



199910290317

Kathy Hill, Skagit County Auditor
10/29/1999 Page 1 of 20 12:49:07PM

FIRST MUTUAL BANK
P.O. BOX 1647
BELLEVUE, WA 98009
ATTN: LOAN SERVICING DEPARTMENT

**FIRST DEED OF TRUST, ASSIGNMENT OF RENTS,
SECURITY AGREEMENT, AND FIXTURE FILING**

LOAN NO. 0093-300093-00

Island Title SB-14534✓

THIS FIRST DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT,
AND FIXTURE FILING ("Deed of Trust") is made this 18th day of October, 19 99.

GRANTORS: John Lund and Brenda L. Lund, husband and wife,
whose address is P.O. Box 1701, Mount Vernon, Washington 98273-1701.

TRUSTEE: Island Title Company,
whose address is 839 S. Burlington Blvd./Post Office Box 670, Burlington, Washington
98233.

BENEFICIARY: First Mutual Savings Bank, a Washington stock bank, whose address is P. O. Box 1647,
Bellevue, Washington 98009.

Grantor hereby irrevocably grants, bargains, sells and conveys to Trustee, in trust, with power of
sale, the real property described in Exhibit A, attached hereto and incorporated herein by this reference,
which property is located in Skagit County, Washington (hereinafter called "Property" and/or
"Premises");

Abbreviated legal:

Ptn. SW SW, Sec. 20, T34N, R4E W.M.

(Additional legal description is on page 18 of document)

Tax Account Number(s): 340420-0-117-0002

TOGETHER WITH all buildings, structures, improvements, equipment, fixtures and articles of
property now or hereafter attached to, or used or adapted for use in the operation of, the Premises,
including, but without being limited to, all heating and incinerating apparatus and equipment whatsoever,
all boilers, engines, motors, dynamos, generating equipment, piping and plumbing fixtures, dishwashers,
disposals, ranges, cooking apparatus and mechanical kitchen equipment, washers, dryers, refrigerators,
cooling, ventilating, sprinkling and vacuum cleaning systems, fire extinguishing apparatus, escalators,
partitions, mantels, cabinets, built-in mirrors, window shades, blinds, screens, storm sash, awnings,
furnishings of public spaces, halls and lobbies, and shrubbery, plants and landscaping; and including also
all interest of any owner of the Premises in any of such items hereafter at any time acquired in any
manner whatsoever, all of which property mentioned in this paragraph shall be deemed part of the realty
and not severable wholly or in part without material injury to the freehold;

TOGETHER WITH all and singular the lands, tenements, privileges, water rights, hereditaments
and appurtenances thereto belonging or in anywise appertaining, and the rents, issues and profits thereof
and the reversion(s), remainder(s), and all the estate, rights, title, claim, interest and demand whatsoever
of Grantor, either in law or equity, of, in and to the Premises; SUBJECT, HOWEVER, to the right, power
and authority of Beneficiary to collect and apply such rents, issues and profits as provided for hereinafter
or in any other instrument assigning such rents, issues and profits to Beneficiary; and

TOGETHER WITH all present and future right, title and interest of Grantor in and to all accounts, general intangibles, chattel paper, deposit accounts, money, instruments and documents (as those terms are defined in the UCC) and all other agreements, obligations, rights and written materials (in each case whether existing now or in the future) now or in the future relating to or otherwise arising in connection with or derived from the Property or the ownership, use, development, construction, maintenance, management, operation, marketing, leasing, occupancy, sale or financing of the Property including (i) permits, approvals, and other governmental authorizations, (ii) improvement plans and specifications and architectural drawings, (iii) agreements with contractors, subcontractors, suppliers, project managers and supervisors, designers, architects, engineers, sales agents, leasing agents, consultants and property managers, (iv) takeout, refinancing and permanent loan commitments, (v) warranties, guaranties, indemnities and insurance policies, together with insurance payments and unearned insurance premiums, (vi) claims, demands, awards, settlements and other payments arising or resulting from or otherwise relating to any insurance or any loss or destruction of, injury or damage to, trespass on or taking, condemnation (or conveyance in lieu of condemnation) or public use of any of the Property, (vii) the Disbursement Account and any Cash Collateral Account maintained pursuant to any of the Loan Documents, and any Borrower's Funds or other amounts deposited by Grantor with Beneficiary which are to be held in any such Cash Collateral Account, (viii) leases, rental agreements, license agreements, service and maintenance agreements, purchase and sale agreements and purchase options, together with advance payments, security deposits and other amounts paid to or deposited with Grantor under any such agreements, (ix) reserves, deposits, bonds, deferred payments, refunds, rebates, discounts, cost savings, escrow proceeds, sale proceeds and other rights to the payment of money, trade names, trademarks, goodwill and all other types of intangible personal property of any kind or nature, and (x) all supplements, modifications, amendments, renewals, extensions, proceeds, replacements and substitutions of or to any of such property (the "Intangibles," and together with the Appurtenances and the Rents, the "Rights").

TOGETHER WITH (a) all of Grantor's rights further to encumber the Premises and other property aforesaid for debt except by such encumbrance which by its actual terms and specifically expressed intent shall be and at all times remain subject and subordinate to (i) any and all tenancies in existence when such encumbrance becomes effective, and (ii) any tenancies hereafter created, Grantor hereby (1) representing as a special inducement to Beneficiary to make the loan secured hereby that, as of the date hereof, there are no encumbrances to secure debt junior to this Deed of Trust, and (2) covenanting that there are to be none as of the date when this Deed of Trust becomes of record, except in either case encumbrances having the prior written approval of Beneficiary, and (b) all of Grantor's rights to enter into any lease or lease agreement which would create a tenancy that is or may become subordinate in any respect to any mortgage or deed of trust other than this Deed of Trust.

For the purposes of this Deed of Trust, the term "Property" shall include the Premises and all other property, estate, rights, privileges, title, claim, interest and demand of Grantor conveyed in trust hereby.

THIS DEED OF TRUST IS MADE FOR THE PURPOSE OF SECURING PERFORMANCE of each covenant, agreement, term and condition of Grantor contained herein and the due and punctual payment of the sum of Two Hundred Sixty-Two Thousand Five Hundred and No/100's Dollars (\$262,500.00), with interest thereon according to the terms of an adjustable rate promissory note, payable to Beneficiary or order and made by Grantor (the "Note"); all renewals, modifications or extensions thereof; and also such further sums as may be advanced or loaned by Beneficiary to Grantor, or any of them or any of their successors or assigns, together with interest thereon at such rate as shall be agreed upon.

This Deed of Trust is also made for the purpose of securing due, prompt and complete observance and performance of each and every obligation, covenant and agreement of Grantor contained in any other instrument heretofore or hereafter executed by Grantor having reference to or arising out of the indebtedness represented by the Note, or given as security for the Note, including, but not limited to, (a) Grantor's Business Agreement, if any, (b) Grantor's Hazardous Waste Indemnity Agreement, if any, (c) Grantor's Certificate of Rent Roll, if any, and (d) Grantor's Construction Loan Agreement, if any (collectively called "Loan Documents").

Grantor hereby COVENANTS AND AGREES as follows:

1. UNIFORM COMMERCIAL CODE SECURITY AGREEMENT. When and if Grantor and Beneficiary shall respectively become the Debtor and Secured Party in any Uniform Commercial Code Financing Statement affecting personal property and/or fixtures either referred to or described



herein, or in any way connected with the use and enjoyment of the Premises, this Deed of Trust shall be deemed a Security Agreement as defined in the Washington Uniform Commercial Code (RCW Chapter 62A.9) granting to Beneficiary, as Secured Party, a security interest in all personal property, Goods and Intangibles described herein or in any Financing Statement subsequently filed with the Department of Licensing or the county recorder of the county in which the Property is located. The remedies for any violation of the covenants, agreements, terms and conditions herein contained shall be (a) as prescribed herein; or (b) by general law; or (c) as to such part of the security which is also reflected in said Financing Statement by the specific statutory consequences now or hereafter enacted and specified in the Uniform Commercial Code, all at Beneficiary's sole election. Grantor and Beneficiary agree that the filing of such a Financing Statement in the records normally having to do with personal property shall never be construed as in any way derogating from or impairing this declaration and hereby stated intention of the parties that everything used in connection with the production of income from the Premises and/or adapted for use therein and/or which is described or reflected in this Deed of Trust is, and at all times and for all purposes and in all proceedings both legal or equitable shall be, regarded as part of the real estate, irrespective of whether (i) any such item is physically attached to the improvement; (ii) serial numbers are used for the better identification of certain equipment items capable of being thus identified in a description contained in this Deed of Trust or in any list filed with Beneficiary; or (iii) any such item is referred to or reflected in any such Financing Statement so filed at any time.

This Deed of Trust constitutes a financing statement filed as a fixture filing in the official records of the county auditor of the county in which the Property is located with respect to any and all fixtures included on or within the Property and Premises as used herein and with respect to any goods or other personal property that may now be or hereafter become such fixtures.

