

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

U.S. BANK
1420 Fifth Avenue, 8th Floor
Seattle, Washington 98101
Attention: L.B. Day



200109040149
Skagit County Auditor

9/4/2001 Page 1 of 35 1:31:58PM

**MORTGAGE WITH ASSIGNMENT OF RENTS AND LEASES
AND SECURITY AGREEMENT
(Including Construction Loan Provisions)**

Grantor: Washington Bulb Company, Inc., a Washington corporation
Grantee: U.S. Bank National Association, a national banking association
FIRST AMERICAN TITLE CO.
Legal Description: *B64964 E*

Abbreviated: Portion of S1/2 of the S1/2 of S33 - T34N - R3E, W.M.; Portion of the N1/2 of the NW1/4 of S28 - T34N - R3E, W.M.; Portion of the S1/2 of the SW1/4 of S21 - T34N - R3E, W.M.; Portion of the W1/2 of the NW1/4 of S26 - T34N - R3E, W.M.; Portion of the SE1/4 of the SE1/4 of S22 - T34N - R3E, W.M.; Lots 1, 2 and 3 of Skagit County Short Plat No. 98-0009, recorded under Skagit County Recording No. 199909170004; Portion of the NE1/4 of the SW1/4 of S20 - T34N - R3E, W.M.; Portion of the S1/2 of the SW1/4 of S20 - T34N - R3E, W.M.; Lot 2 of Skagit County Short Plat No. 99-0008, recorded under Skagit County Recording No. 199909170005; Portion of the SW1/4 of the SW1/4 of S15 - T34N - R3E, W.M.; Portion of S11 - T34N - R3E, W.M.; and Government Lots 1, 2 and 3 of S4 - T33N - R3E, W.M.

Full: See Exhibit A attached hereto .

Tax Parcel Identification Nos.: 340333-4-010-0008; 340333-4-009-0001; 340333-4-008-0002;
340333-3-006-0006; 340333-3-003-0009; 340333-3-004-0008;
340333-0-002-0006; 340328-2-002-0009; 340328-2-001-0018;
340326-2-005-0107; 340326-2-004-0009; 340326-2-003-0000;
340322-4-010-0001; 340322-1-014-0200; 340322-1-014-0003;
340322-1-014-0100; 340320-3-005-0002; 340320-3-001-0006;
340320-1-004-0007; 340311-0-026-0004; 330304-0-004-0018;
330304-0-002-0002; 330304-0-001-0003; 340321-3-004-0002;
340321-3-003-0003; 340315-3-006-0008; 340315-3-004-0000

THIS MORTGAGE WITH ASSIGNMENT OF RENTS AND LEASES AND SECURITY AGREEMENT ("Mortgage") is made this 22nd day of August, 2001, by Grantor, WASHINGTON BULB COMPANY, INC., a Washington corporation ("Borrower"), whose mailing address is 16031 Beaver Marsh Road, Mt. Vernon, Washington 98273. The Beneficiary is U.S. BANK NATIONAL ASSOCIATION, a national banking association, d/b/a U.S. BANK ("Lender"), whose mailing address is 1420 Fifth Avenue, 8th Floor, Seattle, Washington 98101. For purposes of Article 9 of the Uniform Commercial Code (RCW 62A.9), this Mortgage constitutes a Security Agreement and Financing Statement with Borrower being the Debtor and Lender being the Secured Party. This Mortgage shall also constitute a Financing Statement filed as a fixture filing pursuant to Article 9 of the Uniform Commercial Code (RCW 62A.9-402(6)).

In consideration of the Loan described below, Borrower hereby mortgages to Lender all of Borrower's present and future estate, right, title, claim, and interest, either in law or in equity, in and to the following property ("Property"):

- (a) The real property and all rights to the alleys, streets and roads adjoining or abutting the real property described on Schedule A attached hereto ("Realty");
- (b) All easements, access, air and development rights, minerals and oil, gas and other hydrocarbon substances, royalties, water, water rights and water stock, and all other rights, hereditaments, privileges, permits, licenses, franchises and appurtenances now or hereafter belonging or in any way appertaining to the Realty;
- (c) All buildings, improvements and tenements now or hereafter located on the Realty ("Improvements");
- (d) All fixtures and articles of property now or hereafter attached to, or used or adapted for use in the ownership, development, operation or maintenance of the Realty and Improvements (whether such items are leased, owned, or subject to any title-retaining or security instrument), including without limitation all heating, cooling, air-conditioning, ventilating, refrigerating, plumbing, generating, power, lighting, laundry, maintenance, incinerating, lifting, cleaning, fire prevention and extinguishing, security and access control, cooking, gas, electric and communication fixtures, equipment and apparatus; all engines, motors, conduits, pipes, pumps, tanks, ducts, compressors, boilers, water heaters and furnaces; all ranges, stoves, disposers, refrigerators and other appliances; all escalators and elevators, baths, sinks, all cabinets, partitions, mantels, built-in mirrors, window shades, blinds, screens, awnings, storm doors, windows and sash; all carpeting, underpadding, floor covering, paneling, and draperies; and all shrubbery and plants; but specifically excluding any crops and the proceeds thereof or any farm equipment. All such items shall be deemed part of the Realty and not severable wholly or in part without material injury to the freehold;
- (e) All of the rents, revenues, issues, profits and income of the Realty and Improvements, and all present and future leases and other agreements for the occupancy or use of all or



any part of the Realty and Improvements, including without limitation all cash or security deposits, advance rentals and deposits or payments of similar nature, and all guarantees of tenants' or occupants' performance under such leases and agreements; SUBJECT, HOWEVER, to the assignment of rents and other property to Lender herein contained;

- (f) All tangible personal property ("Personal Property") used in connection with the ownership, development, operation or maintenance of the Realty and Improvements, but specifically excluding any crops and the proceeds thereof or any farm equipment;
- (g) All intangible personal property used in connection with the ownership, development, operation or maintenance of the Realty, Improvements, and Personal Property, including without limitation, all permits, licenses and franchises, the exclusive right to use of any trade names, all contract rights (including without limitation architectural, engineering, consulting, and management contracts), all accounts receivable, escrow accounts, insurance policies, deposits, instruments, documents of title, general intangibles, and business records;
- (h) All materials, supplies, and other goods, wherever located, whether in the possession of Borrower, warehouseman, bailee, or any other person, purchased for use in the construction or furnishing of the Improvements, together with all documents, contract rights, and general intangibles relating thereto, and all proceeds thereof;
- (i) All site plans, plats, architectural plans, specifications, work drawings, surveys, engineering reports, test borings, market surveys, and other work products relating to the Realty and Improvements;
- (j) Any construction contract relating to the Improvements, together with all performance, payment, completion or other surety bonds now, or hereafter issued, by any surety in connection with or related to said construction contract, insofar as the same may be transferable by Borrower without breach of any such bond; and
- (k) All proceeds of the foregoing.

TO SECURE THE FOLLOWING ("Secured Obligations"):

- (a) Payment of all sums due under that certain promissory note in the original principal amount of SEVEN MILLION DOLLARS (\$7,000,000.00) of even date, made by Borrower and payable to Lender, including any and all modifications, extensions, renewals and replacements thereof (the "Note");
- (b) Payment of all sums advanced to protect the security of this Mortgage, including sums in excess of the amount of the Note, together with interest thereon as herein provided;



- (c) Payment of all other sums which are or which may become owing under the Secured Loan Documents;
- (d) Performance of all of Borrower's other obligations under the Secured Loan Documents.

As used herein, the term "Loan Documents" means the Note, this Mortgage, the Construction Loan Agreement (the "Loan Agreement") and all related documents and instruments and any and all modifications, extensions, renewals and replacements thereof. The term "Secured Loan Documents" means all of the Loan Documents except the Hazardous Substance Indemnity and the Certificate and Indemnity Agreement Regarding Compliance With Building Laws dated of even date herewith given by Borrower for the benefit of Lender. The indebtedness secured by this Mortgage may be indexed, adjusted, renewed or renegotiated. As to any mortgages, deeds of trust, real estate contracts or other liens identified on Schedule A (herein "Liens"), Borrower expressly covenants and agrees as follows:

- (a) Complete and current copies of the agreements relating to those liens have been furnished to Lender, and none of them have been or will be modified in any way without Lender's prior written consent.
- (b) Borrower is not in default with respect to those Liens and the outstanding balance of the Lien, as set forth in Borrower's application for this loan or other document delivered to Lender, is accurate.
- (c) Borrower will fully comply with the terms of all agreements relating to the Liens and will deliver a copy of any notice of default or notice of non-performance with respect to those agreements to Lender.

