

**ATHERTON CAPITAL INCORPORATED**

**1001 Bayhill Drive, Suite 155**

**San Bruno, California 94066**

**Attn: Loan Administration**

**Loan No. 81387-001**



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Kathy Hill, Skagit County Auditor  
8/7/2000 Page 1 of 25 3:48:05PM

25 pgs  
+ 3 extra

**ISLAND TITLE COMPANY**  
A19785✓

**Document Title(s): (or transactions contained therein)**

1. Leasehold Deed of Trust, Assignment of Leasehold Rents, Fixture Filing, and Security Agreement
- 2.
- 3.
- 4.

**Reference Number(s) of Documents assigned or released:**

☐ Additional numbers on page \_\_\_\_\_ of document

**Beneficiary: (Last name first, then first name and initials)**

1. Atherton Capital Incorporated
- 2.
- 3.
- 4.
5. ☐ Additional names on page \_\_\_\_\_ of document

**Trustor: (Last name first, then first name and initials)**

1. Orchard LLC
- 2.
- 3.
4. TRUSTEE: ISLAND TITLE COMPANY
5. ☐ Additional names on page \_\_\_\_\_ of document

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

Lots 1-8, Block 46, Volume 2 of Plats, Pages 4-7, Skagit County, WA.

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

P55158

This instrument was prepared by  
and, when recorded, should be  
returned to:

ATHERTON CAPITAL INCORPORATED  
1001 Bayhill Drive, Suite 155  
San Bruno, California 94066  
Attn: Loan Administration  
Loan No. 81387-001

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

dated as of Aug. 7, 2000

from

**ORCHARD LLC,**  
a Washington limited liability company,

as Trustor,

to

**ISLAND TITLE COMPANY,**  
a Washington corporation

as Trustee,

for the benefit of

**ATHERTON CAPITAL INCORPORATED,**  
a Delaware corporation,

as Beneficiary

**Property: Taco Bell/KFC Restaurant, 1702 Commercial Avenue,  
Anacortes, Skagit County, Washington 98221**



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8/7/2000 Page 2 of 25 3:48:05PM

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

THIS LEASEHOLD DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, FIXTURE FILING AND SECURITY AGREEMENT (herein called this "Deed of Trust") dated as of August 7, 2000, is executed by ORCHARD LLC, a Washington limited liability company, as the trustor (herein, together with its successors and assigns, called "Trustor"), with a mailing address at 11875 Silverdale Way NW #205, Silverdale, Washington 98383, to ISLAND TITLE COMPANY, a Washington corporation, as the trustee (herein, together with its successors and assigns, called "Trustee"), with a mailing address at 3110 Commercial Avenue, Suite 101, Anacortes, Washington 98221, for the benefit of ATHERTON CAPITAL INCORPORATED, a Delaware corporation, as the beneficiary (herein, together with its successors and assigns, called "Beneficiary"), with a mailing address at 1001 Bayhill Drive, Suite 155, San Bruno, California 94066. This Deed of Trust shall constitute a Financing Statement filed as a fixture filing pursuant to Article 9 of the Uniform Commercial Code (RCW 62A.9-402(6)). Parts of the Subject Property (defined below) are or are to become fixtures on the Real Estate (defined below) or Improvements (defined below).

**RECITALS:**

A. Loan Agreement. Reference is hereby made to that certain Loan Agreement (the "Loan Agreement") dated as of the date hereof by and between Trustor, as borrower, and Beneficiary, as lender. Pursuant to the Loan Agreement, Beneficiary has agreed to loan certain funds to Trustor (the "Loan") and Trustor has executed and delivered to Beneficiary that certain Note evidencing Trustor's obligation to repay the Loan (the "Note").

B. Secured Obligations. The obligations secured by this Deed of Trust (the "Obligations") are comprised at any time of the following:

(i) the full and punctual payment by Trustor when due of (a) all principal of and interest on the Loan and the Note, which principal amount as of the date hereof is Seven Hundred Fifty Thousand and No/100 Dollars (\$750,000.00); and (b) all other amounts payable by Trustor pursuant to the Loan Agreement, the Note or any other Loan Document;

(ii) the full and punctual payment when due of all amounts payable by Trustor under this Deed of Trust, including, without limitation, indemnification obligations and advances made pursuant to the Loan Documents;

(iii) the performance and observance by Trustor of each other term, covenant, agreement, requirement, condition and other provision to be performed or observed by Trustor under any Loan Document; and

(iv) the performance and observance by Trustor of each other term, covenant, agreement, requirement, condition and other provision to be performed or observed by Trustor under all amendments, supplements, consolidations, replacements, renewals, extensions or other modifications of the foregoing, in each case whether now existing or hereafter arising;

The Obligations shall include, without limitation, any interest, Prepayment Fee, costs, fees and expenses which accrue on or with respect to any of the foregoing, whether before or after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of Trustor.

**GRANTING CLAUSES**

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, for the purpose of securing the due and punctual payment, performance and observance of the Obligations and intending to be bound hereby, Trustor hereby grants,



200008070113

Kathy Hill, Skagit County Auditor

8/7/2000 Page 3 of 25 3:48:05PM

conveys, mortgages, bargains, sells, transfers and assigns to Trustee, in trust, for the benefit of Beneficiary or to Beneficiary as expressly set forth below, and for the purpose and upon the terms and conditions hereinafter set forth, with power of sale and right of entry and possession, all of the property and rights described in the following Granting Clauses (all of which property and rights are herein collectively called the "Subject Property"), to wit:

#### **GRANTING CLAUSE I.**

Land. All estate, right, title and interest of Trustor in, to, under or derived from those certain lots, pieces, tracts or parcels of land located in certain cities and/or counties in the State of Washington, more particularly described in Exhibit A, Part I attached hereto and incorporated herein by this reference (the "Real Estate"; together with the Leasehold Estate, herein called the "Land").

Leasehold Estate. All estate, right, title and interest of Trustor in, to, under or derived from the lease described in Exhibit A, Part II (the "Site Lease") affecting the Real Estate (the "Leasehold Estate"); together with all amendments, supplements, consolidations, extensions, renewals and other modifications of the Site Lease now or hereafter entered into in accordance with the provisions thereof; together with all other, further, additional or greater estate, right, title or interest of Trustor in, to, under or derived from the Real Estate, the Leasehold Estate and the Improvements now or hereafter located thereon which may at any time be acquired by Trustor by the terms of the Site Lease by reason of the exercise of any option thereunder or otherwise.

#### **GRANTING CLAUSE II.**

Improvements. All right, title and interest of Trustor in, to, under or derived from all buildings, structures, facilities and other improvements of every kind and description now or hereafter located on the Land or attached to the improvements which by the nature of their location thereon or attachment thereto are real property under applicable law (the foregoing being collectively the "Improvements"; and the Land with the Improvements thereon and Equipment therein and Appurtenant Rights thereto being collectively called the "Property").

#### **GRANTING CLAUSE III.**

Equipment. All estate, right, title and interest of Trustor in, to, under or derived from all machinery, equipment, fixtures and accessions thereof and renewals, replacements thereof and substitutions therefor, and all other customary franchise fast food restaurant equipment and other tangible property of every kind and nature whatsoever owned by Trustor, or in which Trustor has or shall have an interest, now or hereafter located upon the Land, or usable exclusively in connection with the present or future operation and occupancy of the Land or the Improvements (hereinafter collectively called the "Equipment").

#### **GRANTING CLAUSE IV.**

Inventory. All inventory held or maintained at the Restaurant or otherwise used in the ownership or operation of the Restaurant (including, without limitation, (i) all food and paper inventory and all other raw materials, work in process and finished goods and (ii) all such goods which are returned to or repossessed by Trustor), together with all additions and accessions thereto, replacements therefor, products thereof and documents therefor (collectively, the "Inventory").

#### **GRANTING CLAUSE V.**

Appurtenant Rights. All estate, right, title and interest of Trustor in, to, under or derived from all tenements, hereditaments and appurtenances now or hereafter relating to the Subject Property; all development, operating or similar rights appurtenant to the Land (including, without limitation, all rights arising from reciprocal access agreements, use or development agreements, and parking agreements); and all easements, licenses and rights of way now or hereafter appertaining to the Subject Property (hereinafter collectively called "Appurtenant Rights").



200008070113

Kathy Hill, Skagit County Auditor

8/7/2000 Page 4 of 25 3:48:05PM

## GRANTING CLAUSE VI.

General Intangibles, Payment Rights and Agreements. All estate, right, title and interest of Trustor in, to, under or derived from all contract rights, chattel paper, instruments, general intangibles, accounts, guaranties and warranties, letters of credit, documents, all rights to the payment of money (the "Receivables"), and all contracts, security agreements, leases, guaranties and other agreements evidencing, securing or otherwise relating to the Receivables (collectively, the "Related Contracts"), in each case relating to the Subject Property or to the present or future operation or occupancy of the Subject Property, and all good will of Trustor, customer and supplier lists and contracts, computer programs and other intellectual property, tax refunds, plans, specifications, maps, surveys, studies, records, insurance policies, guarantees and warranties, patents, copyrights, trademarks, tradenames and service marks, all licenses to use, applications for, and other rights to, such patents, copyrights, trademarks, tradenames and service marks (to the extent permitted by the terms thereof) all relating to the Subject Property or to the present or future operation or occupancy of the Subject Property, all management contracts, all supply and service contracts for water, sanitary and storm sewer, drainage, electricity, steam, gas, telephone and other utilities relating to the Subject Property, and to the extent permitted by the Franchise Agreement or Franchisor, the Franchise Agreement and any rights thereunder, including the right to receive payments, and, to the extent permitted by the terms thereof, any other agreement between Trustor and Franchisor (the foregoing being herein collectively called the "Agreements") and all other agreements affecting or relating to the use, enjoyment or occupancy of the Land or the Equipment.

