

PEOPLES EQUITYONE DISCLOSURE

PEOPLES BANK
3100 WOBURN STREET
BELLINGHAM, WA 98226

IMPORTANT TERMS OF OUR PEOPLES EQUITYONE DISCLOSURE

This disclosure contains important information about our PEOPLES EQUITYONE as of 10/01/2018 (the "Plan" or the "Credit Line"). You should read it carefully and keep a copy for your records.

AVAILABILITY OF TERMS. All of the terms of the Plan described herein are subject to change. If any of these terms change (other than the ANNUAL PERCENTAGE RATE) and you decide, as a result, not to enter into an agreement with us, you are entitled to a refund of any fees that you paid to us or anyone else in connection with your application.

SECURITY INTEREST. We will take a security interest in your home. You could lose your home if you do not meet the obligations in your agreement with us.

POSSIBLE ACTIONS. Under this Plan, we have the following rights:

Termination and Acceleration. We can terminate the Plan and require you to pay us the entire outstanding balance in one payment, and charge you certain fees, if any of the following happens:

- You commit fraud or make a material misrepresentation at any time in connection with the Plan. This can include, for example, a false statement about your income, assets, liabilities, or any other aspect of your financial condition.
- You do not meet the repayment terms of the Plan.
- Your action or inaction adversely affects the collateral for the Plan or our rights in the collateral. This can include, for example, failure to maintain required insurance, waste or destructive use of the dwelling, failure to pay taxes, death of all persons liable on the account, transfer of title or sale of the dwelling, creation of a senior lien on the dwelling without our permission, foreclosure by the holder of another lien or the use of funds or the dwelling for prohibited purposes.

Suspension or Reduction. In addition to any other rights we may have, we can suspend additional extensions of credit or reduce your credit limit during any period in which any of the following are in effect:

- The value of your dwelling declines significantly below the dwelling's appraised value for purposes of the Plan. This includes, for example, a decline such that the initial difference between the credit limit and the available equity is reduced by fifty percent and may include a smaller decline depending on the individual circumstances.
- We reasonably believe that you will be unable to fulfill your payment obligations under the Plan due to a material change in your financial circumstances.
- You are in default under any material obligation of the Plan. We consider all of your obligations to be material. Categories of material obligations include, but are not limited to, the events described above under Termination and Acceleration, obligations to pay fees and charges, obligations and limitations on the receipt of credit advances, obligations concerning maintenance or use of the dwelling or proceeds, obligations to pay and perform the terms of any other deed of trust, mortgage or lease of the dwelling, obligations to notify us and to provide documents or information to us (such as updated financial information), obligations to comply with applicable laws (such as zoning restrictions).
- We are precluded by government action from imposing the annual percentage rate provided for under the Plan.
- The priority of our security interest is adversely affected by government action to the extent that the value of the security interest is less than 120 percent of the credit limit.
- We have been notified by governmental authority that continued advances may constitute an unsafe and unsound business practice.
- The maximum annual percentage rate under the Plan is reached.

Change in Terms. We may make changes to the terms of the Plan if you agree to the change in writing at that time, if the change will unequivocally benefit you throughout the remainder of the Plan, or if the change is insignificant (such as changes relating to our data processing systems).

Fees and Charges. In order to open and maintain an account, you must pay certain fees and charges.

Lender Fees. The following fees must be paid to us:

Description	Amount	When Charged
Annual Fee:	\$75.00	Annually after the first year and will continue each year thereafter during the term of the draw period. Customers with a Personal Relationship Checking Package will have their annual fee waived as long as they remain a Personal Relationship Checking customer
Processing Fee (Non-Refundable):	\$0.00 - \$1,500.00	Depending on the loan amount and property type a non-refundable processing fee may be charged during processing, once conditional approval has been made

Late Charge. Your payment will be late if it is not received by us within **5 days after the "Payment Due Date" shown on your periodic statement.** If your payment is late we may charge you 5.000% of the unpaid amount of the payment or \$15.00, whichever is greater.

Third Party Fees. You must pay certain fees to third parties such as appraisers, credit reporting firms, and government agencies.

