

WHEN RECORDED RETURN TO:



200303280229
Skagit County Auditor

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Chicago Title Insurance Company

DOCUMENT TITLE(s)

1. COLLATERAL ASSIGNMENT OF LEASE ISLAND TITLE CO.
2. FOR SECURITY
3. C26200

REFERENCE NUMBER(s) OF DOCUMENTS ASSIGNED OR RELEASED:

UN RECORDED LEASE

ACCOMMODATION RECORDING

☐ Additional numbers on page _____ of the document

GRANTOR(s):

1. TOURNAMENT SKI TEAM, INC.
- 2.
- 3.

☐ Additional names on page _____ of the document

GRANTEE(s):

1. NO WAKE LAKES INC
- 2.
- 3.

☐ Additional names on page _____ of the document

Island Title Company has placed
this document for recording as a
customer courtesy and accepts no
liability for its accuracy or validity

ABBREVIATED LEGAL DESCRIPTION:

LOTS 1-5 PLAT OF BOW HILL LAKE

☐ Complete legal description is on page _____ of the document

ASSESSOR'S PROPERTY TAX PARCEL ACCOUNT NUMBER(s):

P113074/P113075/P113076/P113077/P113071/P113072
P113078

This cover sheet is for the County Recorder's indexing purposes only.
The Recorder will rely on the information provided on the form and will not read the document to verify the
accuracy or completeness of the indexing information provided herein.

COLLATERAL ASSIGNMENT OF LEASE FOR SECURITY

THIS AGREEMENT is entered into this 27th day of March, 2003 by RICHARD J. SPADY & INA LOU SPADY, Husband and Wife (the "Lender") and TOURNAMENT SKI TEAM, INC., a Washington corporation (the "Guarantor") to secure the performance by NO WAKE LAKES, INC., a Washington corporation (the "Purchaser") of Purchaser's obligations under that certain Bow Lake Purchase and Sale Agreement (as updated on 3/22/2003) (the "Purchase Agreement").

The parties hereto agree as follows:

1. Collateral Assignment of Lease for Security. For other good and valuable consideration, Guarantor hereby grants, transfers, and assigns to Lender, and the successors and assigns of Lender all of the right, title and interest of Guarantor in and to that certain real property Lease dated January 9, 1999 (the "Lease"), wherein Dennis Hamilton and Patricia Hamilton, Husband and Wife, are the Lessors and Guarantor is the Lessee, covering the real property described on Exhibit "A" attached hereto and incorporated herein by this reference. This Assignment is made as security for the payment of Promissory Notes from Purchaser to Lender dated March 27, 2003 in the principal amount of One Million One Hundred Thousand Dollars (\$1,100,000.00).
2. Assignment for Security Only. The Lender agrees that so long as there shall exist no default by Purchaser in the payment of any indebtedness secured hereby, Guarantor shall have and exercise all rights granted under the Lease.
3. Cancellation of Assignment. Upon payment in full of all indebtedness secured hereby, this assignment shall become and be null and void and of no further effect.
4. Guarantor's Performance Under Lease. Guarantor will fulfill or perform each and every condition and covenant of the Lease to be fulfilled or performed by Guarantor; give prompt notice to Lender of any notice of default received by Guarantor under the Lease; and not terminate the term of the Lease nor surrender the Lease unless required or allowed to do so by the terms of the Lease.
5. Litigation. At Guarantor's sole cost and expense, the Guarantor will appear in and defend any action growing out of or in any manner connected with the Lease or the obligations or liabilities of Guarantor thereunder.
6. Default. After a default by Purchaser in the payment of the indebtedness, and the failure of Purchaser to cure such default within fifteen (15) days, or if the default is not capable of being cured in fifteen (15) days, to begin and diligently pursue a cure of such default, then Lender, at his option and without regard to the adequacy of security for the indebtedness of performance hereby secured, may enter upon, take possession of and utilize the Premises under



Seller, at his option and without regard to the adequacy of security for the indebtedness of performance hereby secured, may enter upon, take possession of and utilize the Premises under the Lease, either in person or by agent, with or without bringing any action or proceeding or having a receiver appointed by a court. In such an event, the Seller may do anything to protect the security thereof until all indebtedness secured hereby is paid in full (either with or without taking possession of the Premises in its own name), and the Lease shall be deemed immediately and automatically vested in Seller. From the date of the reversion of the Lease to Seller, Seller shall automatically without notice have the right to exercise all rights as the Lessee under the Lease and to receive all the benefits thereof.

7. Uniform Commercial Code. To the extent that Guarantor's interest in the Lease is deemed to be a contract right as that term is defined by the Uniform Commercial Code as enacted in the state of Washington, Guarantor creates therein and grants to Seller a security interest in its interest in the Lease, and consents to Seller filing appropriate financing statement(s) with the Secretary of State of Washington and/or the auditor of the County in which the premises is located.