2. COVENANTS OF PERFORMANCE; WARRANTIES OF TITLE. Grantor shall pay all debts and moneys secured hereby, when from any cause the same shall become due. Grantor shall keep the Property free from statutory and governmental liens of any kind. Grantor is seized in fee simple of the Property and owns every part thereof; there are no liens or encumbrances against or upon the same, including but not limited to, no leases or conditional purchase agreements of tangible personal property, and none superior to this Deed of Trust will be created or suffered to be created by Grantor during the life of this Deed of Trust. The Grantor has good right to make this Deed of Trust, and will forever warrant and defend the Property unto Beneficiary, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof. Grantor's warranties of title extend to after-acquired property whether acquired as replacements for property now owned by Grantor, as additional items of property attached to or used or adapted for use in the operation of the Premises, or otherwise, all of which property shall be owned by Grantor outright, free of liens or encumbrances. Grantor shall at all times during the life of this Deed of Trust keep and maintain the Premises as a separate real estate tax parcel and at no such time permit the Premises or any part thereof to be combined with any other real property in any real estate tax parcel. Grantor, upon request by mail, will furnish a written statement duly acknowledged of the amount due on this Deed of Trust and whether any offsets or defenses exist against the indebtedness secured hereby.

3. RESERVES; APPLICATION OF INSTALLMENT PAYMENTS. Subject to applicable law or to a written waiver by Beneficiary, Grantor shall pay to Beneficiary on the day monthly installments of principal or interest are payable under the Note (or another day designated in writing by Beneficiary), until the Note is paid in full, a sum equal to one-twelfth of (a) the yearly real estate taxes and special assessments which may be levied on the Property, (b) the yearly ground rents, if any, (c) the yearly premium installments for fire and other hazard insurance, rent loss insurance and such other insurance covering the Property as Beneficiary may require pursuant hereto, (d) the yearly premium installments for mortgage insurance, if any, all as reasonably estimated initially and from time to time by Beneficiary on the basis of assessments and bills and reasonable estimates thereof. Any waiver by Beneficiary of a requirement that Grantor pay such amounts may be revoked by Beneficiary, in Beneficiary's sole discretion, at any time upon notice in writing to Grantor. Beneficiary may require Grantor to pay to Beneficiary, in advance, such other amounts for taxes, charges, premiums, assessments and impositions in connection with Grantor or the Property which Beneficiary shall reasonably deem necessary to protect Beneficiary's interests in the Property. All payments mentioned in this paragraph and all payments to be made under the Note shall be added together, and the aggregate amount thereof shall be paid by Grantor each month in a single payment to be applied by Beneficiary to the following items in the order set forth: (a) taxes, special assessments, fire and other hazard insurance premiums; (b) late payment charges, if any; (c) interest on the Note; and (d) amortization of the principal of the Note. The arrangement provided for in this paragraph 3 is solely for the added protection of Beneficiary and entails no responsibility on Beneficiary's part beyond the allowing of due credit, without interest, for the sums actually received by it. Beneficiary shall at all times have a lien against and a security interest in all payments mentioned in this paragraph and, in the event of default by Grantor, notwithstanding any other provisions of this Deed of Trust or the Note, Beneficiary shall be entitled to apply all or any portion of



such payments as a credit against the indebtedness secured hereby. Upon assignment of this Deed of Trust by Beneficiary, any funds on hand shall be turned over to the Assignee, and any responsibility of the Assignor with respect thereto shall terminate. Each transfer of the Property shall automatically transfer to the Transferee all rights of the Grantor with respect to any funds accumulated hereunder.

4. EXCESS RESERVES; DEFICIENCIES. If the total of the payments (herein called "reserves") made under paragraph 3 relating to reserves for taxes, special assessments and premiums on insurance policies shall exceed the amount of payments actually made by Beneficiary for the purposes set forth in paragraph 3, plus such amounts as have been reasonably accumulated in such reserves toward payments therefrom next to become due, such excess may, provided no default then exists under the terms of this Deed of Trust, nor under the terms of the Note, but not otherwise, be credited by Beneficiary in payment of subsequent aggregate, but not partial, payments to be made by Grantor or, at the option of Beneficiary, refunded to Grantor or his successor in interest as may appear upon the records of Beneficiary. If, however, the monthly payments accumulating such reserves shall not be sufficient to pay the sums required when the same shall become due and payable, Grantor shall pay to Beneficiary any amount necessary to make up the deficiency within thirty (30) days after written notice to Grantor stating the amount of the deficiency. Any failure by Grantor to pay any such amount within thirty (30) days shall constitute an event of default under this Deed of Trust. If there shall be a default under any of the provisions of this Deed of Trust and thereafter a sale of the Property in accordance with the provisions hereof, or if Beneficiary acquires the Property otherwise after default, Beneficiary shall apply, at the time of commencement of such proceedings, or at the time the Property is otherwise acquired, the balance then remaining in the funds accumulated under paragraph 3, less such sums as will become due and payable during the pendency of the proceedings, as a credit against the indebtedness secured hereby.

5. LATE PAYMENTS. Notwithstanding any of the provisions of this Deed of Trust, if any payment required to be made under the provisions hereof shall become overdue for a period in excess of ten (10) days from the date upon which any such payment shall become due, a late charge equal to five percent (5%) of the overdue payment may be charged by Beneficiary as liquidated damages for the purpose of defraying the expense incident to handling such delinquent payment. If Grantor shall fail to pay such late charge upon demand by Beneficiary, the indebtedness secured hereby shall immediately become due and payable, at the option of Beneficiary.

6. MAINTENANCE OF PREMISES; COMPLIANCE WITH LAWS. Grantor shall maintain the buildings and other improvements on the Premises in a rentable condition and good state of repair suitable for tenants. Grantor shall neither commit nor suffer any waste, shall comply promptly with all requirements of the federal, state and municipal authorities and all other laws, ordinances, regulations, covenants, conditions and restrictions now or hereafter respecting the Property or the use thereof, and shall pay all fees or charges of any kind in connection therewith. In the event of breach of any requirement of this paragraph, Beneficiary may, in addition to any other rights or remedies, at any time thereafter declare the indebtedness secured hereby immediately due and payable. Proof of impairment of security shall be unnecessary in any suit, action or proceeding under this paragraph. Grantor shall permit Beneficiary and its agents the opportunity to inspect the Property, including the interior of any structures, at reasonable times and after reasonable notice.

7. CONSTRUCTION AND RESTORATION OF IMPROVEMENTS. Grantor shall complete or restore promptly and in good workmanlike manner any building or improvement now or hereafter on the Premises which may be damaged or destroyed, and pay, when due, all costs incurred therefor.

8. CONSENT NECESSARY FOR ALTERATIONS. No building or other improvement on the Premises shall be structurally altered, removed or demolished, without Beneficiary's prior written consent, nor shall any fixture or chattel covered by this Deed of Trust and adapted to the proper use and enjoyment of the Premises be removed at any time without like consent, unless actually replaced by an article of equal suitability, owned by Grantor, free and clear of any lien or security interest, except such as may be approved in writing by Beneficiary.

9. INSURANCE. Grantor shall provide to Beneficiary, at least thirty (30) days prior to expiration, certificates of existing insurance, and shall maintain unceasingly, (a) policies of fire insurance and extended coverage insurance insuring all the Property (whether now or hereafter acquired) to the full insurable replacement value against loss or damage by fire and other risks embraced by coverage of the type now known as the broad form of extended coverage, including, but not being limited to, riot and civil commotion, vandalism and malicious mischief, and against such other risks and hazards as Beneficiary may from time to time reasonably request; (b) a policy or policies of flood insurance in an amount at least equal to the lesser of (i) the outstanding aggregate principal balance of the Note, or (ii) the maximum limit of coverage available under the National Flood Insurance Act of 1968, as amended in



the event all or a part of the Premises is located in an area defined by the Secretary of Housing and Urban Development (HUD) as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968, and any amendment thereof and any regulations promulgated thereunder, or if flood insurance is otherwise available; and (c) a policy of boiler and pressure vessel insurance, including, but not being limited to, air tanks, pressure piping and major air conditioning equipment, provided the buildings on the Premises contain equipment of the nature ordinarily covered by such insurance; and (d) a policy of insurance against the loss of "rental value" of the Property on a "rented or vacant basis" arising out of fire or the risks embraced by coverage of the type now known as the broad form of extended coverage, in an amount equal to one hundred percent (100%) of one year's gross rental value; and (e) such other insurance as Beneficiary may from time to time reasonably request against the same or other insurable hazards. The term "rental value," as used in this paragraph, shall mean the sum of (i) the total anticipated gross rental income from tenant occupancy of the buildings now or hereafter on the Premises, and (ii) the amount of all charges which are the legal obligation of tenants and which would otherwise be the obligation of Grantor, and (iii) the fair rental value of any portion of such property which is occupied by Grantor.