## GRANTING CLAUSE VII.

Leases. All estate, right, title and interest of Trustor in, to, under and derived from any lease, tenancy, subtenancy, license, concession or other occupancy agreement relating to the Subject Property (together with all amendments, supplements, consolidations, replacements, restatements, extensions, renewals and other modifications of any thereof) (the "Leases"), other than the Site Lease assigned under Granting Clause I, now or hereafter in effect, whether or not of record; and the right to bring actions and proceedings under the Lease or for the enforcement thereof and to do anything which Trustor or any lessor is or may become entitled to do under the Lease.

## GRANTING CLAUSE VIII.

Rents, Issues and Profits. All estate, right, title and interest of Trustor in, to, under or derived from all rents, royalties, issues, profits, receipts, revenue, income, earnings and other benefits now or hereafter accruing with respect to all or any portion of the Subject Property, including all rents and other sums now or hereafter payable pursuant to the Leases; and all other claims, rights and remedies now or hereafter belonging or accruing with respect to the Subject Property, including oil, gas and mineral royalties, and payments received with respect to termination, arbitration or litigation under the Franchise Agreement (herein collectively called the "Rents"), all of which Trustor hereby irrevocably directs be paid to Beneficiary, subject to the license granted to Trustor pursuant to Section 5.7, to be held, applied and disbursed as provided in this Deed of Trust.

## GRANTING CLAUSE IX.

Permits. All estate, right, title and interest of Trustor in, to, under or derived from all licenses, certificates, variances, consents and other permits now or hereafter pertaining to the Subject Property and all estate, right, title and interest of Trustor in, to, under or derived from all tradenames or business names relating to the Subject Property or the present or future operation or occupancy of the Subject Property (herein collectively called the "Permits"), excluding, however, from the grant under this Granting Clause (but not the definition of the term "Permits" for the other purposes hereof) any Permits which cannot be transferred or encumbered by Trustor without causing a default thereunder or a termination thereof.

## GRANTING CLAUSE X.

Proceeds and Awards. All estate, right, title and interest of Trustor in, to, under or derived from all proceeds of any sale, transfer, taking by Condemnation (or any proceeding or purchase in lieu thereof), whether voluntary or involuntary, of any of the Subject Property described above, including all Insurance Proceeds and awards and title insurance proceeds, now or hereafter relating to any of the Subject Property and the value of or

proceeds from, any sale or transfer of any license, franchise agreement, contract or other agreement between the Trustor and a third party relating to the running of the Restaurant or for any Subject Property, all of which Trustor hereby irrevocably directs be paid to Beneficiary to the extent provided hereunder, to be held, applied and disbursed as provided in this Deed of Trust.

TO HAVE AND TO HOLD the Subject Property unto Trustee, its successors and assigns, for the benefit of Beneficiary, its successors and assigns, under and subject to the terms and conditions of this Deed of Trust, and for the security and enforcement of the prompt and complete payment and performance when due of all of the Obligations and the performance and observance by Trustor of all covenants, obligations and conditions to be performed or observed by Trustor pursuant to the Loan Agreement, the Note, and the other Loan Documents.

PROVIDED, HOWEVER, that this Deed of Trust is upon the condition that, if Trustor shall pay in full all of the Obligations and perform and observe all such covenants, obligations and conditions, this Deed of Trust shall cease, terminate pursuant to and in accordance with Section 6.2 and, thereafter, be of no further force effect (except as provided in Sections 4.1, 4.2 and 5.6 hereof); otherwise this Deed of Trust shall, remain and be in full force and effect.

FURTHER PROVIDED, that Trustee and Beneficiary may from time to time release or reconvey all or a portion of the Subject Property, in accordance with the terms and conditions of the Loan Agreement and applicable law.

TRUSTOR ADDITIONALLY COVENANTS AND AGREES WITH TRUSTEE AND BENEFICIARY AS FOLLOWS:

## **ARTICLE I DEFINITIONS**

Section 1.1 Definitions. Capitalized terms used, but not otherwise defined herein, are defined in, or by reference to the Loan Agreement and have the same meanings herein as therein.

## **ARTICLE II CERTAIN WARRANTIES AND COVENANTS OF TRUSTOR**

### **Section 2.1 Authority and Effectiveness.**

(a) Trustor represents, warrants and covenants that (i) Trustor is and shall be a limited liability company duly organized, validly existing and in good standing under the laws of its state of incorporation or organization, and qualified to do business and in good standing in the state in which the Subject Property is located and has and will have all governmental licenses, authorizations, consents and other qualifications required to carry on its business as now conducted, to own the Subject Property and, to execute, deliver and perform this Deed of Trust; (ii) the execution, delivery and performance by Trustor of this Deed of Trust are within Trustor's limited liability company power, have been duly authorized by all necessary limited liability company action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not and will not contravene, or constitute a default under, any provision of the organizational documents of Trustor or of any agreement, judgment, injunction, order, decree or other instrument binding upon Trustor or relating to the Subject Property; and (iii) this Deed of Trust constitutes a legal, valid, binding and enforceable agreement of Trustor.

(b) Trustor shall cause the representations and warranties in subsection (a) of this Section to continue to be true in each and every respect at all times prior to the termination of this Deed of Trust.

### **Section 2.2 Title and Further Assurances.**

(a) Trustor hereby represents and warrants to Beneficiary that:



200008070113

Kathy Hill, Skagit County Auditor

8/7/2000 Page 6 of 25 3:48:05PM



(i) Trustor is the owner of a valid and subsisting leasehold interest in the Land and the Improvements and holds good and marketable title to the Improvements, the Equipment and the Subject Property, free from all liens, security interests, Leases, charges or encumbrances whatsoever, except for such liens as are permitted under the Loan Agreement;

(ii) Trustor has good and lawful right to mortgage the Subject Property to Beneficiary without the consent of any Person other than those consents which have been obtained;

(iii) the lien created by this Deed of Trust constitutes a valid, binding and enforceable lien on the Subject Property;

(iv) the Permitted Liens do not materially interfere with or materially adversely affect the use, value or operation of the Subject Property;

(v) the Site Lease creates and constitutes in the tenant thereunder a valid and subsisting leasehold interest in the Leasehold Estate; the Site Lease has not been modified or amended, except as disclosed to Beneficiary in writing; there is no default under the Site Lease, all rents due have been paid in full; no action has commenced and is pending to terminate the Site Lease; and Trustor is the owner of the leasehold interest under the Site Lease and Trustor is the owner of the Improvements, in each case subject to the provisions of the Site Lease;

(vi) all Equipment and Inventory are located at the Restaurant, Trustor has exclusive possession and control of the Inventory and Equipment; and

(vii) Trustor keeps all records concerning the receivables and the originals of all Agreements at the Restaurant or at its chief executive office.

(b) Trustor shall (i) cause the representations and warranties in subsection (a) of this Section to continue to be true in each and every respect at all times prior to the termination of this Deed of Trust; and (ii) preserve, protect, warrant and defend (A) the estate, right, title and interest of Trustor in and to its Subject Property (B) the validity, enforceability and priority of the lien of this Deed of Trust, and (C) the right, title and interest of Beneficiary and any purchaser at any sale of the Subject Property hereunder or relating hereto.

(c) Upon the full execution, acknowledgment and recording of this Deed of Trust in the county recording office of the county in which the Land is located, the lien of this Deed of Trust shall be a perfected mortgage lien and fixture filing on the Subject Property.

(d) Trustor shall perform all acts that may be necessary to continue, maintain, preserve, protect and perfect the Subject Property, the lien granted to Beneficiary therein and the perfected priority of such lien. Upon request by Beneficiary, Trustor shall at its sole cost and expense (i) promptly correct any defect or error which may be discovered in this Deed of Trust or any financing statement or other document relating hereto; and (ii) promptly execute, acknowledge, deliver, record, and re-record, register and re-register, and file and re-file this Deed of Trust and any fixture filings, financing statements or other documents which Beneficiary may reasonably require from time to time (all in form and substance reasonably satisfactory to Beneficiary) in order (A) to effectuate, complete, perfect, continue or preserve the lien of this Deed of Trust on the Subject Property, whether now owned or hereafter acquired, (B) to correct or change the name of Trustor following any change in its identity, sale of the Subject Property, or assumption of the Loan pursuant to Section 2.7(b), or (C) to effectuate, complete, perfect, continue or preserve any right, power or privilege granted or intended to be granted to Beneficiary hereunder.

Section 2.3 Secured Obligations. Trustor shall duly and punctually pay, perform and observe the Obligations binding upon Trustor.