BORROWER HEREBY REPRESENTS, WARRANTS, COVENANTS AND AGREES AS FOLLOWS:

ARTICLE 1
TITLE AND USE

Borrower covenants and agrees that: (a) Borrower is lawfully seized of the estate hereby conveyed and has full right and power to grant, convey and assign the Property, (b) the Property is free from liens, encumbrances, exceptions and other charges of any kind whatsoever, except for the permitted exceptions ("Permitted Exceptions") listed on Schedule A, (c) no other liens or encumbrances, whether superior or inferior to this Mortgage, will be created or suffered to be created by Borrower without the prior written consent of Lender, (d) no default on the part of Borrower or any other person exists under any of the Permitted Exceptions and all of the Permitted Exceptions are in full force and effect and in good standing, without modification, (e) complete and current copies of the Permitted Exceptions have been furnished to Lender, and none of them have been or will be modified by Borrower without Lender's prior written consent, (f) Borrower shall fully comply with all the



terms of the Permitted Exceptions and shall deliver to Lender a copy of all notices delivered in connection with the Permitted Exceptions, (g) Lender has the right to contact the other parties to the Permitted Exceptions to confirm the status thereof, and Borrower shall, from time to time, at the request of Lender, request of such parties a certificate confirming such information regarding the Permitted Exceptions as Lender may request, and (h) Borrower shall forever warrant and defend the Property unto Lender against all claims and demands of any other person whatsoever, subject only to non-delinquent taxes and assessments and the Permitted Exceptions.

ARTICLE 2
BORROWER'S COVENANTS

- 2.1 Payment and Performance of Secured Obligations. Borrower shall pay when due all sums which are now or which may become owing under the Note, and shall pay and perform all other Secured Obligations in accordance with their terms.
- 2.2 Payment of Taxes, Utilities, Liens and Charges.
- (a) Taxes and Assessments. Except as the same may otherwise be paid under Article 3, Borrower shall pay when due directly to the payee thereof all taxes and assessments (including without limitation, non-governmental levies or assessments such as maintenance charges, owner association dues or charges, or fees, levies or charges resulting from covenants, conditions or restrictions) levied, assessed or charged against or with respect to the Property or this Mortgage. Upon request, Borrower shall promptly furnish to Lender all notices of amounts due under this subparagraph and all receipts evidencing such payments.
 - (b) Utilities. Borrower shall pay when due all utility charges and assessments for services furnished the Property.
 - (c) Labor and Materials. Borrower shall pay when due the claims of all persons supplying labor or materials to or in connection with the Property.
 - (d) Liens and Charges. Borrower shall promptly discharge any lien, encumbrance, or other charge, whether superior or inferior to this Mortgage, which may be claimed against the Property; provided that Borrower shall have the right to contest the amount or validity in whole or in part of any lien, encumbrance or other charge against the Property by appropriate proceedings conducted in good faith and with due diligence, in which event Borrower, upon prior written notice to Lender, may postpone or defer payment of such lien, encumbrance or other charge so long as (i) such proceedings shall operate to prevent the collection of the lien, encumbrance or other charge; (ii) neither the Property nor any part thereof will, by reason of such postponement or deferment, be in



danger of being forfeited or lost; and (iii) Borrower, before the date such lien, encumbrance or other charge becomes delinquent, gives such reasonable security as may be requested by Lender to ensure payment thereof and prevent any forfeiture or loss of the Property or any part thereof.

(e) Taxes, Assessments and Other Charges Imposed on Lender. If, at any time after the date of this Mortgage, any law is enacted or changed (including any interpretation thereof) which subjects Lender to any increase in any tax (except federal income taxes), assessment, or other charge, in any form measured by or based on any portion of the indebtedness secured by this Mortgage, Borrower shall pay such increased amount to Lender on demand; provided that if any such payment would be unlawful, Lender may declare all accrued interest and the entire principal balance of the Note immediately due and payable.

2.3 Insurance.

(a) Coverages Required. Borrower shall keep the following insurance coverages in effect with respect to the Property:

- (1) Insurance against loss by fire and the hazards now or hereafter embraced by the standard "All Risk" form of insurance, in an amount equal at all times to the full insurable value of the Improvements. All such insurance coverage shall contain a "replacement cost endorsement" without reduction for depreciation, and shall also contain loss of rents and/or business interruption insurance coverage, a fluctuating value endorsement with a waiver of the co-insurance clause (or an agreed amount endorsement with an inflation guard endorsement), and shall contain such other endorsements as Lender may reasonably request. All such endorsements shall be in form and substance satisfactory to Lender.
- (2) Commercial general liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Property in amounts and on terms acceptable to the Lender.
- (3) Flood insurance in an amount satisfactory to Lender and on terms satisfactory to Lender if the Property is located in a designated flood hazard area.
- (4) Insurance against such similar or other hazards, casualties, liabilities and contingencies, in such forms and amounts, as Lender may from time to time reasonably require.



- (b) Policies. Each insurance policy shall be from a company and in a form acceptable to Lender. Each hazard insurance policy will include a Form 438BFU or equivalent mortgagee endorsement in favor of and in form acceptable to Lender. All required policies will provide for at least thirty (30) days' written notice to Lender prior to the effective date of any cancellation or material amendment, which term shall include any reduction in the scope or limits of coverage. Borrower shall furnish to Lender an Acord Form 27 Evidence of Property Insurance (or equivalent for liability coverage) setting forth the coverage, the limits of liability, the carrier, the policy number and the expiration date; the Certificate shall provide the following: "Should the policy be terminated, the Company will give the Additional Interest identified below thirty (30) days written notice, and will send notification of any changes to the policy that would affect that interest, in accordance with the policy provisions or as required by law." As security for the Secured Obligations, Borrower hereby assigns to Lender all required insurance policies, together with all proceeds thereof, rights thereto and all unearned premiums returnable upon cancellation.
- (c) Payment; Renewals. Borrower shall promptly furnish to Lender all renewal notices relating to insurance policies. Except as the same may otherwise be paid under Article 3, Borrower shall pay all premiums on insurance policies directly to the carrier. At least thirty (30) days prior to the expiration date of each such policy, Borrower shall furnish to Lender an Acord Form 27 Evidence of Property Insurance (or equivalent for liability coverage) evidencing that the insurance identified therein is in force and that the renewal premium has been paid.
- (d) Application of Insurance Proceeds. In the event of any loss, Borrower shall give prompt written notice thereof to the insurance carrier and Lender. Borrower hereby authorizes Lender as Borrower's attorney-in-fact to make proof of loss, to adjust and compromise any claim, to commence, appear in and prosecute, in Lender's or Borrower's name, any action relating to any claim, and to collect and receive insurance proceeds; provided, however, that Lender shall have no obligation to do so. Lender shall apply any insurance proceeds received by it hereunder first to the payment of the costs and expenses incurred in the collection of the proceeds and then, in its absolute discretion and without regard to the adequacy of its security, to:
- (1) The payment of the Secured Obligations, whether then due and payable or not. Any such application of proceeds to principal on the Note shall be without the imposition of any prepayment fee otherwise payable under the Note, but shall not extend or postpone the due dates of the installment payments under the Note, or change the amounts thereof; or



- (2) The reimbursement of Borrower, under Lender's prescribed disbursement control procedures, for the cost of restoration or repair of the Property. Lender may, at its option, condition the reimbursement on Lender's approval of the plans and specifications of the reconstruction, contractor's cost estimates, architect's certificates, waivers of liens, sworn statements of mechanics and materialmen, and such other evidence of costs, percentage completion of construction, application of payments and satisfaction of liens as Lender may reasonably require.

Except to the extent that insurance proceeds are applied to payment of the Secured Obligations, nothing herein contained shall be deemed to excuse Borrower from restoring, repairing or maintaining the Property as provided in paragraph 2.4, regardless of whether or not there are insurance proceeds available or whether any such proceeds are sufficient in amount.

- (e) Transfer of Title. If the Property is sold pursuant to Article 9 or if Lender otherwise acquires title to the Property, Lender shall have all of the right, title and interest of Borrower in and to any insurance policies and unearned premiums thereon and in and to the proceeds resulting from any damage to the Property prior to such sale or acquisition.