All insurance shall be in such amounts and for such a period of time, with waiver of subrogation clauses and loss payable clauses (without contribution) in favor of Beneficiary, as Beneficiary may reasonably request. All insurance shall be in form and with companies authorized to do business in the State of Washington which are satisfactory to Beneficiary. Grantor shall deliver all policies to Beneficiary, which delivery shall constitute an assignment to Beneficiary of all return premiums. All insurance policies shall be noncancellable and not subject to material change by any party without thirty (30) days prior written notice to Beneficiary. Beneficiary may, at its option, require Grantor to maintain said required policies in Grantor's possession in lieu of delivering said policies to Beneficiary, in which event, said policies shall be kept available by Grantor at all times for return to Beneficiary or for inspection by Beneficiary, its agents or insurers, and said requirement may be withdrawn by Beneficiary at any time.

In event of foreclosure of this Deed of Trust or other transfer of title to the Property in extinguishment of some or all of the indebtedness secured hereby, all interest of Grantor in any insurance policies in force shall pass to the purchaser or grantee. Grantor shall pay to Beneficiary, as Beneficiary may require, a reasonable fee to cover costs of substituting policies in the event Grantor replaces any policy prior to its expiration. Grantor shall reimburse Beneficiary for any premiums paid for such insurance by Beneficiary upon Grantor's default in so insuring the Premises or other improvements or default in assigning and delivering of such policies to Beneficiary so endorsed.

10. ACTIONS; INDEMNITY; MODIFICATIONS COSTS. Grantor shall appear in and defend any suit, action or proceeding that might affect the priority or enforceability of this Deed of Trust or the value of this Deed of Trust, or the Property itself or the rights and powers of Beneficiary or Trustee. Should Beneficiary or Trustee elect also to appear in or defend any such suit, action or proceeding, be made a party to such by reason of this Deed of Trust, or elect to prosecute such action as appears necessary to preserve said value, Grantor shall, at all times, indemnify from, and, on demand, reimburse Beneficiary or Trustee for, any and all loss, damage, expense or cost, including cost of evidence of title and attorneys' fees, arising out of or incurred in connection with any such suit, action, or proceeding. Grantor shall pay all costs and expenses of Beneficiary or Trustee, including attorneys' fees incurred in connection with any amendment, modification or extension hereof or of the Note or any other agreement affecting the Premises, including a request to consent to a transfer of any interest in the Premises. Grantor shall pay all costs and expenses incurred by Beneficiary in enforcing this Deed of Trust, the Note, or other Loan Documents, and any costs of suit, costs of evidence of title and attorneys' fees in any suit, action or proceeding brought by Beneficiary to foreclose this Deed of Trust. The sum of all such expenditures referred to in this paragraph or incurred in exercise of rights or options otherwise granted to Beneficiary or Trustee in this Deed of Trust shall be secured by this Deed of Trust with interest as provided in paragraph 13, and shall be due and payable on demand.

11. DISCHARGE OF LIENS. Grantor shall pay in full, at least thirty (30) days before delinquent, all rents, taxes, assessments and encumbrances, charges or liens with interest that may now or hereafter be levied, assessed, or claimed upon the Premises or any part thereof, which at any time appear to be prior or superior hereto for which provision has not been made heretofore. Upon request, Grantor shall exhibit to Beneficiary official receipts therefor. Grantor shall pay all taxes imposed upon, reasonable costs, fees and expenses of this Trust. Beneficiary may, at its option, pay, or pay out of reserves accumulated under paragraph 3, any such sums, and Beneficiary shall not be liable to Grantor for a failure to exercise any such option.

12. PERFORMANCE OPTION OF BENEFICIARY AND TRUSTEE. Should Grantor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Grantor and without releasing Grantor from



any obligation hereof, may: (a) make or do the same in such manner and to such extent as either may deem necessary in the exercise of its absolute discretion to protect the security hereof, Beneficiary or Trustee being authorized to enter upon the Premises for such purposes; (b) commence, appear in and defend any suit, action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; (c) pay, purchase, contest or compromise any encumbrance, charge of lien which, in the judgment of either, appears to be prior or superior hereto; and (d) in exercising any such power, incur any liability, expend whatever amounts in its absolute discretion it may deem necessary therefor, including cost of evidence of title, employ counsel and pay reasonable fees.

13. REPAYMENT OF ADVANCES AND INTEREST. Grantor shall repay immediately upon demand, all sums expended or advanced hereunder by or on behalf of Beneficiary or Trustee, with interest from the date of such advance or expenditure at the rate of eighteen percent (18%) per annum (but not in any event to exceed the maximum interest rate permissible by law) until paid, and the repayment therefor shall be secured hereby, it being agreed by Grantor that any such expenditure or advance is to protect the security hereof and constitutes a part of the loan transaction in connection with which the Note was executed. Failure to repay such expenditure or advance and interest thereon upon demand will, at Beneficiary's option, constitute an event of default hereunder, or, Beneficiary may, at its option, commence an action against Grantor for the recovery of such expenditure or advance and interest thereon, and in such event, Grantor agrees to pay, in addition to the amount of such expenditure or advance, all costs and expenses incurred in such action, together with reasonable attorneys' fees.

14. LEASES. Grantor shall:

14.1 Lease space at the Premises only on terms no less favorable to Grantor than those contained in leases previously approved by Beneficiary. Grantor agrees to deliver to Beneficiary, within ten (10) days after execution by both parties, a true and complete copy of every Lease. Annually, on the anniversary date of this Deed of Trust, Grantor shall deliver to Beneficiary a complete list of the Leases, certified by Grantor, identifying the demised premises, the names of the lessees, the rents payable under the Leases, the date to which such rents have been paid, the terms of the Leases, the dates of occupancy, the dates of expiration, the amounts of all security and damage deposits, any rent concessions, work, obligations or other inducements granted to the lessees and any renewal options.

14.2 Fully comply with all of the terms, conditions and provisions of all Leases affecting the Property so that the same shall not become in default and to do all that is needful to preserve all said Leases in force. Beneficiary has approved the form of the Lease. Grantor hereby agrees that it will not enter into any Leases in a different form from that approved unless it has received prior written approval from Beneficiary. In the event any tenant remains on a holdover basis or if Beneficiary should approve a month-to-month tenancy, said Lease shall include a provision stating that if the tenant holds over or is on a month-to-month tenancy, then tenant's right to possession is contingent upon payment of reasonable rent acceptable to Beneficiary.

14.3 Grantor shall receive from every tenant and shall deliver to Beneficiary within ten (10) days of entry into a new Lease, a Subordination, Non-Disturbance, and Attornment Agreement with Estoppel Certificate ("SNAE") in the form acceptable to Lender. In the event Grantor or any person or entity related to Grantor or controlled by Grantor ("Related Tenant") enters into possession of the Property or any portion thereof, Grantor shall deliver to Beneficiary an SNAE from the Related Tenant. Grantor further agrees that it and any Related Tenant hereby subordinate the Lease, the leasehold estate created thereby, the right to possession, and all the rights of the Grantor and Related Tenant to this Deed of Trust and all advances and rights of Beneficiary thereunder and to all renewals, modifications, consolidations, replacements and extensions. If at any time, Beneficiary or any of its successors or assigns acquire the interest of landlord under the Lease through a foreclosure of the Deed of Trust, the exercise of a power of sale to the Deed of Trust, a Deed in Lieu of Foreclosure, an Assignment in Lieu of Foreclosure or otherwise ("New Owner"), the New Owner shall succeed to the interest of landlord under the Lease and the Lease shall continue in full force and effect as a direct lease between the New Owner and the Grantor or Related Tenant upon and subject to all the terms, conditions and covenants of the Lease for the balance of the term thereof. Grantor and Related Tenant hereby agree to attorn to and accept any such New Owner as landlord under the Lease and to be bound by and perform all the obligations imposed by the Lease, Beneficiary or any such New Owner to the Property.

In the event Beneficiary or New Owner becomes landlord pursuant to the terms of this Deed of Trust, Grantor and Related Tenant agree as follows:

(a) New Owner shall not be liable for any act or omission of the prior landlord arising prior to the date upon which the Beneficiary succeeds to the interest of the landlord under the Lease.



(b) New Owner shall not be subject to any claims, offsets or defenses which tenant might have against any prior Landlord arising prior to the date in which the Beneficiary succeeds to the interest of the Landlord under the Lease.

(c) New Owner shall not be bound by any rent or additional rent which tenant might have paid in advance to any prior Landlord for a period in excess of one month or by any security deposit, cleaning deposit or other prepaid charge tenant might have paid in advance except to the extent that the New Owner comes into possession of said amounts.

(d) New Owner shall not be bound by any oral or written assignment, surrender, release, waiver, cancellation, amendment or modification of the Lease made without the written consent of the Beneficiary.

(e) New Owner shall not be responsible for the making of any improvement to the Property or repairs to the Property in the case of damage or destruction to the Property or any part thereof due to fire or other casualty or by reason of condemnation unless such New Owner shall be obligated under the Lease to make such repairs and shall have received insurance proceeds or condemnation awards sufficient to finance the completion of the repairs.