200008070113

Kathy Hill, Skagit County Auditor

8/7/2000 Page 7 of 25 3:48:05PM

Section 2.4 Impositions. Subject to Section 2.6 and Section 2.9, Trustor shall (i) duly and punctually pay all Impositions before any fine, penalty, interest or cost may be added for nonpayment; and (ii) promptly notify Beneficiary of the receipt by Trustor of any notice of default in the payment of any Imposition. The term "Impositions" means all taxes, assessments and other governmental charges, ground rents, or other rents, charges, excises, levies, fees and other charges (public or private) which may be assessed, levied or imposed on, or in respect of or be a lien upon the Subject Property or any part thereof or any interest therein.

Section 2.5 Compliance with Legal and Insurance Requirements.

(a) Trustor represents and warrants that (i) as of the date hereof, the Subject Property and the use and operation thereof comply in all material respects with all Legal Requirements (as defined below), Insurance Requirements (as defined below) and Contractual Obligations; (ii) there is no material default under any Legal Requirement, Insurance Requirement and Contractual Obligation; and (iii) the execution, delivery and performance of this Deed of Trust does not require any consent the failure of which to obtain would contravene any provision of and constitute a material default under, any Legal Requirement, Insurance Requirement or Contractual Obligation. Notwithstanding the limitations set forth in the preceding sentence, Trustor represents and warrants that as of the date hereof, the Subject Property and the use thereof comply with all Environmental Laws and that Trustor has complied and shall comply with all Environmental Laws.

(b) Subject to Section 2.6 and Section 2.9, Trustor shall promptly perform and observe, or cause to be performed and observed and cause the Subject Property to comply with, if the failure to so perform and observe would have a Material Adverse Effect, (i) all laws, rules, regulations, judgments, orders, permits, licenses, authorizations and other requirements of and agreements with all governments, department agencies, courts and officials, which now or hereafter shall be applicable to the Subject Property or any part thereof or any use or condition thereof including, without limitation, all Environmental Laws (herein collectively called the "Legal Requirements"); (ii) all terms of any insurance policy covering or applicable to the Subject Property or any part thereof as required by the Loan Agreement, all requirements of the issuer of any such policy, and all orders, rules, regulations and other requirements of the National Board of Fire Underwriters (or any other body exercising similar functions) applicable to the Subject Property or any part thereof or any use or condition thereof (herein collectively called the "Insurance Requirements"); and (iii) all Permits required for any construction, reconstruction, repair, alteration, addition, improvement, maintenance, use and operation of the Subject Property. Further, Trustor shall not use or permit any of the Subject Property to be used in violation of any provision of the Loan Agreement, this Deed of Trust or any other Loan Document.

(c) Trustor shall promptly notify Beneficiary of the receipt by Trustor of any notice of default under any Legal Requirement, Insurance Requirement, Contractual Obligation, Permitted Lien or Permit or of the receipt by Trustor of any notice of any threatened or actual termination of any Permit or Insurance Policy, Franchise Agreement or Site Lease and furnish to Beneficiary a copy of such notice of default or termination.

Section 2.6 Impound and Security Account. At Beneficiary's option and upon its demand and except where and to the degree prohibited by law, Trustor shall, until all Obligations have been paid in full, pay to Beneficiary each month an amount estimated by Beneficiary to be equal to (i) the Impositions, (ii) all payments and premiums with respect to the Insurance Requirements, and (iii) all lease payments under the Site Lease next due. Estimated payments of Impositions, Insurance Requirements and Site Lease payments shall be calculated by dividing the amount next due by, in each instance, the number of months to lapse preceding the month in which the same, respectively, will become due. All sums so paid shall not bear interest, except to the extent and in the minimum amount required by law, and Beneficiary shall, unless Trustor is otherwise in default hereunder or under any obligation secured hereby, apply said funds to the payment of, or at the sole option of Beneficiary release said funds to Trustor for application to and payment of, such Impositions, Insurance Requirements and Site Lease payments. However, upon the occurrence of an Event of Default by Trustor hereunder or under any obligation secured hereby, Beneficiary may, at its sole option, apply all or any part of said sums to any Obligations or to advance sums to pay such Imposition, Insurance Requirement or Site Lease payment, which advance shall not cure Trustor's default hereunder.



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Kathy Hill, Skagit County Auditor

8/7/2000 Page 8 of 25 3:48:05PM



Section 2.7      Sale; Liens.

(a) Except as otherwise provided in the Loan Agreement, Trustor shall not sell, assign, transfer, convey, lease or permit to be sold, assigned, transferred, conveyed, leased or otherwise disposed of, the Subject Property (other than Inventory sold in the normal course of business) or any part thereof or interest therein (for the purposes of this Section, a "Transfer"), and shall not create, suffer or permit to be created or exist any lien attaching to the Subject Property or any part thereof or interest therein, except as permitted by the Loan Agreement. In the event of any Transfer or the creation, suffering, permitting to be created of any lien attaching to the Subject Property or any part thereof, that is not expressly permitted hereunder or under the terms of the Loan Agreement and is without the prior written consent of Beneficiary, Beneficiary shall have the absolute right at its option, without prior demand or notice, to declare all of the Obligations immediately due and payable and pursue its rights and remedies under Article V. Consent to one such Transfer or lien shall not be deemed to be a waiver of the right to require the consent to future or successive Transfers or liens. Beneficiary shall have the right to grant or deny such consent in its absolute discretion. If consent should be given to a Transfer and if this Deed of Trust is not released to the extent of the Subject Property transferred or subjected to a lien by a writing signed by Beneficiary and recorded in the proper city, town, county or parish records, then any such Transfer or lien shall be subject to this Deed of Trust and any such transferee shall assume all obligations hereunder and agree to be bound by all of the provisions contained hereunder.

(b) The Loan may be assumed by a new borrower provided each of the conditions set forth in Section 2.8 of the Loan Agreement are met.

Section 2.8      Status and Care of the Subject Property.

(a) Trustor represents and warrants that (i) the Subject Property is served by all necessary water, sanitary and storm sewer, electric, gas, telephone and other utility facilities which facilities have capacities which are sufficient to serve the current and anticipated future use and occupancy of the Subject Property as presently constructed; (ii) the Subject Property has legal access to public streets or roads sufficient to serve the current and anticipated future use and operation of the Subject Property as presently constructed; (iii) to the extent that the Subject Property is located in an area identified by the Secretary of Housing and Urban Development or a successor thereto as an area having special flood hazards or as an area designated as "flood prone" or a "flood risk area" pursuant to the National Flood Insurance Act of 1968 or the Flood Disaster Protection Act of 1973, and any amendments or supplements thereto or substitutions therefor, Trustor has purchased flood insurance to the extent available; and (iv) all activities and conditions on the Subject Property are currently in compliance with all Legal Requirements.

(b) Trustor (i) shall use and operate the Subject Property, or cause the same to be used and operated, pursuant to the terms and provisions of Franchise Agreements with Taco Bell Corp. and KFC Corporation, true and correct copies of which have been previously delivered to Beneficiary, and Trustor shall continue to operate the Subject Property as a Taco Bell/KFC Restaurant and shall not permit or suffer any default to occur under said Franchise Agreements; (ii) agrees that all activities on the Subject Property shall at all times comply with all Legal Requirements; (iii) shall operate and maintain the Subject Property, or cause the same to be operated and maintained, in good order, repair and condition except (subject to the provisions of this Section) for reasonable wear and tear; (iv) subject to the provisions of Section 3.2, shall promptly make, or cause to be made, all repairs, replacements, alterations, additions and improvements of and to the Subject Property necessary or appropriate to keep the Subject Property in good order, repair and condition; (v) shall not initiate or affirmatively support any change in the applicable zoning adversely affecting the Subject Property, seek any variance (or any change in any variance), under the zoning adversely affecting the Subject Property; and (vi) shall, promptly after receiving notice or obtaining knowledge of any proposed or threatened change in the zoning affecting the Subject Property which would result in the current use of the Subject Property being a non-conforming use, notify Beneficiary thereof and diligently contest the same at Trustor's expense by any action or proceeding deemed appropriate by Trustor or requested by Beneficiary.

Section 2.9      Permitted Contests. After prior notice to Beneficiary, Trustor may contest at Trustor's expense, by appropriate legal or other proceedings conducted in good faith and with due diligence, the amount, validity or application, in whole or in part, of any Imposition or lien therefor, any Legal Requirement, or



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any lien of any laborer, mechanic, materialman, supplier or vendor, provided that (a) the Subject Property, or any part thereof or estate or interest therein, shall not be in any danger of being sold, forfeited or lost by reason of such proceedings; (b) in the case of (i) liens of laborers, mechanics, materialmen, suppliers or vendors or (ii) the Impositions, or liens therefor, such proceedings shall suspend the foreclosure of any such lien or any other collection thereof from the Subject Property; (c) in the case of a Legal Requirement, Beneficiary shall not be in any danger of any criminal liability or, unless Trustor shall have furnished a bond or other security therefor reasonably satisfactory to Beneficiary, any additional civil liability for failure to comply therewith, and the Subject Property, or any part thereof or estate or interest therein, shall not be subject to the imposition of any lien as a result of such failure which is not properly contested pursuant to this Section 2.9; and (d) if reasonably required by Beneficiary, Trustor shall have furnished to Beneficiary a bond or other security reasonably satisfactory to Beneficiary.

