or a Beneficial Interest in Borrower

If all or any part of the Property is leased to a third party without Lender's prior written consent and approval of the lease agreement or if all or any part of or interest in the Property is sold, transferred or mortgaged (or if a beneficial interest in Borrower or any successor is sold or transferred where Borrower is not a natural person) without Lender's prior written consent, Lender may, at its option, and in compliance with laws then in effect, require immediate payment in full of all sums secured by this Security Instrument.

Lender shall give Borrower such notice of acceleration as may be required by applicable law. Following notice, if Borrower fails to pay all sums due prior to the expiration of the stated period, Lender may invoke any and all remedies permitted by this Security Instrument, including, without limitation, the power of sale, without further notice to or demand on Borrower.

18. Borrower's Right to Reinstate

If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earlier to occur of: (a) five (5) days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Security Instrument; or (b) entry of a judgment enforcing this Security Instrument. Such conditions are that Borrower: (a) pay to Lender all sums which then would be due under this Security Instrument, the Facility Agreement and the Note had no acceleration occurred; (b) cure any default of any other covenants or agreements; (c) pay all expenses incurred by Lender in enforcing its rights under this Security Instrument, including but not limited to, Lender's reasonable attorneys' fees; and (d) take such action as Lender may reasonably require to assure that the lien of this Security Instrument, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Security Instrument shall remain unchanged. Upon reinstatement by Borrower, the Note and this Security Instrument and the obligations secured hereby shall remain fully effective, as if no acceleration had occurred. Borrower's right to reinstate shall not apply in the case of acceleration under **paragraphs 13 or 17** or if acceleration is made by Lender and a judicial foreclosure has been commenced.

19. 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

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under **paragraphs 13 and 17** unless applicable law provides otherwise). Such notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than thirty (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 one hundred twenty (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 nonexistence 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 Lender's 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 any other remedies permitted by applicable law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this **paragraph 19**, 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 Lender's 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.

20. Assignment of Rents

As additional security hereunder, Borrower hereby assigns to Lender the rents of the Property, provided that Borrower shall, prior to acceleration under **paragraph 19** hereof or abandonment of the Property, have the right to collect and retain such rents as they become due and payable.

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21. Lender in Possession

Upon acceleration under **paragraph 19** or abandonment of the Property, Lender (in person, by agent or by judicially appointed receiver) shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property, including those past due. Any rents collected by Lender or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to, receiver's fees, premiums on receiver's bonds and reasonable attorneys' fees, and then to the sums secured by this Security Instrument.

22. Reconveyance

Upon payment of all sums secured by this Security Instrument, the Note and all other promissory notes, Lender shall request Trustee to reconvey the Property and shall surrender this Security Instrument and all promissory notes evidencing debt under the Facility Agreement and 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.

23. 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, powers and duties conferred upon the Trustee herein and by applicable law.

24. Use of Property

The Property is not used principally for agricultural or farming purposes.

25. Limited Effect of Indulgences

Without affecting the liability of any other person liable for the payment of any obligation herein mentioned, and without affecting the lien or charge of this Security Instrument upon any portion of the Property not then or theretofore released as security for the full amount of all unpaid obligations, Lender may, from time to time and without notice, (a) release any person so liable, (b) extend the maturity or alter any of the terms of any such obligation, (c) grant other indulgences, (d) release or reconvey, or cause to be released or reconveyed, at any time, at Lender's option, any parcel, portion or all of said Property, (e) take or release any other or additional security for any obligation herein mentioned, or (f) make compositions or other arrangements with debtors in relation thereto. By accepting payment or performance of any obligation secured by this Security Instrument after the payment or performance is due or after the filing of a notice of default and election to sell, Lender shall not have thereby waived its right to require prompt payment or performance.

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when due, of all other obligations secured hereby, or to declare a default for failure so to pay or perform, or to proceed with the sale under any notice of default and election to sell theretofore given by Lender, with respect to any unpaid balance of the indebtedness secured hereby.

The acceptance by Lender of any sum in an amount less than the sum then due shall not constitute a waiver of the obligation of Borrower to pay the entire sum then due. Borrower's failure to pay the entire sum then due shall be and shall continue to be a default, notwithstanding the acceptance of partial payment, and, until the entire sum then due shall have been paid, Lender shall at all times be entitled to declare a default and to exercise all the remedies herein conferred, and the right to proceed with a sale under any notice of default and election to sell shall in no way be impaired, whether or not such amounts are received prior or subsequent to such notice. No delay or omission of Trustee or Lender in the exercising of any right or power hereunder shall impair such right or power or any other right or power nor shall the same be construed to be a waiver of any default or any acquiescence therein.

26. Waiver

(a) Borrower hereby waives, to the fullest extent permitted by applicable law, (i) the benefit of all laws now existing or hereafter enacted providing for any appraisement before sale of any portion of the Property, (ii) whether now existing or hereafter arising or created, all rights of redemption, valuation, appraisement, stay of execution, notice of election to mature or declare due the whole of the secured indebtedness and marshaling in the event of foreclosure of the liens hereby created, (iii) all rights and remedies which Borrower may have or be able to assert by reason of the laws of the State of Washington pertaining to the rights and remedies of security, and (iv) except as otherwise provided specifically herein, all rights and remedies which Borrower may have or be able to assert as to insurance proceeds, the proceeds of any action or proceeding in eminent domain affecting the Property or any portion thereof, and to proceeds of a sale in lieu of such taking.

