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6/8/2001 Page 1 of 29 11:41:48AM

After recording return to:

Cornerstone Realty Advisors, Inc.
10 N Post St Suite 325
Spokane WA 99201

FIRST AMERICAN TITLE CO.

65264 E-1

**DEED OF TRUST, ASSIGNMENT OF RENTS
AND SECURITY AGREEMENT**

THIS DEED OF TRUST, ASSIGNMENT OF RENTS AND SECURITY AGREEMENT (hereinafter called "Deed of Trust") is made this 31st day of May 2001 between DANE A. ARMSTRONG and JACQUELINE J. ARMSTRONG, husband and wife, as to an undivided 50% interest, and JOHN W. RICKETT and NANCY J. RICKETT, husband and wife as to an undivided 50% interest, whose mailing address is 6313 E Rutter, Spokane WA 99213 (hereinafter referred to below as "Grantor"), FIRST AMERICAN TITLE INSURANCE COMPANY whose mailing address is 1301 Riverside Dr Ste C, Mt, Vernon, WA 98273-2483; (hereinafter referred to below as "Trustee"); and PACIFIC SECURITY FINANCIAL, INC., a Washington corporation, whose mailing address is 10 N Post St Suite 325 Spokane, WA 99201 (hereinafter referred to below sometimes as "Lender" and sometimes as "Beneficiary");

WITNESSETH

That Grantor does hereby irrevocably GRANT, BARGAIN, SELL and CONVEY TO TRUSTEE IN TRUST, WITH POWER OF SALE, that property in the County of Skagit, State of Washington, more particularly described as follows, which is herein collectively called the "Property."

Abbreviated Legal Description as follows: Section 17, Township 34, Range 4; Ptn. SW-SW

Complete legal description is on Exhibit A of document.

Assessor's Tax Parcel Number(s): 340417-3-013-0102 and 340417-3-012-0203

The Real Property or its address is commonly known as: 1022 Riverside Dr, Mt Vernon WA 98273

TOGETHER WITH all rents, issues, profits, royalties, income and other benefits derived from the Property (collectively called "rents"), subject to the right, power and authority hereinafter given to Grantor to collect and apply such rents;



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TOGETHER WITH all leasehold estate, right, title and interest of Grantor in and to all leases or subleases covering the Property or any portion thereof now or hereafter existing or entered into, and all right, title and interest of Grantor thereunder, including, without limitation, all cash or security deposits, advance rentals, and deposits or payments of similar nature;

TOGETHER WITH all right, title and interest of Grantor in and to all options to purchase or lease the Property or any portion thereof or interest therein, and any greater estate in the Property owned or hereafter acquired;

TOGETHER WITH all interests, estate or other claims, both in law and in equity, which Grantor now has or may hereafter acquire in the Property;

TOGETHER WITH all easements, rights-of-way and rights used in connection therewith or as a means of access thereto, and all tenements, hereditaments and appurtenances thereof and thereto, and all water rights and shares of stock evidencing the same;

TOGETHER WITH all right, title and interest of Grantor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Property; and any and all sidewalks, alleys and strips and gores of land adjacent to or used in connection with the Property;

TOGETHER WITH any and all buildings and improvements now or hereafter erected thereon, including, but not limited to, the furniture, fixtures, attachments, appliances, equipment, machinery and other articles attached to said buildings and improvements (the "Improvements");

TOGETHER WITH all right, title and interest of Grantor in and to all tangible personal property (the "Personal Property") owned by Grantor and now or at any time hereafter located on or at the Property or used in connection therewith including, but not limited to all machinery, office equipment, kitchen equipment, stoves, grills, dishwashers, fixtures and trade fixtures, together with all parts, fittings, accessories, and special tools, including but not limited to rolling stock and all other equipment, wherever located, heating, refrigerating, electronic monitoring, window or structural cleaning rigs, maintenance, exclusion of vermin or insects, removal of dust, refuse or garbage, and all other equipment of every kind, lobby and all other indoor and outdoor furniture, including tables, chairs, booths, counters, planters, desks, sofas, shelves, lockers and cabinets, wall safes, furnishings, including appliances, fans, heaters, water heaters and incinerators, inventory, rugs, carpets and other floor coverings, draperies, drapery rods and brackets, awnings, window shades, venetian blinds, curtains, lamps, chandeliers and other lighting fixtures, and office maintenance and other supplies, all as necessary for the operation of a commercial building, and all building and land improvements located at and operated under the name of 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; and

TOGETHER WITH all the estate, interest, right, title, other claim or demand, including claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Grantor now has or may hereafter acquire in the Property;



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taking by eminent domain or by any proceeding or purchase in lieu thereof of the whole or any part of the Property, including, without limitation, any awards resulting from a change of grade of streets and awards for severance damages; and

TOGETHER WITH all the Grantor's rights further to encumber said Property 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: 1) any and all tenancies in existence when such encumbrance becomes effective, and 2) any tenancies thereafter created; Grantor hereby a) representing as a special inducement to Beneficiary to make this loan that as of the date hereof there are no encumbrances to secure debt junior to this Deed of Trust, and b) 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

TOGETHER WITH all of Grantor' 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.

The entire estate, property, and interest hereby conveyed to Trustee may hereafter be referred to as the "Property."

FOR THE PURPOSE OF SECURING:

1. Payment of indebtedness in the total principal amount of Three Hundred Fifty Thousand and No/100 Dollars (\$350,000.00) with interest thereon, evidenced by that certain Promissory Note of even date herewith (the "Note"), executed by Grantor, which has been delivered to, and is payable to the order of Beneficiary and which, by this reference, is made a part hereof, and any and all modifications, extensions and renewals thereof, with interest thereon payable monthly with the balance of the indebtedness, if not sooner paid, due and payable at maturity on July 31, 2001.

2. Payment of all sums which may become due from Grantor or advances by Beneficiary or its successor, with interest thereon at the rate set forth in the Note, which include but are not limited to fire and other hazard insurance and taxes upon the real property herein described, according to the terms of this Deed of Trust; payment by the Grantor of all attorneys' fees and costs incurred by the Trustee or Beneficiary in foreclosing this Deed of Trust or realizing upon any of the collateral for the obligations which this Deed of Trust secures; payment by Grantor of all attorneys' fees and costs incurred by Trustee or Beneficiary in defending the priority or validity of this Deed of Trust or the title to the Property; payment by Grantor of all sums advanced by Beneficiary to or on behalf of Grantor for the purpose of clearing encumbrances or defects from the title to the Property described in this Deed of Trust where Beneficiary, in good faith, believes such encumbrances to be superior to the lien of the Deed of Trust, including, without limitation, payment of ad valorem taxes and mechanics' or materialmen' liens which may have gained priority over the lien of this Deed of Trust; payment by Grantor of all attorneys' fees and costs incurred by Trustee or Beneficiary in any bankruptcy proceedings or any reorganization or arrangement proceeding under the Bankruptcy Act affecting Grantor, this Deed of Trust, or the covenant of Grantor herein contained or incorporated herein by reference and payment of all other sums



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advanced by Beneficiary to protect the Property, with interest thereon at the rate set forth in the Note.

3. Payment of all other sums, with interest thereon, which may hereafter be loaned to Grantor, its successors, or assigns, by Beneficiary, when evidenced by a Promissory Note or Notes reciting that they are secured by this Deed of Trust.

This Deed of Trust, the Note and any other instrument given to evidence or further secure the payment and performance of any obligation secured hereby may hereafter be referred to as the "Loan Documents."

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, GRANTOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

ARTICLE I
COVENANTS AND AGREEMENTS OF GRANTOR

Grantor hereby covenants and agrees:

1.01 Warranties of Title and Authority. Grantor hereby represents and warrants that it is lawfully seized of an indefeasible fee title to the Property; that it has the authority and right to execute and deliver this Deed of Trust; that it shall defend the title to the Property against all claims and demands whatsoever; that the Property is free and clear of any and all liens, claims, encumbrances, restrictions, encroachments and interest whatsoever in favor of any third party except as may be described in the Title Insurance Policy, Order # 65264 as issued by First American Title Insurance Company and that any and all obligations it may have incurred in connection with the Property are current and without default. In the event any Grantor hereunder is a partnership or a corporation, each person executing this instrument on behalf of such entity individually and personally represents and warrants that this Deed of Trust and each other document signed in the name of such entity and delivered to evidence or further secure the obligations secured hereby is, in all respects, binding upon such entity as an act and obligation of said partnership or corporation.