Section 2.10 Inspection. Beneficiary and its authorized agents and employees and any person designated by Beneficiary shall have the right to enter on and into the Subject Property at all reasonable times and, except in the event of an emergency, after reasonable notice for the purpose of inspecting the same, provided such inspection shall not unreasonably disturb business activities at the Subject Property.

Section 2.11 Compliance with Instruments. Trustor shall promptly perform and observe, or cause to be performed and observed, all of the terms, covenants and conditions of all other instruments affecting the Subject Property if the failure to so perform or observe would have a Material Adverse Effect and shall do or cause to be done all things necessary to preserve intact and unimpaired any and all easements, appurtenances and other interests and rights in favor of or constituting any portion of the Subject Property if the failure so to do would have a Material Adverse Effect.

Section 2.12 Improvements. All improvements on the Land lie wholly within the boundary and building restriction lines of the Land and no improvements on adjoining properties encroach upon the Land in any respect so as to have a Material Adverse Effect on the use, operation or value of the Property.

Section 2.13 Casualty; Condemnation. The Subject Property is free of material damage and waste and, to Trustor's knowledge, there is no proceeding pending or threatened for the total or partial Condemnation thereof.

Section 2.14 Zoning and Other Laws. The Property and the use thereof, separate and apart from any other properties, constitute a legal and conforming use in compliance with the zoning regulations for which the Property is located. The Property complies with all applicable subdivision laws, ordinances and regulations, such that failure to comply would not have a Material Adverse Effect. All inspections, licenses and certificates required, whether by law, ordinance, regulation or insurance standards, to be made or issued with respect to the Property have been made by or issued by appropriate authorities, such that a failure to obtain such inspections, licenses or certificates would not have a Material Adverse Effect.

Section 2.15 Site Lease.

(a) Trustor represents and warrants that (i) Exhibit A, Part II contains a description of the Site Lease; (ii) Trustor has furnished to Beneficiary a copy of the Site Lease certified as true and correct by Trustor; (iii) except as described in Exhibit A, Part II, the Site Lease has not been modified, assigned by Trustor or, to the knowledge of Trustor, assigned by the landlord thereunder; (iv) the Site Lease is in full force and effect and, to the knowledge of Trustor, there is no default, or existing condition which with the giving of notice or passage of time or both would cause a default under the Site Lease; and (v) the execution, delivery and performance of this Deed of Trust do not require any consent under, and will not contravene any provision of or cause a default under, the Site Lease.

(b) Trustor (i) shall duly and punctually pay, perform and observe (unless being paid pursuant to Section 2.6 or being contested pursuant to Section 2.9) all of its obligations under the Site Lease; (ii) shall do all things reasonably necessary or appropriate to enforce, preserve and keep unimpaired the rights of Trustor; (iii) shall not enter into any amendment or other agreement or take any other action or fail to take any action that would modify or terminate any rights or obligations of Trustor or of the landlord under the Site Lease or subordinate any right of Trustor under the Site Lease to any lien; (iv) shall not



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than ninety (90) days prior to the last date on which Trustor can exercise (A) any right to extend the term of the Site Lease or (B) any option to purchase or otherwise acquire the interest of the landlord under the Site Lease, of the existence of such right or option; (v) to the extent the current term of the Site Lease does not extend beyond the maturity date of the Loan, shall exercise (not later than thirty (30) days prior to the last date on which Trustor may timely do so) each right or option of Trustor under the Site Lease to extend the term thereof; (vi) shall notify Beneficiary (promptly after receipt or contemporaneously when given, as the case may be) of the receipt or giving by Trustor of any notice of default under, or any notice of the possible or actual termination of, the Site Lease, accompanied by a copy of such notice (the failure of Trustor to comply with this subclause (vi) shall constitute an Event of Default hereunder); and (vii) shall promptly notify Beneficiary, upon Trustor's acquisition of knowledge thereof, of the occurrence of any event or condition which with the passage of time or giving of notice would constitute a default under the Site Lease.

(c) So long as any portion of the Obligations shall remain unpaid, unless Beneficiary shall otherwise consent, the fee title to the Land and the leasehold estate therein created pursuant to the provisions of the Site Lease shall not merge but shall always be kept separate and distinct, notwithstanding the union of such estates in Trustor, the owner, or in any other person by purchase, operation of law or otherwise. Beneficiary reserves the right, at any time, to release portions of the Subject Property, including, but not limited to, the leasehold estate created by the Site Lease, with or without consideration, at Beneficiary's election, without waiving or affecting any of its rights hereunder or under the Loan Documents and any such release shall not affect Beneficiary's rights in connection with the portion of the Subject Property not so released.

(d) So long as any portion of the Obligations remains unpaid, if Trustor shall become the owner and holder of the fee title to the Land, the lien of this Deed of Trust shall be spread to cover Trustor's fee title to the Land and said fee title shall be deemed to be included in the Subject Property. Trustor agrees to execute any and all documents or instruments necessary to subject its fee title to the Land to the lien of this Deed of Trust, in form and substance satisfactory to Beneficiary.

(e) Trustor hereby unconditionally assigns, transfers and sets over to Beneficiary all of Trustor's claims and rights to the payment of damages arising from any rejection by the owner of the Site Lease under the Bankruptcy Code. Beneficiary shall have the right to proceed in its own name or in the name of Trustor in respect of any claim, suit, action or proceeding relating to the rejection of the Site Lease, including, without limitation, the right to file and prosecute, to the exclusion of Trustor, any proofs of claim, complaints, motions, applications, notices and other documents, in any case in respect of the owner under the Bankruptcy Code. This assignment constitutes a present, irrevocable and unconditional assignment of the foregoing claims, rights and remedies, and shall continue in effect until all of the Obligations shall have been satisfied and discharged in full. Any amounts received by Beneficiary as damages arising out of the rejection of the Site Lease as aforesaid shall be applied first to all costs and expenses of Beneficiary (including, without limitation, attorneys' fees and disbursements) incurred in connection with the exercise of any of its rights or remedies under this Section 2.15(e).

(f) Trustor shall not, without Beneficiary's prior written consent, elect to treat the Site Lease as terminated under Section 365(h)(1) of the Bankruptcy Code. Any such election made without Beneficiary's prior written consent shall be void.

(g) If pursuant to Section 365(h)(1) of the Bankruptcy Code, Trustor seeks to offset against the Rent reserved in the Site Lease the amount of any damages caused by the non-performance by the owner of any of the owner's obligations under the Site Lease after the rejection by the owner of the Site Lease under the Bankruptcy Code, Trustor shall, prior to effecting such offset, notify Beneficiary of its intention to do so, setting forth the amounts proposed to be so offset and the basis therefor. Beneficiary shall have the right, within (10) days after receipt of such notice from Trustor, to reasonably object to all or any part of such offset, and, in the event of such reasonable objection, Trustor shall not effect any offset of the amounts so objected to by Beneficiary for a period of thirty (30) days after Beneficiary has delivered its objection notice to Trustor during which time Beneficiary shall have the right to bring its objections to the attention of any court supervising the bankruptcy of the owner of the Site Lease and both Beneficiary and Trustor agree to abide by the decision of any such court. If (A) Beneficiary has failed to object as aforesaid within ten (10) days after notice from Trustor or (B) the court fails to render its decision within the above-mentioned thirty (30) day period, Trustor may proceed to effect such offset in



the amounts set forth in Trustor's notice. Neither Beneficiary's failure to object as aforesaid nor any objection or other communication between Beneficiary and Trustor relating to such offset shall constitute an approval of any such offset by Beneficiary.

(h) If any action, proceeding, motion or notice shall be commenced or filed in respect of Trustor or the Subject Property in connection with any case under the Bankruptcy Code (other than a case under the Bankruptcy Code commenced with respect to Trustor), Beneficiary shall have the option, to the exclusion of Trustor, exercisable upon notice from Beneficiary to Trustor, to conduct and control any such litigation with counsel of Beneficiary's choice. Beneficiary may proceed in its own name or in the name of Trustor in connection with any such litigation, and Trustor agrees to execute any and all powers, authorizations, consents and other documents required by Beneficiary in connection therewith. Trustor shall pay to Beneficiary all costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) paid or incurred by Beneficiary in connection with the prosecution or conduct of any such proceedings within five (5) days after notice from Beneficiary setting forth such costs and expenses in reasonable detail. Any such costs or expenses not paid by Trustor as aforesaid shall be secured by the lien of this Deed of Trust and shall be added to the principal amount of the indebtedness secured hereby. Trustor shall not commence any action, suit, proceeding or case, or file any application or make any motion, in respect of the Site Lease in any such case under the Bankruptcy Code (other than a case under the Bankruptcy Code commenced with respect to Trustor) without the prior written consent of Beneficiary, which consent shall not be unreasonably withheld.

(i) Trustor shall promptly, after obtaining knowledge thereof, notify Beneficiary of any filing by or against the owner of the Land of a petition under the Bankruptcy Code, setting forth any information available to Trustor as to the date of such filing, the court in which such petition was filed, and the relief sought therein. Trustor shall promptly deliver to Beneficiary following receipt any and all notices, summonses, pleadings, applications and other documents received by Trustor in connection with any such petition and any proceedings relating thereto.