2.4 Preservation and Maintenance of Property; Right of Entry.

- (a) Preservation and Maintenance. Borrower shall (i) not commit or suffer any waste or permit any impairment or deterioration of the Property, (ii) not abandon the Property, (iii) restore or repair promptly and in a good and workmanlike manner all or any part of the Property to the equivalent of its original condition, or such other condition as Lender may approve in writing, in the event of any damage, injury or loss thereto, whether or not insurance proceeds are available to cover in whole or in part the costs of such restoration or repair, (iv) keep the Property, including improvements, fixtures, equipment, machinery and appliances thereon, in good condition and repair and shall replace fixtures, equipment, machinery and appliances of the Property when necessary to keep such items in good condition and repair, and (v) generally operate and maintain the Property in a commercially reasonable manner.
- (b) Alterations. None of the Improvements shall be structurally altered, removed or demolished, in whole or in part, without Lender's prior written consent, nor shall any fixture or chattel covered by this Mortgage and adapted to the use and enjoyment of the Property be removed at any time without like consent unless actually replaced by an article of equal suitability which is owned by Borrower free and clear of any lien or security interest.



- (c) Right of Entry. Lender is hereby authorized to enter the Property, including the interior of any structures, at reasonable times and after reasonable notice, for the purpose of inspecting the Property to determine Borrower's compliance with this paragraph and for the purpose of performing any act authorized under this Mortgage.
- 2.5 Use of Property. Borrower shall comply with all laws, ordinances, regulations and requirements of any governmental body, and all other covenants, conditions and restrictions applicable to the Property, and pay all fees and charges in connection therewith. Unless required by applicable law or unless Lender has otherwise agreed in writing, Borrower shall not allow changes in the use for which all or any part of the Property was intended at the time this Mortgage was executed. Borrower shall not initiate or acquiesce in a change in the zoning classification of the Property without Lender's prior written consent.
- 2.6 Condemnation.
- (a) Proceedings. Borrower shall promptly notify Lender of any action or proceeding relating to any condemnation or other taking (including without limitation any change in the grade of the Property), whether direct or indirect, of the Property or part thereof or interest therein, and Borrower shall appear in and prosecute any such action or proceeding unless otherwise directed by Lender in writing. Borrower authorizes Lender, at Lender's option, as attorney-in-fact for Borrower, to commence, appear in and prosecute, in Lender's or Borrower's name, any action or proceeding relating to any such condemnation or other taking, and to settle or compromise any claim in connection with such condemnation or other taking. All awards, payments, damages, direct, consequential and otherwise, claims, and proceeds thereof, in connection with any such condemnation or other taking, or for conveyances in lieu of condemnation, are hereby assigned to Lender, and all proceeds of any such awards, payments, damages or claims shall be paid to Lender.
- (b) Application of Condemnation Proceeds. Lender shall apply any such proceeds in the manner and upon the terms and conditions set forth in paragraph 2.3(d) relating to the application of insurance proceeds.
- 2.7 Protection of Lender's Security. Borrower shall give notice to Lender of and shall appear in and defend any action or proceeding that may affect the Property, the interests of Lender therein, or the rights or remedies of Lender under the Loan Documents. If any such action or proceeding is commenced, or Borrower fails to perform any obligation under the Loan Documents, Lender may, at its option, make any appearances, disburse any sums, make any entries upon the Property, and take any actions as may be necessary or desirable to (a) protect or enforce the security of this Mortgage, (b) remedy Borrower's failure to perform its obligations under the Loan



Documents (without waiving such default by Borrower), or (c) otherwise protect Lender's interests. Borrower shall pay all losses, damages, fees, costs, and expenses incurred by Lender in taking such actions; including without limitation reasonable legal fees.

- 2.8 Reimbursement of Lender's Expenses. All amounts disbursed by Lender pursuant to paragraph 2.7 or any other provision of this Mortgage, with interest thereon, shall be additional indebtedness of Borrower secured by this Mortgage. All such amounts shall be immediately due and payable and bear interest from the date of disbursement at the lesser of the default rate under the Note, or the maximum rate permitted by law.
- 2.9 Books and Records; Financial Statements. Borrower shall keep and maintain at Borrower's address stated above, or such other place as Lender may approve in writing, books of accounts and records adequate to reflect correctly the results of the operation of the Property, and copies of all written contracts, leases and other instruments which affect the Property. Such books, records, contracts, leases and other instruments shall be subject to examination, inspection and copying at any reasonable time by Lender. Borrower shall provide to Lender within one hundred twenty (120) days after the end of Borrower's fiscal year, a balance sheet for the Borrower, a statement of income and expenses of the Property and a statement of changes in financial position with respect to the Property for the prior year, each in reasonable detail and certified by Borrower, and if Lender shall require, by an independent certified public accountant. Borrower shall provide to Lender, within seven (7) days after the filing date therefor (as that date may be extended), Borrower's most recent federal income tax return. Borrower shall furnish to Lender within thirty (30) days after Lender's request, a rent roll for the Property, certified by Borrower, showing the name of each tenant, the space occupied, the lease expiration date, the monthly rent, the date to which rent has been paid, and any deposit Borrower is holding. In addition, Borrower shall furnish to Lender within twenty (20) days after Lender's request, a complete and current financial statement, in reasonable detail for any general partner and guarantor, together with a true and correct copy of the most recent federal income tax return of any general partner and guarantor. Borrower shall also furnish to Lender such additional documents when and as may be required by any other document pertaining to credit or financial reporting requirements in connection with the Loan, all of which additional documents shall be in form acceptable to Lender.

ARTICLE 3 RESERVES

- 3.1 Deposits. If required by Lender, Borrower shall, at the time of making each monthly installment payment under the Note, deposit with Lender a sum, as estimated by Lender, equal to (a) the taxes and special assessments next due on the Property, and



(b) the premiums that will next become due on insurance policies as may be required under this Mortgage, less all sums already deposited therefor, divided by the number of months to elapse before two (2) months prior to the date when such taxes, special assessments and premiums will become delinquent. Lender may require Borrower to deposit with Lender, in advance, such other sums for other taxes, assessments, premiums, charges and impositions in connection with Borrower or the Property as Lender reasonably deems necessary to protect Lender's interests ("Other Impositions"). Such sums for Other Impositions shall be deposited in a lump sum or in periodic installments, at Lender's option. If required by Lender, Borrower shall promptly deliver to Lender all bills and notices with respect to any taxes, assessments, premiums and Other Impositions. Unless Borrower and Lender otherwise agree in writing, Lender shall not be required to pay Borrower any interest, earnings or profits on any sums deposited with Lender. All sums deposited with Lender under this paragraph 3.1 are hereby pledged as security for the Secured Obligations.

- 3.2 Application of Deposits. All such deposited sums shall be held by Lender and applied in such order as Lender elects to pay such taxes, assessments, premiums and Other Impositions or, upon any Event of Default, may be applied in whole or in part, to the Secured Obligations. The arrangement provided for in this Article 3 is solely for the added protection of Lender and entails no responsibility on Lender's part beyond the allowing of due credit, without interest, for the sums actually received by it. Upon any assignment of this Mortgage by Lender, any funds on hand shall be turned over to the assignee and any responsibility of Lender with respect thereto shall terminate. Each transfer of the Property in accordance with Article 4 below shall automatically transfer to the transferee all rights of Borrower with respect to any funds deposited hereunder. Upon payment in full of the Secured Obligations, Lender shall promptly refund to Borrower the remaining balance of any deposits then held by Lender.
- 3.3 Adjustments to Deposits. If the total deposits held by Lender exceed the amount deemed necessary by Lender to provide for the payment of such taxes, assessments, premiums and Other Impositions, such excess shall, provided there is no Event of Default or any event which would constitute an Event of Default if not cured within the time allowed, be credited by Lender on the next due installment or installments of such deposits. If at any time the total deposits held by Lender are less than the amount deemed necessary by Lender to provide for the payment of such taxes, assessments, premiums and Other Impositions, Borrower shall promptly deposit the deficiency with Lender after receipt of written demand from Lender.
- 3.4 Conditional Waiver. Notwithstanding the foregoing, Lender shall not require the payment of reserves as provided in this Article 3 until a delinquency occurs in the payment of such taxes, assessments, premium and Other Impositions, or the occurrence of an Event of Default.



