



199910050102

Kathy Hill, Skagit County Auditor
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When recorded return to:
HORIZON BANK
211 E. Holly
P.O. Box 608
Bellingham, Washington 98226

Grantor:
TEAM CORPORATION
Grantee:
HORIZON BANK
Assessor's Property Tax Parcel or Account Number:
8608250002

FIRST AMERICAN TITLE CO.
59886-3

LOT 27 SKAGIT REGIONAL AIRPORT BSP
(Space above this line for recording purposes)

ASSIGNMENT OF LEASES AND RENTS

As Security for a Loan
From HORIZON BANK

1. DATE AND PARTIES. The date of this Assignment of Leases and Rents (Agreement) is September 29, 1999, and the parties are the following:

OWNER/BORROWER:
TEAM CORPORATION
a WASHINGTON corporation
11591 WATER TANK RD
BURLINGTON, WASHINGTON 98233-3607
Tax I.D. # 95-2004673

BANK:
HORIZON BANK
a WASHINGTON banking corporation
211 E. Holly
P.O. Box 608
Bellingham, Washington 98226
Tax I.D. # 91-0141935

2. OBLIGATIONS DEFINED. The term "Obligations" is defined as and includes the following:
- A. A promissory note, No. 1060000001, (Note) dated September 29, 1999, and executed by TEAM CORPORATION (Borrower) payable in monthly payments to the order of Bank, which evidences a loan (Loan) to Borrower in the amount of \$410,000.00, plus interest, and all extensions, renewals, modifications or substitutions thereof.
 - B. All future advances by Bank to Borrower, to Owner, to any one of them or to any one of them and others (whether or not this Agreement is specifically referred to in the evidence of indebtedness with regard to such future and additional indebtedness).
 - C. All additional sums advanced, and expenses incurred, by Bank for the purpose of insuring, preserving or otherwise protecting the Collateral (as herein defined) and its value, and any other sums advanced, and expenses incurred by Bank pursuant to this Agreement, plus interest at the same rate provided for in the Note

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computed on a simple interest method.

- D. All other obligations, now existing or hereafter arising, by Borrower owing to Bank to the extent the taking of the Collateral (as herein defined) as security therefor is not prohibited by law, including but not limited to liabilities for overdrafts, all advances made by Bank on Borrower's, and/or Owner's, behalf as authorized by this Agreement and liabilities as guarantor, endorser or surety, of Borrower to Bank, due or to become due, direct or indirect, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several, or joint and several.
- E. Borrower's performance of the terms in the Note or Loan, Owner's performance of any terms in this Agreement, and Borrower's and Owner's performance of any terms in any deed of trust, any trust deed, any trust indenture, any mortgage, any deed to secure debt, any security agreement, any other assignment, any construction loan agreement, any loan agreement, any assignment of beneficial interest, any guaranty agreement or any other agreement which secures, guaranties or otherwise relates to the Note or Loan.

However, this security interest will not secure another debt:

- A. if Bank fails to make any disclosure of the existence of this security interest required by law for such other debt.

- 3. BACKGROUND. The Loan is secured by, but is not limited to, a deed of trust (Deed of Trust) dated September 29, 1999, on the following described property (Property) situated in SKAGIT COUNTY County, WASHINGTON, to-wit: LOT 27 "SKAGIT REGIONAL AIRPORT BINDING SITE PLAN, PHASE I", APPROVED AUGUST 22, 1986, RECORDED AUGUST 25, 1986 IN BOOK 7 OF SHORT PLATS, PAGES 111 THROUGH 120, INCLUSIVE, UNDER AUDITOR'S FILE NO. 8608250002 AND BEING A PORTION OF SECTION 33, TOWNSHIP 35 NORTH, RANGE 3 EAST, W.M., AND SECTION 3, TOWNSHIP 34 NORTH, RANGE 3 EAST, W.M.