1.02 Payment of Secured Obligations. To pay when due the principal of, and the interest on, the indebtedness evidenced by the Note; charges, fees and all other sums as provided in the Loan Documents; and the principal of, and interest on any future advances secured by this Deed of Trust.

1.03 Maintenance, Repair, Alterations. To keep the Property in good condition and repair; not to remove, demolish, or substantially alter (except such alterations as may be required by laws, ordinances or regulations) any of the Improvements; to complete promptly and in a good and workmanlike manner any building or other improvement which may be constructed on the Property and promptly restore in like manner any Improvement which may be damaged or destroyed thereon; to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws, ordinances, regulations, covenants, conditions, and restrictions now or hereafter affecting the Property or any part thereof or requiring any alterations or improvements;



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not to commit or permit any waste or deterioration of the Property; to keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair; to comply with the provisions of any Lease; not to commit, suffer nor permit any act to be done in or upon the Property in violation of any law, ordinance or regulation.

1.04 Hazardous Waste

- a. Grantor represents and warrants to Beneficiary that to Grantor's knowledge, no hazardous, dangerous or toxic waste or substances are being stored on the Property or any adjacent property nor have any such waste or substances been stored or used on the Property or any adjacent property prior to Grantor's ownership, possession or control of the Property. Grantor agrees to provide written notice to Beneficiary immediately upon Grantor becoming aware that the Property or any adjacent property is being or has been contaminated with hazardous, dangerous or toxic waste or substances. Grantor will not cause nor permit any activities on the Property which directly or indirectly could result in the Property or any other property becoming contaminated with hazardous, dangerous or toxic waste or substances. For purposes of this Deed of Trust, the term "hazardous, dangerous or toxic waste or substances" means any substance or material defined or designated as hazardous, dangerous or toxic waste; hazardous, dangerous or toxic material; a hazardous, dangerous, toxic or radioactive substance or other similar term by an applicable federal, state or local statute, regulation or ordinance now or hereafter in effect.
- b. Grantor will defend, indemnify and hold Beneficiary harmless from and against any and all claims, demands, damages, costs, expenses, losses, liens, liabilities, penalties, fines and other lawsuits and other proceedings, (including attorneys' fees, arising directly or indirectly from or out of, or in any way connected with a) the inaccuracy of the certifications contained herein or in any other document executed by Grantor in connection with the loan evidenced by the Note, b) any activities on the Property during Grantor's ownership, possession or control of the Property which directly or indirectly result in the Property or any other property becoming contaminated with hazardous, dangerous or toxic wastes or substances, c) the discovery of hazardous, dangerous or toxic waste or substances on the Property or other property, or d) the cleanup of hazardous, dangerous or toxic wastes or substances from the Property or any other property. Grantor acknowledges that it will be solely responsible for all costs and expenses relating to the investigation, work plan, testing, studies, removal, remedial investigation and feasibility studies and actual cleanup of hazardous, dangerous or toxic wastes or substances from the Property, ground water beneath the Property or from any other properties or ground waters which become contaminated with hazardous, dangerous or toxic wastes or substances as a result of the contamination of or activities on the Property.



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1.05 Required Insurance. At all times to provide, maintain and keep in force, or cause to be provided, maintained and kept in force, the following policies of insurance:

- a. Insurance against loss or damage to the Improvements by fire and any of the risks covered by insurance of the type now known as "broad form of extended coverage," in an amount not less than the greater of 1) the original amount of the Note, 2) one hundred percent (100%) of the full replacement cost of the improvements (exclusive of the cost of excavations, foundations and footings below the lowest basement floor), or 3) an amount sufficient to prevent Grantor and/or Beneficiary from becoming a co-insurer within the terms of the applicable policies; and with not more than One Thousand and No/100 Dollars (\$1,000.00) deductible from the loss payable for any casualty. The policies of insurance carried in accordance with this subparagraph:
- 1) Shall contain the "Replacement Cost Endorsement;"
 - 2) Insurance against loss or damage to the Personal Property by fire and other risks covered by insurance of the type now known as "broad form of extended coverage;"
 - 3) Such other insurance and in such amounts as may, from time to time, be required by Beneficiary against the same or other hazards; and
 - 4) All policies of insurance required by the terms of this Deed of Trust shall contain an endorsement or agreement by the insurer that any loss shall be payable in accordance with the terms of such policy notwithstanding any act or negligence of Grantor which might otherwise result in forfeiture of said insurance and the further agreement of the insurer waiving all rights of set-off, counterclaim or deductions against Grantor. (Non-Contributory Standard Mortgage Clause and Lender's Loss Payable Endorsement -Form 438 BFU - or their equivalent).

1.06 Delivery of Policies; Payment of Premiums. That all policies of insurance shall be issued by companies and in amounts in each company satisfactory to Beneficiary. All policies of insurance shall have attached thereto a lender's loss payable endorsement for the benefit of Beneficiary in form satisfactory to Beneficiary. Grantor shall furnish Beneficiary with evidence of insurance. If Beneficiary consents to Grantor providing any of the required insurance through blanket policies carried by Grantor and covering more than one (1) location, then Grantor shall furnish Beneficiary with a certificate of insurance for each such policy setting forth the coverage, the limits of liability, the name of the carrier, the policy number and the expiration date. At least thirty (30) days prior to the expiration of each such policy, Grantor shall furnish Beneficiary with evidence satisfactory to Beneficiary of the payment of premium and the reissuance of a policy continuing insurance in force as required by this Deed of Trust. All such policies shall contain a provision that such policies will not be canceled or materially amended, which term shall include any reduction in the scope or limits of coverage without at least thirty (30) days' prior written notice to Beneficiary. In the event Grantor fails to provide, m:



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furnish to Beneficiary evidence of insurance required by this section, Beneficiary may procure such insurance or single-interest insurance for such risks covering Beneficiary's interest, and Grantor will pay all premiums thereof promptly upon demand by Beneficiary and, until such payment is made by Grantor, the amount of all such premiums shall be secured by this Deed of Trust. At the request of the Beneficiary, Beneficiary may require Grantor to deposit with Beneficiary in monthly installments, an amount equal to one-twelfth (1/12th) of the estimated aggregate annual insurance premiums on all policies of insurance required by this Deed of Trust. In such event, Grantor further agrees, upon Beneficiary's request, to cause all bills, statements or other documents relating to the foregoing insurance premiums to be sent or mailed directly to Beneficiary. Upon receipt of such bills, statements or other documents and providing Grantor has deposited sufficient funds with Beneficiary pursuant to this section 1.05, Beneficiary shall pay such amounts as may be due thereunder out of the funds so deposited with Beneficiary. If at any time and for any reason the funds deposited with such Beneficiary are or will be insufficient to pay such amounts as may then or subsequently be due, Beneficiary shall notify Grantor and Grantor shall immediately deposit an amount equal to such deficiency with Beneficiary. Notwithstanding the foregoing, nothing contained herein shall cause Beneficiary to be deemed a trustee of said funds or to be obligated to pay any amounts in excess of the amount of funds deposited with Beneficiary pursuant to this Section 1.06. Beneficiary may commingle said reserve with its own funds and Grantor shall be entitled to no interest thereon.

1.07 Assignment of Policies Upon Foreclosure. In the event of foreclosure of this Deed of Trust or other transfer of title or assignment of the Property in extinguishment, in whole or in part, of the debt secured hereby, all right, title and interest of Grantor in and to all policies of insurance required by Section 1.06 shall inure to the benefit of and pass to the successor in interest to Grantor or the purchaser or grantee of the Property.

