

PREPARED BY AND UPON
RECORDATION RETURN TO:

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Skagit County Auditor

7/30/2003 Page 1 of 30 3:42PM

CHICAGO TITLE G27025 ✓

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

Grantor ("Grantor"):

THOUSAND TRAILS, INC.,
a Delaware corporation

Grantee #1 ("Trustee"):

CHICAGO TITLE INSURANCE COMPANY,
a Missouri corporation

Grantee #2 ("Beneficiary")

iSTAR FINANCE SUB 1000T LLC,
a Delaware limited liability company

Abbreviated Legal Description:

PTNS OF SEC 30 AND 31, T36N, R4EWM
Additional Legal(s) on Exhibit A

Assessor's Tax Parcel ID Number(s): 360430-1-008-0008, 360430-0-010-006, 360430-0-011-0005, 360430-0-011-0005, 360430-0-012-0004, 360430-1-002-0004, 360430-1-003-0003, 360430-1-004-0002, 360430-3-001-0001, 360430-3-003-009, 360430-4-003-0007, 360430-4-006-0004, 360431-1-002-0003, 360431-1-004-0001, 360431-1-010-0003, 360431-2-001-0002, 360431-2-003-0000, 360430-0-009-0009

Dated: July 23, 2003

Location: Washington

County: Skagit

THIS DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, FIXTURE FILING AND SECURITY AGREEMENT (this "**Security Instrument**") is made as of the 23 day of July, 2003 by **THOUSAND TRAILS, INC.**, a Delaware corporation, as grantor ("**Grantor**") to **CHICAGO TITLE INSURANCE COMPANY**, a Missouri corporation, having an address at 701 5th Avenue, Suite 1800, Seattle, WA 98104, as trustee ("**Trustee**") for the benefit of **iSTAR FINANCE SUB 1000T LLC**, a Delaware limited liability company, having an address at 1114 Avenue of the Americas, 27th Floor, New York, New York 10036 as beneficiary ("**Beneficiary**").

RECITALS:

This Security Instrument is given to secure a loan (the "**Loan**") in the principal sum of Seventy Two Million and No/100 Dollars (\$72,000,000.00) advanced pursuant to that certain Loan and Security Agreement, dated as of the date hereof, among Grantor, affiliates of Grantor and Beneficiary (as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time, the "**Loan Agreement**") and evidenced by that certain Promissory Note, dated the date hereof, made by Grantor in favor of Beneficiary (such Promissory Note, together with all extensions, renewals, replacements, restatements or modifications thereof being hereinafter referred to as the "**Note**").

Grantor and Beneficiary hereby acknowledge and agree that this Security Instrument constitutes one of the Security Documents securing repayment of the Loan and the Obligations, all as set forth in the Loan Agreement.

Grantor desires to secure the payment of its Loan and the Obligations and the performance of all of its obligations under the Note, the Loan Agreement and the other Loan Documents (as defined in the Loan Agreement).

This Security Instrument is given pursuant to the Loan Agreement, and payment, fulfillment, and performance by Grantor of its obligations thereunder and under the other Loan Documents are secured hereby, and each and every term and provision of the Loan Agreement, the Note, including the rights, remedies, obligations, covenants, conditions, agreements, indemnities, representations and warranties of the parties therein, are hereby incorporated by reference herein as though set forth in full and shall be considered a part of this Security Instrument. All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Loan Agreement.

ARTICLE 1 - GRANTS OF SECURITY

Section 1.1 **PROPERTY MORTGAGED.** Grantor does hereby irrevocably grant, bargain, sell, pledge, assign, warrant, transfer and convey to and grant a security interest to Trustee and its successors in trust and assigns, forever, in trust with power of sale, all of Grantor's estate, right, title, interest, claim and demand in and to in the following property, rights, interests and estates now owned, or hereafter acquired by Grantor (collectively, the "**Property**") for the benefit of Beneficiary:



(a) Land. The real property described in Exhibit A attached hereto and made a part hereof (the "**Land**");

(b) Additional Land. All additional lands, estates and development rights hereafter acquired by Grantor for use in connection with the Land and the development of the Land and all additional lands and estates therein which may, from time to time, by supplemental mortgage or otherwise be expressly made subject to the lien of this Security Instrument;

(c) Improvements. The buildings, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter erected or located on the Land (the "**Improvements**");

(d) Easements. All easements, rights-of-way or use, rights, strips and gores of land, streets, ways, alleys, passages, sewer rights, water, water courses, water rights and powers, air rights and development rights, and all estates, rights, titles, interests, privileges, liberties, servitudes, tenements, hereditaments and appurtenances of any nature whatsoever, in any way now or hereafter belonging, relating or pertaining to the Land and the Improvements and the reversion and reversions, remainder and remainders, and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Land, to the center line thereof and all the estates, rights, titles, interests, property, possession, claim and demand whatsoever, both at law and in equity, of Grantor of, in and to the Land and the Improvements and every part and parcel thereof, with the appurtenances thereto;