(j) If there shall be filed by or against Trustor a petition under the Bankruptcy Code, and Trustor, as the tenant under the Site Lease, shall determine to reject the Site Lease pursuant to Section 365(a) of the Bankruptcy Code, then Trustor shall give Beneficiary not less than ten (10) days prior notice of the date on which Trustor shall apply to the bankruptcy court for authority to reject the Site Lease. Beneficiary shall have the right, but not the obligation, to serve upon Trustor within such 10-day period a notice stating that (i) Beneficiary demands that Trustor assume and assign the Site Lease to Beneficiary pursuant to Section 365 of the Bankruptcy Code and (ii) Beneficiary covenants to cure or provide adequate assurance of prompt cure of all defaults and provide adequate assurance of future performance of Trustor's obligations under the Site Lease. If Beneficiary serves upon Trustor the notice described in the preceding sentence, Trustor shall not seek to reject the Site Lease and shall seek court approval to comply with the demand provided for in clause (i) of the preceding sentence within thirty (30) days after the notice shall have been given, subject to the performance by Beneficiary of the covenant provided for in clause (ii) of the preceding sentence.

(k) Effective upon the entry of an order for relief in respect of Trustor under the Bankruptcy Code, Trustor hereby assigns and transfers to Beneficiary a non-exclusive right to apply to the bankruptcy court under Section 365(d)(4) of the Bankruptcy Code for an order extending the period during which the Site Lease may be rejected or assumed.

Section 2.16 Use of Loan Proceeds. Trustor shall use the proceeds of the Loan only for the purposes set forth in the Loan Agreement which uses are not primarily for personal, family or household purposes.

Section 2.17 Place of Business. Without thirty (30) days prior written notice to Beneficiary, Trustor shall not (i) change Trustor's name or place of business (or, if Trustor has more than one place of business, its chief executive office), or the office in which Trustor's records relating to Receivables or the originals of Related Contracts are kept, (ii) keep Subject Property consisting of chattel paper at any location other than at the Restaurant or its chief executive office, or (iii) keep Subject Property consisting of Equipment, Inventory or other goods at any location other than at the Restaurant.



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Kathy Hill, Skagit County Auditor

8/7/2000 Page 12 of 25 3:48:05PM



Section 2.18 Priority of Liens. Trustor shall procure, execute and deliver from time to time any endorsements, assignments, financing statements and other writings reasonably deemed necessary or appropriate by Beneficiary to perfect, maintain and protect its Lien hereunder and the priority thereof and to assure compliance by Trustor with the terms of this Deed of Trust and the other Loan Documents as Beneficiary may from time to time reasonably request and shall deliver promptly to Beneficiary all originals of Subject Property consisting of instruments, documents and chattel paper.

Section 2.19 Defense of Title. Trustor shall appear in and defend any action or proceeding which may affect its title to or Beneficiary's interest in the Subject Property.

Section 2.20 Value. If Beneficiary gives value to enable Trustor to acquire rights in or the use of any Subject Property, Trustor shall use such value for such purpose.

Section 2.21 Record Keeping. Trustor shall keep separate, accurate and complete records of the Subject Property and shall provide Beneficiary with such records and such other reports and information relating to the Subject Property as Beneficiary may reasonably request from time to time.

Section 2.22 Use of Subject Property. Trustor hereby represents, warrants and covenants that the Subject Property is not used principally or at all for agricultural purposes. The Subject Property does not constitute the homestead of Trustor.

### **ARTICLE III INSURANCE, CASUALTY AND CONDEMNATION**

Section 3.1 Insurance. Trustor shall comply with all of the terms and provisions and shall maintain, or cause to be maintained, with respect to the Property the insurance required by the Loan Agreement. If Trustor fails to maintain the insurance policies required to be maintained under this Section, Beneficiary shall have the right (but not the obligation) to obtain such insurance policies and pay the premiums therefor. If Beneficiary obtains such insurance policies or pays the premiums therefor, upon demand, Trustor shall reimburse Beneficiary for its expenses in connection therewith, together with interest thereon pursuant to Section 4.3.

Section 3.2 Casualty and Condemnation. Trustor's right to collect or use any Insurance Proceeds or awards resulting from any casualty loss or Condemnation shall be subject to, and applied in accordance with, the terms and provisions of the Loan Agreement. Trustor hereby authorizes and directs any affected insurance company and any affected governmental body responsible for such Condemnation to make payment of the Insurance Proceeds or awards directly to Beneficiary. Trustor hereby irrevocably assigns to Beneficiary all Insurance Proceeds and awards to which Trustor may become entitled by reason of its interests in the Subject Property if a loss occurs.

### **ARTICLE IV EXPENSES AND INDEMNIFICATION**

Section 4.1 Expenses. Upon written demand, Trustor (a) shall reimburse Beneficiary for all out-of-pocket expenses, including reasonable attorneys' fees and expenses, paid or incurred by Beneficiary in connection with (i) any default or alleged default, (ii) the perfection, protection, exercise or enforcement of any right or remedy under or with respect to this Deed of Trust or any other Loan Document, and (iii) the execution, delivery, administration or performance of this Deed of Trust or any other Loan Document and any consent or waiver thereunder and any amendment thereof, or (b) if an Event of Default occurs, shall reimburse Beneficiary for all out-of-pocket expenses, including reasonable attorneys' fees and expenses, (i) paid or incurred by Beneficiary in connection with (A) such Event of Default and collection, bankruptcy, insolvency and enforcement proceedings resulting therefrom or (B) the exercise or enforcement of any right or remedy under or with respect to this Deed of Trust or any other Loan Document or (ii) otherwise paid or incurred with respect to this Deed of Trust or any other Loan Document, together, in each case, with interest thereon at the Default Rate from the date paid by Beneficiary through the date repaid to Beneficiary, as the case may be. All such funds advanced in the reasonable exercise of Beneficiary's judgment that the same are needed to protect the Subject Property, the lien of this Deed of Trust, or



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the Obligations are to be deemed obligatory advances hereunder and shall constitute additional indebtedness secured by this Deed of Trust. The obligations of Trustor under this Section shall be part of the Obligations and shall survive any foreclosure or transfer in lieu of foreclosure of this Deed of Trust and the release of this Deed of Trust.

**Section 4.2 Indemnification.** To the fullest extent permitted by law, Trustor shall protect, defend, indemnify and save harmless Trustee, Beneficiary, and the stockholders, members, directors, managers, officers, employees, beneficial owners, attorneys, agents and other representatives or affiliates of, and partners in, Beneficiary and Trustee (each an "Indemnified Person") from and against any and all liabilities, losses, actions, fines, injunctions, obligations, claims, damages (whether direct or consequential), penalties, causes of action, costs and expenses of any kind or nature (including, without limitation, in respect of or for reasonable attorneys' fees and expenses whether incurred within or outside the judicial process), imposed upon or incurred by or asserted against any such Indemnified Person including, without limitation, by reason of (i) this Deed of Trust or the Subject Property or any interest therein or receipt of any Rents; (ii) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about the Subject Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (iii) any failure on the part of Trustor to perform or comply with any of the terms of this Deed of Trust; (iv) any violation or failure to comply with any Legal Requirement by Trustor or the Subject Property in any way; and (v) performance of any labor or services or the furnishing of any materials or other property in respect of the Subject Property or any part thereof, provided that any claims arising out of the willful misconduct or gross negligence of any Indemnified Person or act of any Indemnified Person after taking title to the Subject Property shall be excluded from the foregoing indemnification of such Indemnified Person. Any amounts payable to Beneficiary by reason of the application of this Section 4.2 shall be secured by this Deed of Trust as an Obligation and shall become immediately due and payable and shall bear interest at the Default Rate from the date loss or damage is sustained by Beneficiary until paid. The obligations and liabilities of Trustor under this Section 4.2 shall survive any termination, satisfaction, assignment, entry of a judgment of foreclosure or delivery of a deed in lieu of foreclosure of this Deed of Trust and the exercise of any rights or remedies by Beneficiary.

**Section 4.3 Interest.** If any Obligation arising hereunder (including, to the extent permitted under applicable law, any interest obligation) shall not be paid when due, such Obligation shall bear interest at the Default Rate commencing from the due date through the date paid. Such interest shall be part of the Obligations and shall be secured by this Deed of Trust.

**Section 4.4 Increased Costs; Change of Taxation.** In the event of the enactment after the date hereof of any applicable law deducting from the value of the Subject Property for the purpose of taxation of any lien thereon or changing in any way the applicable taxation of mortgages, deeds of trust or other liens or obligations secured thereby, or the manner of collection of such taxes, so as to affect this Deed of Trust, the Obligations or Beneficiary, upon demand by Beneficiary, to the extent permitted under applicable law, Trustor shall pay or reimburse Beneficiary for all taxes, assessments or other charges which Beneficiary is obligated to pay as a result thereof, provided, however, if for any reason payment by Trustor of any such new or additional taxes, assessments or other charges would be unlawful or if the payment thereof would constitute usury or render the Loan wholly or partially usurious under any of the terms or provisions of the Loan Agreement, Note, or this Deed of Trust, or otherwise, Beneficiary may, at its sole option, upon thirty (30) days written notice to Trustor, declare the whole indebtedness secured by this Deed of Trust, with interest thereon, to be immediately due and payable. Such taxes, assessments or other charges shall be part of the Obligations and shall be secured by this Deed of Trust.