1.08 Indemnification; Subrogation; Waiver of Offset.

a. If Beneficiary is made a party defendant to any litigation concerning this Deed of Trust or the Property or any part thereof or interest therein, or the occupancy thereof by Grantor, then Grantor shall indemnify, defend and hold Beneficiary harmless from all liability by reason of said litigation, including reasonable attorney's fees and expenses incurred by Beneficiary in any such litigation, whether or not any such litigation is prosecuted to judgment. If Beneficiary commences an action against Grantor to enforce any of the terms hereof or because of the breach by Grantor of any of the terms hereof or for the recovery of any sum secured hereby, Grantor shall pay to Beneficiary reasonable attorney's fees and expenses, and such fees and expenses shall be deemed to have accrued on the commencement of such action, and shall be enforceable whether or not such action is prosecuted to judgment. If Grantor breaches any term of this Deed of Trust, Beneficiary may employ an attorney or attorneys to protect its rights hereunder and, in the event of such employment following any breach by Grantor, Grantor shall pay Beneficiary reasonable attorney's fees and expenses incurred by Beneficiary, whether or not an action is actually commenced against Grantor by reason of breach.

b. Grantor waives any and all right to claim or recover against Beneficiary, its officers, employees, agents and representatives, for loss of or damage to Grantor, the



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Property, or the property of others under Grantor's control from any cause insured against or required to be insured against by the provisions of this Deed of Trust.

c. All sums payable by Grantor hereunder shall be paid without notice, demand, counterclaim, set off, deduction or defense, and without abatement, suspension, deferment, diminution or reduction; and the obligations and liabilities of Grantor hereunder shall in no way be released, discharged or otherwise affected (except as expressly provided herein) by reason of 1) any damage to or destruction of or any condemnation or similar taking of the Property or any part thereof; 2) any restriction or prevention of or interference with any use of the Property or any part thereof; 3) any title defect or encumbrance or any eviction from the Property or the Improvements or any part thereof by title paramount or otherwise; 4) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to Beneficiary, or any action taken with respect to this Deed of Trust by any trustee or receiver of Beneficiary, or by any court, in any such proceeding; 5) any claim which Grantor has or might have against Beneficiary; 6) any default or failure on the part of Beneficiary to perform or comply with any other agreement with Grantor; or, 7) any other occurrence whatsoever, whether similar or dissimilar to the foregoing and whether or not Grantor shall have notice or knowledge of any of the foregoing. Except as expressly provided herein, Grantor waives all rights now or hereafter conferred by statute or otherwise to any abatement, suspension, deferment, diminution or reduction of any sum secured hereby and payable by Grantor.

1.09 Taxes and Impositions.

a. Grantor agrees to pay or cause to be paid, at least ten (10) days prior to delinquency, all real property taxes and assessments, general and special, and all other taxes and assessments of any kind or nature whatsoever, including, without limitation, non-governmental levies or charges resulting from covenants, conditions, and restrictions affecting the Property, which are assessed or imposed upon the Property or become due and payable, and which create, may create, or appear to create a lien upon the Property or any part thereof or upon any Personal Property, equipment or other facility used in the operation or maintenance thereof (all of which taxes, assessments and other governmental charges of like nature are hereinafter referred to as "Impositions"); provided, however, that if, by law, any such Imposition is payable or may, at the option of the taxpayer, be paid in installments, Grantor may pay or cause to be paid the same, together with any accrued interest on the unpaid balance of such Imposition, in installments as the same become due; and before any fine, penalty, interest or cost may be added thereto for the nonpayment of any such installment and interest.

b. If, at any time after the date hereof, there shall be assessed or imposed 1) a tax or assessment on the Property in lieu of or in addition to the Impositions payable by Grantor pursuant to subparagraph a. hereof; or 2) a license fee, tax or assessment imposed on Beneficiary and measured by or based in whole or in part upon the amount of the outstanding obligations secured hereby, then all such taxes, assessments or fees shall be deemed to be included within the term "Impositions" as defined in subparagraph a. hereof; and Grantor shall pay and discharge or cause to be paid and discharged the same as herein



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provided with respect to the payment of Impositions or, at the option of Beneficiary, all obligations secured hereby, together with all accrued interest thereon, shall immediately become due and payable. Anything to the contrary herein notwithstanding, Grantor shall have no obligation to pay any franchise, estate, inheritance, income, excess profits or similar tax levied on Beneficiary or on the obligations secured hereby.

c. Subject to the provisions of subparagraph d. of this Section 1.09, Grantor covenants to furnish to Beneficiary, within forty-five (45) days after the date upon which any such Imposition is due and payable by Grantor, official receipts of the appropriate taxing authority or other proof satisfactory to Beneficiary evidencing the payments thereof.

d. Grantor shall have the right, before any delinquency occurs, to contest or object to the amount or validity of any such Imposition by appropriate legal proceedings, but this shall not be deemed or construed in any way as relieving, modifying or extending Grantor's covenant to pay or cause to be paid any such Imposition at the time and in the manner provided in this Section 1.08, unless Grantor has given prior written notice to Beneficiary of Grantor's intent to so contest or object to an Imposition; and unless, at Beneficiary's sole option, 1) Grantor shall demonstrate to Beneficiary's satisfaction that the legal proceedings shall conclusively operate to prevent the sale of the Property or any part thereof to satisfy such Imposition prior to final determination of such Proceedings; or 2) Grantor shall furnish a good and sufficient bond or surety as requested by and satisfactory to Beneficiary; or 3) Grantor shall have provided a good and sufficient undertaking as may be required or permitted by law to accomplish a stay of such proceedings.

e. At the request of the Beneficiary, Beneficiary may require Grantor to pay to Beneficiary, on the day monthly installments of principal and interest are payable under the Note and until the Note is paid in full, an amount equal to one-twelfth (1/12th) of the annual Impositions reasonably estimated by Beneficiary to pay the installment of taxes next due on the Property. In such event, Grantor further agrees to cause all bills, statements or other documents relating to Impositions to be sent or mailed directly to Beneficiary. Upon receipt of such bills, statements or other documents, and providing Grantor has deposited sufficient funds with Beneficiary pursuant to this Section 1.09, Beneficiary shall pay such amounts as may be due thereunder out of the funds so deposited with Beneficiary. If, at any time and for any reason, the funds deposited with Beneficiary are or will be insufficient to pay such amounts as may then or subsequently be due, Beneficiary shall notify Grantor and Grantor shall immediately deposit an amount equal to such deficiency with Beneficiary. Notwithstanding the foregoing, nothing contained herein shall cause Beneficiary to be deemed a trustee of said funds or to be obligated to pay any amounts in excess of the amount of funds deposited with Beneficiary pursuant to this Section 1.09. Beneficiary shall not be obliged to pay or allow any interest on any sums held by Beneficiary pending disbursement or application hereunder, and Beneficiary may impound or reserve for future payment of Impositions such portion of such payments as Beneficiary may in its absolute discretion deem proper, applying the balance on the principal of or interest on the obligations secured hereby. Should Grantor fail to deposit with Beneficiary (exclusive of that portion of said payments which has been applied by Beneficiary on the



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principal of or interest on the indebtedness secured by the Loan Documents) a sum sufficient to fully pay such Impositions at least thirty (30) days before delinquency thereof, Beneficiary may, at Beneficiary's election, but without any obligation so to do, advance any amounts required to make up the deficiency, which advances, if any, shall be secured hereby and shall be repayable to Beneficiary as herein elsewhere provided or, at the option of Beneficiary, the latter may, without making any advance whatever, apply any sums held by it upon any obligation of the Grantor secured hereby. Should any default occur or exist on the part of the Grantor in the payment or performance of any of Grantor's and/or any guarantor's obligations under the terms of the Loan Documents, Beneficiary may, at any time at Beneficiary's option, apply any sums or amounts in its hands received pursuant hereto, or as rents or income of the Property or otherwise, upon any indebtedness or obligation of the Grantor secured hereby in such manner and order as Beneficiary may elect. The receipt, use or application of any such sums paid by Grantor to Beneficiary hereunder shall not be construed to affect the maturity of any indebtedness secured by this Deed of Trust or any of the rights or powers of Beneficiary or Grantor under the terms of the Loan Documents or any of the obligations of Grantor and/or any guarantor under this Loan Document.

f. Grantor covenants and agrees not to suffer, permit or initiate the joint assessment of the real and personal property, or any other procedure whereby the lien of the real property taxes and the lien of the personal property taxes shall be assessed, levied or charged to the Property as a single lien.

g. If requested by Beneficiary, Grantor shall cause to be furnished to Beneficiary a tax reporting service covering the Property of the type, duration and with a company satisfactory to Beneficiary.