(e) Fixtures and Personal Property. All machinery, equipment, fixtures (including, but not limited to, all heating, air conditioning, plumbing, lighting, communications), property of every kind and nature whatsoever owned by Grantor, or in which Grantor has or shall have an interest, now or hereafter located upon the Land and the Improvements, or appurtenant thereto, and usable in connection with the present or future operation and occupancy of the Land and the Improvements and all building equipment, materials and supplies of any nature whatsoever owned by Grantor, or in which Grantor has or shall have an interest, now or hereafter located upon the Land and the Improvements, or appurtenant thereto, or usable in connection with the present or future operation and occupancy of the Land and the Improvements (collectively, the "**Personal Property**"), and the right, title and interest of Grantor in and to any of the Personal Property which may be subject to any security interests, as defined in the Uniform Commercial Code, as adopted and enacted by the State or States where any of the Property is located (the "**Uniform Commercial Code**"), superior in lien to the lien of this Security Instrument and all proceeds and products of the above;

(f) Leases and Rents. All leases, subleases and other agreements affecting the use, enjoyment or occupancy of the Land and/or the Improvements (other than Membership Contracts) heretofore or hereafter entered into and all extensions, amendments and modifications thereto, whether before or after the filing by or against



Grantor of any petition for relief under Section 365(h)(1) of the Bankruptcy Code, Title 11 U.S.C.A. § 101 *et seq.* (as the same may be amended from time to time, the "**Bankruptcy Code**") (the "**Leases**") and all right, title and interest of Grantor, its successors and assigns therein and thereunder, including, without limitation, any guaranties of the lessees' obligations thereunder, cash or securities deposited thereunder to secure the performance by the lessees of their obligations thereunder and all rents, additional rents, revenues, issues and profits (including all oil and gas or other mineral royalties and bonuses) from the Land and the Improvements (other than Membership Dues and Membership Receivables) whether paid or accruing before or after the filing by or against Grantor of any petition for relief under the Bankruptcy Code (the "**Rents**") and all proceeds from the sale or other disposition of the Leases and the right to receive and apply the Rents to the payment of the Obligations;

(g) Condemnation Awards. All awards or payments, including interest thereon, which may heretofore and hereafter be made with respect to the Property, whether from the exercise of the right of eminent domain (including but not limited to any transfer made in lieu of or in anticipation of the exercise of the right), or for a change of grade, or for any other injury to or decrease in the value of the Property;

(h) Insurance Proceeds. All proceeds of and any unearned premiums on any insurance policies covering the Property, including, without limitation, the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the Property as provided in the Loan Agreement;

(i) Tax Certiorari. All refunds, rebates or credits in connection with a reduction in real estate taxes and assessments charged against the Property as a result of tax certiorari or any applications or proceedings for reduction;

(j) Conversion. All proceeds of the conversion, voluntary or involuntary, of any of the foregoing including, without limitation, proceeds of insurance and condemnation awards, into cash or liquidation claims;

(k) Rights. The right, in the name and on behalf of Grantor, to appear in and defend any action or proceeding brought with respect to the Property and to commence any action or proceeding to protect the interest of Beneficiary in the Property upon the occurrence and during the continuance of an Event of Default;

(l) Other Rights. Any and all other rights of Grantor in and to the items set forth in Subsections (a) through (k) above.

Section 1.2 ASSIGNMENT OF LEASES AND RENTS. Grantor hereby absolutely and unconditionally assigns to Beneficiary and Trustee Grantor's right, title and interest in and to all current and future Leases and Rents; it being intended by Grantor that this assignment constitutes a present, absolute assignment and not an assignment for additional security only. Beneficiary hereby confers upon Grantor a revocable license ("**License**") to enforce the Leases and collect



and retain the Rents as they become due and payable. If an Event of Default has occurred and is continuing, Beneficiary shall have the right, which it may choose to exercise in its sole discretion and which it may exercise without taking possession of the Property, to terminate this License without notice to or demand upon Grantor, and without regard to the adequacy of Beneficiary's security under this Security Instrument.

Section 1.3 SECURITY AGREEMENT. This Security Instrument is both a real property mortgage and a "security agreement" within the meaning of the Uniform Commercial Code. The Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Grantor in the Property. By executing and delivering this Security Instrument, Grantor hereby grants to Beneficiary and Trustee, as security for the Obligations, a security interest in the Personal Property, to the full extent that the Personal Property may be subject to the Uniform Commercial Code.

CONDITIONS TO GRANT

TO HAVE AND TO HOLD the above granted and described Property unto and to the use and benefit of Beneficiary and Trustee, and for their successors and assigns, forever;

IN TRUST, WITH POWER OF SALE, to secure payment to Beneficiary of the Obligations at the time and in the manner provided for its payment in the Note, the Loan Agreement, and in this Security Instrument.