14.4 Grantor will not amend, supplement or modify any Lease without prior written approval from Beneficiary. Beneficiary is not bound and shall not be bound by any oral modifications of the Lease and Grantor hereby agrees to defend, indemnify and hold Beneficiary harmless from any claim related to any unapproved modifications, extensions, amendments or cancellation of the Lease.

14.5 Except for assessments provided to be paid by Grantor, as specified herein, Grantor shall not create or permit to be created, subsequent to the date of the execution and delivery of this Deed of Trust, any lien or encumbrance which may be or become superior to any lease affecting the Premises.

14.6 If any part of the automobile parking areas or Premises are taken by condemnation, or before said areas are otherwise reduced, Grantor shall provide parking facilities in kind, size and location to comply with all Leases, and before making any contract for such substitute parking facilities, Grantor shall furnish to Beneficiary satisfactory assurance of completion thereof free of liens and in conformance with all governmental zoning and regulations. Grantor hereby assigns to Trustee as additional security for the performance of each covenant, agreement, term and condition of Grantor contained herein and the due and punctual payment of all sums secured hereby all of Grantor's right, title and interest in and to any such contract; without affecting the present effectiveness hereof as an assignment thereof, Grantor agrees to execute and deliver to Beneficiary any further or supplemental assignments or documents requested by Beneficiary to effectuate the intentions of this sentence.

15. ASSIGNMENT OF RIGHTS, INSURANCE AND PROCEEDS OF TAKING OR DAMAGE. Should the Premises or any part or appurtenance thereof or right or interest therein be taken or damaged by reason of any public or private improvement, condemnation proceeding (including change of grade), fire, earthquake, or other casualty, or in any other manner, Beneficiary may, at its option, commence, appear in and prosecute, in its own name, any suit, action or proceeding, or make any compromise or settlement, in connection with such taking or damage, and obtain all compensation, awards, or other relief therefor. All such compensation, awards, damages, rights of action and proceeds, including the proceeds of any policies of insurance affecting the Premises, are hereby assigned to Beneficiary, which may, after deducting therefrom all its expenses, including attorneys' fees, release any moneys so received by it, or apply the same on any indebtedness secured hereby, or apply the same to the repair or restoration of the Premises, as it may elect in the exercise of its sole discretion. Grantor further assigns to Beneficiary any return premiums or other repayments upon any insurance at any time provided for the benefit of Beneficiary, refunds or rebates made of taxes or assessments on the Premises, and the Beneficiary may at any time collect said return premiums, repayments, refunds and rebates, notwithstanding that no sum secured hereby be overdue when such right to collection be asserted. Without affecting the present effectiveness of this Deed of Trust as an assignment thereof, Grantor agrees to execute any further or supplemental assignments of any such compensation, award, damages, rebates, return on premiums, repayments, rights of action and proceeds as Beneficiary or Trustee may require.

16. CERTAIN RIGHTS OF TRUSTEE. At any time, upon written request of Beneficiary, payment of its fees and presentation of this Deed of Trust and the Note for endorsement (in case of full reconveyance, for cancellation and retention), without affecting the liability of any person for the payment of the indebtedness, Trustee may: (a) consent to the making of any map or plat of the Premises; (b) join in granting any easement or creating any restriction thereon; (c) join in any subordination or other agreement affecting this Deed of Trust or the lien or charge thereof; or (d) reconvey, without



warranty, all or any part of the Premises. Grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any matters or facts shall be conclusive proof of the truthfulness thereof. Grantor agrees to pay a reasonable Trustee's fee for full or partial reconveyance, together with a recording fee if Trustee, at its option, elects to record said reconveyance.

17. SALE AS PARCEL. In the case of a sale under this Deed of Trust, the Property, real, personal and mixed, may be sold in one parcel.

18. NO IMPAIRMENT OF SECURITY. Grantor shall not, without first obtaining Beneficiary's written consent, change the general nature of the occupancy of the Premises or initiate or acquiesce in any zoning reclassification, or do or suffer any act or thing which would impair the security for the indebtedness secured hereby or Beneficiary's lien upon the Premises.

19. APPOINTMENT OF RECEIVER. The holder of this Deed of Trust, in any action to foreclose it, shall be entitled (without notice and without regard to the adequacy of any security for the indebtedness secured hereby) to the appointment of a receiver of the rents, issues and profits of the Premises, and such receiver shall have, in addition to all the rights and powers customarily given to and exercised by such receiver, all the rights and powers granted to Beneficiary by the covenants contained in paragraph 20.

20. ENTERING AND TAKING POSSESSION UPON DEFAULT. In the event of default in compliance with any requirement of this Deed of Trust or any further instrument at any time executed with respect to this Deed of Trust, Beneficiary may, at its option, and without notice, without regard to the adequacy of the security for the indebtedness secured hereby, enter upon, take possession of, manage and operate the Property or any part thereof, make, cancel, enforce or modify any leases now or hereafter in effect on the Premises or any part thereof, obtain and evict tenants, fix or modify rents, decorate, clean and repair, and otherwise do any act or incur any costs or expenses which Beneficiary deems proper to protect the security hereof. From and after the occurrence of any such default, if Grantor or any person or entity related to or controlled by Grantor is in possession of or comes into possession of the Property or any part thereof, said person or entity shall pay to Beneficiary, in advance, on the first day of each month, a reasonable rental for the space so occupied as determined at the sole option of Beneficiary and Beneficiary shall have all the rights granted to Assignor pursuant to paragraph 33 in this Deed of Trust regardless of whether Grantor and/or any person or entity related to Grantor who comes into possession has executed a Lease for the Property or portion thereof, or occupies the Property without a Lease. In the event said entity or person fails to pay said amount upon request directly to Beneficiary, Beneficiary shall be entitled to remove said person or entity from the property by any appropriate action or proceeding pursuant to RCW 59.12 and RCW 59.18, appointment of a receiver and/or any other applicable laws and statutes.

21. BENEFICIARY'S ACTIONS NOT A CURE OF DEFAULT. The taking of any action by Beneficiary under the authority of this Deed of Trust, including, but not being limited to, the entering upon, taking possession of and management and operation of the Premises, the collection of rents, issues and profits thereof, or the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the Premises, and the application or release thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

22. EVENTS OF DEFAULT; SALE BY TRUSTEE. All sums secured hereby shall become immediately due and payable, at the option of Beneficiary, without demand or notice, after any of the following occur, each of which shall be an event of default: (a) default by Grantor in the payment of an indebtedness secured hereby or in the performance or observance of any covenant, agreement, term or condition of Grantor contained herein; or (b) failure of Grantor to comply with or to perform any other term, obligation, covenant or condition contained in any other agreement between Beneficiary and Grantor; or (c) should Grantor default under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect Grantor's ability to repay the loans or perform Grantor's respective obligations under this Agreement or any of the other agreements between Beneficiary and Grantor; or (d) any assignment made by Grantor or the then owner of the Premises for the benefit of creditors; or (e) any of the following shall occur, with respect to the Premises, the Grantor or the then owner of the Premises: (i) the appointment of a receiver, liquidator or Trustee; (ii) the adjudication as a bankrupt or insolvent; (iii) the filing of any voluntary or involuntary petition for bankruptcy or reorganization; (iv) the institution of any voluntary or involuntary proceeding for dissolution or liquidation; (v) if Grantor be unable, or admits in writing, an inability to pay his debts when due; or (vi) a default in any provision of any other instrument which may be held by Beneficiary as security for said Note.



In the event of default and upon written request of Beneficiary, Trustee shall sell the Premises, in accordance with the Deed of Trust Act of the State of Washington (RCW Chapter 61.24 as existing now or hereafter amended) and the Uniform Commercial Code of the State of Washington, where applicable, at public auction to the highest bidder. Any person, except Trustee, may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (1) to the expense of sale, including a reasonable Trustee's fee and attorneys' fees; (2) to the obligation secured by this Deed of Trust; (3) the surplus, if any, shall be distributed in accordance with said Deed of Trust Act. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser the interest in the Property which Grantor had or had the power to convey at the time of his execution of this Deed of Trust, and such as he may have acquired thereafter. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrancers for value. At any time, Beneficiary may appoint in writing, a successor trustee, or discharge and appoint a new trustee in the place of any Trustee named herein, and upon the recording of such appointment in the mortgage records of the county in which this Deed of Trust is recorded, the successor trustee shall be vested with all powers of the original Trustee. Trustee is not obligated to notify any party hereto pending sale under any other deed of trust or of any action or proceeding in which Grantor, Trustee or Beneficiary shall be a party, unless such action or proceeding is brought by Trustee.