8. Obligations Under Lease. Seller shall not be obligated to perform or discharge any obligation under the Lease or under by reason of this Assignment, and Guarantor hereby agrees to indemnify Seller against and hold it harmless from any and all liability, loss or damage which it may or might incur under the Lease or under or by reason of this Assignment.

9. Amendment and/or Modification. Neither this Agreement nor any term or provision hereof, may be changed, waived, discharged, amended, or modified orally, or in any manner other than by an instrument in writing signed by all of the parties hereto.

10. Binding Effect. Subject to provisions hereof regarding assignment, if any, this Agreement shall be binding upon and inure to the benefit of the respective parties, and their legal representatives, successors, assigns, and heirs.

11. Documents. Each party to this Agreement shall perform any and all acts and execute and deliver any and all documents as may be necessary and proper under the circumstances in order to accomplish the intents and purposes of this Agreement to carry out its provisions, even after closing of the sale of the subject property by Dann to No Wake Lakes, Inc.

12. Waiver of Breach. The failure of any party hereto to insist upon strict performance of any of the covenants and agreements herein contained, or to exercise any option or right herein conferred, in any one or more instances, shall not be construed to be a waiver or relinquishment of performance of any covenant or agreement, or of any such option or right, but the same shall be and remain in full force and effect.

13. Specific Performance. If any party shall default in its obligations under this Agreement, the parties each acknowledge that it would be extremely difficult to measure the resulting damages. Accordingly, any nondefaulting party, in addition to any other rights or remedies, shall be entitled to restraint by injunction of a violation, or attempted or threatened



violation, of any obligation or provision of this Agreement, or to a decree specifically compelling performance of any such obligation or provision. In such event, all parties hereto each expressly waive any defense that a remedy in damages or at law would be adequate.

14. Law. This Agreement shall be governed by, construed and enforced in accordance with the internal laws of the state of Washington, without giving effect to principles and provisions thereof relating to conflict or choice of laws irrespective of the fact that any one of the parties is now or may become a resident of a different state. Venue for any action under this Agreement shall lie in King County, Washington.

DATED effective the day and date first set forth above.

SELLER:

*Wade R. Dann by
Leslie A. Dann
his attorney in fact*

Wade R. Dann

Leslie A. Dann
Leslie A. Dann

GUARANTOR:

TOURNAMENT SKI TEAM, INC.
a Washington corporation

[Signature]
Douglas A. Spady, President

[Signature]
Julie L. Spady, Vice-President

CONSENT BY PURCHASER:

The undersigned Purchaser hereby consents to this collateral Assignment Lease for Security.

NO WAKE LAKES, INC.
a Washington corporation

[Signature]
Douglas A. Spady, President

[Signature]
Julie L. Spady, Vice-President

SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

MAR 28 2003

Amount Paid \$
Skagit Co. Treasurer
By *[Signature]* Deputy
3

{R:\Clients\02562\SI93743.DOC}



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Skagit County Auditor

EXHIBIT "A"
LEASE

THIS LEASE AGREEMENT, made and entered into this 9th day of JANUARY, 1999, is by and between DENNIS HAMILTON and PATRICIA HAMILTON, husband and wife, and their heirs and assigns, hereinafter referred to as the Lessors, and TOURNAMENT SKI TEAM, INC., a Washington corporation (Lessees), and those persons (members) who have entered into leases with TST for waterskiing on Bow Hill Lake to help defray the cost of maintaining the Lake.

WITNESSETH:

1. Premises. The Lessors hereby lease to the Lessees and the Lessees hereby lease from the Lessors that certain real property described as follows:

A. That portion of the below described real property which lies below the ordinary high water mark and which is designated as a portion of the surface area of what is commonly called Bow Hill Lake.

Commencing at the southwest corner of Section 19, Township 36 North, Range 4 East, W.M.; thence S 86°10'34" E along the south line thereof, a distance of 443.70 feet to the point of beginning of this description; thence N 5°50'34"E, a distance of 660.06 feet to the north line of the south half of said Government Lot 4; thence S 86°15'29"E along said north line, a distance of 497.13 feet; thence S 5°50'41" W, a distance of 660.77 feet to the south line of said section; thence N 86°10'34" along said south line, a distance of 497.11 feet to the point of beginning.

Except the South 40 feet thereof.

Situate in Skagit County, Washington.

2. Purpose. This lease is entered into for the exclusive purpose of water skiing and wakeboarding.

3. Access. This lease creates no express or implied right to access, use or entry upon adjoining property above the ordinary high water mark. Access to the leased premises shall be over and across lessee's property.

4. Term. The lease term shall begin on November 1, 1998, and shall expire on February 28, 2000 and can be renewed for a renewal term of one (1) year commencing March 1, 2000, and each successive year, if renewed.

Lease Agreement - 1

Michael E. McNeff, P.S.

Attorney at Law

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