(b) Unless otherwise expressly provided, all sums secured by this Security Instrument shall be paid without notice, demand, counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and the obligations and liabilities of Borrower to pay such sums, and to perform all other obligations of Borrower hereunder, under the Facility Agreement and the Note shall in no way be released, discharged or otherwise affected by reason of: (i) any damage to or destruction of or any condemnation or similar taking of the Property or any part thereof; (ii) any restriction or prevention of or interference by Lender, Trustee or any third party with any use of the Property or any part thereof; (iii) any title defect or encumbrance or any eviction from the Property or any part thereof by superior title or otherwise; (iv) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or similar proceeding relating to Lender or Trustee, or any action taken with respect to this Security Instrument by any trustee or receiver thereof, or by any court in any such proceeding; (v) any claim which Borrower has or might have against Lender or Trustee; (vi) any default or failure on the part of Lender or Trustee to

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perform or comply with any of the terms hereof or of any other agreement with Borrower; or (vii) any other occurrence whatsoever, whether similar or dissimilar to the foregoing and whether or not Borrower shall have notice or knowledge of any of the foregoing. Except as expressly provided in this Security Instrument, Borrower waives to the fullest extent permitted by law all rights now or hereafter conferred by statute or otherwise to any abatement, suspension, deferment, diminution or reduction of any sum secured hereby and payable by Borrower.

27. Appointment of Receiver

If a breach of any covenant or agreement or other default by Borrower in this Security Instrument shall have occurred and be continuing, Lender, as a matter of right and without notice to Borrower or anyone claiming under Borrower, and without regard to the then-existing value of the Property or of the interest of Borrower therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Property, and Borrower hereby irrevocably consents to such appointment and waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers and duties of Lender in case of entry as provided herein. Any such receiver shall exercise all such powers until the date of confirmation of sale of the Property unless such receivership is sooner terminated.

28. Amendments

This Security Instrument may only be waived, changed, discharged or terminated by an instrument in writing signed by the parties.

29. Captions

The captions or headings at the beginning of paragraphs and subparagraphs hereof are for the convenience of the parties; such are not a part of this Security Instrument, and shall not be used in construing it.

30. Priority

This Security Instrument is intended to have, and retain, priority over all other liens and encumbrances upon the Property, excepting only (a) such taxes and assessments as, at the date hereof, have, or, by law, gain priority over the lien created hereby; (b) covenants, conditions, restrictions, easements, rights-of-way and leases which are of record and which affect said property on the date hereof; and (c) leases, liens, encumbrances and other matters as to which Lender may hereafter expressly subordinate the lien of this Security Instrument by written instrument in recordable form. Under no circumstances shall Lender be obligated or required to subordinate the lien hereof to any lien, encumbrance, covenant or other matter affecting the Property or any portion thereof. Lender may, however, at Lender's sole option, subordinate the lien of this Security Instrument, in whole or in part, to any or all leases, liens,

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encumbrances or other matters affecting all or any portion of the Property, by executing and recording, in the Office of the Recorder of the county or counties in which said Property is located, a unilateral declaration of such subordination specifying the lease, lien, encumbrance or other matter or matters to which this Security Instrument shall thereafter be subordinate.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument.

Borrower:

Keith Leonard WAGONER

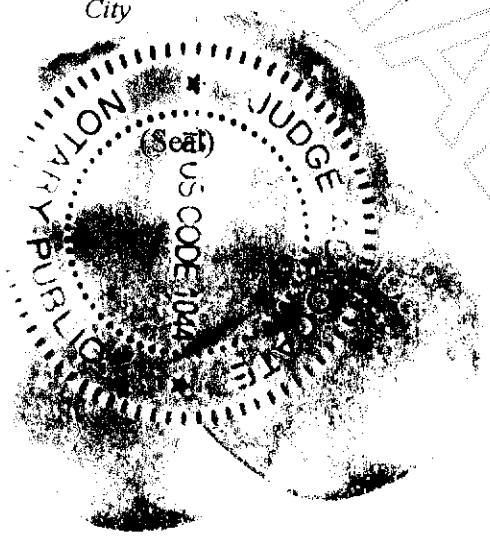
Wen Lee WAGONER

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On this 18th day of August, 2003, before me, a Military Notary,
(Type Title)*
duly commissioned and sworn, personally appeared KEITH LEONARD WAGONER and WEN LEE WAGONER, to me known to be the individuals 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 hereto affixed the day and year in this certificate first above written, at ~~the United States Consulate/Embassy, at~~ YOKOTA AB, Japan.
City *Country*



Signature

CINDY JONES, Paralegal
Type Name and Title

18 AUGUST 2003
Date

WITH US FORCES OVERSEAS
YOKOTA AB, JAPAN
PER U.S.C. 1044A

* Note: This acknowledgment certificate must be signed by any minister, plenipotentiary, secretary of legation, charge d'affaires, consul general, consul, vice consul, consular agent, or commercial agent appointed by the United States government, or before any notary public, or before the judge, clerk, or other proper officer of any court of said country, or before the mayor or other chief magistrate of any city, town or other municipal corporation therein.

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EXHIBIT A

That portion of the Northeast 1/4 of the Northwest 1/4 of Section 29, Township 34 North, Range 4 East, W.M., described as follows:

Beginning at a point on the East line of Twelfth Street, extended South from "MAP OF MILLETT'S ADDITION TO MT. VERNON, SKAGIT COUNTY, WASHINGTON", as per plat recorded in Volume 2 of Plats, page 63, records of Skagit County, Washington, 525 feet North of the South line of said Northeast 1/4 of the Northwest 1/4; thence East 100 feet to the West line of the alley through Block 22 of said Millet's Addition, if extended South; thence North on the West line of said alley 50 feet; thence West 100 feet to the East line of Twelfth Street, if extended South; thence South along the East line of said Twelfth Street to the point of beginning.

SUBJECT TO the following Permitted Exceptions:

1. General taxes and municipal assessments levied by the City of Mount Vernon, both not yet due and owing.

2. Easement recorded under Auditor's File No. 308103.

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