23. NON-AGRICULTURAL USE. The Premises is not used principally or primarily for agricultural or farming purposes.

24. CHANGE IN LAWS AFFECTING TAXATION. In the event of the passage after the date of this Deed of Trust of any federal, state, or local law, deducting from the value of real property for the purpose of taxation any lien thereon, or changing in any way the laws now in force for the taxation of mortgages, deeds of trust, or debts secured thereby for federal, state, or local purposes, or the manner of the collection of any such taxes so as to affect the interest of Beneficiary, then and in such event, Grantor shall bear and pay the full amount of such taxes; provided, that if, for any reason, payment by Grantor of any such new or additional taxes would be unlawful, or if the payment thereof would constitute usury or render the loan or indebtedness secured hereby wholly or partially usurious under any of the terms or provisions of the Note or this Deed of Trust, or otherwise, Beneficiary may, at its option, without demand or notice, declare the entire indebtedness secured hereby to be immediately due and payable, or Beneficiary may, at its option, pay that amount or portion of such taxes as renders the loan or indebtedness secured hereby unlawful or usurious, in which event, Grantor shall concurrently therewith pay the remaining lawful and non-usurious portion or balance of said taxes.

25. PARTIAL INVALIDITY. If any payment required under this Deed of Trust or under the Note shall be determined as a payment of interest in excess of the maximum rate of interest permitted under the laws of the State of Washington, then such excess payment shall be credited by Beneficiary against principal outstanding (in the inverse order of maturity), it being the intention of the parties that only a lawful rate of interest shall be charged and payable by Grantor during the term of the loan evidenced by the Note. If, from any circumstances whatever, fulfillment of any provision of this Deed of Trust or the Note at the time performance of such provision shall be due shall involve transcending the limit of validity prescribed by any applicable law (other than the usury statute of the State of Washington), then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, so that in no event shall any exaction be possible under this Deed of Trust or under the Note that is in excess of the limit of such validity. The provisions of this paragraph shall control every other provision of this Deed of Trust and the Note.

26. FORECLOSURE AS MORTGAGE. The Power of Sale conferred by this Deed of Trust and by the Deed of Trust Act of the State of Washington is not an exclusive remedy. When not exercised, Beneficiary may foreclose this Deed of Trust as a mortgage and shall have all rights and remedies of a mortgagee, including, but not being limited to, the right to a deficiency judgment. If this Deed of Trust is foreclosed as a mortgage and the Property sold at a foreclosure sale, the purchaser may, during any redemption period allowed, make such repairs or alterations on the Property, as in the sole discretion of the purchaser, may be reasonably necessary for the proper operation, care, preservation, protection and insuring thereof. Any sums so paid, together with interest thereon from the time of such expenditure at the highest lawful rate, shall be added to and become a part of the amount required to be paid for redemption from such sale.

27. FORECLOSURE SUBJECT TO RIGHTS OF TENANTS. Beneficiary shall have the right, at its option, to foreclose this Deed of Trust subject to the rights of any tenant or tenants of the Property. The failure to make any such tenant or tenants a party defendant to any such suit or action, or to foreclose their rights will not be asserted by Grantor as a defense in any action or suit instituted to

collect the indebtedness secured hereby or any part thereof, or any deficiency remaining unpaid after foreclosure and sale of the Property, any statute or rule of law at any time existing to the contrary notwithstanding.

28. TENDER DEEMED VOLUNTARY PREPAYMENT. Upon any default by Grantor and following the acceleration of maturity as herein provided, a tender of payment of the amount necessary to satisfy the entire indebtedness secured hereby made at any time prior to the foreclosure sale (including sale under power of sale) by Grantor, its successors or assigns, or by anyone in behalf of Grantor, its successors or assigns, shall constitute an evasion of the prepayment terms of the Note and be deemed to be a voluntary prepayment thereunder, and any such payment to the extent permitted by law, will, therefore, include the additional payment required under the prepayment privilege, if any, contained in the Note. If at that time there be no prepayment privilege, then such payment will, to the extent permitted by law, include an additional payment of ten percent (10%) of the then principal balance.

29. SUBROGATION. Beneficiary shall be subrogated for further security to the lien, although released of record, of any and all encumbrances paid out of the proceeds of the loan secured by this Deed of Trust.

30. ADDITIONAL ASSURANCES. Grantor, from time to time, within fifteen (15) days after request by Beneficiary, shall execute, acknowledge and deliver to Beneficiary such chattel mortgages, security agreements or other similar security instruments, in form and substance satisfactory to Beneficiary, covering all property of any kind whatsoever now or hereafter owned by Grantor, or in which Grantor now or hereafter has any interest which, in the sole opinion of Beneficiary, is essential to the operation of the Property. Grantor shall further, from time to time, within fifteen (15) days after request by Beneficiary, execute, acknowledge and deliver any financing statement, renewal, affidavit, certificate, continuation statement or other document as Beneficiary may request in order to perfect, preserve, continue, extend or maintain the security interest under, and the priority of, this Deed of Trust and the priority of such chattel mortgage or other security instrument as a first lien. Grantor further agrees to pay to Beneficiary, on demand, all costs and expenses (including attorneys' fees) incurred by Beneficiary in connection with the preparation, execution, recording, filing and refiling of any such instrument or document, including, but not being limited to, the charges for examining title and the attorneys' fees for rendering an opinion as to the priority of this Deed of Trust and of such chattel mortgage or other security instrument as a valid first and subsisting lien. However, neither a request so made by Beneficiary, nor the failure of Beneficiary to make such request, shall be construed as a release of such property, or any part thereof, from the conveyance of title by this Deed of Trust, it being understood and agreed that this covenant and any such chattel mortgage, security agreement, or other similar security instrument delivered to Beneficiary are cumulative and given as additional security.

31. FINANCIAL STATEMENTS; SECURITY DEPOSITS. Grantor shall keep and maintain at all times at Grantor's address stated above, or such other place as Beneficiary may approve in writing, complete and accurate books of accounts and records adequate to reflect correctly the results of the operation of the Property and copies of all written contracts, leases and other instruments which affect the Property. Such books, records, contracts, leases and other instruments shall be subject to examination and inspection at any reasonable time by Beneficiary.

Within ninety (90) days of Grantor's fiscal year end, Grantor shall, upon Beneficiary's written request, furnish operating statements for the Property, including a balance sheet and income statement, and financial statements for the Grantor. Grantor shall also furnish personal financial statements for any Guarantors of any obligations secured hereby. The operating and financial statements shall be in a form supplied by Beneficiary, or in a substantially similar form, and shall be certified as true and correct by the Guarantors and Grantor. Grantor shall supply a current rent schedule for the Property and expiration dates for each of the leases, together with an itemized list of moneys held as security deposits and the identity of the institution wherein such funds are deposited. If requested by Beneficiary, Grantor will also supply copies of all of the leases. In the event Grantor fails to timely provide the foregoing information, Beneficiary may either (a) contract with an independent firm to collect and report the information, or (b) collect the information itself. In that event, Grantor agrees to pay Beneficiary, on demand, the greater of \$500.00 or the actual amount paid to the independent firm. In the event Grantor fails to pay the demanded amount within thirty (30) days of demand, Grantor agrees that Beneficiary may create a reserve account equal to 110% of the amount demanded, and increase the monthly payments due hereunder to collect the reserve amount over a ninety (90) day period. Notwithstanding the foregoing, in the event (a) any loan payment becomes thirty (30) or more days delinquent, or (b) Grantor otherwise defaults in Grantor's obligations of its Note and Deed of Trust, Grantor agrees to supply the foregoing operating and financial statements more frequently, but not more frequently than quarterly, if requested by Beneficiary. Grantor agrees to pay the costs of failing to timely supply the statements as specified above.



All moneys held by Grantor as security deposits shall be deposited by Grantor in a separate trust account in a federally insured bank, savings and loan association or mutual savings bank located in the State of Washington, and shall not be commingled with other moneys.

32. TRANSFER OF PROPERTY. Grantor understands that the loan secured by this Deed of Trust is personal to it, and that its personal responsibility and occupancy or control of the Property is a material inducement to Beneficiary to make the loan. Grantor agrees that any transfer of the Property shall be deemed to increase Beneficiary's risk with respect to the loan, and Grantor therefore further agrees that if Grantor sells, conveys, transfers, assigns, alienates, or further encumbers the Property or any portion thereof, or any interest therein, or is divested of title or any interest in the Property in any manner, whether voluntarily or involuntarily, without the prior written approval of Beneficiary, then Beneficiary may, at its option, declare any indebtedness or obligation secured hereby immediately due and payable without forfeiture of any prepayment charge. If at the time of any acceleration of maturity there be no prepayment privilege and, therefore, no stated prepayment charge, then payment of the indebtedness secured hereby shall, to the extent permitted by law, include an additional payment of ten percent (10%) of the then unpaid principal balance. For purposes of this paragraph, "transfer" means any sale, mortgage or encumbrance (other and any encumbrance specifically permitted by the Loan Documents), conveyance, or other transfer of any present or future interest in all or any part of the Property (except leases that do not contain an option to purchase), or any contract or agreement therefore; and if Grantor or any partner in Grantor is a corporation other than one whose stock is publicly traded, any change after the date hereof in the ownership of the outstanding stock of the corporation, excluding transfers to, from and among the corporation and existing shareholders and affiliates of existing shareholders (i.e., entities owned or controlled by an existing shareholder, but only so long as such control exists); and if Grantor is a general partnership, limited partnership or limited liability partnership, any transfer of any general partnership interest; and if Grantor is a limited liability company, any transfer of any membership interest of unit in the company. Without limiting the generality of the foregoing, this subsection shall apply to transfers to or from nominees or agents, transfers made to subsidiary or affiliated entities, transfers made to a restructured limited partnership, transfers by any partnership to the individual partners or vice versa, transfers by any corporation to its stockholders or vice versa, and transfers in connection with any corporate merger or consolidation. Consent by Beneficiary to one transfer hereunder shall not be deemed to waive the right to require such consent to future transfers, and any consent given may be conditional, including, but not limited to, an increase in the interest rate of the loan secured by this Deed of Trust to compensate for such increased risk and payment by Grantor of any charges for processing and reviewing any application of Grantor and/or the transferee for such approval by Beneficiary. Grantor agrees to be governed solely by the provisions of this paragraph and to be bound by the determination of Beneficiary. Any transferees of Grantor agree with Beneficiary that, prior to the completion of any such transfer, they shall notify Beneficiary of any such proposed transfer and shall obtain Beneficiary's prior written consent thereto.