1.10 Utilities. To pay or cause to be paid when due all utility charges which are incurred by Grantor for the benefit of the Property or which may become a charge or lien against the Property for gas, electricity, water or sewer services furnished to the Property and all other assessments or charges of a similar nature, whether public or private, affecting the Property or any portion thereof, whether or not such taxes, assessments or charges are liens thereon.

1.11 Ground Leases. To pay when due all rents and other payments and perform all covenants and agreements contained in any lease, sublease or ground lease which may constitute a portion of or an interest in the Property; not surrender, assign or sublease any such lease, sublease or ground lease, nor take any action which would effect or permit the termination of any such lease, sublease or ground lease. If requested by Beneficiary, Grantor covenants to furnish to Beneficiary within thirty (30) days after the date upon which such rents or other payments are due and payable by Grantor, receipts or other evidence satisfactory to Beneficiary evidencing the payment thereof.

1.12 Actions Affecting Property. To appear in and contest any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees, in any such action or proceeding in which Beneficiary or Trustee may appear.



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1.13 Actions by Trustee and/or Beneficiary to Preserve Property. That should Grantor fail to make or cause to be made any payment or to do or cause to be done any act as and in the manner provided in any of the Loan Documents, Beneficiary and/or Trustee, each in its own discretion, without obligation so to do and without notice to or demand upon Grantor and without releasing Grantor from any obligation, may make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof. In connection therewith (without limiting their general powers), Beneficiary and/or Trustee shall have and are hereby given the right, but not the obligation, 1) to enter upon and take possession of the Property; 2) to make additions, alterations, repairs and improvements to the Property which they or either of them may consider necessary or proper to keep the Property in good condition and repair; 3) to appear and participate in any action or proceeding affecting or which may affect the security hereof or the rights or powers of Beneficiary or Trustee; 4) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt which in the judgment of either may affect or appears to affect the security of this Deed of Trust or be prior or superior hereto; and 5) in exercising such power, to pay necessary expenses, including employment of counsel or other necessary or desirable consultants. Grantor hereby agrees to pay on demand, with interest at the rate set forth herein, all of the Beneficiary's costs, charges and expenses incurred by Beneficiary in connection with the exercise by Beneficiary of the foregoing rights, including without limitation, costs of evidence of title, court costs, appraisals, surveys and attorneys' fees. All costs, charges and expenses so incurred, together with interest thereon as aforesaid, shall be secured by the lien of this Deed of Trust.

1.14 Additional Security. That in the event Beneficiary at any time holds additional security for any of the obligations secured hereby, it may enforce the sale thereof or otherwise realize upon the same, at its option, either before or concurrently herewith or after a sale is made hereunder.

1.15 Appointment of Successor Trustee. That in the event of dissolution or resignation of the Trustee, the Beneficiary may substitute a trustee or trustees to execute the trust hereby created, and when such substitution has been filed for record in the Office of the Auditor or Recorder, as the case may be, of the County in which the Property is located, it shall be conclusive evidence of the appointment of such trustee or trustees, and such new trustee or trustees shall succeed to all of the powers and duties of the trustee or trustees named herein.

1.16 Successors and Assigns. That this Deed of Trust applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term "Beneficiary" shall mean the owner and holder of the Note, whether or not named as Beneficiary herein. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

1.17 Inspections. That Beneficiary, or its agents, representatives or workmen, are authorized to enter at any reasonable time upon or in any part of the Property for the purpose of inspecting the same and for the purpose of performing any of the acts it is authorized to perform under the terms of any of the Loan Documents.



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1.18 Liens. To pay and promptly discharge or cause to be paid and discharged, at Grantor's cost and expense, all liens, encumbrances and charges upon the Property, or any part thereof or interest therein which have priority over this Deed of Trust; provided that the existence of any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right thereto shall not constitute a violation of this section if payment is not yet due under the contract which is the foundation thereof and if such contract does not postpone payment for more than fifty-five (55) days after the performance thereof. Grantor shall have the right to contest in good faith the validity of any such lien, encumbrance or charge, provided Grantor shall first deposit with Beneficiary a bond or other security satisfactory to Beneficiary in such amounts as Beneficiary shall reasonably require, but not more than one and one half (150%) of the amount of the claim, and provided further that Grantor shall thereafter diligently proceed to cause such lien, encumbrance or charge to be removed and discharged. If Grantor shall fail to discharge any such lien, encumbrance or charge, then, in addition to any other right or remedy of Beneficiary, Beneficiary may, but shall not be obligated to, discharge the same, either by paying the amount claimed to be due, or by procuring the discharge of such lien by depositing in court a bond or the amount claimed or otherwise giving security for such claim, or in such manner as is or may be prescribed by law.

1.19 Trustee's Powers. At any time, or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and the Note secured hereby for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby or the effect of this Deed of Trust upon the remainder of said Property, Trustee may 1) reconvey any part of said Property; 2) consent in writing to the making of any map or plat thereof; 3) join in granting any easement thereon; or 4) join in any extension agreement or any agreement subordinating the lien or charge hereof.

1.20 Beneficiary's Powers. Without affecting the liability of any other person liable for the payment of any obligation herein mentioned, and without affecting the lien or charge of this Deed of Trust upon any portion of the Property not then or theretofore released as security for the full amount of all unpaid obligations, Beneficiary may, from time to time at the request of any one of the Grantors, or their successors or assigns and without notice 1) release any person so liable; 2) extend the maturity or alter any of the terms of any such obligation; 3) grant other indulgences; 4) release or reconvey, or cause to be released or reconveyed at any time at Beneficiary's option any parcel or portion of the Property so long as the release or reconveyance does not materially affect the security value of the Property; 5) take or release any other or additional security for any obligation herein mentioned; or 6) make compositions or other arrangements with debtors in relation thereto. By accepting payment of any obligation herein mentioned after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other obligations herein mentioned or to declare default for failure so to pay.

1.21 Accounting. The Grantor will keep and maintain or will cause to be kept and maintained in accordance with sound accounting practice accurate and proper books of record and account relating to the Premises. The Grantor shall permit the Beneficiary to examine the books of account and other records of the Grantor, to discuss the affairs, finances and accounts of the Grantor and to be informed as to the same by the Grantor, all at such reasonable times and intervals as the Beneficiary may desire. The Grantor will, at its own cost and expense, furnish to the Beneficiary within ninety (90) days after the end of each fiscal year, annual financial statements of



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Grantor and operating statements relating to the Property for such year, in reasonable detail and in form and substance satisfactory to Beneficiary, certified to by Grantor and independent property manager or certified public accountants of recognized standing selected by the Grantor and acceptable to the Beneficiary; and, with such financial statements for each fiscal year, the Grantor will furnish to the Beneficiary a written statement of such property manager or accountants to the effect that in making the examination necessary for the certification of such financial statements, they have not obtained knowledge of any default hereunder or under any other instrument, or if they have obtained knowledge of any such default, they disclose in such statement such default or defaults and the nature thereof. In addition, Grantor shall furnish Beneficiary, within sixty (60) days from the end of each fiscal year, a rent roll, including but not limited to a listing of each tenant, the space occupied, the amount of rent and the expiration of the lease. The Grantor shall also furnish to the Beneficiary, within thirty (30) days after the end of each calendar quarter, unaudited statements setting forth rental income and expenditures relating to the Premises for such quarter, certified to as being correct by the Grantor. In the event Grantor fails to furnish any of the financial statements hereinabove required, Beneficiary may cause an audit to be made, at Grantor's sole cost and expense, of the respective books and records.