We also will pass on any third party charges as part of an annual review of your account, in amounts estimated to be similar to those disclosed below. These third party fees generally total between \$0.00 and \$2,500.00. Upon request, we will provide you with an itemization of the fees you will have to pay to third parties.

PROPERTY INSURANCE. You must carry insurance on the property that secures the Plan.

MINIMUM PAYMENT REQUIREMENTS. You can obtain advances of credit during the following period: 120 months (the "Draw Period"). After the Draw Period ends, the repayment period will begin. You will no longer be able to obtain credit advances. The length of the repayment period is as follows: 240 months. Your Regular Payment will equal the amount of your accrued FINANCE CHARGES ("First Payment Stream"). Your payments will be due monthly. Your First Payment Stream will last for the first 120 months. Your "Minimum Payment" will be the Regular Payment, plus any amount past due and all other charges. An increase in the ANNUAL PERCENTAGE RATE may increase the amount of your Regular Payment. The Minimum Payment during the First Payment Stream will not reduce the principal that is outstanding on your Credit Line.

After completion of the First Payment Stream, your Regular Payment will be based on an amortization of your balance at the start of this payment period as shown below ("Second Payment Stream"). Your payments will be due monthly.

<u>Range of Balances</u>	<u>Number of Payments</u>	<u>Amortization Period</u>
All Balances	240	240 payments

Your "Minimum Payment" will be the Regular Payment, plus any amount past due and all other charges.

A change in the ANNUAL PERCENTAGE RATE can cause the balance to be repaid more quickly or more slowly. When rates decrease, less interest is due, so more of the payment repays the principal balance. When rates increase, more interest is due, so less of the payment repays the principal balance. If this happens, we may adjust your payment as follows: your payment may be increased by the amount necessary to repay the balance by the end of this payment stream. Each time the ANNUAL PERCENTAGE RATE changes, we will review the effect the change has on your Credit Line Account to see if your payment is sufficient to pay the balance by the Maturity Date. If it is not, your payment will be increased by an amount necessary to repay the balance by the Maturity Date.

MINIMUM PAYMENT EXAMPLE. If you made only the minimum payment and took no other credit advances, it would take 30 years to pay off a credit advance of \$10,000.00 at an ANNUAL PERCENTAGE RATE of 5.000%. During that period, you would make 120 monthly payments ranging from \$38.36 to \$42.47. Then you would make 240 monthly payments of \$66.01.

TRANSACTION REQUIREMENTS. The following transaction limitations will apply to the use of your Credit Line:

Credit Line Equity One Check, Telephone Request, Request By Mail, In Person Request and Internet Access Limitations. There are no transaction limitations for the writing of Equity One Checks, requesting an advance by telephone, requesting an advance by mail, requesting an advance in person or accessing by other methods.

TAX DEDUCTIBILITY. You should consult a tax advisor regarding the deductibility of interest and charges for the Plan.

ADDITIONAL HOME EQUITY PROGRAMS. Please ask us about our other available Home Equity Line of Credit plans.

VARIABLE RATE FEATURE. The Plan has a variable rate feature. The ANNUAL PERCENTAGE RATE (corresponding to the periodic rate), and the minimum payment amount can change as a result. The ANNUAL PERCENTAGE RATE does not include costs other than interest.

THE INDEX. The annual percentage rate is based on the value of an index (referred to in this disclosure as the "Index"). The Index is the "Prime Rate" as published in the Wall Street Journal's Money Rates Table. If more than one Prime Rate is published in any edition, the index will be the highest of the Prime Rates listed but never less than 0.00%. Information about the Index is available or published in The Wall Street Journal. We will use the most recent Index value available to us as of the date of any annual percentage rate adjustment. If the Index is no longer available, we will choose a new Index and margin. The new Index will have an historical movement substantially similar to the original Index, and the new Index and margin will result in an annual percentage rate that is substantially similar to the rate in effect at the time the original Index becomes unavailable.