33. ASSIGNMENT OF RENTS AND LEASES. As additional consideration, Grantor (hereinafter called "Assignor" in paragraph 33), hereby grants, assigns, transfers, and conveys to Beneficiary (hereinafter called "Assignee" in paragraph 33), all of Assignor's right, title, and interest in any and all leases now in existence or hereafter made, demising any portion of the Property, including, without limitation, the leases reported in Schedule 1 attached hereto, if any. All of said leases, whether described in Schedule 1 or not, together with any and all subleases, amendments, modifications, renewals, replacements and extensions thereof, are collectively referred to herein as the "Leases" and individually as a "Lease"; together with any and all guaranties of lessee's obligations under the Leases, and any and all amendments, modifications, renewals, replacements and extensions thereof; together with all rents, income, issues, and profits (collectively the "rents") now or hereafter due or to which Assignor may now or hereafter become entitled, arising from or out of the Leases or from or out of the Property, including without limitation minimum rents, additional rents, percentage rents, liquidated damages, proceeds of condemnation and insurance proceeds pertaining to any interest insurable under or through the Leases; and together with all deposits of every kind, including without limitation security, cleaning and damage deposits, and all other security received by Assignor under or with respect to Leases.

For the purpose of this paragraph 33, the term "Collateral" shall mean the Leases, the rents and all other property and rights assigned to Assignee by the immediately preceding sentence.

The assignment made herein ("Assignment") is for the purpose of securing payment of the indebtedness of Assignor to Assignee in accordance with the terms of the Note, together with any extensions, renewals, or modifications of said Note; the due and punctual performance and discharge of all of Assignor's obligations, covenants, and agreements contained in the Deed of Trust; and the due and punctual performance and discharge of all of Assignor's obligations, covenants, and agreements contained herein.



To protect the security of this agreement, Assignor hereby represents, covenants, and agrees as follows:

33.1 Present Assignment. This Assignment is a present, absolute, and irrevocable assignment of the Collateral.

33.2 Representations and Warranties. Assignor represents and warrants that:

33.2.1 It has title to all of the Collateral and has all necessary right, power, and authority to assign the same to Assignee in accordance with the terms hereof;

33.2.2 It has not previously sold, assigned, transferred, or encumbered any of the Collateral;

33.2.3 It has not performed any act or executed any instrument which would prevent Assignee from operating under any of the terms or conditions hereof, or which would limit Assignee in such operation;

33.2.4 All existing Leases are valid and unmodified except as indicated in Schedule 1, and all such Leases are in full force and effect according to the terms and conditions thereof;

33.2.5 It has duly and punctually performed and discharged all of the obligations, covenants, and agreements of the Leases by Assignor to be performed and discharged;

33.2.6 There exists no default under any existing Lease, except as indicated in Schedule 1; and

33.2.7 It has not accepted rent under any Lease for any period subsequent to the current period for which rent has already become due and payable, and no payment of any of the same has otherwise been anticipated, waived, discounted, set off, discharged, or compromised.

33.3. Covenants of Performance. Assignor covenants and agrees:

33.3.1 To perform and discharge duly and punctually, each and every obligation, covenant, and agreement of the Note, the Deed of Trust, and the Leases by Assignor to be performed or discharged, and to notify Assignee immediately of any notice, demand, or other document received by Assignor from a tenant under any Lease specifying any claimed default by Assignor thereunder;

33.3.2 At its sole cost and expense, to enforce or secure the performance and discharge of each and every obligation, covenant, and agreement of the Leases by any tenant to be performed or discharged, and to notify Assignee immediately of the occurrence of any default by a tenant under the Leases;

33.3.3 To deposit all moneys held by Assignor as security deposits in a separate trust account in a federally insured bank, savings and loan association or mutual savings bank located in the State of Washington, and not to commingle the same with other moneys;

33.3.4 At its sole cost and expense, to appear in and defend any action or proceeding arising under or in any manner connected with the Leases or the obligations, duties, or liabilities thereunder, and to pay all costs and expenses of Assignee, including without limitation reasonable attorneys' fees, in any such action or proceeding in which Assignee may appear; and

33.3.5 Neither to create nor permit any lien, charge, or encumbrance upon its interest in or under the Leases, except for this Assignment and the lien of the Deed of Trust and except as provided herein.

33.4 Assignee's Prior Approval Required. Assignor further covenants and agrees that, without the prior written consent of Assignee, it will:

33.4.1 Not anticipate any rents under the Leases;

33.4.2 Not modify, extend, or in any way alter the terms of any of the Leases;



33.4.3 Not waive, excuse, condone, or in any manner release or discharge the tenant under any Lease of or from the obligations, covenants, and agreements by said tenant to be performed and discharged, including without limitation the obligation to pay the rental provided for therein in the manner and at the time and place specified therein;

33.4.4 Not release or discharge any guarantor of a lessee's obligations under the Leases or any other party liable under the Leases;

33.4.5 Not renew or extend the term of any existing Lease on terms (including without limitation rents payable) less favorable to Assignee than those in effect during the initial term of the Lease, as now existing, or for any period longer than the renewal or extension period provided for in the Lease or, if there be no such period provided for in the Lease, for any period longer than one (1) year; and

33.4.6 Not lease any part of the Property nor renew or extend the term of any future Lease on terms less favorable to Assignee than those contained in leases approved by Assignee or for any period longer than one (1) year.

33.5 Rejection of Leases; Termination of Guaranties. If any lessee under any of the Leases or any guarantor of a lessee's obligations thereunder becomes the subject of any proceeding under the Federal Bankruptcy Act or any other federal, state, or local statute which provides for the possible rejection of the Leases or termination of guaranties thereof, Assignor covenants that, in the event any of the Leases is so rejected or any guaranty is so terminated, no damage settlement shall be made without the prior written consent of Assignee. Assignor further covenants that any check in payment of damages for rejection of any of the Leases, or termination of guaranties thereof, will be made payable jointly to Assignor and Assignee; Assignor hereby assigns any such payment to Assignee and further covenants that, upon Assignee's request, it will duly endorse to the order of Assignee any such check, the proceeds of which will be applied to any portion of the indebtedness secured hereby as Assignee may elect.

33.6 Assignee's Performance Option. If Assignor fails to make any payment or to do any act herein provided, then Assignee, but without obligation to do so and without notice to or demand of Assignor and without releasing Assignor from any obligation hereof, may make or do the same in such manner and to such extent as Assignee may deem necessary to protect the security hereof, including specifically, without limiting its general powers, the right to appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Assignee, and also the right to perform and discharge each and every obligation, covenant, and agreement of Assignor contained in the Leases, and, in exercising any such powers, to pay necessary costs and expenses, employ counsel, and incur and pay reasonable attorneys' fees. Nothing herein contained shall be construed as obligating the Assignee to perform any of the Assignor's covenants under any Leases.

33.7 Repayment of Assignee's Costs and Expenses. Assignor shall pay immediately upon demand all sums expended or advanced by Assignee under the authority hereof, together with interest thereon at the rate of eighteen percent (18%) per annum (but not in any event to exceed the maximum interest rate permissible by law) from the date expended until paid, and the same shall be and are secured hereby, it being agreed by Assignor that any such expenditure or advance is to protect the security hereof and constitutes a part of the loan transaction in connection with which the Note was executed.

33.8 Assignor's License to Collect Rents. So long as there shall exist no default by Assignor in the payment of any indebtedness secured hereby or in the performance or discharge of any obligation, covenants, or agreement contained herein or in the Leases, Assignor shall have the right under a license granted hereby to collect, but not prior to accrual, all rents arising from or out of the Leases or from or out of the Property or any portion thereof, provided that all rents so collected by it shall be received in trust to pay the usual and reasonable operating expenses of, and the taxes upon, the Property and all sums owing Assignee as they become due and payable under the terms of the Note and the Deed of Trust, and the balance of such rents, after payment of the foregoing, shall be Assignor's absolute property.