## **ARTICLE V DEFAULTS, REMEDIES AND RIGHTS**

**Section 5.1 Events of Default.** The occurrence of any of the following events shall be deemed an event of default ("Event of Default") hereunder and shall, at the option of Beneficiary make all amounts then remaining unpaid on the Obligations immediately due and payable, all without further demand, presentment, notice or other requirements of any kind, all of which are expressly waived by Trustor, and the lien, encumbrance and security interest evidenced or created hereby shall be subject to foreclosure in any manner provided for herein or provided for by law and all other remedies available at law or in equity:



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Kathy Hill, Skagit County Auditor

8/7/2000 Page 14 of 25 3:48:05PM



(a) The occurrence of any Event of Default (as defined in the Loan Agreement) under the Loan Agreement; or

(b) Trustor shall default in the performance or observance of any term, covenant or condition required to be observed by Trustor under this Deed of Trust following any specified grace period, notice and/or cure period.

**Section 5.2** Fixtures. Upon the occurrence of any Event of Default, or at any time thereafter, Beneficiary may, to the extent permitted under applicable law, elect to treat the fixtures and other personal property included in the Subject Property either as real property or personal property, or both, and proceed to exercise such rights as apply thereto. With respect to any sale of real property included in the Subject Property made under the power of sale herein granted and conferred, Beneficiary may, to the extent permitted by applicable law, include in such sale any personal property and fixtures included in the Subject Property relating to such real property.

**Section 5.3** Remedies Cumulative. All notice and cure periods provided in this Deed of Trust, the Loan Agreement or any other Loan Document shall run concurrently with any notice or cure periods provided under applicable law. No remedy or right of Beneficiary or Trustee hereunder, under the Loan Agreement and any other Loan Document or otherwise, or available under applicable law, shall be exclusive of any other right or remedy, but each such remedy or right shall be in addition to every other remedy or right now or hereafter existing at law or in equity under any such document or under applicable law. No failure or delay by Beneficiary in exercising any right hereunder shall operate as a waiver thereof or of any other right nor shall any single or partial exercise of any such right preclude any other further exercise thereof or of any other right. Unless otherwise specified in such waiver or consent, a waiver or consent given hereunder shall be effective only in the specific instance and for the specific purpose for which given. Every such remedy or right may be exercised concurrently or independently, and when and as often as may be deemed expedient by Beneficiary or Trustee. All obligations of Trustor, and all rights, powers and remedies of Beneficiary and Trustee expressed herein shall be in addition to, and not in limitation of, those provided by law, equity or in the Loan Agreement and any other Loan Document.

**Section 5.4** Possession of Subject Property. Trustor hereby waives, while any Event of Default exists, all right to the possession, income, earnings, revenues, issues, profits and Rents of the Subject Property. Beneficiary or a Receiver (as the case may be as the Person exercising the rights under this Section) is hereby expressly authorized and empowered to the extent permitted by applicable law, but not obligated, while any Event of Default exists, (i) to enter into and upon and take possession of, and operate all facilities on, the Subject Property or any part thereof, personally, or by its agents or attorneys, and exclude Trustor therefrom without liability for trespass, damages or otherwise; (ii) to enter upon and take and maintain possession of all of the documents, books, records, papers and accounts of Trustor relating to the possession and operation of the Subject Property; (iii) to conduct, either personally or by its agents, the business of the Subject Property; (iv) to exercise all rights of Trustor with respect to the Subject Property, including, without limitation, the right to sue for or otherwise collect the Rents, including those that are unpaid; (v) to complete any alteration or restoration in progress on the Subject Property at the expense of Trustor at reasonable and customary cost or at such cost previously agreed to by Trustor, and (vi) to apply all income of the Subject Property less the necessary or appropriate expenses of collection thereof, either for the operation, care and preservation of the Subject Property, or, at the election of the Person exercising the rights under this Section in its sole discretion, as provided in Section 5.9 hereof. The Person exercising the rights under this Section is also hereby granted full and complete authority while any Event of Default exists (vii) to employ watchmen to protect the Subject Property; (viii) to continue any and all outstanding contracts for the erection and completion of Improvements to the Subject Property; (ix) to make all necessary and proper repairs, renewals, replacements, alterations, additions, betterments and improvements to the Subject Property that, in its sole discretion, it may deem appropriate; (x) to insure and reinsure the Subject Property for all risks incidental to Beneficiary's possession, operation and management thereof; (xi) to make and enter into any contracts or obligations wherever necessary in its own name for the operation, care and preservation of the Subject Property, and (xii) to pay and discharge all debts, obligations and liabilities incurred thereby, all at the expense of Trustor. The Person exercising the rights under this Section shall not be liable to account for any action taken hereunder, and shall not be liable for any loss sustained by Trustor resulting from any act or omission of such Person, except to the extent such loss is caused by such Person's willful misconduct or gross negligence. All such expenditures by the Person exercising the rights under this Section shall be Obligations hereunder



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Section 5.5 Foreclosure; Receiver. While any Event of Default exists, Beneficiary and Trustee, with or without entry, shall also have the following rights:

(a) to institute a proceeding or proceedings, by advertisement, judicial process or otherwise, as provided under applicable law, for the complete or partial foreclosure of this Deed of Trust or the complete or partial sale of the Subject Property under the power of sale hereunder or under any applicable provision of law;

(b) to sell the Subject Property and all estate, right, title and interest of Trustor therein as a whole or in separate parcels, at one or more sales, at such time and place and upon such terms and conditions as may be required by applicable law;

(c) to take such steps to protect and enforce rights, whether by action, suit or proceeding in equity or at law, for the specific performance of any provision in the Loan Documents, or in aid of the execution of any power herein granted, or for any foreclosure hereunder, or for the enforcement of any other appropriate legal or equitable remedy Beneficiary shall elect;

(d) to apply for the appointment of a receiver, supervisor, trustee, liquidator, conservator or other custodian (a "Receiver") of the Subject Property or any part thereof and all earnings, revenues, Rents, issues, profits and income thereof, to the extent permitted by law without giving notice to any other party and without regard to the adequacy or inadequacy of the security of the Subject Property or the solvency of either Trustor or any other Person and Trustor agrees that it shall not oppose the appointment of a Receiver; and

(e) to take all such other steps and to assert all such other rights and remedies as shall be permitted by applicable law.

The purchase money, proceeds or avails of any foreclosure or sale after default and any other sums which then may be held by Beneficiary under this Deed of Trust shall be applied as provided in Section 5.9 hereof.

Section 5.6 No Liability on Beneficiary. Notwithstanding anything contained herein, this Deed of Trust is only intended as security for the Obligations and Beneficiary shall not be obligated to perform or discharge, and Beneficiary need not perform or discharge, any obligation, duty or liability of Trustor with respect to any of the Subject Property. Beneficiary shall not have responsibility for the control, care, management or repair of the Subject Property nor shall Beneficiary be responsible or liable for any negligence in the management, operation, upkeep, repair or control of the Subject Property resulting in loss or injury or death to any licensee, employee, tenant or stranger. No liability shall be enforced or asserted against Beneficiary in its exercise of the powers herein granted to it, and Trustor expressly waives and releases any such liability. Should Beneficiary or any Person exercising rights on its behalf incur any such liability, loss or damage, under or by reason hereof, or in the defense of any claims or demands, Trustor agrees to reimburse Beneficiary and such Person, immediately upon demand (provided such demand is accompanied by an itemized statement) for the amount thereof, including costs, expenses and reasonable attorneys' fees, and any such obligations of Trustor shall be Obligations hereunder and shall survive any foreclosure or transfer in lieu of foreclosure of this Deed of Trust and the release of this Deed of Trust.

Section 5.7 Assignment of Leases.

(a) Subject to paragraph (d) below, the assignments of the Leases and the Rent under Granting Clauses VI and VII are and shall be present, absolute and irrevocable assignments by Trustor to Beneficiary and, subject to the license to Trustor under Section 5.7(b), Beneficiary or a Receiver appointed pursuant to Section 5.5(d) (as the case may be as the Person exercising the rights under this Section) shall have the absolute, immediate and continuing right to collect and receive all Rents now or hereafter, including during any period of redemption, accruing with respect to the Subject Property. At the request of Beneficiary or such Receiver, Trustor shall promptly execute, acknowledge, deliver, record, register and file any additional general assignment of the Leases or specific assignment of any Lease which Beneficiary or such Receiver may require from time to time (all in form and substance reasonably satisfactory to Beneficiary or such Receiver) to effectuate, complete, perfect, continue or preserve the assignments of the Leases and the Rents under Granting Clauses VI and VII.



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(b) As long as no Event of Default exists, Trustor shall have the right under a license granted hereby, subject to Section 5.7(c), to collect all Rents upon, but not prior to fifteen (15) days before, the due date thereof.