ANNUAL PERCENTAGE RATE. To determine the Periodic Rate that will apply to your First Payment Stream, we add a margin to the value of the Index, then divide the value by the number of days in a year (366 during leap years). To obtain the ANNUAL PERCENTAGE RATE we multiply the Periodic Rate by the number of days in a year (366 during leap years). This result is the ANNUAL PERCENTAGE RATE for your First Payment Stream. To determine the Periodic Rate that will apply to your Second Payment Stream, we add a margin to the value of the Index, then divide the value by the number of days in a year (366 during leap years). To obtain the ANNUAL PERCENTAGE RATE we multiply the Periodic Rate by the number of days in a year (366 during leap years). This result is the ANNUAL PERCENTAGE RATE for your Second Payment Stream. A change in the Index rate generally will result in a change in the ANNUAL PERCENTAGE RATE. The amount that your ANNUAL PERCENTAGE RATE may change also may be affected by the lifetime annual percentage rate limits, as discussed below.

Please ask us for the current Index value, margin and annual percentage rate. After you open a credit line, rate information will be provided on periodic statements that we send you.

Conversion Option. The Plan contains an option to convert the annual percentage rate under the Plan from a variable rate with annual percentage rate limits to a fixed rate as determined below. The following information is representative of conversion option features recently offered by us:

ANNUAL PERCENTAGE RATE Increase. Your ANNUAL PERCENTAGE RATE may increase if you exercise this option to convert to a fixed rate.

Conversion Periods. You can exercise the option to convert to a fixed rate only during the following period or periods: You can exercise your option to convert anytime during the first 120 months, not to exceed your Draw Period any or all of the outstanding balance under the variable rate portion of your Peoples EquityOne Line of Credit account to one or more Peoples EquityOne Fixed Rate and Fixed Payment Term loans, not to exceed three fixed rate term loans outstanding at any one time.

Conversion Fees. You will be required to pay the following fees at the time of conversion to a fixed rate: There is currently no conversion fee charged to establish a fixed rate, and fixed payment term loan.

Rate Determination. The fixed rate will be determined as follows: The Periodic Rate and the corresponding Annual Percentage Rate will be determined by the Bank at the time you lock in the rate on your Peoples EquityOne Term loan. This will be based on the current going rates.

Conversion Rules. You can convert to a fixed rate only during the period or periods described above. In addition, the following rules apply to the conversion option for the Plan: To convert all or a portion of the outstanding balance on your Peoples EquityOne Line of Credit to a Peoples EquityOne Fixed Rate and Payment Term Loan contact Peoples Bank for the applicable rate and repayment information. You will be required to authorize this request by signing a Peoples EquityOne Modification Request form.

Following submission and approval of each request you will receive a confirmation letter that indicates the principal amount, annual percentage rate, and the term of your fixed rate loan. The term of your loan may not exceed 120 months or the draw period expiration date whichever is earlier.

After a Peoples EquityOne Term Loan has been created your monthly statement will show a transfer of the loan amount from your line of credit to the term loan. As you pay down the principal balance on your term loan your available balance on your line of credit will be replenished by that amount.

EquityOne Term Loans. The terms and conditions applicable to my EquityOne Term Loan(s) are contained in: (i) this Agreement (which is incorporated herein by reference); and (ii) in the Confirmation Letter you receive when your fixed rate loan is processed. Those terms and conditions include, without limitation, the following:

The principal amount, annual percentage rate and loan term will be shown on the Confirmation Letter. You may select a loan term from the options Lender makes available to you for each EquityOne Term Loan. The minimum EquityOne Term Loan amount is \$5,000.00. The term options will be between 12 and 120 months, not to exceed the draw period expiration date in your Agreement. The Lender may set the term options based upon the amount of my Credit Limit in rotation to the value of the real estate securing this Agreement or such other criteria, as Lender deems appropriate. I will make payments of principal and interest in accordance with the payment schedule disclosed in the Confirmation Letter, with my final payment to include all principal and accrued interest not yet paid. Interest on this Note is computed on a 365/365 simple interest basis; that is, by applying the ratio of the annual interest rate over the number of days in a year, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. I may pay without penalty all or a portion of the amount owed earlier than it is due.

Payment Processing of Your Term Loan. The Bank will send a monthly statement showing the payment amount, payment due date, and balance, unless you choose another available method of payment processing. Payments received by the Bank will be applied as follows:

Full Payment Processing. When a payment is received for the full amount due it will be applied first to Interest, then to Principal, and then to any outstanding Fees due.