The Property may be commonly referred to as 11591 WATERTANK RD BURLINGTON, WA. 98233

- 4. ASSIGNMENT OF LEASES AND RENTS. Owner grants, bargains, sells, conveys, assigns and transfers to Bank as additional security all the right, title and interest in and to any and all:
 - A. Existing or future leases, subleases, licenses, guaranties of performance of any party thereunder and any other written or verbal agreements for the use and occupancy of any portion of the Property, including any extensions, renewals, modifications or substitutions of such agreements (all referred to as "Leases"), including but not limited to the following described Leases: THE ASSIGNMENT OF SAID LEASE BETWEEN PORT OF SKAGIT COUNTY AND TEAM CORPORATION DATED APRIL 23, 1993 RECORDED IN SKAGIT COUNTY AUDITORS OFFICE # 9304230095 AND SUBSEQUENT ASSIGNMENT OF SAID LEASE BETWEEN TEAM CORPORATION AND SKAGIT STATE BANK DATED APRIL 27, 1993 AND ALSO RECORDED IN SKAGIT COUNTY AUDITORS OFFICE # 9304270057
 - B. Rents, issues and profits (all referred to as "Rents"), including but not limited to security deposits, minimum rent, percentage rent, additional rent, common area maintenance charges, parking charges, real estate taxes, other applicable taxes, insurance premium contributions, liquidated damages following default, cancellation premiums, "loss of rents" insurance, guest receipts, revenues, royalties, proceeds, bonuses, accounts, contract rights, general intangibles, and all rights and claims which Owner may have that in any way pertains to or is on account of the use or occupancy of the whole or any part of the Property.

In the event any item listed as Leases or Rents is determined to be personal property, this Agreement will also be regarded as a security agreement.

- 5. COLLECTION OF RENT. Owner may collect, receive, enjoy and use the Rents so long as Owner is not in default. Except for one lease period's rent, Owner will not collect in advance any Rents due in future lease periods, unless Owner first obtains Bank's written consent. Upon default, Owner will receive any Rents in trust for Bank and Owner will not commingle the Rents with any other funds. Any amounts collected shall be applied at Bank's discretion first to costs of managing, protecting and preserving the Property, and to any other necessary related expenses including Bank's court costs. Any remaining amounts shall be applied to reduce the Obligations. Owner agrees that this assignment is immediately effective between the parties to this Agreement and effective as to third parties on the recording of this Agreement, and this assignment will remain effective during any redemption period until the Obligations are satisfied. When the Property is not farm land or the homestead of Owner or Owner's successor in interest, Owner agrees that Bank is entitled to notify Owner or Owner's tenants to make payments of Rents due or to become due directly to Bank after such recording, however Bank agrees not to notify Owner's tenants until Owner defaults and Bank notifies Owner of the default and demands that Owner and Owner's tenants pay all Rents due or to become due directly to Bank. Owner consents to Owner's tenants paying all Rents due or to become due directly to Bank after Bank makes this notification and demand to Owner. When the Property is farm land or the homestead of Owner or Owner's successor in interest, Bank may not enforce this assignment by taking possession of the Property for the purpose of collecting Rents, but Bank may seek the appointment of a receiver to take charge of the Property, collect the Rents from non-homestead Property, and apply the Rents under this Agreement. On receiving the notice of default, Owner will endorse and deliver to Bank any payments of Rents.

- 6. APPLICATION OF COLLATERAL PROCEEDS. Any Rent or other payments received or to be received by virtue of the



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Collateral, will be applied to any amounts Borrower owes Bank on the Obligations and shall be applied first to costs and expenses, then to accrued interest and the balance, if any, to principal except as otherwise required by law.