ARTICLE 4
RESTRICTIONS ON TRANSFER OR ENCUMBRANCE

Neither the Property nor any part thereof or interest therein shall be encumbered, sold (by contract or otherwise), conveyed, or otherwise transferred by Borrower; nor shall the Property be vacated; nor shall there be any change in (a) the ownership or control of any of Borrower's stock if Borrower is a corporation (except transfers between the existing shareholders of Borrower or members of their immediate families), (b) the ownership or control of any general partnership interest in Borrower if Borrower is a partnership, (c) the ownership or control of any beneficial interests in Borrower if Borrower is not otherwise a natural person or persons, and (d) the ownership or control of any stock, any general partnership interest, or any other beneficial interest in any corporation, partnership or other entity that has an ownership interest in Borrower. Any encumbrance, sale, conveyance or transfer without Lender's prior written consent (if such consent is required hereunder) shall be deemed to increase the risk of Lender, and shall constitute an Event of Default if not corrected within five (5) days after Lender's delivery of written demand to Borrower. Lender may, in its sole discretion, consent to any such action subject to such terms and conditions as Lender may require, including without limitation a fee equal to one percent (1%) of the outstanding principal balance of the Note, or the increase of the interest rate applicable under the Note.

ARTICLE 5
UNIFORM COMMERCIAL CODE SECURITY AGREEMENT

5.1 Grant to Lender. This Mortgage constitutes a security agreement pursuant to the Uniform Commercial Code with respect to:

- (a) Any of the Property which, under applicable law, is not real property or effectively made part of the real property by the provisions of this Mortgage; and
- (b) Any and all other property now or hereafter described on any Uniform Commercial Code Financing Statement naming Borrower as Debtor and Lender as Secured Party and affecting property in any way connected with the use and enjoyment of the Property (any and all such other property constituting "Property" for purposes of this Mortgage);

and Borrower hereby grants Lender a security interest in all property described in clauses (a) and (b) above as security for the Secured Obligations. Borrower and Lender agree, however, that neither the foregoing grant of a security interest nor the filing of any such financing statement shall be construed as limiting the parties' stated intention that everything used in connection with the production of income from the Property, or adapted for use therein, or which is described or reflected in this Mortgage, is and at all times shall be regarded as part of the Realty.



5.2 Borrower's Representations; Authority of Lender. Borrower hereby represents to Lender that it is a corporation organized and existing under the laws of the State of Washington, that Washington is the location of the Borrower, as debtor, under RCW 62A.9A-307(e), and that Borrower's name as it appears in this Mortgage, is identical to the manner in which Borrower's name appears in the public records of the Secretary of State of the State of Washington. Borrower hereby authorizes Lender, as permitted by RCW 62A.9A-509, to file, continue or amend a financing statement pursuant to the security interest granted by Borrower to Lender under this Article 5.

5.3 Lender's Rights and Remedies. With respect to the property subject to the foregoing security interest, Lender shall have all of the rights and remedies (a) of a secured party under the Uniform Commercial Code, (b) provided herein, and (c) provided by law. In exercising its remedies, Lender may proceed against the items of real property and any items of personal property separately or together and in any order whatsoever, without in any way affecting the availability of Lender's remedies. Upon demand by Lender following an Event of Default hereunder, Borrower will assemble any items of personal property and make them available to Lender at the Property. Lender shall give Borrower at least five (5) days' prior written notice of the time and place of any public sale or other disposition of such Property or of the time of or after which any private sale or any other intended disposition is to be made. Any person permitted by law to purchase at any such sale may do so. Such Property may be sold at any one or more public or private sales as permitted by applicable law.

ARTICLE 6

ASSIGNMENT OF RENTS AND LEASES; LEASES OF PROPERTY APPOINTMENT OF RECEIVER, LENDER IN POSSESSION

6.1 Assignment of Rents and Leases. As part of the consideration for the Secured Obligations, and not as additional security therefor, Borrower hereby absolutely and unconditionally assigns and transfers to Lender all right, title and interest of Borrower in and to: (a) any and all present and future leases, subleases, and other agreements for the occupancy or use of all or any part of the Property, and any and all extensions, renewals and replacements thereof ("Leases"); (b) all cash or security deposits, advance rentals and deposits of a similar nature under the Leases; (c) any and all guarantees of tenants' or occupants' performances under any and all Leases, and (d) all rents, issues, profits and revenues ("Rents") now due or which may become due or to which Borrower may now or shall hereafter become entitled or may demand or claim (including Rents coming due during any redemption period), arising or issuing from or out of any and all Leases, including without limitation minimum, additional, percentage and deficiency rents and liquidated damages.



6.2 Collection of Rents. Prior to any Event of Default hereunder, Borrower shall have a license to, and shall, collect and receive all Rents of the Property as trustee for the benefit of Lender and Borrower, apply the Rents so collected first to the payment of taxes, assessments and other charges on the Property prior to delinquency, second to the cost of insurance, maintenance and repairs required by the terms of this Mortgage, third to the costs of discharging any obligation or liability of Borrower under the Leases, and fourth to the Secured Obligations, with the balance, if any, to the account of Borrower provided there is no Event of Default. Upon delivery of written notice by Lender to Borrower of an Event of Default hereunder and stating that Lender exercises its rights to the Rents, and without the necessity of Lender entering upon and taking and maintaining full control of the Property in person, by agent or by a court-appointed receiver, Lender shall immediately be entitled to possession of all Rents from the Property as the same become due and payable, including without limitation Rents then due and unpaid, and all such Rents shall immediately upon delivery of such notice be held by Borrower as trustee for the benefit of Lender only. Upon delivery of such written notice by Lender, Borrower hereby agrees to direct each tenant or occupant of the Property to pay all Rents to Lender on Lender's written demand therefor, without any liability on the part of said tenant or occupant to inquire further as to the existence of a default by Borrower. Borrower hereby authorizes Lender as Borrower's attorney-in-fact to make such direction to tenants and occupants upon Borrower's failure to do so as required herein. Payments made to Lender by tenants or occupants shall, as to such tenants and occupants, be in discharge of the payors' obligations to Borrower. Lender may exercise, in Lender's or Borrower's name, all rights and remedies available to Borrower with respect to collection of Rents. Nothing herein contained shall be construed as obligating Lender to perform any of Borrower's obligations under any of the Leases.

6.3 Borrower's Representations and Warranties. Borrower hereby represents and warrants to Lender that Borrower has not executed and will not execute any other assignment of said Leases or Rents, that Borrower has not performed and will not perform any acts and has not executed and will not execute any instrument which would prevent Lender from exercising its rights under this Article 6, and that at the time of execution of this Mortgage there has been no anticipation or prepayment of any of the Rents of the Property for more than one (1) month prior to the due dates thereof. Borrower further represents and warrants to Lender that all existing Leases are in good standing and there is no default thereunder, whether by Borrower or lessee, and that, to Borrower's knowledge, there is no event or condition which, with notice or the passage of time or both, would be a default thereunder. Borrower shall execute and deliver to Lender such further assignments of rents and leases of the Property as Lender may from time to time request.



6.4 Leases of the Property. Borrower shall comply with and observe Borrower's obligations as landlord under all Leases and will do all that is necessary to preserve all Leases in force and free from any right of counterclaim, defense or setoff. At Lender's request, Borrower shall furnish Lender with executed copies of all Leases now existing or hereafter made and all Leases hereafter entered into will be on a form and in substance satisfactory to Lender. All commercial Leases will specifically provide that the tenant attorns to any person succeeding to the interest of Borrower upon any foreclosure of this Mortgage or conveyance in lieu thereof; such attornment shall be in such form as Lender may approve and shall provide that Tenant shall not have the right of set off or defense to payment of rents for any event or act that occurred prior to such successor obtaining title to Borrower's interest except to the extent such event or act is continuing at the time such successor obtains such title. Tenant shall also agree to execute such further evidences of attornment as Lender may from time to time request. Without Lender's written consent, Borrower shall not collect or accept payment of any Rents of the Property more than one (1) month prior to the due dates thereof; shall not execute, modify, surrender or terminate any commercial Lease now existing or hereafter made providing for a term (including any renewal term(s)) of one (1) year or more, shall not in any manner waive, discharge, release or modify the obligations of any tenant or other occupant of the Property under any commercial Lease, or request or consent to the subordination of any commercial Lease to any lien subordinate to this Mortgage.