Overage Processing. When a payment is received in excess of the minimum amount due on the EquityOne Term Loan it will be applied to Principal.

Shortage Processing. When an payment is for less than the total amount due the payment will first be applied to interest and then to principal. Any EquityOne Term Loan that did not receive a full payment will be in default (past due) and will remain in default until payments on the remaining amount due are brought current.

Default. A default in the EquityOne Line of Credit or any EquityOne Term Loan made hereunder shall be considered a default in all related obligations, including the EquityOne Line of Credit and any EquityOne Term Loan.

Defined Terms and Conditions. I agree that this Agreement and the EquityOne Confirmation Letter are intended as the final expression of the Peoples Bank EquityOne Term Loan and as a complete and exclusive statement of its terms, and such documents may not be supplemented or modified except in writing. The EquityOne Loan benefits the Lender, its successors and assigns and binds me and my heirs, personal representatives, successors and assigns.

FREQUENCY OF ANNUAL PERCENTAGE RATE ADJUSTMENTS. Your ANNUAL PERCENTAGE RATE can change monthly. There is no limit on the amount by which the annual percentage rate can change during any one year period. However, under no circumstances will your ANNUAL PERCENTAGE RATE exceed 18.000% per annum or, go below 4.000% per annum at any time during the term of the Plan.

MAXIMUM RATE AND PAYMENT EXAMPLE.

Draw Period. If you had an outstanding balance of \$10,000.00, the minimum payment at the maximum ANNUAL PERCENTAGE RATE of 18.000% would be \$152.88. This ANNUAL PERCENTAGE RATE could be reached immediately or prior to the 1st payment.

**PEOPLES EQUITYONE DISCLOSURE
(Continued)**

Repayment Period. If you had an outstanding balance of \$10,000.00, the minimum payment at the maximum ANNUAL PERCENTAGE RATE of 18.000% would be \$154.40. This ANNUAL PERCENTAGE RATE could be reached at the time of the 1st payment during the repayment period.

PREPAYMENT. If you pay off and close your line of credit within the first 24 months you will have to pay a prepayment penalty of 2.000% of your original credit limit, not to exceed \$1,000 in the months 1-12 or \$500 in the months 13-24 from the date of this loan agreement.

HISTORICAL EXAMPLE. The example below shows how the ANNUAL PERCENTAGE RATE and the minimum payments for a single \$10,000.00 credit advance would have changed based on changes in the Index from 2004 to 2018. The Index values are from the following reference period: as of the first business day in January. While only one payment per year is shown, payments may have varied during each year. Different outstanding principal balances could result in different payment amounts.

The table assumes that no additional credit advances were taken, that only the minimum payments were made, and that the rate remained constant during the year. It does not necessarily indicate how the Index or your payments would change in the future.

INDEX TABLE

Year (as of the first business day in January)	Index (Percent)	Margin (1) (Percent)	ANNUAL PERCENTAGE RATE	Monthly Payment (Dollars)
2004.....	4.000...	0.500	4.500	38.22
2005.....	5.250...	0.500	5.750	48.84
2006.....	7.250...	0.500	7.750	65.82
2007.....	8.250...	0.500	8.750	74.32
Draw Period 2008.....	7.250...	0.500	7.750	65.82
2009.....	3.250...	0.500	4.000 (8)	33.97
2010.....	3.250...	0.500	4.000 (8)	33.97
2011.....	3.250...	0.500	4.000 (8)	33.97
2012.....	3.250...	0.500	4.000 (8)	33.97
2013.....	3.250...	0.500	4.000 (8)	33.97
2014.....	3.250...	0.500	4.000 (8)	60.61
Repayment Period 2015.....	3.250...	0.500	4.000 (8)	60.61
2016.....	3.500...	0.500	4.000	60.61
2017.....	3.750...	0.500	4.250	61.76
2018.....	4.500...	0.500	5.000	65.11

(1) This is a margin we have used recently; your margin may be different.
(8) This A.P.R. reflects a 4.000 percent floor.