7. **WARRANTIES AND COVENANTS.** To induce Bank to extend credit by entering into the Obligations, Owner makes the following warranties and covenants:

- A. Owner has good title to the Leases, Rents, and Property and the right to grant, bargain, sell, convey, assign and transfer to Bank as additional security the Leases and Rents, and no other person has any right in the Leases and Rents.
- B. Owner has recorded the Leases as required by law or as otherwise prudent for the type and use of the Property.
- C. No default exists under the Leases, and the parties subject to the Leases have not violated any applicable law on leases, licenses and landlords and tenants. Owner, at its sole cost and expense, will keep, observe and perform, and require all other parties to the Leases to comply with the Leases and any applicable law. If Owner or any party to the Lease defaults or fails to observe any applicable law, Owner will promptly notify Bank of this noncompliance.
- D. When any Lease provides for an abatement of Rents due to fire, flood or other casualty, Owner will insure against this risk of loss with a policy satisfactory to Bank.
- E. Owner will promptly provide Bank with copies of the Leases and will certify these Leases are true and correct copies. The existing Leases will be provided on execution of the Agreement, and all future Leases and any other information with respect to these Leases will be provided immediately after they are executed.
- F. Immediately after execution of this Agreement, Owner will notify all current and future tenants and others obligated under the Leases of Bank's right to the Leases and Rents, and will request that they immediately pay all future Rents directly to Bank when Owner or Bank demand them to do so. However, Owner does not need to provide this notice when the Property is farm land or the homestead of Owner or Owner's successor in interest.
- G. When Bank requests, Owner will provide to Bank an accounting of Rents, prepared in a form acceptable to Bank, subject to generally accepted accounting principles in effect when such statements are made, and certified by Owner or Owner's accountant to be current, true, accurate and complete as of the date requested by Bank.
- H. Owner has not sublet, modified, extended, canceled, or otherwise altered the Leases, or accepted the surrender of the Property covered by the Leases (unless the Leases so required), nor will Owner do so without Bank's written consent.
- I. Owner has not assigned, compromised, subordinated or encumbered the Leases and Rents, and will not do so without Bank's prior written consent.
- J. Owner will not enter into any future Leases without prior written consent from Bank and at Bank's request. Owner will execute and deliver such further assurances and assignments as to these future Leases as Bank requires from time to time.
- K. Owner will not sell or remove any personal property on the Property, unless Owner replaces this personal property with like kind for the same or better value.
- L. Owner will appear in and prosecute its claims or defend its title to the Leases and Rents against any claims that would impair Owner's interest under this Agreement, and on Bank's request, Owner will also appear in any action or proceeding in the name and on behalf of Bank. Owner will pay Bank for all costs and expenses, including reasonable attorneys' fees, incurred by Bank for appearing in any action or proceeding related to the Leases or Rents. Owner agrees to assign to Bank, as requested by Bank, any right, claims or defenses which Owner may have against parties who supply labor or materials to improve or maintain the leaseholds subject to the Leases and/or the Property.
- M. Bank does not assume or become liable for the Property's maintenance, depreciation, or other losses or damages when Bank acts to manage, protect or preserve the Property, except for losses or damages due to Bank's gross negligence or intentional torts. Otherwise, Owner will indemnify Bank and hold Bank harmless for any and all liability, loss or damage that Bank may incur when Bank opts to exercise any of its remedies against tenants or others obligated under the Leases.
- N. Owner will not cause or permit the leasehold estate under the Leases to merge with Owner's reversionary interest, and agrees that the Leases shall remain in full force and effect regardless of any merger of the Owner's interests and of any merger of the interests of Owner and of tenants and other parties obligated under the Lease.
- O. Bank will be the creditor of each tenant and of anyone else obligated under the Leases who is subject to an assignment for the benefit of creditors, an insolvency, a dissolution or a receivership proceeding, or a bankruptcy.
- P. If Owner becomes subject to a voluntary or involuntary bankruptcy, then Owner agrees that Bank is entitled to receive relief from the automatic stay in bankruptcy for the purpose of making this Agreement effective and enforceable under state and federal law and within Owner's bankruptcy proceedings.

8. **EVENTS OF DEFAULT.** Owner shall be in default upon the occurrence of any of the following events, circumstances or conditions (Events of Default):

- A. Failure by any party obligated on the Obligations to make payment when due; or
- B. A default or breach by Borrower, Owner or any co-signer, endorser, surety, or guarantor under any of the terms of this Agreement, the Note, any construction loan agreement or other loan agreement, any security



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ACG
DAR
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"hazardous substance" under any Environmental Law.