6.5 Lender in Possession; Appointment of Receiver. Upon any Event of Default hereunder, Lender may, in person, by agent or by a court-appointed receiver, regardless of the adequacy of Lender's security, enter upon and take and maintain full control of the Property in order to perform all acts necessary and appropriate for the operation and maintenance thereof in the same manner and to the same extent as Borrower could do the same, including without limitation the execution, enforcement, cancellation and modification of Leases, the collection of all Rents of the Property, the removal and eviction of tenants and other occupants, the making of alterations and repairs to the Property, and the execution and termination of contracts providing for management or maintenance of the Property, all on such terms as are deemed best by Lender to protect the security of this Mortgage. From and after the occurrence of any such Event of Default, if any owner of the Property shall occupy the Property or part thereof such owner shall pay to Lender in advance on the first day of each month a reasonable rental for the space so occupied, and upon failure so to do Lender shall be entitled to remove such owner from the Property by any appropriate action or proceedings. Following an Event of Default hereunder, Lender shall be entitled (regardless of the adequacy of Lender's security) to the appointment of a receiver, Borrower hereby consenting to the appointment of such receiver. Said receiver may serve without bond and may be Lender or an employee of Lender. The receiver shall have, in addition to all the rights and powers customarily given to and exercised by



such receivers, all the rights and powers granted to Lender in this Article 6. Lender or the receiver shall be entitled to receive a reasonable fee for so managing the Property.

- 6.6 Application of Rents. All Rents collected subsequent to delivery of written notice by Lender to Borrower of an Event of Default hereunder shall be applied first to the costs, if any, of taking control of and managing the Property and collecting the Rents, including without limitation attorneys' fees, receiver's fees, premiums on receiver's bonds, costs of maintenance and repairs to the Property, premiums on insurance policies, taxes, assessments and other charges on the Property, and the costs of discharging any obligation or liability of Borrower under the Leases, and then to the Secured Obligations. Lender or the receiver shall be liable to account only for those Rents actually received. Lender shall not be liable to Borrower, anyone claiming under or through Borrower or anyone having an interest in the Property by reason of anything done or left undone by Lender under this Article.
- 6.7 Deficiencies. To the extent, if any, that the costs of taking control of and managing the Property, collecting the Rents, and discharging obligations and liabilities of Borrower under the Leases, exceed the Rents of the Property, the excess sums expended for such purposes shall be indebtedness secured by this Mortgage. Such excess sums shall be payable upon demand by Lender and shall bear interest from the date of disbursement at the lesser of the default rate under the Note, or the maximum rate permitted by law.
- 6.8 Lender Not Mortgagee in Possession. Nothing herein shall constitute Lender a "mortgagee in possession" prior to its actual entry upon and taking possession of the Property. Entry upon and taking possession by a receiver shall not constitute possession by Lender.
- 6.9 Enforcement. Lender may enforce this assignment without first resorting to or exhausting any security or collateral for the Secured Obligations.

ARTICLE 7
CONSTRUCTION LOAN PROVISIONS

- 7.1 Advances. Borrower agrees to comply with covenants and conditions of the Loan Agreement. The Loan Agreement provides for the disbursement of loan funds with respect to the construction of improvements on the Realty and for other matters described therein. The Loan Agreement is hereby incorporated by reference and made a part of this Mortgage. All advances made by Lender pursuant to the Loan Agreement shall be indebtedness of Borrower secured by this Mortgage, and such advances may be obligatory as provided in the Loan Agreement. All sums disbursed by Lender prior to completion of the improvements to protect the security of this Mortgage, including any sums in excess of the amount of the Note, shall be treated as disbursements pursuant to the Loan Agreement. All such sums shall bear interest



from the date of disbursement at the rate stated in the Note, unless collection from Borrower of interest at such rate would be contrary to the applicable law, in which event such amounts shall bear interest at the highest rate which may be collected from Borrower under applicable law and shall be payable upon notice from Lender to Borrower requesting payment thereof.

- 7.2 Assignment of Claims. From time to time as Lender deems necessary for security to protect Lender's interests, Borrower shall, upon request of Lender, execute and deliver to Lender in such form as Lender shall direct, assignments of any and all rights or claims which relate to the construction of the Property, and deliver to Lender in such form as Lender shall direct, assignment of any and all rights or claims which relate to the construction of the Property, and which Borrower may have against any party supplying or who has supplied labor, materials or services in connection with construction of the Property.
- 7.3 Default Under Loan Agreement. In case of breach by Borrower of any of the covenants and conditions of the Loan Agreement, Lender, as its option, with or without entry upon the Property, (a) may invoke any of the rights or remedies provided in the Loan Agreement, (b) may declare an Event of Default under paragraph 8.1 and exercise any of the rights provided hereunder, or (c) may do both.
- 7.4 Termination. If the Note and this Mortgage are sold by Lender, from and after such sale, the Loan Agreement shall cease to be a part of this Mortgage and Borrower shall not assert any right of set-off, counterclaim or other claim or defense arising out of or in connection with the Loan Agreement against the obligations of the Note and this Mortgage.

ARTICLE 8 EVENTS OF DEFAULT

- 8.1 Events of Default. The occurrence of any one or more of the following shall constitute an Event of Default hereunder:
- (a) The failure to make any past due payment under the Note, this Mortgage, or any of the other Loan Documents within ten (10) days after its due date.
 - (b) The occurrence of a default under any of the Permitted Exceptions, if not cured within any cure period given in the Permitted Exceptions with regard to such default.
 - (c) The failure to perform any other covenant, agreement or obligation under this Mortgage or any of the other Loan Documents, if not cured within the time allowed. If no cure period is otherwise specified for such default, the cure period shall be within thirty (30) days after Lender's delivery of written



demand to Borrower, or if such cure cannot in Lender's opinion be completed within such thirty (30) day period, and Borrower commences the required cure within such thirty (30) day period and thereafter continues the cure with diligence, the cure period shall be ninety (90) days after Lender's delivery of such written demand.

- (d) The occurrence of an Event of Default under any of the other Loan Documents.
- (e) Borrower or any guarantor or any trustee of Borrower or any guarantor files a petition in bankruptcy or for an arrangement, reorganization or any other form of debtor relief; or such a petition is filed against Borrower or any guarantor or any trustee of Borrower or any guarantor and the petition is not dismissed within forty-five (45) days after filing.
- (f) A decree or order is entered for the appointment of a trustee, receiver or liquidator for Borrower or any guarantor or Borrower's or any guarantor's property, and such decree or order is not vacated within forty-five (45) days after the date of entry.
- (g) Borrower or any guarantor commences any proceeding for dissolution or liquidation; or any such proceeding is commenced against Borrower or any guarantor and the proceeding is not dismissed within forty-five (45) days after the date of commencement.
- (h) Borrower or any guarantor makes an assignment for the benefit of its creditors, or admits in writing its inability to pay its debts generally as they become due.
- (i) There is an attachment, execution or other judicial seizure of any portion of Borrower's or any guarantor's assets and such seizure is not discharged within ten (10) days.
- (j) Any representation or disclosure made to Lender by Borrower or any guarantor in connection with the Loan proves to be materially false or misleading when made, whether or not that representation or disclosure is expressly set forth in the Loan Documents.
- (k) A default occurs under any other indebtedness now or hereafter owing to Lender on which Borrower or any guarantor is a maker or a guarantor, and such default is not cured within the applicable cure period, if any, under the instruments evidencing and securing such indebtedness.



8.2 Inapplicability of Cure Periods. All cure periods provided in this Mortgage or the other Loan Documents shall be inapplicable if, in Lender's reasonable judgment, the default is not capable of being cured within the time allowed, or a delay in Lender's enforcement of its rights and remedies may result in a material impairment of its security.

ARTICLE 9
REMEDIES

9.1 Acceleration Upon Default; Additional Remedies. Upon any Event of Default, Lender may, at its option and without notice to or demand upon Borrower, exercise any one or more of the following actions:

- (a) Declare all the Secured Obligations immediately due and payable.
- (b) Bring a court action to enforce the provisions of this Mortgage or any of the other Loan Documents.
- (c) Foreclose this Mortgage.
- (d) Cause any or all of the Property to be sold in any manner permitted by applicable law.
- (e) Elect to exercise its rights with respect to the Leases and the Rents.
- (f) Exercise any or all of the other rights and remedies under this Mortgage and the other Loan Documents.
- (g) Exercise any other right or remedy available under law or in equity.

9.2 Application of Sale Proceeds. The proceeds of any sale under this Mortgage will be applied in the manner provided by applicable law.

9.3 Waiver of Order of Sale and Marshalling. Lender shall have the right to determine the order in which any or all portions of the secured indebtedness are satisfied from the proceeds realized upon the exercise of any remedies provided herein. Borrower, any party who consents to this Mortgage and any party who now or hereafter acquires a security interest in the Property and who has actual or constructive notice hereof, hereby waives any and all right to require marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein, or to direct the order in which any of the Property will be sold in the event of any sale under this Mortgage.