(c) If any Event of Default exists, Beneficiary or Receiver appointed pursuant to Section 5.5(d) (as the case may be as the Person exercising the rights under this Section) shall have the right to do any of the following: (i) terminate the license granted under Section 5.7(b) by notice to Trustor (ii) exercise the rights and remedies provided to Trustor under the Site Lease; (iii) exercise the rights and remedies provided under Section 5.4, Section 5.5 or under applicable law; (iv) as attorney in-fact or agent of Trustor, or in its own name as the Person exercising the rights under this Section and under the powers herein granted, hold, operate, manage and control the Property and all other Subject Property, either personally or by its agents, contractors or nominees, with full power to use such measures, legal or equitable, as in its discretion may be deemed proper and necessary to enforce the payment of any Rents, the Leases and other Subject Property relating thereto (including actions for the recovery of Rent, actions in forcible detainer and actions in distress of Rent); (v) cancel or terminate any Lease or sublease for any cause or on any ground which would entitle Trustor to cancel the same; (vi) elect to disaffirm any Lease or sublease made subsequent hereto or subordinated to the lien hereof; and (vii) perform such other acts in connection with the management and operation of the Subject Property as the Person exercising the rights under this Section in its discretion may deem proper, Trustor hereby granting full power and authority to exercise each and every one of the rights, privileges and powers contained herein at any and all times while an Event of Default exists without notice to Trustor.

(d) Nothing in this Section 5.7 shall be construed to be an assumption by the Person exercising the rights under this Section, or to otherwise make such Person liable for the performance, of any of the obligations of Trustor under the Leases.

**Section 5.8 Sales.** Except as otherwise provided herein, to the extent permitted under applicable law, at the election of Beneficiary, the following provisions shall apply to any sale of the Subject Property hereunder, whether made pursuant to the power of sale hereunder, any judicial proceeding, or any judgment or decree of foreclosure or sale or otherwise;

(a) Beneficiary or Trustee or the court officer (as the case may be as the Person conducting any sale) may conduct any number of sales as Beneficiary may direct from time to time. The power of sale hereunder or with respect hereto shall not be exhausted by any sale as to any part or parcel of the Subject Property which is not sold, unless and until the Obligations shall have been paid in full, and shall not be exhausted or impaired by any sale which is not completed or is defective. A sale may be as a whole or in part or parcels and Trustor hereby waives its right to direct the order in which the Subject Property or any part or parcel thereof is sold.

(b) Any sale may be postponed or adjourned by public announcement at the time and place appointed for such sale or such postponed or adjourned sale without further notice.

(c) Any statement of fact or other recital made in any instrument given by the Person conducting any sale as to the nonpayment of any Obligation, the existence of an Event of Default, the amount of the Obligations due and payable, the request to Beneficiary or Trustee to sell, the notice of the time, place and terms of sale and of the Subject Property to be sold having been duly given, or any other act or thing having been duly done or not done by Trustor, Beneficiary, Trustee or any other Person, shall be taken as conclusive and binding against all other Persons as evidence of the truth of the facts so stated or recited.

(d) Any sale shall operate to divest all of the estate, right, title, interest, claim and demand whatsoever, whether at law or in equity, of Trustor in and to the Subject Property sold, and (to the extent permitted under applicable law) shall be a perpetual bar both at law and in equity against Trustor and any and all Persons claiming such Subject Property or any interest therein by, through or under Trustor.

(e) At any sale, Beneficiary may bid for and acquire the Subject Property sold and, in lieu of paying cash therefor may make settlement for the purchase price by causing the Secured Parties



to credit against the Obligations, including the expenses of the sale and the cost of any enforcement proceeding hereunder, the amount of the bid made therefor to the extent necessary to satisfy such bid.

(f) In the event that Trustor or any Person claiming by, through or under Trustor shall transfer or fail to surrender possession of the Subject Property after any sale thereof, then Trustor or such Person shall be deemed tenant at sufferance of the purchaser at such sale, subject to eviction by means of forcible entry and unlawful detainer proceedings, or subject to any other right or remedy available, hereunder or under applicable law.

(g) Upon any sale, it shall not be necessary for the Person conducting such sale to have any Subject Property being sold present or constructively in its possession.

(h) To the extent permitted under applicable law, in the event that a foreclosure hereunder shall be commenced by Beneficiary or Trustee, Beneficiary or Trustee may at any time before the sale abandon the sale, and may institute suit for the collection of the Obligations or for the foreclosure of this Deed of Trust; or in the event that Beneficiary should institute a suit for collection of the Obligations or the foreclosure of this Deed of Trust, Beneficiary may at any time before the entry of final judgment in said suit dismiss the same and sell the Subject Property in accordance with the provisions of this Deed of Trust.

Section 5.9 Application of Proceeds. The proceeds of any sale of any of the Subject Property made pursuant to this Article V shall be applied as follows:

(a) First, to the payment of all costs and expenses incident to the enforcement of this Deed of Trust paid or incurred by Trustee, Beneficiary or the agent for enforcement, protection or collection, including, without limitation, reasonable costs, attorneys' fees, stenographers' fees, costs of advertising, costs of documentary evidence of title (including title search and insurance), all other related charges and costs, and a reasonable compensation to the agents and attorneys of Trustee, Beneficiary and of agent;

(b) Second, to the payment or prepayment of the Obligations, in such order as Beneficiary shall elect; and

(c) Third, the remainder, if any, shall be paid to Trustor or such other person or persons as may be entitled thereto by law;

provided, however, if applicable law requires such proceeds to be paid or applied in a manner other than as set forth above in this Section 5.9, then such proceeds shall be paid or applied in accordance with such applicable law.

Section 5.10 Form of Notice. At Beneficiary's option, any written notice of default given to Trustor under this Article V may be given in the form of a statutory notice of default under the Washington Deed of Trust Act or any other form as Beneficiary may elect.

## ARTICLE VI GENERAL

Section 6.1 Fixture Filing. To the extent that the Subject Property includes items of personal property which are or are to become fixtures under applicable law, and to the extent permitted under applicable law, the filing of this Deed of Trust in the real estate records of the county in which such Subject Property is located shall also operate from the time of filing as a fixture filing with respect to such Subject Property, and the following information is applicable for the purpose of such fixture filing, to wit:



(a) Name and Address of the Debtor:

ORCHARD LLC  
11875 Silverdale Way NW #205  
Silverdale, Washington 98383  
Attention: Peter Braun

(b) Name and Address of the Secured Party:

Atherton Capital Incorporated  
1001 Bayhill Drive, Suite 155  
San Bruno, California 94066  
Attention: Loan Administration/Loan No. 81387

(c) This financing statement covers goods or items of personal property which are or are to become fixtures upon the Property.

(d) Name and address of record owners:

Madrona Real Estate Investors One, LLC  
500 Union Street, Suite 900  
Seattle, Washington 98101-4052  
Attention: Brad Augustine

Section 6.2 Defeasance. If all of the Obligations shall have been paid in full, and if Trustor shall have performed and observed all the covenants, obligations and conditions to be performed by Trustor pursuant to the Loan Documents, and each of the Loan Documents shall have been terminated, then this Deed of Trust shall cease, terminate and, thereafter, be of no further force or effect (except as provided in Sections 4.1, 4.2 and 5.6). Upon such termination and Trustor's request, appropriate release shall promptly be made by Beneficiary to the Person or Persons legally entitled thereto at Trustor's expense.

Section 6.3 Notices. Each notice, demand or other communication given to Trustor or Beneficiary in connection with this Deed of Trust shall be given in the manner set forth in the Loan Agreement and shall be sent to the addresses shown below or such other addresses which the parties may provide to one another in accordance with the Loan Agreement.

To Beneficiary:

Atherton Capital Incorporated  
1001 Bayhill Drive, Suite 155  
San Bruno, California 94066  
Attention: Loan Administration  
Loan No. 81387-001  
Telephone No.: (650) 827-7800  
Telecopy No.: (650) 827-7953

with a copy to  
Loan Servicer:

GMACCM  
650 Dresher Road  
Horsham, Pennsylvania 19044  
Attention: Executive Vice President,  
Loan Servicing  
Loan No. 81387-001  
Telephone No.: (215) 328-1030  
Telecopier No.: (215) 328-3478



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Kathy Hill, Skagit County Auditor

8/7/2000 Page 19 of 25 3:48:05PM



To Trustor:

Orchard LLC  
11875 Silverdale Way N.W. #205  
Silverdale, Washington 98383  
Attention: Peter B. Braun  
Telephone No.: (360) 698-8600  
Telecopy No.: (360) 698-8672

with a copy to  
Trustor's Counsel:

Vandeberg, Johnson & Gandara  
600 University Street  
Suite 2424  
Seattle, Washington 98101  
Attention: George Cowan  
Telephone No.: (206) 386-5903  
Telecopy No.: (206) 464-0484

Section 6.4 Amendments in Writing. No amendment, consent, waiver or supplement in any way affecting Trustor's obligations or Beneficiary's rights under this Deed of Trust shall in any event be effective unless contained in a writing signed by Beneficiary.

Section 6.5 Governing Law; Construction. This Deed of Trust shall be governed by the law of the state in which the Land is situated.