1.22 Trade Names. At the request of Beneficiary, Grantor shall execute a certificate in form satisfactory to Beneficiary listing the trade names under which Grantor intends to operate the Property and representing and warranting that Grantor does business under no other trade names with respect to the Property. Grantor shall immediately notify Beneficiary in writing of any change in said trade names, and will, upon request of Beneficiary, execute any additional financing statements and other certificates revised to reflect the change in trade name.

1.23 Insurance Proceeds. That after the happening of any casualty to the Property or any part thereof, Grantor shall give prompt written notice thereof to Beneficiary.

a. In the event of any damage or destruction of the Improvements, Beneficiary shall have the option in its sole discretion of applying all or part of the insurance proceeds 1) to any indebtedness secured hereby and in such order as Beneficiary may determine; 2) to the restoration of the Improvements; or 3) to Grantor.

b. In the event of such loss or damage, all proceeds of insurance shall be payable to Beneficiary, and Grantor hereby authorizes and directs any affected insurance company to make payment of such proceeds directly to Beneficiary. Beneficiary is hereby authorized and empowered by Grantor to settle, adjust or compromise any claims for loss, damage or destruction under any policy or policies of insurance.

c. Except to the extent that insurance proceeds are received by Beneficiary and applied to the indebtedness secured hereby, nothing herein contained shall be deemed to excuse Grantor from repairing or maintaining the Property as provided in Section 1.03 hereof or restoring all damage or destruction to the Property, regardless of whether or not there are insurance proceeds available or whether any such proceeds are sufficient in amount, and the application or release by Beneficiary of any insurance proceeds shall not cure or waive any default or notice of default under this Deed of Trust or invalidate any act done pursuant to such notice.



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1.24 Eminent Domain. That should the Property, or any part thereof or interest therein, be taken or damaged by reason of any public improvement or condemnation proceeding or in any other manner ("Condemnation") or should Grantor receive any notice or other information regarding such proceeding, Grantor shall give prompt written notice thereof to Beneficiary.

a. Beneficiary shall be entitled to all compensation, awards and other payments or relief therefor, and shall be entitled at its option to commence, appear in and prosecute in its own name any action or proceedings. Beneficiary shall also be entitled to make any compromise or settlement in connection with such taking or damage. All such compensation, awards, damages, rights of action and proceeds awarded to Grantor (the "Proceeds") are hereby assigned to Beneficiary and Grantor agrees to execute such further assignments of the Proceeds as Beneficiary or Trustee may require.

b. In the event any portion of the Property is so taken or damaged, Beneficiary shall have the option, in its sole and absolute discretion, to apply all such proceeds, after deducting therefrom all costs and expenses (regardless of the particular nature thereof and whether incurred with or without suit), including attorneys' fees, incurred by it in connection with such Proceeds, upon any indebtedness secured hereby and in such order as Beneficiary may determine, or to apply all such Proceeds, after such deductions, to the restoration of the Property upon such conditions as Beneficiary may determine. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

1.25 Repayment of Advances. Upon receipt of notice, the Grantor shall repay immediately 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 Note rate, and the repayment thereof shall be secured hereby. Failure to repay such expenditure or advance and interest thereon within ten (10) days of such notice 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 a reasonable attorney's fee.

ARTICLE II ASSIGNMENT OF RENTS, ISSUES AND PROFITS

2.01 Assignment of Rents and Profits Under All Leases and Rental Agreements. Grantor absolutely and irrevocably assigns to Beneficiary the rents, issues and profits of the Premises, and all of the right, title and interest of the Grantor in and under all leases and rental agreements now or hereafter affecting said Premises, hereby assigned and transferred to the Beneficiary as evidenced by an Assignment of Lessor's Interest in Leases executed contemporaneously herewith by the Grantor in favor of the Beneficiary and by reference included herein. So long as no default shall exist in compliance with any covenants, terms, conditions or obligations hereof or of any other instrument at any time executed with respect to this Deed of Trust, Grantor may collect assigned rents and profits as the same fall due, but upon the occurrence of any such default, all right of



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Grantor to collect or receive rents or profits shall wholly terminate. All rents, issues or profits receivable from or in respect to said premises which Grantor shall be permitted to collect hereunder shall be received by it in trust to pay the usual and reasonable operating expenses of, and the taxes upon, said Premises and the sums owing to Beneficiary as they become due and payable as provided in this Deed of Trust or in the said Note or in any modification of either.

Grantor hereby agrees:

- a. It will promptly perform and observe all of the terms, covenants and conditions required to be performed and observed by it, as landlord under all leases and rental agreements and will do all things necessary to preserve and keep unimpaired its rights thereunder and will maintain all leases and rental agreements in full force and effect and will enforce the same and will take such action to that end as Beneficiary may request;
- b. It will not create, nor permit any lien, charge of encumbrance upon its interest as landlord of the leases or rental agreements except the lien of this Deed of Trust and except as provided in this Deed of Trust;
- c. It will not, without the written consent of the Beneficiary, collect or permit the collection of any rental payment under any of the leases or rental agreements for a period of more than one (1) month in advance of the date on which such payment is due.

All leases or rental agreements of the whole or any part of the Premises shall be subject and subordinate to the lien of this Deed of Trust unless Beneficiary consents in writing to the priority of certain leases or rental agreements. Beneficiary may, at its option, require that specific leases be made superior to the lien of this Deed of Trust. Grantor shall pay all costs incident to making such leases superior to such lien, including attorneys' fees. In the event of any default hereunder and the exercise by Beneficiary of its rights hereby granted, Grantor agrees that payments made by tenants or occupants to Beneficiary shall, as to such tenants, be considered as though made to Grantor and in discharge of tenants' obligations as such to Grantor. Nothing herein contained shall be construed as obliging Beneficiary to perform any of Grantor's covenants under any lease or rental agreement. Grantor shall execute and deliver to Beneficiary upon demand any further or supplemental assignments deemed desirable by Beneficiary in order to further carry out and confirm the intentions of this paragraph and upon failure of the Grantor so to comply, Beneficiary may, in addition to any other rights or remedies, at its option, declare all obligations secured by this Deed of Trust to be immediately due and payable.

2.02 Leases. Grantor agrees as follows:

- a. To fully comply with all of the terms, conditions and provisions of all leases on said Premises so that the same shall not become in default and to do all that is needful to preserve all said leases in force.
- b. To permit no assignment of any lease, or any subletting thereunder unless the right to assign or sublet is expressly reserved by the lessee under such lease.



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c. That save and except for taxes and assessments provided to be paid by Grantor as specified in Paragraph 1.09, Grantor will not create or suffer 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 said Premises.

d. That if any part of the automobile parking areas included within said Premises is taken by condemnation or before said areas are otherwise reduced, Grantor will provide parking facilities in kind, size and location to comply with all leases, and before making any contract for such substitute parking facilities, Grantor will furnish to Beneficiary satisfactory assurance of completion thereof, free of liens and in conformity with all governmental zoning and regulations.

2.03 Security, Rents, Profits and Zoning. The Grantor shall not, without first obtaining the Beneficiary's written consent, assign any of the rents or profits of the premises or collect any rent for more than one (1) month in advance or change the general nature of the occupancy or initiate or acquiesce in any zoning reclassification, or do or suffer any act or thing which would impair the security for said debt or the Beneficiary's lien upon said Premises or the rents thereof. In the event of breach of any requirement of this paragraph, the Beneficiary may, in addition to any other rights or remedies, at any time thereafter declare the whole of said principal sum immediately due and payable.