- 9.4 Non-Waiver of Defaults. The entering upon and taking possession of the Property, the collection of Rents or the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the Property, and the application or release thereof as herein provided, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.
- 9.5 Expenses During Redemption Period. If this Mortgage is foreclosed and the Property sold at a foreclosure sale, the Purchaser may during any redemption period allowed, make such repairs or alterations on the Property as may be reasonably necessary for the proper operation, care, preservation, protection and insuring thereof. Any sums so paid together with interest thereon from the time of such expenditure at the lesser of the default rate under the Note or the maximum rate permitted by law, shall be added to and become a part of the amount required to be paid for redemption from such sale.
- 9.6 Foreclosure Subject to Tenancies. Lender shall have the right at its option to foreclose this Mortgage subject to the rights of any tenant or tenants of the Property.
- 9.7 Evasion of Prepayment Terms. If any Event of Default has occurred, a tender of payment of the indebtedness secured hereby at any time prior to or at a judicial or non-judicial foreclosure sale of the Property by Borrower, or anyone on behalf of Borrower, shall constitute an evasion of any prepayment terms of the Note and shall constitute a voluntary prepayment thereunder, and any such tender shall include any prepayment premium required under the Note.
- 9.8 Remedies Cumulative. To the extent permitted by law, every right and remedy provided in this Mortgage is distinct and cumulative to all other rights or remedies under this Mortgage or afforded by law or equity or any other agreement between Lender and Borrower, and may be exercised concurrently, independently or successively, in any order whatsoever. Lender may exercise any of its rights and remedies at its option without regard to the adequacy of its security.
- 9.9 Lender's Expenses. Borrower shall pay all of Lender's expenses incurred in any efforts to enforce any terms of this Mortgage, whether or not any suit is filed, including without limitation legal fees and disbursements, foreclosure costs and title charges. All such sums, with interest thereon, shall be additional indebtedness of Borrower secured by this Mortgage. Such sums shall be immediately due and payable and shall bear interest from the date of disbursement at the lesser of the default rate under the Note, or the maximum rate permitted by law.

ARTICLE 10
[Reserved]



200109040149

, Skagit County Auditor

ARTICLE 11
GENERAL

- 11.1 No Offset. Borrower's obligation to timely pay and perform all obligations under the Note, this Mortgage, and the other Loan Documents shall be absolute and unconditional and shall not be affected by any event or circumstance; including without limitation any setoff, counterclaim, abatement, suspension, recoupment, deduction, defense or any other right that Borrower or any guarantor may have or claim against Lender or any other person or entity. The foregoing shall not constitute a waiver of any claim or demand which Borrower or any guarantor may have in damages or otherwise against Lender or any other person or entity; provided that Borrower shall maintain a separate action thereon.
- 11.2 Application of Payments. Except as applicable law or this Mortgage may otherwise provide, all payments received by Lender under the Note or this Mortgage shall be applied by Lender in the following order of priority: (a) Lender's expenses incurred in any efforts to enforce any terms of this Mortgage; (b) interest payable on advances made to protect the security of this Mortgage; (c) principal of such advances; (d) amounts payable to Lender by Borrower under Article 3 for reserves; (e) interest and late charges payable on the Note; (f) principal of the Note; and (g) any other Secured Obligations in such order as Lender, at its option, may determine; provided, however, that Lender may, at its option, apply any such payments received to interest on or principal of the Note prior to applying such payments to interest on and principal of advances made to protect the security of this Mortgage.
- 11.3 Reconveyance. Upon payment of all sums secured by this Mortgage, Lender shall reconvey the Property and shall surrender this Mortgage and all notes evidencing indebtedness secured by this Mortgage. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any matters or facts shall be conclusive proof of the truthfulness thereof. Such person or persons shall pay Lender's reasonable costs incurred in so reconveying the Property.
- 11.4 Lender's Powers. Without affecting the liability of any person for payment or performance of the Secured Obligations or any of Lender's rights or remedies, Lender, at its option, may extend the time for payment of the indebtedness secured hereby or any part thereof, reduce payment thereon, release anyone liable on any of said indebtedness, accept a renewal note or notes therefor, modify the terms and time of payment of the indebtedness, release the lien of this Mortgage on any part of the Property, take or release other or additional security, release or reconvey or cause to be released or reconveyed all or any part of the Property, or consent to the making of any map or plat of the Property, consent to the granting of any easement or creating any restriction on the Property, or join in any subordination or other agreement affecting this Mortgage or the lien or charge hereof. Borrower shall pay Lender a



reasonable service charge, together with such title insurance premiums and attorneys' fees as may be incurred at Lender's option, for any such action if taken at Borrower's request.

- 11.5 Subrogation. Lender shall be subrogated for further security to the lien, although released of record, of any and all encumbrances discharged, in whole or in part, by the proceeds of the Note or any other indebtedness secured hereby.
- 11.6 Limitation on Interest and Charges. The interest, fees and charges under the Loan Documents shall not exceed the maximum amounts permitted by any applicable law. If any such interest, fee or charge exceeds the maximum, the interest, fee or charge shall be reduced by the excess and any excess amounts already collected from Borrower shall be refunded. Lender may refund such excess either by treating the excess as a prepayment of principal under the Note or by making a direct payment to Borrower. If Lender elects to treat the excess as a prepayment of principal, Borrower shall not be obligated to pay any prepayment premium required under the Note. The provisions of this paragraph shall control over any inconsistent provision in the Loan Documents.
- 11.7 Additional Documents; Power of Attorney. Borrower, from time to time, shall execute, acknowledge and deliver to Lender upon request, and hereby irrevocably appoints Lender its attorney-in-fact to execute, acknowledge, deliver and if appropriate file and record, such security agreements, assignments for security purposes, assignments absolute, financing statements, affidavits, certificates and other documents, in form and substance satisfactory to Lender, as Lender may request in order to perfect, preserve, continue, extend or maintain the assignments herein contained, the lien and security interest under this Mortgage, and the priority thereof. Borrower shall pay to Lender upon request therefor all costs and expenses incurred in connection with the preparation, execution, recording and filing of any such document.
- 11.8 Waiver of Statute of Limitations. To the full extent Borrower may do so, Borrower hereby waives the right to assert any statute of limitations as a defense to the enforcement of the lien of this Mortgage or to any action brought to enforce the Note or any other obligation secured by this Mortgage.
- 11.9 Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy, and no waiver by Lender of any particular default shall constitute a waiver of any other default or of any similar default in the future. Without limiting the generality of the foregoing, the acceptance by Lender of payment of any sum secured by this Mortgage after the due date thereof shall not be a waiver of Lender's right to either require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment.



The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Mortgage, nor shall Lender's receipt of any awards, proceeds or damages under paragraphs 2.3 and 2.7 hereof operate to cure or waive Borrower's default in payment of sums secured by this Mortgage.

- 11.10 Modifications and Waivers. This Mortgage 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.
- 11.11 Notice. Any notice to Borrower under this Mortgage shall be to the address noted above or such other address as may be designated by Borrower in writing and shall be deemed to have been given on the date delivered in the case of personal delivery or, if mailed, three (3) days after the postmark thereof.
- 11.12 Governing Law; Severability; Captions. This Mortgage shall be governed by the laws of the State of Washington. If any provision or clause of this Mortgage conflicts with applicable law, such conflicts shall not affect other provisions or clauses hereof which can be given effect without the conflicting provision, and to this end the provisions hereof are declared to be severable. The captions and headings of the paragraphs and articles of this Mortgage are for convenience only and are not to be used to interpret or define the provisions hereof.
- 11.13 Definitions. As used herein: the term "Borrower" means the Borrower herein named, together with any subsequent owner of the Property or any part thereof or interest therein; and the term "Lender" means the Lender herein named, together with any subsequent owner or holder of the Note or any interest therein, including pledgees, assignees and participants.
- 11.14 Successors and Assigns; Joint and Several Liability; Agents. This Mortgage shall bind and inure to the benefit of the parties hereto and their respective heirs, devisees, legatees, administrators, executors, successors and assigns, subject to the provisions of Article 4 hereof. Each person executing this Mortgage as Borrower shall be jointly and severally liable for all obligations of Borrower hereunder. In exercising any rights hereunder or taking actions provided for herein, Lender may act through its employees, agents or independent contractors as authorized by Lender.
- 11.15 Number; Gender. This Mortgage shall be construed so that wherever applicable the use of the singular number shall include the plural number, and vice versa, and the use of any gender shall be applicable to all genders.
- 11.16 Time. Time is of the essence in connection with all obligations of Borrower herein.

11.17 Request for Notice. Borrower hereby requests that a copy of any notice of default and notice of sale hereunder be mailed to it at its address set forth at the beginning of this Mortgage.