B. Owner represents, warrants and agrees that:

- (1) Except as previously disclosed and acknowledged in writing to Bank, no Hazardous Substance has been, is or will be located, transported, manufactured, treated, refined, or handled by any person on, under or about the Property except in the ordinary course of business and in strict compliance with all applicable Environmental Law.
 - (2) Except as previously disclosed and acknowledged in writing to Bank, Owner has not and shall not cause, contribute to or permit the release of any Hazardous Substance on the Property.
 - (3) Owner shall immediately notify Bank if: (a) a release or threatened release of Hazardous Substance occurs on, under or about the Property or migrates or threatens to migrate from nearby property; or (b) there is a violation of any Environmental Law concerning the Property. In such an event, Owner shall take all necessary remedial action in accordance with any Environmental Law.
 - (4) Except as previously disclosed and acknowledged in writing to Bank, Owner has no knowledge of or reason to believe there is any pending or threatened investigation, claim, or proceeding of any kind relating to (a) any Hazardous Substance located on, under or about the Property or (b) any violation by Owner or any tenant of any Environmental Law. Owner shall immediately notify Bank in writing as soon as Owner has reason to believe there is any such pending or threatened investigation, claim, or proceeding. In such an event, Bank has the right, but not the obligation, to participate in any such proceeding including the right to receive copies of any documents relating to such proceedings.
 - (5) Except as previously disclosed and acknowledged in writing to Bank, Owner and every tenant have been, are and shall remain in full compliance with any applicable Environmental Law.
 - (6) Except as previously disclosed and acknowledged in writing to Bank, there are no underground storage tanks, private dumps or open wells located on or under the Property and no such tank, dump or well shall be added unless Bank first agrees in writing.
 - (7) Owner will regularly inspect the Property, monitor the activities and operations on the Property, and confirm that all permits, licenses or approvals required by any applicable Environmental Law are obtained and complied with.
 - (8) Owner will permit, or cause any tenant to permit, Bank or Bank's agent to enter and inspect the Property and review all records at any reasonable time to determine: (a) the existence, location and nature of any Hazardous Substance on, under or about the Property; (b) the existence, location, nature, and magnitude of any Hazardous Substance that has been released on, under or about the Property; (c) whether or not Owner and any tenant are in compliance with any applicable Environmental Law.
 - (9) Upon Bank's request, Owner agrees, at Owner's expense, to engage a qualified environmental engineer to prepare an environmental audit of the Property and to submit the results of such audit to Bank. The choice of the environmental engineer who will perform such audit is subject to the approval of Bank.
 - (10) Bank has the right, but not the obligation, to perform any of Owner's obligations under this paragraph at Owner's expense.
 - (11) As a consequence of any breach of any representation, warranty or promise made in this paragraph, (a) Owner will indemnify and hold Bank and Bank's successors or assigns harmless from and against all losses, claims, demands, liabilities, damages, cleanup, response and remediation costs, penalties and expenses, including without limitation all costs of litigation and reasonable attorneys' fees, which Bank and Bank's successors or assigns may sustain; and (b) at Bank's discretion, Bank may release this Agreement and in return Owner will provide Bank with collateral of at least equal value to the Property secured by this Agreement without prejudice to any of Bank's rights under this Agreement.
- (12) Notwithstanding any of the language contained in this Agreement to the contrary, the terms of this paragraph shall survive any foreclosure or satisfaction of any deed of trust, mortgage or any obligation regardless of any passage of title to Bank or any disposition by Bank of any or all of the Property. Any claims and defenses to the contrary are hereby waived.

11. TERM. This Agreement shall remain in effect until the Obligations are fully and finally paid. Upon payment in full of all such indebtedness, Bank shall execute a release of this Agreement upon Owner's request.