Section 6.6 Successors and Assigns. The covenants and agreements of Trustor hereunder, and the provisions hereof affecting Trustor, shall bind Trustor hereunder, its successors and assigns and all Persons claiming by, through or under Trustor and shall inure to the benefit of Trustor and its successors and permitted assigns. The rights and privileges of Beneficiary hereunder, and the provisions hereof affecting Beneficiary, shall inure to the benefit of Beneficiary hereunder and its successors and assigns.

Section 6.7 Waiver. Trustor waives, on behalf of itself and all Persons now or hereafter interested in the Subject Property, to the fullest extent permitted by applicable law, (i) all rights under all appraisement, homestead, moratorium, valuation, exemption, stay, extension, redemption, single action, election of remedies and marshalling statutes, laws or equities now or hereafter existing; (ii) any benefit of any law providing for the valuation or appraisal of the Subject Property or any part thereof prior to any sale thereof; (iii) after any such sale, claim or exercise any right to redeem the property so sold or any part thereof; (iv) all benefit or advantage of any such law and covenants not to hinder, delay or impede the execution by Beneficiary of any power or remedy herein granted or available at law or in equity, but to suffer and permit the execution of every power and remedy as though no such law existed; and (v) any and all requirements that at any time any action may be taken against any other Person. Trustor hereby acknowledges and agrees that no defense based on any of the foregoing will be asserted in any action enforcing this Deed of Trust.

Section 6.8 Waiver of Jury Trial. **TRUSTOR AND BENEFICIARY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS DEED OF TRUST, THE NOTE OR ANY OTHER LOAN DOCUMENT OR FOR ANY COUNTERCLAIM THEREIN.**

Section 6.9 No Redemption. Trustor hereby waives, to the fullest extent permitted by applicable law, any and all rights of redemption from sale under any order or decree of foreclosure of this Deed of Trust or under any power contained herein on its own behalf and on behalf of each and every Person acquiring any interest in or title to the Subject Property subsequent to the date of this Deed of Trust.

Section 6.10 Limitation by Law. All rights, remedies and powers provided in this Deed of Trust may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Deed of Trust are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this Deed of Trust





illegal, invalid, unenforceable, in whole or in part, or not entitled to be recorded, registered, or filed under the provisions of any applicable law.

Section 6.11 Beneficiary's Performance. If Trustor shall fail to pay or perform any of its obligations herein contained (including, without limitation, payment of expenses of foreclosure and court costs) or under the Loan Documents each with respect to the Subject Property, Beneficiary upon five (5) days prior written notice to Trustor (except as otherwise expressly permitted by any Loan Document in the event of an emergency when no notice need be given) may, but need not, make (or cause to be made) any such payment or perform (or cause to be performed) any such obligation of Trustor hereunder or thereunder (provided Trustor is not contesting such payment or performance in accordance with Section 2.9 and the failure to so perform such obligation would have a Material Adverse Effect), in any form and manner deemed reasonably expedient by Beneficiary as agent or attorney-in-fact of Trustor, and any amount so paid or expended (plus reasonable compensation to Beneficiary for its out-of-pocket expenses (including legal expenses) for each matter for which it acts under this Deed of Trust), with interest thereon at the Default Rate, shall be added to the Obligations and shall be repaid to Beneficiary upon demand. No such action of Beneficiary shall be considered as a waiver of any right accruing to it on account of the occurrence of any default on the part of Trustor under this Deed of Trust, any default, any Event of Default, or any default or event of default under any other Loan Document.

Section 6.12 Subrogation. To the extent that Beneficiary, after the date hereof, pays pursuant to the terms of this Deed of Trust any sum due under any provision of law or any instrument or documents creating any lien prior or superior to the lien of this Deed of Trust, Beneficiary shall have and be entitled to a lien on the Subject Property equal in priority to that discharged, and Beneficiary shall be subrogated to, and receive and enjoy all rights and liens possessed, held or enjoyed by, the holder of such lien, which shall remain in existence for the benefit of Beneficiary to secure the amount expended by Beneficiary on account of or in connection with such lien.

Section 6.13 : Conflicting Provisions. To the extent there exists any conflict or inconsistency between the terms of this Deed of Trust and the terms of the Loan Agreement, the terms of the Loan Agreement shall govern.

Section 6.14 Counterparts. This Deed of Trust may be executed in any number of identical counterparts, any set of which signed by all the parties hereto shall be deemed to constitute a complete, executed original for all purposes.

Section 6.15 Recourse. Except as otherwise expressly set forth in this Section 6.15, Beneficiary shall have no recourse against any shareholder, member, partner, officer, director, agent or employee of or in Trustor or of or in any partner in or shareholder of Trustor (all such Persons, except to the extent any such Person is obligated under a Guaranty, referred to collectively as "Exculpated Persons") for the repayment of the Loan. Notwithstanding the provisions of this Section 6.15, nothing herein or in any other Loan Document shall: (i) prevent Beneficiary's recourse to Trustor, the Restaurant, the Collateral or the Property or against any Guarantor under a Guaranty; (ii) constitute a waiver, release or discharge of any Indebtedness or Obligation evidenced by the Loan or arising under or secured by this Deed of Trust or any of the other Loan Documents, but the same shall continue until fully paid or discharged; (iii) affect or in any way limit the rights and remedies of Beneficiary under this Deed of Trust or under any other Loan Document; or (iv) limit the personal liability of any Exculpated Person for misappropriation or misallocation of any funds, fraud, misrepresentation or willful damage to the Restaurant, the Subject Property or any portion thereof or for any environmental indemnity under the Loan Documents.

Section 6.16 Time is of the Essence. Time is of the essence of this Deed of Trust, and each provision hereof.

**ORAL AGREEMENTS OR ORAL COMMITMENTS TO LEND MONEY, EXTEND CREDIT OR TO FORBEAR ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

(Signature page follows)



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Kathy Hill, Skagit County Auditor  
8/7/2000 Page 21 of 25 3:48:05PM

IN WITNESS WHEREOF, Trustor has duly executed and delivered this Deed of Trust as of the date first written above.

BORROWER:

ORCHARD LLC, a Washington limited liability company

By: Orchard Foods Corporation, a Washington corporation, its Managing Member

By: \_\_\_\_\_

Peter B. Braun  
President

[Corporate Seal]

Attest:

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

This instrument was prepared  
by and, when recorded, should  
be returned to:

ATHERTON CAPITAL INCORPORATED  
1001 Bayhill Drive, Suite 155  
San Bruno, California 94066  
Attn: Loan Administration  
Loan No. 81387-001



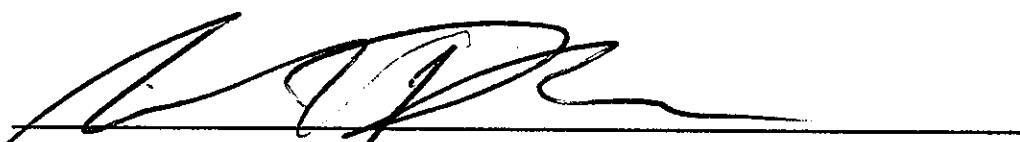
STATE OF WASHINGTON )

) ss.

COUNTY OF KING )

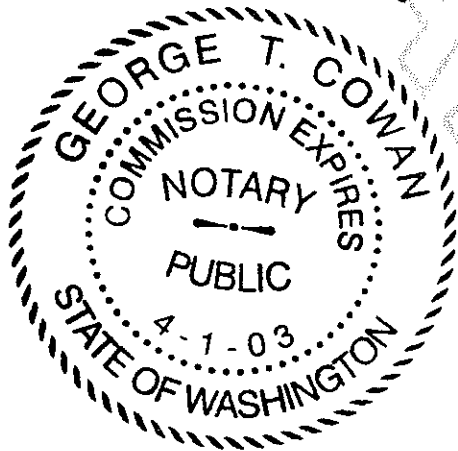
On this 15 day of August, 2000, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Peter B. Braun, to me known to be the President of Orchard Foods Corporation, the corporation that executed the within and foregoing instrument in its capacity as the Managing Member of Orchard LLC, a Washington limited liability company, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute said instrument and that the seal affixed is the corporate seal of said corporation.

Witness my hand and official seal hereto affixed the day and year first above written.

  
George T. Cowan

Notary Public in and for the State of Washington,  
residing at Issaquah, Washington.

My Commission expires: 4-1-03



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8/7/2000 Page 23 of 25 3:48:05PM

**EXHIBIT A - PART I**

To Leasehold Deed of Trust

**DESCRIPTION OF REAL ESTATE**

Lots 1 through 8, inclusive, Block 46, MAP OF THE CITY OF ANACORTES, according to the plat thereof recorded Volume 2 of Plats, pages 4 through 7, records of Skagit County, Washington.



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8/7/2000 Page 24 of 25 3:48:05PM

**EXHIBIT A - PART II**

To Leasehold Deed of Trust

**DESCRIPTION OF LEASE**

That certain Lease made and entered into by and between Orchard LLC, as tenant, and Madrona Real Estate Investors, LLC, as landlord, dated December 7, 1998, as amended by that certain Addendum of Lease dated May 27, 1999, of real property described in Exhibit A - Part I hereto, a Memorandum of which was recorded June 29, 2000, under Skagit County Auditor's Number 200006290112.



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8/7/2000 Page 25 of 25 3:48:05PM