IN WITNESS WHEREOF, Borrower has executed this Mortgage as of the date first above written.

BORROWER:

WASHINGTON BULB COMPANY, INC.,
a Washington corporation

By: *Geo M. Roozen*
Leonardus M. Roozen, President

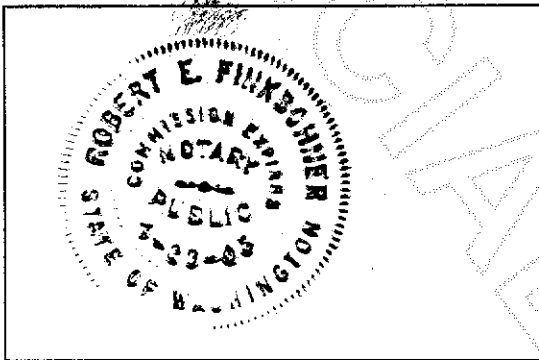
By: *Helen Mary Roozen*
Helen Mary Roozen, Secretary



STATE OF WASHINGTON)
) ss.
COUNTY OF Skagit)

I certify that I know or have satisfactory evidence that LEONARDUS M. ROOZEN and HELEN MARY ROOZEN are the persons who appeared before me, and said persons acknowledged that they signed this instrument as the President and Secretary, respectively, of WASHINGTON BULB COMPANY, INC., a Washington corporation, as the free and voluntary act of such corporation for the uses and purposes mentioned in the instrument, and on oath stated that they were authorized to execute the foregoing instrument on behalf of such corporation.

DATED: August 22, 2001



Robert E. Finkbohner
(Signature)

ROBERT E. Finkbohner
(Please print name legibly)

NOTARY PUBLIC in and for the State of
Washington, residing at Whatcom County
My commission expires 4-29-2005



**SCHEDULE A
TO
MORTGAGE**

Legal Description

Parcel B:

The South 1/2 of the South 1/2 of Section 33, Township 34 North, Range 3 East, W.M., EXCEPT the as built and existing Bradshaw County Road running along the East line of said subdivision, EXCEPT the Chilberg County Road both as built and as conveyed to Skagit County by Deed recorded February 23, 1933, under Auditor's File No. 254851, and by Deed recorded January 20, 1966, under Auditor's File No. 677633, EXCEPT that portion thereof lying within the boundaries of Skagit County Short Plat No. 65-80, approved June 6, 1980, and recorded June 10, 1980, in Volume 4 of Short Plats Page 109, under Auditor's File No. 8006100023, records of Skagit County, Washington, AND

EXCEPT drainage ditch rights-of-way of Drainage District No. 15, as condemned in Skagit County Superior Court Cause No. 3604.

Parcel C:

The North 1/2 of the Northwest 1/4 of Section 28, Township 34 North, Range 3 East, W.M., EXCEPT the South 30 feet thereof conveyed to Skagit County for road purposes by Deed recorded as Auditor's File No. 277151, in Volume 169 of Deeds, Page 133, ALSO EXCEPT the West 30 feet thereof conveyed to Skagit County for Best Road by Deed recorded as Auditor's File No. 631086, in Volume 328 of Deeds, Page 110, AND ALSO EXCEPT Drainage District and Diking District rights-of-way, if any.

Parcel D:

The South 1/2 of the Southwest 1/4 of Section 21, Township 34 North, Range 3 East, W.M., EXCEPT the West 30 feet thereof conveyed to Skagit County for Best Road by Deed recorded as Auditor's File No. 631087, in Volume 328 of Deeds, Page 111, ALSO EXCEPT that portion thereof condemned by Drainage District No. 15 in Skagit County Cause No. 14859.

Parcel E:

The West 1/2 of the Northwest 1/4 of Section 26, Township 34 North, Range 3 East, W.M., EXCEPT the four following described tracts:

1. Rights-of-way condemned for Drainage District No. 15;



2. Rights-of-way conveyed to Drainage District No. 15 by Deeds recorded in Volume 74 of Deeds, Page 219, and Volume 101 of Deeds, at Pages 572 and 576, as Auditor's File Nos. 67753, 110902 and 110905, respectively;
3. Right-of-way along the West side thereof for County Road commonly known as the Beaver Marsh Road, TOGETHER WITH a portion conveyed to Skagit County by Auditor's File No. 8808160026; and
4. Right-of-way along the South side thereof for County Road commonly known as Jungquist Road.

Parcel F:

The Southeast 1/4 of the Southeast 1/4 of Section 22, Township 34 North, Range 3 East, W.M., EXCEPT the South 20 rods thereof, AND ALSO EXCEPT the Beaver Marsh County Road running along the East line thereof, AND ALSO EXCEPT the ditch right-of-way of Drainage District No. 15.

Parcel G:

Lots 1, 2 and 3, of Skagit County Short Plat No. 98-0009, approved September 15, 1999, and recorded September 17, 1999, as Auditor's File No. 199909170004.

Parcel H-1:

The Northeast 1/4 of the Southwest 1/4 of Section 20, Township 34 North, Range 3 East, W.M.

EXCEPT McLean Road along the North line.

ALSO EXCEPT that portion tying Westerly of Calhoun Slough.

ALSO EXCEPT that portion lying Northwesterly of the ditch located in the Northwest corner thereof.

ALSO EXCEPT rights-of-way of Drainage District No. 15.

Parcel H-2:

The South 1/2 of the Southwest 1/4 of Section 20, Township 34 North, Range 3 East, W.M., lying Easterly of Calhoun Slough.

EXCEPT the South 300 feet thereof.

ALSO EXCEPT rights-of-way of Drainage District No. 15



Parcel I:

Lot 2 of Skagit County Short Plat No. 99-0008, approved September 15, 1999 and recorded September 17, 1999 under Auditor's File No. 199909170005, being a portion of Section 20, Township 34 North, Range 3 East, W.M.

Parcel J:

The Southwest 1/4 of the Southwest 1/4 of Section 15, Township 34 North, Range 3 East, W.M., EXCEPT the North 20 feet thereof, ALSO EXCEPT the South 330 feet thereof, ALSO EXCEPT the County Road right-of-way commonly known as the Bradshaw Road, AND ALSO EXCEPT ditch rights-of-way, if any.

Parcel K:

That portion of Section 11, Township 34 North, Range 3 East, W.M., described as follows:

Beginning at a point 20 rods South of the quarter corner between Sections 11 and 12; thence West, 40 rods; thence South, 20 rods; thence East, 40 rods; thence North, 20 rods to the point of beginning, all in Section 11, Township 34 North, Range 3 East, W.M., EXCEPT the County Road right-of-way commonly known as the Avon-Allen Road along the East line thereof.

Parcel L:

Government Lots 1, 2 and 3, of Section 4, Township 33 North, Range 3 East, W.M., EXCEPT the five following described tracts:

1. Rights-of-way of Drainage District No. 15;
2. That portion of Government Lot 3, lying Westerly of the Drainage District No. 15, ditch referenced as a boundary in Deed recorded as Auditor's Fee No. 9210010067;
3. The South 330 feet of Government Lot 3;
4. The South 300 feet of the West 935 feet of Government Lot 2; and
5. The right-of-way for the County Road commonly known as the Bradshaw Road along the East line of Government Lot 1.



Permitted Exceptions

1. **EASEMENT, INCLUDING THE TERMS AND PROVISIONS THEREOF:**

Grantee: Public Utility District No. 1
Dated: August 18, 1953
Recorded: August 19, 1953
Auditor's No: 491814
Purpose: To lay, maintain, operate, relay and remove at any time a pipe or pipes, line or lines for the transportation of water
Area Affected: Easterly 20 feet of Parcel "B"

2. **MATTERS OF RECORD DISCLOSED BY SURVEY RECORDED AS:**

Auditor's No: 8410030017
Volume/Page: Volume 5 of Surveys, Page 206
Survey Affects: Parcel "B"

Among the matters disclosed by said Survey is/are:

- a) Fence
- b) Culvert

3. **EASEMENT, INCLUDING THE TERMS AND PROVISIONS THEREOF:**

Grantee: Public Utility District No. 1
Dated: July 17, 1956 and July 2, 1956
Recorded: July 19, 1956 and July 9, 1956
Auditor's Nos: 538961 and 538462
Purpose: Water line
Area Affected: West 20 feet of Parcels "C" and "D"

4. **EASEMENT, INCLUDING THE TERMS AND PROVISIONS THEREOF:**

Grantee: Skagit County
Dated: September 20, 1988
Recorded: September 27, 1988
Auditor's No: 8809270034
Purpose: Undisclosed
Area Affected: West line of the subject property adjacent to Beaver Marsh Road - Parcel E



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5. **EASEMENT AND PROVISIONS THEREIN:**

Grantee: Puget Sound Power & Light Company
Dated: April 27, 1979
Recorded: May 8, 1979
Auditor's No: 7905080018
Purpose: Right to construct, operate, maintain, repair, replace and enlarge one or more electric transmission and/or distribution lines over and/or under the right-of-way
Location: Portion of the subject property
Area Affected: Parcel E

6. **REGULATORY NOTICE/AGREEMENT THAT MAY INCLUDE COVENANTS, CONDITIONS AND RESTRICTIONS AFFECTING THE SUBJECT PROPERTY:**

Executed By: Skagit County Board of Adjustment
Recorded: February 22, 1982
Auditor's Nos: 8202220024 and 8202220025
Area Affected: Parcel E

Reference is hereby made to the record for the full particulars of said notice/agreement. However, said notice/agreement may have changed or may in the future change without recorded notice.