12. GENERAL PROVISIONS.

- A. TIME IS OF THE ESSENCE. Time is of the essence in Owner's performance of all duties and obligations imposed by this Agreement.
- B. NO WAIVER BY BANK. Bank's course of dealing, or Bank's forbearance from, or delay in, the exercise of any of Bank's rights, remedies, privileges or right to insist upon Owner's strict performance of any provisions contained in this Agreement, or other loan documents, shall not be construed as a waiver by Bank, unless any such waiver is in writing and is signed by Bank.
- C. AMENDMENT. The provisions contained in this Agreement may not be amended, except through a written amendment which is signed by Owner and Bank.
- D. INTEGRATION CLAUSE. This written Agreement and all documents executed concurrently herewith, represent the entire understanding between the parties as to the Obligations and may not be contradicted by evidence.



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- of prior, contemporaneous, or subsequent oral agreements of the parties.
- E. FURTHER ASSURANCES. Owner agrees, upon request of Bank and within the time Bank specifies, to provide any information, and to execute, acknowledge, deliver and record or file such further instruments or documents as may be required by Bank to secure the Note or confirm any lien.
- F. GOVERNING LAW. This Agreement shall be governed by the laws of the State of WASHINGTON, provided that such laws are not otherwise preempted by federal laws and regulations.
- G. FORUM AND VENUE. In the event of litigation pertaining to this Agreement, the exclusive forum, venue and place of jurisdiction shall be in the State of WASHINGTON, unless otherwise designated in writing by Bank or otherwise required by law.
- H. SUCCESSORS. This Agreement shall inure to the benefit of and bind the heirs, personal representatives, successors and assigns of the parties; provided however, that Owner may not assign, transfer or delegate any of the rights or obligations under this Agreement.
- I. NUMBER AND GENDER. Whenever used, the singular shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.
- J. DEFINITIONS. The terms used in this Agreement, if not defined herein, shall have their meanings as defined in the other documents executed contemporaneously, or in conjunction, with this Agreement.
- K. PARAGRAPH HEADINGS. The headings at the beginning of any paragraph, or any subparagraph, in this Agreement are for convenience only and shall not be dispositive in interpreting or construing this Agreement.
- L. IF HELD UNENFORCEABLE. If any provision of this Agreement shall be held unenforceable or void, then such provision to the extent not otherwise limited by law shall be severable from the remaining provisions and shall in no way affect the enforceability of the remaining provisions nor the validity of this Agreement.
- M. NO ACTION BY BANK. Nothing contained herein shall require the Bank to take any action.

OWNER/BORROWER:

TEAM CORPORATION
a WASHINGTON corporation

[Corporate Seal*]

By: Robert C Tauscher
ROBERT C TAUSCHER PRESIDENT
Bruce L Huntley
BRUCE L HUNTLEY VICE-PRESIDENT
Douglas A Lund
DOUGLAS A LUND - VICE PRESIDENT

William B Woyski
WILLIAM B WOYSKI - VICE PRESIDENT

(*Corporate seal may be affixed, but failure to affix shall not affect validity or reliance.)

STATE OF Washington
COUNTY OF Skagit SS:

I certify that I know or have satisfactory evidence that ROBERT C TAUSCHER PRESIDENT, BRUCE L HUNTLEY VICE-PRESIDENT and DOUGLAS A LUND - VICE PRESIDENT signed this instrument, on oath stated that they were authorized to execute the instrument and acknowledged it as the officers of TEAM CORPORATION, a WASHINGTON corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 9/29/99

My appointment expires:
03/01/02



Deborah Lesard
NOTARY PUBLIC in and for the state of Washington,
Residing at
Burlington, Washington

THIS IS THE LAST PAGE OF A 6 PAGE DOCUMENT. EXHIBITS AND/OR ADDENDA MAY FOLLOW.



Handwritten initials and signatures: RCF, DAC, WBS, etc.

SCHEDULE "C"

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

A Leasehold Interest in the following described tract:

Lot 27, "SKAGIT REGIONAL AIRPORT BINDING SITE PLAN, PHASE I", approved August 22, 1986, recorded August 25, 1986 in Book 7 of Short Plats, pages 111 through 120, inclusive, under Auditor's File No. 8608250002 and being a portion of Section 33, Township 35 North, Range 3 East, W.M., Section 24, Township 35 North, Range 3 East, W.M., and Section 3, Township 34 North, Range 3 East, W.M.



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