33.9 Default and Remedies. Upon or at any time after default in the payment of any indebtedness secured hereby or in the performance or discharge of any obligation, covenant, or agreement herein or in any Lease contained, Assignee may declare all sums secured hereby immediately due and payable; and may, at its option and without notice, without regard to the adequacy of the security for the indebtedness secured hereby, terminate the license granted to Assignor hereunder to collect all rents arising from or out of the Leases or from or out of the Property or any portion thereof; either in person or by agent, without bringing any action or proceeding, or by the Trustee under this Deed of



Trust, or by a receiver to be appointed by a court, enter upon, take possession of, manage, and operate the Property or any portion thereof, make, cancel, enforce, or modify any Leases now or hereafter in effect on the Property or any portion thereof, obtain and evict tenants, fix or modify rents, decorate, clean, and repair, and otherwise do any act or incur any costs or expenses which Assignee deems proper to protect the security hereof; either with or without taking possession of the Property, in its own name, sue for or otherwise collect and receive all rents arising from or out of the Leases or from or out of the Property or any portion thereof, including without limitation those rents past due and unpaid, and apply the same, less costs and expenses of operation and collection, including without limitation reasonable attorneys' fees upon any indebtedness secured hereby, and in such order as Assignee may determine. The entering upon and taking possession of the Property, the collection of rents, and the application thereof as aforesaid shall not cure or waive any default or waive, modify or affect any notice or default under this Deed of Trust or invalidate any act done pursuant to such notice. Assignee shall not have a fiduciary or other obligation to Assignor in exercising its remedies hereunder, including without limitation no obligation in any manner to make inquiry as to the nature or sufficiency of any payment received by it or to ascertain whether any payments are correctly computed or paid. No tenant, lessee or any other third person shall be a third party beneficiary of any term, condition or covenant of this Agreement or shall otherwise acquire any rights hereunder.

33.10 Default And Default Under the Note and Deed of Trust. Any default in the performance of any obligation, covenant, or agreement herein, and the acceleration of the indebtedness secured hereby, shall constitute and be deemed to be a default under the terms of the Note and the Deed of Trust, entitling Assignee to all rights and remedies contained therein, including without limitation the right to declare a default thereunder, to declare all sums evidenced or secured hereby immediately due and payable, and to foreclose the Deed of Trust as provided by law.

33.11 Reliance by Tenants. All tenants of any portion of the Property are hereby authorized to recognize the claims of Assignee hereunder without investigating the reason for any action taken by Assignee, or the validity or the amount of indebtedness owing to Assignee, or the existence of any default hereunder or in the Note or Deed of Trust, or the application to be made by Assignee of any amounts to be paid to Assignee by such tenants. The sole signature of Assignee shall be sufficient for the exercise of any rights under this Assignment, and the sole receipt of Assignee for any sums received shall be a full discharge and release therefor to any such tenant.

33.12 Indemnity. Assignee shall not be obligated to perform or discharge, nor does it hereby undertake to perform or discharge, any obligation, covenant, or agreement under the Leases or under or by reason of this Assignment. Assignor shall and hereby agrees to indemnify and hold Assignee harmless from and against any and all liability, loss, or damage which Assignee may incur under the Leases or under or by reason of this Assignment, and from and against any and all claims and demands whatsoever which may be asserted against Assignee by reason of any alleged obligation or undertaking on its part to perform or discharge any of the obligations, covenants, or agreements contained in the Leases. Should Assignee incur any such liability, loss, or damage under the Leases or under or by reason of this Assignment, or in the defense of any such claims or demands, the amount thereof, including costs, expenses, and reasonable attorneys' fees, together with interest thereon at the rate of eighteen percent (18%) per annum (but not in any event to exceed the maximum interest rate permissible by law) from the date expended until paid, shall be secured hereby, and Assignor shall reimburse Assignee therefor immediately upon demand, it being agreed by Assignor that any such expenditure is to protect the security hereof and constitutes a part of the loan transaction in connection with which the Note was executed. Upon the failure of Assignor so to reimburse Assignee, Assignee may declare all sums secured hereby immediately due and payable.

33.13 Termination of Assignment. Upon the payment in full of all indebtedness secured hereby and the payment in full of all indebtedness secured by the Deed of Trust, this Assignment shall be void and of no further force and effect, but the affidavit, certificate, letter, or other statement of any officer or loan supervisor of Assignee showing any part of said indebtedness to remain unpaid shall constitute conclusive evidence of the validity, effectiveness, and continuing force of this Assignment, and any individual or entity may and is hereby authorized to rely thereon.

33.14 Uniform Commercial Code Security Agreement. To the extent applicable, this Assignment is a security agreement under the Uniform Commercial Code granting to Assignee, as secured party, a security interest in all of the Collateral, and Assignor agrees to execute such financing statements as may be requested by Assignor with respect thereto and to pay, upon demand, filing fees for any such financing statements and continuations thereof.

33.15 Further Assurances. Until the indebtedness secured hereby shall have been paid in full, Assignor shall deliver to Assignee executed copies of any and all renewals, extensions,



modifications, amendments, and replacements of existing Leases and all future Leases upon all or any portion of the Property within ten (10) days of the execution thereof. Without affecting the present effectiveness hereof as an assignment of future Leases, Assignor agrees to execute and deliver to Assignee any further or supplemental assignments or documents requested by Assignee to effectuate the intentions of this Assignment. Assignor further agrees to make, execute, and deliver upon demand any and all records and instruments, including without limitation rent rolls and books of account, as Assignee may reasonably request for the purpose of determining whether Assignor's obligations hereunder are being duly and punctually performed and discharged.

33.16 Power of Attorney for Subordination of Leases. Assignor hereby constitutes and appoints Assignee its true and lawful attorney, for it and in its name, place and stead, to subordinate at the option of Assignee, at any time or times, any of the Leases to the lien of the Deed of Trust, said power of attorney to authorize Assignee to so act in any and all cases where Assignor has the right, power or privilege so to do. This power of attorney is irrevocable, is coupled with an interest and is exclusively in favor of Assignee, its successors and assigns so long as any part of the indebtedness secured hereby remains unpaid. Assignor warrants that it has not exercised any right to subordinate any Lease to the lien of the Deed of Trust and agrees that it will hereafter not exercise any such right without first obtaining the written consent of Assignee.

33.17 No Merger. Neither the acquisition by any tenant under the Leases in any manner whatsoever of any interest in the fee estate of the Property, nor the operation of law, nor any other event shall cause or operate as a merger of any Lease or the leasehold estate created thereby with the fee estate of the Property so long as any indebtedness secured hereby shall remain unpaid.

33.18 No Waiver. No waiver by Assignee of any right or breach of any provision hereof shall be construed to be a waiver of such right or any other right in the future or of any succeeding breach of any of the provisions hereof. Assignee may take or release other security, may release any party primarily or secondarily liable for any indebtedness secured hereby, may grant extensions, modifications, and renewals with respect to such indebtedness, and may apply any other security therefor held by it to the satisfaction of such indebtedness without prejudice to any of its rights hereunder. Nothing herein contained nor anything done or omitted to be done by Assignee pursuant hereto shall be deemed a waiver by Assignee of any of its rights and remedies under the Note and Deed of Trust or the laws of the State of Washington. The rights of Assignee to collect said indebtedness and to enforce any other security therefor may be exercised by Assignee either prior to, simultaneously with, or subsequent to any action taken hereunder. The rights and powers granted to Assignee hereunder are cumulative and not in lieu of any other rights and powers otherwise granted to Assignee or now or hereafter existing at law or in equity.

34. RELIANCE ON AFFIDAVIT BY TRUSTEE. The Trustee, upon presentation to it of an affidavit signed by Beneficiary setting forth facts showing an event of default under this Deed of Trust, is authorized to accept as true and conclusive all facts and statements therein, and to act thereon hereunder.

35. NO WAIVER. No delay or omission to exercise any right, power or remedy accruing to Beneficiary on any breach or default of Grantor hereunder shall impair any such right, power, or remedy of Beneficiary, nor shall it be construed to be a waiver of any such breach or default occurring later. Any waiver, permit, consent or approval of any kind by Beneficiary or any breach or default under this Deed of Trust, or any waiver by Beneficiary of any provision or condition of this Deed of Trust, must be in writing and shall be effective only to the extent specifically set forth in that writing. Any such waiver of any single breach or default shall not be deemed a waiver of any other or subsequent breach or default.

36. TIME. Time is of the essence hereof in connection with all obligations of Grantor herein and in the Note and any other instrument securing payment of the indebtedness secured hereby. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured, or to declare default for failure so to pay.

37. NOTICES. Any notice given hereunder shall be in writing and shall be delivered in person or sent by first class mail, certified or registered mail, to the party at its address set forth above, or to such other address as may hereafter be designated by notice given in accordance with the procedures in this paragraph. Notices sent by mail shall be deemed to have been given on the second day after being mailed, and the postmark affixed thereto shall be conclusive evidence of the date of mailing.