7. **EASEMENT AND PROVISIONS CONTAINED THEREIN:**

Grantee: Puget Sound Power & Light Company
Dated: June 30, 1988
Recorded: July 7, 1988
Auditor's No: 8807070072
Purpose: Right to enter said premises to operate, maintain and repair underground electric transmission and/or distribution system, together with the right to remove brush, trees and landscaping which may constitute a danger to said lines
Affects: Portion of the subject property - Parcel E



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8. EASEMENT AND PROVISIONS CONTAINED THEREIN:

Grantee: Puget Sound Power & Light Company
Dated: August 6, 1994
Recorded: August 19, 1994
Auditor's No: 9408190100
Purpose: Right to enter said premises to operate, maintain and repair underground electric transmission and/or distribution system, together with the right to remove brush, trees and landscaping which may constitute a danger to said lines
Affects: Portion of the subject property – Parcel E

9. REGULATORY NOTICE/AGREEMENT THAT MAY INCLUDE COVENANTS, CONDITIONS AND RESTRICTIONS AFFECTING THE SUBJECT PROPERTY:

Executed By: Washington Bulb Company
Recorded: November 3, 1994
Auditor's No: 9411030068
Area Affected: Parcel E

Reference is hereby made to the record for the full particulars of said notice/agreement. However, said notice/agreement may have changed or may in the future change without recorded notice.

10. EASEMENT, INCLUDING THE TERMS AND PROVISIONS THEREOF:

Grantee: Drainage District No. 15
Dated: May 7, 1908
Recorded: May 20, 1908
Auditor's No: 67753
Purpose: "the privilege to put material taken from the ditch upon the adjoining lands."
Area Affected: Portion of the subject property – Parcel E



11. EASEMENT AND PROVISIONS THEREIN:

Grantee: Puget Sound Power & Light Company
Dated: July 5, 1983
Recorded: July 25, 1983
Auditor's No: 8307250040
Purpose: Right to construct, operate, maintain, repair, replace and enlarge one or more electric transmission and/or distribution lines over and/or under the right-of-way.

Area Affected: Parcel F

Location:

A right-of-way 10 feet in width having 5 feet of such width on each side of a centerline described as follows:

Beginning at a point on the East line of the above described property that is approximately 1,590 feet South of the centerline of the County Road known as the McLean Road; thence along the approximate bearing and distance as follows:

South 83 degrees West, 460 feet to its terminus.

12. EASEMENT, INCLUDING THE TERMS AND PROVISIONS THEREOF:

Grantee: Skagit County
Dated: September 20, 1988
Recorded: September 27, 1988
Auditor's No: 8809270034
Purpose: Maintain drainage ditch
Area Affected: Parcel F

A tract of land described as follows:

Beginning at the Southeast corner of said Section 22; thence North along Section line, 340 feet; thence West, 11.5 feet to a point on the West right-of-way line of Beaver Marsh Road #4461, said point being the true point of beginning; thence West, 13.5 feet; thence North 776.65 feet; thence East 8.5 feet; thence North, 191.67 feet, more or less, to a point on the North line of said subdivision; thence East, 5 feet to a point on the West right-of-way line of said road; thence South along said right-of-way line, 868.33 feet, more or less, to the true point of beginning.



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13. TITLE NOTIFICATION THAT THE SUBJECT PROPERTY IS PROPERTY DESIGNATED AGRICULTURAL RESOURCE LANDS BY SKAGIT COUNTY.

Executed By: Washington Bulb Company
Recorded: October 19, 1999
Auditor's No: 199910290229
Area Affected: Parcel F

Reference is hereby made to the record for the full particulars of said notification. However, said notification may have changed or may in the future change without recorded notice.

14. MATTERS AS DISCLOSED AND/OR DELINEATED ON THE FACE OF THE FOLLOWING SHORT PLAT:

Short Plat No.: 98-0009
Recorded: September 17, 1999
Auditor's No: 199909170004
Area Affected: Parcel G

15. EASEMENT, INCLUDING THE TERMS AND PROVISIONS THEREOF:

Grantee: Skagit County
Dated: August 27, 1999
Recorded: September 17, 1999
Auditor's No: 199909170007
Purpose: Protected Critical Area Easement
Area Affected: Area shown on Short Plat No. 98-009 - Parcel G

16. EASEMENT, INCLUDING THE TERMS AND PROVISIONS THEREOF:

Grantee: Skagit County
Dated: August 31, 1999
Recorded: September 17, 1999
Auditor's No: 199909170008
Purpose: Conservation Easement
Area Affected: Lot 3 of Parcel "G"

17. Any adverse claim by reason of any change in the location of the boundaries of said premises which may have resulted from any change in the location of the River/Creek herein named, or its banks, or which may result from such change in the future.

River/Creek: Sullivan Slough
Affects: Parcels "H-1" and "H-2"



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18. EASEMENT, INCLUDING THE TERMS AND PROVISIONS THEREOF:

Grantee: Public Utility District No. 1
Dated: December 27, 1955
Recorded: December 28, 1955
Auditor's No: 529244
Purpose: Water lines
Area Affected: South 20 feet of Parcel "I"

19. MATTERS AS DISCLOSED AND/OR DELINEATED ON THE FACE OF THE FOLLOWING SHORT PLAT:

Short Plat No.: 99-0008
Recorded: September 17, 1999
Auditor's No: 199909170005
Area Affected: Parcel I

(Copy attached)

20. EASEMENT, INCLUDING THE TERMS AND PROVISIONS THEREOF:

Grantee: Skagit County
Dated: March 26, 1999
Recorded: September 17, 1999
Auditor's No: 199909170010
Purpose: Protected Critical Area Easement
Area Affected: Portion of subject property - Parcel I

21. EASEMENT, INCLUDING THE TERMS AND PROVISIONS THEREOF:

Grantee: Skagit County
Dated: August 16, 1999
Recorded: September 17, 1999
Auditor's No: 199909170012
Purpose: Conservation Easement
Area Affected: Parcel I

22. MAINTENANCE DECLARATION, INCLUDING THE TERMS AND PROVISIONS THEREOF:

Declarant: Washington Bulb Company
Dated: August 18, 1999
Recorded: September 17, 1999
Auditor's No: 199909170013
Purpose: Road Maintenance
Area Affected: Parcel I



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23. EASEMENT, INCLUDING THE TERMS AND PROVISIONS THEREOF:

Grantee: Public Utility District No. 1
Dated: September 4, 1953
Recorded: September 8, 1953
Auditor's No: 492449
Purpose: Water lines
Area Affected: East 20 feet of Government Lot 1 of Parcel "L"

24. EASEMENT, INCLUDING THE TERMS AND PROVISIONS THEREOF:

Grantee: Skagitonians to Preserve Farmland
Dated: December 19, 1996
Recorded: March 14, 1997
Auditor's No: 9703140079
Purpose: Conservation Easement
Area Affected: Portions of Parcel "L" in Government Lot 2 and 3

25. DEED OF TRUST INCLUDING THE TERMS AND CONDITIONS THEROF:

Grantor: Washington Bulb Company, Inc., a Washington Corporation
Trustee: Land Title Company of Skagit County
Beneficiary: John A. Handel and Dennis Lynn Handel, each an undivided 1/2 interest, as tenants in common
Amount: \$350,000.00 plus interest, if any
Dated: August 15, 1997
Recorded: August 15, 1997
Auditor's No: 9708150067
Area Affected: Parcel "T"