ARTICLE III SECURITY AGREEMENT

3.01 Creation of Security Interest. Grantor hereby grants to Beneficiary a security interest in the personal Property located on or at the Property, including without limitation any and all property of similar type or kind hereafter located on or at the property for the purpose of securing all obligations of Grantor contained in any of the Loan Documents. TOGETHER WITH all right, title and interest of Grantor in and to all tangible personal property owned by Grantor and now or at any time hereafter located on or at the Property or used in connection therewith including, but not limited to all machinery, office equipment, kitchen equipment, stoves, grills, dishwashers, fixtures and trade fixtures, together with all parts, fittings, accessories, special tools, including but not limited to rolling stock and all other equipment, wherever located, heating, refrigeration, electronic monitoring, entertainment, recreational, window or structural cleaning rigs, maintenance, exclusion of vermin or insects, removal of dust, refuse or garbage, and all other equipment of every kind, lobby and all other indoor and outdoor furniture, including tables, chairs, planters, desks, sofas, shelves, lockers and cabinets, wall safes, furnishings, including appliances, fans, heaters, water heaters and incinerators, inventory, rugs, carpets and other floor coverings, draperies, drapery rods and brackets, awnings, window shades, venetian blinds, curtains, lamps, chandeliers and other lighting fixtures, and office maintenance and other supplies, all as necessary for the operation of a commercial building, and all building and land improvements located at and operated under the name of 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.

3.02 Warranties, Representations and Covenants of Grantor. Grantor hereby warrants, represents and covenants as follows:



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a. Except for the security interest granted hereby, Grantor is, and as to portions of the Personal Property to be acquired after the date hereof will be, the sole owner of the Personal Property, free from any adverse lien, security interest, encumbrance or adverse claims thereon of any kind whatsoever. Grantor will notify Beneficiary of, and will defend the Personal Property against, all claims and demands of all persons at any time claiming the same or any interest therein.

b. Grantor will not lease, sell, convey or in any manner transfer the personal Property without the prior written consent of Beneficiary.

c. The Personal Property is not used or bought for personal, family or household purposes.

d. The Personal Property will be kept on or at the Property and Grantor will not remove the personal Property from the Property without the prior written consent of Beneficiary, except such portions or items of Personal Property which are consumed or worn out in ordinary usage, all of which shall be promptly replaced by Grantor with 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.

e. Grantor maintains a place of business in the State of Washington, and Grantor will immediately notify Beneficiary in writing of any change in its place of business.

f. At the request of Beneficiary, Grantor will join Beneficiary in executing one or more financing statements and renewals and amendments thereof pursuant to the Uniform Commercial Code of Washington in form satisfactory to Beneficiary, and will pay the cost of filing the same in all public offices wherever filing is deemed by Beneficiary to be necessary or desirable.

g. All covenants and obligations of Grantor contained herein relating to the Property shall be deemed to apply to the Personal Property whether or not expressly referred to herein.

h. This Deed of Trust constitutes a security agreement as that term is used in the Uniform Commercial Code of Washington.

3.03 Real Property. Grantor and Beneficiary agree that the filing of a financing statement in the records normally having to do with personal property shall never be construed as in any wise derogating from or impairing this declaration and hereby stated intention of the parties hereto, that everything used in connection with the production of income from the Property 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 1) any such item physically attached to the Improvements, 2) serial numbers used for better identification of certain equipment items capable of being thus identified in a recital



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contained in this Deed of Trust or in any list filed with the Beneficiary, 3) any such item referred to or reflected in any such financing statement so filed at any time.

ARTICLE IV
REMEDIES UPON DEFAULT

4.01 Events of Default. Any of the following events shall be deemed an event of default hereunder:

a. Default shall be made in the payment of any installment of principal or interest on the Note or any other sum secured hereby when due; or

b. Grantor shall file a voluntary petition in bankruptcy or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors; or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of Grantor or of all or any part of the Property, or of any or all of the royalties, revenues, rents, issues or profits thereof, or shall make any general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due; or

c. A court of competent jurisdiction shall enter an order, judgment or decree approving a petition filed against Grantor seeking any reorganization, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, and such order, judgment or decree shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive) from the first date of entry thereof; or any trustee, receiver or liquidator of Grantor or of all or any part of the Property, or of any or all of the royalties, revenues, rents, issues or profits thereof, shall be appointed without the consent or acquiescence of Grantor and such appointment shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive); or

d. A writ of execution or attachment or any similar process shall be issued or levied against all or any part of or interest in the Property, or any judgment involving monetary damages shall be entered against Grantor which shall become a lien on the Property or any portion thereof or interest therein and such execution, attachment or similar process or judgment is not released, bonded, satisfied, vacated or stayed within sixty (60) days after its entry or levy; or

e. If Grantor shall transfer, assign, alienate, mortgage, encumber, pledge, hypothecate or grant an interest in the Property without Beneficiary's prior written consent unless otherwise allowed by the terms of this Deed of Trust; or



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f. There has occurred a breach of or default under any term, covenant, agreement, condition, provision, representation or warranty contained in any of the Loan Documents or any part thereof, not referred to in its Section 4.01.

4.02 Acceleration Upon Default, Additional Remedies. In the event of any event of default, Beneficiary may declare all indebtedness secured hereby to be due and payable and the same shall thereupon become due and payable without any presentment, demand, protest or notice of any kind. Thereafter, Beneficiary may:

a. Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Property, or any part thereof, in its own name or in the name of Trustee, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Property, or part thereof or interest therein, increase the income therefrom or protect the security hereof and, with or without taking possession of the Property, sue for or otherwise collect the rents, issues and profits thereof, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection including attorney's fees, upon any indebtedness secured hereby, all in such order as Beneficiary may determine. The entering upon and taking possession of the Property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default here-under or invalidate any act done in response to such default or pursuant to such notice of default and, notwithstanding the continuance in possession of the Property or the collection, receipt and application of rents, issues or profits, Trustee or Beneficiary shall be entitled to exercise every right provided for in any of the Loan Documents or by law upon occurrence of any event of default, including the right to exercise the power of sale;

b. Commence an action to foreclose this Deed of Trust as a mortgage, appoint a receiver, or specifically enforce any of the covenants hereof;

c. Exercise any or all of the remedies available to a secured party under the Uniform Commercial Code of Washington, including, but not limited to:

1) Either personally or by means of a court appointed receiver, take possession of all or any of the Personal Property and exclude therefrom Grantor and all others claiming under Grantor, and thereafter hold, store, use, operate, manage, maintain and control, make repairs replacements, alterations, additions and improvements to and exercise all rights and powers of Grantor in respect to the Personal Property or any part thereof. In the event Beneficiary demands or attempts to take possession of the Personal Property in the exercise of any rights under any of the Loan Documents, Grantor promises and agrees to promptly turn over and deliver complete possession thereof to Beneficiary;

2) Without notice to or demand upon Grantor, make such payments and do such acts as Beneficiary may deem necessary to protect its security interest in the Personal Property, including, without limitation, paying, purchasing, contesting or



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compromising any encumbrance, charge or lien which is prior to or superior to the security interest granted hereunder, and in exercising any such powers or authority to pay all expenses incurred in connection therewith;

3) Require Grantor to assemble the Personal Property or any portion thereof, at a place designated by Beneficiary and reasonable convenient to both parties, and promptly to deliver such Personal Property to Beneficiary, or an agent or representative designated by it. Beneficiary, and its agents and representatives shall have the right to enter upon any or all of Grantor's premises and property to exercise Beneficiary's rights hereunder;

4) Sell, lease or otherwise dispose of the Personal Property at public sale, with or without having the Personal Property at the place of sale, and upon such terms and in such manner as Beneficiary may determine. Beneficiary may be a purchaser at any such sale;

5) Unless the Personal Property is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Beneficiary shall give Grantor at least ten (10) days' prior written notice of the time and place of any public sale of the Personal Property or other intended disposition thereof. Such notice may be mailed to Grantor at the address set forth at the beginning of this Deed of Trust; and

d. Execute or cause the Trustee to execute a written notice of such default and of his election to cause to be sold the Property to satisfy the obligations hereof and shall cause such notice to be recorded in the office of the Auditor or Recorder, as the case may be, of each recording district in which the Property or some part thereof is located.