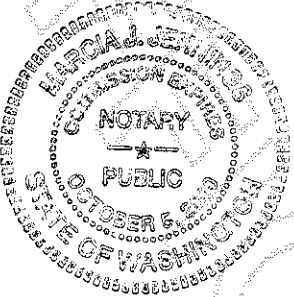
STATE OF WASHINGTON)

) ss.

COUNTY OF **Skagit**)

THIS IS TO CERTIFY that on this 25th day of **October**, 1999, before me, a Notary public in and for the State of Washington, duly commissioned and sworn, came **Brenda L. Lund**, personally known or having presented satisfactory evidence to be the individual described in and who executed the within instrument, and acknowledged that he signed the same as his free and voluntary act and deed for the uses and purposes therein mentioned.

WITNESS MY HAND and official seal the day and year in this certificate first above written.



Marcia J. Jennings
Notary Public in and for the State of Washington,
residing at: Sedro Woolley

Expiration Date: 10 - 5 - 2000



PAGE 18

EXHIBIT "A"

That portion of the following described tract lying Southerly and Westerly of Primary State Highway No. 1 as condemned under the decree entered June 22, 1954, in Skagit County Superior Court Cause No. 22445, records of Skagit County, Washington:

That portion of the Southwest Quarter of the Southwest Quarter of Section 20, Township 34 North, Range 4 East of the Willamette Meridian, described as follows:

Beginning at a point 100 feet South of the Northeast corner of PICKENS ADDITION TO THE TOWN OF MOUNT VERNON, according to the plat thereof recorded in Volume 2 of Plats, page 105, records of Skagit County, Washington;
thence South along the East line of said addition and said line extended a distance of 329 feet;
thence East a distance of 393 feet, more or less, to the West line of Blodgett Road;
thence Northerly along the West line of the Blodgett Road to a point East of the point of beginning;
thence West a distance of 368 feet, more or less, to the point of beginning;

EXCEPT that portion thereof conveyed to the State of Washington by deed dated February 8, 1973 and recorded on February 14, 1973, under Auditor's File No. 781926, records of Skagit County, Washington;

ALSO EXCEPT the following described tract:

Beginning at the Northeast corner of Lot 11, PICKEN'S ADDITION TO THE TOWN OF MOUNT VERNON, according to the plat thereof recorded in Volume 2 of Plats, page 105, records of Skagit County, Washington;
thence South along the East line of said Picken's Addition a distance of 150.00 feet to the Southeast corner of Lot 9;
thence East along the Easterly projection of the South line of said Lot 9 a distance of 6.00 feet;
thence North along a line which is parallel with and 6.00 feet East of the East line of said Picken's Addition a distance of 150.00 feet;
thence West along the Easterly projection of the North line of Lot 11 of said Picken's Addition a distance of 6.00 feet to the point of beginning.

Situated in Skagit County, Washington.

- END OF EXHIBIT "A" -



Kathy Hill, Skagit County Auditor

10/29/1999 Page 18 of 20 12:49:07PM

ADDENDUM TO THE DEED OF TRUST

This is an addendum to that Deed of Trust dated **October 18, 1999** between **John Lund and Brenda L. Lund, husband and wife** as "Grantor" and First Mutual Savings Bank as "Beneficiary".

Grantor shall not keep on or around the property for use, sale, treatment or disposal any substance designated as or containing components which are listed as hazardous, dangerous, toxic, or harmful by any federal, state or municipal agency and/or subject to regulation by any federal, state or local law, regulation statute, or ordinance ("Hazardous Substances"). Nor shall Grantor permit its tenants, assignees, agents, independent contractors, employees, or others to keep Hazardous Substances on or around the property unless Grantor complies with all federal, state and municipal laws and regulations regarding such Hazardous Substances. If Grantor uses, disposes of, treats, generates, stores, or sells any Hazardous Substances, on or near the property, Grantor, its tenants, agents, assignees, employees, independent contractors, or others shall do all of the following:

1. Comply promptly and completely with all governmental requirements for reporting, keeping and submitting manifests and obtaining and keeping current identification numbers on such Hazardous Substances.
2. Within five (5) days of request, (a) submit written reports regarding use, storage, treatment, transportation, generation, disposal or sale of the Hazardous Substances, and (b) provide evidence of compliance with minimum levels, standards or other performance requirements and with all applicable government rules, regulations and requirements which may be set forth or established for the Hazardous Substances.
3. Grantor shall be fully and completely liable to Beneficiary for any and all costs associated with its own or its tenants', assignees', agents', employees', independent contractors', and others' use, sale, treatment or disposal of Hazardous Substances on or about the property, and for all cleanup costs and any other charges, penalties, or fees imposed by any governmental agent or regulatory agency with respect to Grantor's, its tenants', assignees', agents', employees', independent contractors' or others' use, disposal, transportation, generation and/or sale of Hazardous Substances. Upon request of Beneficiary, Grantor shall post a bond or obtain insurance in an amount and with terms and conditions acceptable to Beneficiary insuring Grantor's performance hereunder. Grantor shall allow Beneficiary or Beneficiary's agent or representative to come onto the property at any time to check Grantor's compliance with all applicable governmental regulations and shall include a provision allowing Beneficiary's access in all leases and/or other contracts which transfer possessory interest in the property to another.
4. Grantor shall indemnify and save Beneficiary harmless from any and all costs, fees, and penalties assessed or imposed upon Beneficiary and shall pay all Beneficiary's attorney's fees and costs which result from Grantor's, its tenants', assignees', agents', employees', independent contractors', and others' use, disposal, transportation, generation, and/or sale of Hazardous Substances. For purposes of this indemnification, if Grantor is a corporation or partnership, each of its shareholders, directors, principals and/or partners shall be personally and individually liable for any costs, fees and penalties assessed or imposed upon Beneficiary as a result of Grantor's use of Hazardous Substances on or about the property. This provision shall survive reconveyance of the Deed of Trust.
5. If Grantor defaults in any of the provisions of this addendum, in addition to all of the rights and remedies set forth elsewhere in this Deed of Trust and the Note it secures, Beneficiary shall be entitled to accelerate all amounts owing immediately and in addition to recover any and all damages associated with the default, including, but not limited to, cleanup costs and charges, civil and criminal penalties and fees, any and all damages and claims asserted by third parties, any and all damages and claims asserted by governmental authorities, and Beneficiary's attorney's fees and costs associated therewith. If Grantor is a corporation or partnership, each of its shareholders, directors, officers, principals and/or partners shall be personally liable to Beneficiary for the above enumerated costs incurred by Beneficiary in connection with Grantor's use of Hazardous Substances. Beneficiary may further, at its sole option, enter into possession of the property for purposes of effectuating such cleanup as is determined necessary. This shall not be construed as any obligation on the part of Beneficiary to take any actions.
6. All costs incurred by Beneficiary that arise from, or are related to, Beneficiary's inspection of the property, Beneficiary's monitoring of Grantor's compliance with this section or Beneficiary's evaluation of the property, including attorney's fees and costs and other professional fees, shall be due and payable immediately. If not paid immediately upon demand by Beneficiary, Beneficiary may, at its option, declare all sums under the Note due and payable or add the amounts to the principal to be paid over the terms of the Note.





199910290317

Kathy Hill, Skagit County Auditor

10/29/1999 Page 19 of 20 12:49:07PM

8. Notwithstanding any other provision in the Deed of Trust or this Addendum seemingly to the contrary, Grantor's obligations under this Addendum are unconditional and shall not be limited by any non-recourse or other limitations of liability provided for in any document relating to Borrower's loan from Bank. The representations, warranties and covenants of Indemnitor set forth in this Addendum shall continue in effect and, to the fullest extent permitted by law, shall survive the transfer of the Property pursuant to foreclosure proceedings (whether judicial or nonjudicial), by deed in lieu of foreclosure or otherwise. Grantor acknowledges and agrees that the covenants and obligations hereunder are separate and distinct from Grantor's obligations under the Loan Documents.


John Lund


Brenda L. Lund

A circular notary seal for Patricia J. Jennings. The outer ring contains the text "PATRICIA J. JENNINGS" at the top and "STATE OF WASHINGTON" at the bottom. Inside the ring, the text "COMMISSION EXPIRES" is at the top, "NOTARY" is in the center, "PUBLIC" is below "NOTARY", and "OCTOBER 6, 2009" is at the bottom. A five-pointed star is positioned between "NOTARY" and "PUBLIC".

A circular notary seal for a Notary Public in the State of Washington. The seal features a five-pointed star in the center. The text "NOTARY PUBLIC" is written in a circle around the star. The outer ring of the seal contains the text "COMMISSION EXPIRES OCTOBER 6, 2000" and "STATE OF WASHINGTON".

Kathy Hill, Skagit County Auditor
10/29/1999 Page 20 of 20 12:49:07PM