4.03 Foreclosure by Power of Sale. Should Beneficiary elect to foreclose by exercise of the power of sale herein contained, Beneficiary shall notify Trustee and shall deposit with Trustee this Deed of Trust and the Note and such receipts and evidence of expenditures made and secured hereby as Trustee may require.

a. Upon receipt of such notice from Beneficiary, Trustee shall cause to be given such Notice of Default as then required by law. Trustee shall, without demand on Grantor, after lapse of such time as may then be required by law and after Notice of Sale having been given as required by law, sell the Property at the time and place of sale fixed by it in said Notice of Sale, either as a whole, or in separate lots or parcels or items as Trustee shall deem expedient, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States payable at the time of sale. Trustee shall deliver to such purchaser or purchasers thereof its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Grantor, Trustee or Beneficiary, may purchase at such sale.



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b. After deducting all costs, fees and expenses of Trustee and of this Trust, including costs of evidence of title and reasonable attorney's fees in connection with sale, Trustee shall apply the proceeds of sale to payment of all sums expended under the terms hereof, not then repaid, with accrued interest, all other sums then secured hereby and the remainder, if any, to the person or persons legally entitled thereto.

4.04 Appointment of Receiver. If any event of default described in Section 4.01 of this Deed of Trust shall have occurred and be continuing, Beneficiary, as a matter of right and without notice to Grantor or anyone claiming under Grantor, and without regard to the then value of the Property or the interest of Grantor therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Property, and Grantor hereby irrevocably consents to such appointment and waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers and duties of Beneficiary in case of entry as provided in Section 4.02 a. and shall continue as such and exercise all such powers until the date of confirmation of sale of the Property unless such receivership is sooner terminated.

4.05 Remedies Not Exclusive. Trustee and Beneficiary, and each of them, shall be entitled to enforce payment and performance of any indebtedness or obligations secured hereby and to exercise all rights and powers under this Deed of Trust or under any Loan Instrument or other agreement or any laws now or hereafter in force, notwithstanding some or all of the indebtedness and obligations secured hereby may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance of this Deed of Trust nor its enforcement whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect Trustee's or Beneficiary's right to realize upon or enforce any other security now or hereafter held by Trustee or Beneficiary, it being agreed that Trustee and Beneficiary, and each of them, shall be entitled to enforce this Deed of Trust and any other security now or hereafter held by Beneficiary or Trustee in such order and manner as they or either of them may in their absolute discretion determine. No remedy herein conferred upon or reserved to Trustee or Beneficiary is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given by any of the Loan Documents to Trustee or Beneficiary or to which either of them may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by Trustee or Beneficiary and either of them may pursue inconsistent remedies.

4.06 Sale of Premises Pursuant to a Foreclosure. In case of a sale pursuant to a foreclosure of this Deed of Trust, the said premises, real, personal or mixed, may be sold as an entirety or in parcels, by one sale or by several sales held at one time or at different times, all as Trustee, in its unrestricted discretion, may elect, and the Grantor for and on behalf of itself and all persons claiming by, through or under it, waives any and all rights to have the property and estates comprising the Property marshalled upon any foreclosure sale and agrees that upon foreclosure, the Property may be sold as an entirety and not in parcels.



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4.07 Restoration of Former Positions. In case Beneficiary shall proceed to enforce any right under this Deed of Trust and the proceedings for enforcement thereof shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Beneficiary, then and in every such case the Beneficiary, the Trustee and the Grantor shall, subject to any determination in such proceedings, severally and respectively be restored to their former positions and rights hereunder, and thereafter all rights and remedies and powers of the Beneficiary and the Trustee shall continue as though no such proceeding had been taken.

4.08 Sale, Transfer, Vacation or Encumbrance of Property Prohibited. So long as any obligation secured hereby remains unpaid, the Grantor covenants and agrees that neither said Property nor any portion thereof nor interest therein shall be sold, conveyed, transferred, encumbered or leased (other than a lease of any portion of the space in the Property without an option to purchase) by the Grantor, or any one of them, without the Beneficiary's prior written consent. If title to said Property or any portion or interest in said Property shall pass from the Grantor, or any one of them, by deed or otherwise, voluntarily or involuntarily or if said Property or any portion or interest therein is sold on contract, or if the Property or any portion or interest therein is vacated, or if said property or any portion or interest therein is further encumbered or if said Property is leased as herein defined without the consent of Beneficiary, such change in title or occupancy or further encumbrance or lease shall be deemed to increase the risk of the Beneficiary, and the Beneficiary may declare all sums secured hereby immediately due and payable, or may, at its sole option, consent to such change in title or occupancy and increase the interest rate on the indebtedness hereby secured. In the event Beneficiary accelerates said indebtedness pursuant to the terms of this paragraph, Grantor shall pay, in addition to the indebtedness, any prepayment bonus that may be set forth in the Note. In the event Grantor shall request the consent of Beneficiary in accordance with the provisions of this Paragraph 4.08, Grantor shall deliver a written request to Beneficiary, together with such information as Beneficiary may reasonably request regarding such conveyance, further encumbrance or lease and shall allow Beneficiary thirty (30) days to evaluate such request. In the event Beneficiary approves such conveyance, encumbrance or lease, Grantor shall pay Beneficiary a reasonable processing fee in an amount to be determined by Beneficiary, but in no event less than Seven Hundred Fifty Dollars (\$750.00) to compensate Beneficiary for its costs in processing such request. Consent as to any one transaction shall not be deemed to be a waiver of the right to require consent to any future or successive transaction. The execution and delivery by the Grantor of any joint venture agreement, partnership agreement, declaration of trust, option agreement or other instrument whereunder any other person or corporation may become entitled, directly or indirectly, to the possession or enjoyment of the Premises, or the income or other benefits derived or to be derived therefrom, shall in each case be deemed to be a conveyance or assignment of the Grantor's interest in the Premises for the purposes of this section, and shall require the prior written consent of the Beneficiary. In the event ownership of the Property or any portion thereof becomes vested in a person other than the Grantor herein named, Beneficiary may, without notice to the Grantor herein named, whether or not Beneficiary has given written consent to such change in ownership, deal with such successor or successors in interest with reference to this Deed of Trust and the obligations secured hereby, in the same manner as with the Grantor herein named, without in any way vitiating or discharging Grantor's liability hereunder or the obligations hereby secured.



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4.09 Request for Notice. Grantor hereby requests a copy of any notice of default and that any notice of sale hereunder be mailed to it at the address set forth in the first paragraph of this Deed of Trust.

ARTICLE V
MISCELLANEOUS

5.01 Governing Law. This Deed of Trust, Assignment of Rents and Security Agreement shall be governed by the laws of the State of Washington. In the event any provision or clause of any of the Loan Documents conflicts with applicable laws, such conflicts shall not affect other provisions of such Loan Documents which can be given effect without the conflicting provision, and to this end the provisions of the Loan Instruments are declared to be severable. This instrument cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge or termination is sought.

5.02 Limitation of Interest. It is the intent of Grantor and Beneficiary in the execution of this Deed of Trust and the Note and all other documents securing the Note to contract in strict compliance with the usury laws of the State of Washington governing the loan evidenced by the Note. In furtherance thereof, Beneficiary and Grantor stipulate and agree that none of the terms and provisions contained in the Loan Documents shall ever be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate in excess of the maximum interest rate permitted to be charged by the laws of the State of Washington governing the loan evidenced by the Note. Grantor or any guarantor, endorser or other party now or hereafter becoming liable for the payment of the Note shall never be liable for unearned interest on the Note and shall never be required to pay interest on the Note at a rate in excess of the maximum interest that may be lawfully charged under the laws of the State of Washington and the provisions of this section shall control over all other provisions of the note and any other instrument executed in connection herewith which may be in apparent conflict herewith. If a court of competent jurisdiction shall make a final determination that the performance of any provision of the Note shall result in a payment of an amount for such use, forbearance or detention in excess of such rate, then 1) such provision shall be deemed to be appropriately modified to the extent necessary to reduce such amount to an amount not in excess of such rate; and 2) any such excess amounts theretofore received by the holder of the Note shall be deemed to have been applied to the redemption at par of a like principal amount of the Note, and all necessary reallocations of subsequent payments with respect to such Note shall be made and appropriately annotated on such Note.

5.03 Statements by Grantor. Grantor, within ten (10) days after being given notice by mail, will furnish to Beneficiary a written statement stating the unpaid principal of and interest on the Note and any other amounts secured by this Deed of Trust and stating whether any offset or defense exists against such principal and interest.

5.04 Reconveyance by Trustee. Upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and the Note to Trustee for cancellation and retention and upon payment by Grantor of Trustee's fees, Trustee shall



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reconvey to Grantor, or the person or persons legally entitled thereto, without warranty, any portion of the Property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in any reconveyance may be described as "the person or persons legally entitled thereto".

5.05 Notices. Whenever Beneficiary, Grantor or Trustee shall desire to give or serve any notice, demand, request or other communication with respect to this Deed of Trust, each such notice, demand, request or other communication shall be in writing and shall be effective only if the same is delivered by personal service or mailed by registered or certified mail postage prepaid, return receipt requested, addressed to the address set forth at the beginning of this Deed of Trust. Any party may at any time change its address for such notices by delivering or mailing to the other parties hereto, as aforesaid, a notice of such change.

5.06 Acceptance by Trustee. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

5.07 Captions. The captions or headings at the beginning of each section hereof are for the convenience of the parties and are not a part of this Deed of Trust.

5.08 Invalidity of Certain Provisions. If the lien of this Deed of Trust is invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Property, the unsecured or partially secured portion of the debt shall be completely paid prior to the payment of the remaining and secured or partially secured portion of the debt, and all payments made on the debt, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of the debt which is not secured or fully secured by the lien of this Deed of Trust. Further, the invalidity or unenforceability of any portion or provision of this Deed of Trust shall in no way affect the validity or enforceability of the remainder hereof.

5.09 Subrogation. To the extent that proceeds of the Note are used to pay any outstanding lien, charge or prior encumbrance against the Property, such proceeds have been or will be advanced by Beneficiary at Grantor's request and Beneficiary shall be subrogated to any and all rights and liens owed by any owner or holder of such outstanding liens, charges and prior encumbrances, irrespective of whether said liens, charges or encumbrances are released.

5.10 No Merger. If both the lessor's and lessee's estates under any lease or portion thereof which constitutes a part of the Property shall at any time become vested in one (1) owner, this Deed of Trust and the lien created hereby shall not be destroyed or terminated by application of the doctrine of merger and, in such event, Beneficiary shall continue to have and enjoy all of the rights and privileges of beneficiary as to the separate estates. In addition, upon the foreclosure of the lien created by this Deed of Trust on the Property pursuant to the provisions hereof, any leases or subleases then existing and created by Grantor shall not be destroyed or terminated by application of the law of merger or as a matter of law or as a result of such foreclosure unless Beneficiary or any purchaser at any such foreclosure sale shall so elect. No act by or on behalf of Beneficiary or any such purchaser shall constitute a termination of any lease or sublease unless Beneficiary or such purchaser shall give written notice thereof to such tenant or sub-tenant.

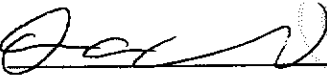


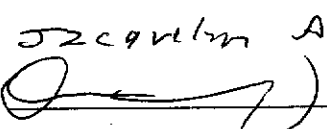
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5.11 Use. The Property which is the subject of this Deed of Trust is not used principally or primarily for agricultural or farming purposes.

5.12 Late Charge. In the event any payment or portion thereof is not paid on the date it is due, Beneficiary may collect, and the Grantor agrees to pay with such payment, a "late charge" of five cents (\$.05) for each dollar so past due as liquidated damages for the additional expense of handling such delinquent payments. Such late charge represents the reasonable estimate of the beneficiary and the Grantor of a fair, average compensation due to the failure of the Grantor to make timely payments. Such late charge shall be paid without prejudice to the right of the Beneficiary to collect any other amounts provided to be paid or to declare a default hereunder.

IN WITNESS WHEREOF, Grantor has executed this Deed of Trust as of the day and year first above written.

By 
Dane A. Armstrong

By  her 2nd Trust in F207
Jacqueline J. Armstrong

By 
John W. Rickett

By 
Nancy J. Rickett



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STATE OF WASHINGTON,
County of Skagit } ss.

ACKNOWLEDGMENT - Self & Attorney in Fact

On this 7th day of June, 2001, before me personally appeared Dane A. Armstrong to me known to be the individual described in and who executed the foregoing instrument for him self and as Attorney in Fact for Jacqueline V. Armstrong and acknowledged that he signed and sealed the same as his free and voluntary act and deed for him self and also as his free and voluntary act and deed as Attorney in Fact for said principal for the uses and purposes therein mentioned, and on oath stated that the Power of Attorney authorizing the execution of this instrument has not been revoked and that the said principal is now living, and is not incompetent.

GIVEN under my hand and official seal the day and year last above written.



Kim M Kerr
Notary Public in and for the State of Washington,
residing at M+Kerr
My appointment expires 12/15/2001

This jurat is page _____ of _____ and is attached to _____ dated _____.



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State of Montana)
 : SS
County of Gallatin)

On this 5th day of May 2001 , personally appeared before me John W. Rickett, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal on the day first above written.

Kathleen D. Buschen
Notary Public in the State of Montana,
residing at W. Yellowstone
My Commission Expires: 11-27-02



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State of Montana)
 : SS
County of Gallatin)

On this 5th day of May 2001 , personally appeared before me Nancy J. Rickett, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal on the day first above written.

Kathleen D. Buschen
Notary Public in the State of Montana,
residing at W. Yellowstone
My Commission Expires: 11-27-02



EXHIBIT A

The land referred to in this report/policy is situated in the State of Washington, County of Skagit, and is described as follows:

Parcel "A":

That portion of the Southwest 1/4 of the Southwest 1/4 of Section 17, Township 34 North, Range 4 East, W.M., described as follows:

Beginning at a point in the Southwest 1/4 of the Southwest 1/4 which is 541.8 feet North and 30 feet East of the corner common to Section 17, 18, 19 and 20 of said Township and Range; thence North 53 degrees 14' East 444.3 feet; thence South 43 degrees 11' East 128 feet, more or less, to a point 50 feet distant from and at right angles to the centerline of the abandoned Puget Sound and Cascade Railway Company right-of-way as formerly laid out over and across said Southwest 1/4 of the Southwest 1/4 of said Section 17, said point being the true point of beginning; thence from said true point of beginning run South 65 degrees 40' West, 490 feet, more or less, to a point on the East margin of Riverside Drive, formerly U.S. Highway 99; thence North along the East margin of Riverside Drive, 87.4 feet, more or less, to the Southeasterly line of the Great Northern Railway Company right-of-way; thence Northeasterly along the Southeasterly line of said Great Northern Railway Company right-of-way to the North line of said Southwest 1/4 of the Southwest 1/4; thence East along the North line of said Southwest 1/4 of the Southwest 1/4 to a point 392.70 feet West of the Northeast corner of said Southwest 1/4 of the Southwest 1/4; thence South parallel to the East line of said Southwest 1/4 of the Southwest 1/4, 400 feet; thence West at right angles, 125.0 feet; more or less, to the Southeasterly margin of the abandoned Puget Sound and Cascade Railway right-of-way; thence Southwesterly along the Southeasterly margin of said abandoned right-of-way, 375 feet, more or less, to a point that bears North 43 degrees 11' West from the true point of beginning; thence South 43 degrees 11' East, 12.6 feet, more or less, to the true point of beginning.

Parcel "B":

That portion of the Southwest 1/4 of the Southwest 1/4 of Section 17, Township 34 North, Range 4 East, W.M., described as follows:

Beginning at the Northeast corner of said subdivision; thence South 0 degrees 03'58" West along the East line thereof, 88.51 feet; thence South 54 degrees 25'58" West, 483.17 feet; thence North 0 degrees 03'58" East parallel with the East line of said subdivision to the North line thereof; thence Easterly along the North line of said subdivision to the point of beginning, EXCEPT that portion, if any, lying within the boundaries of that certain tract conveyed to James A. Duffy and Sharon R. Duffy, husband and wife, by Deed recorded April 27, 1967 under Auditor's File No. 698155.



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