PROVIDED, HOWEVER, these presents are upon the express condition that, if Grantor shall pay to Beneficiary the Obligations at the time and in the manner provided in the Loan Agreement, Note, this Security Instrument and the other Security Documents, shall well and truly perform the Obligations as set forth in this Security Instrument and the other Security Documents and shall well and truly abide by and comply with each and every covenant and condition set forth herein, in the Note and in the Loan Agreement, these presents and the estate hereby granted shall cease, terminate and be void. When all of the Obligations have been paid in full and all fees and other sums owed by Grantor under the Loan Documents have been received, Beneficiary shall release this Mortgage, the lien created thereby, and all notes and instruments evidencing the Obligations and shall direct the Trustee to reconvey the Property, without warranty, to the person entitled thereto. Grantor shall pay any costs of preparation and recordation of such release and reconveyance.

ARTICLE 2 - OBLIGATIONS SECURED

Section 2.1 OBLIGATIONS. This Security Instrument and the grants, assignments and transfers made in Article 1 are given for the purpose of securing the Obligations. Grantor represents and warrants that the proceeds of the Loan are for commercial purposes only and not for personal, family or household purposes pursuant to RCW 19.52.080.

Section 2.2 USE OF PROCEEDS. None of the Property is used principally or at all for agricultural or farming purposes.



ARTICLE 3 - GRANTOR COVENANTS

Grantor covenants and agrees that:

Section 3.1 PAYMENT OF OBLIGATIONS. Grantor will pay and perform the Obligations at the time and in the manner provided in the Note, the Loan Agreement, and in this Security Instrument.

Section 3.2 INCORPORATION BY REFERENCE. All the covenants, conditions, negative covenants and agreements contained in the Loan Agreement, the Note and all and any of the other Loan Documents, are hereby made a part of this Security Instrument to the same extent and with the same force as if fully set forth herein.

Section 3.3 INSURANCE. Grantor shall obtain and maintain, or cause to be maintained, insurance in full force and effect at all times with respect to Grantor and the Property as required pursuant to the Loan Agreement (the "**Policies**").

Section 3.4 PAYMENT OF TAXES, ETC. Grantor shall promptly pay all Taxes and Impositions in accordance with the terms of the Loan Agreement.

Section 3.5 MAINTENANCE AND USE OF PROPERTY. Grantor shall cause the Property to be maintained in accordance with the terms of the Loan Agreement.

Section 3.6 PROPERTY USE. The Property shall be used only for a campground and any ancillary uses relating thereto, and for no other uses without the prior written consent of Beneficiary, which consent may be withheld in Beneficiary's sole and absolute discretion.

ARTICLE 4 - REPRESENTATIONS AND WARRANTIES

Grantor represents and warrants to Beneficiary that:

Section 4.1 WARRANTY OF TITLE. Grantor has good title to the Property and has the right to mortgage, grant, bargain, sell, pledge, assign, warrant, transfer and convey the same and that Grantor possesses an unencumbered good and marketable fee simple title to the Land and the Improvements and that it owns the Property free and clear of all liens, encumbrances and charges whatsoever except for the Permitted Encumbrances. The Permitted Encumbrances do not and will not materially adversely affect or interfere with the value, or materially adversely affect or interfere with the current use or operation, of the Property, or the security intended to be provided by this Security Instrument or the ability of Grantor to repay the Note or any other amount owing under the Note, this Security Instrument, the Loan Agreement, or the other Loan Documents or to perform its material obligations thereunder in accordance with the terms of the Note, this Security Instrument or the other Loan Documents. This Security Instrument, when properly recorded in the appropriate records, and any Uniform Commercial Code financing statements required to be filed in connection therewith, will create (i) a valid, perfected first



priority lien on the Land and Improvements, subject only to Permitted Encumbrances and the liens created by this Security Instrument and the other Loan Documents and (ii) perfected security interests in and to, and perfected collateral assignments of, all personalty (including the Leases but excluding vehicles and other personal property in which a security interest may only be perfected by taking possession of a certificate of title), all in accordance with the terms thereof, in each case subject only to any applicable Permitted Encumbrances and such other liens created by this Security Instrument and the other Loan Documents. Grantor shall forever warrant, defend and preserve the title and the validity and priority of the lien of this Security Instrument and shall forever warrant and defend the same to Beneficiary and/or Trustee against the claims of all persons whomsoever, subject to the Permitted Encumbrances.

ARTICLE 5 - OBLIGATIONS AND RELIANCES

Section 5.1 RELATIONSHIP OF GRANTOR AND BENEFICIARY. The relationship between Grantor and Beneficiary is solely that of debtor and creditor, and Beneficiary has no fiduciary or other special relationship with Grantor, and no term or condition of any of the Loan Agreement, the Note, this Security Instrument and the other Loan Documents shall be construed so as to deem the relationship between Grantor and Beneficiary to be other than that of debtor and creditor.

Section 5.2 NO RELIANCE ON BENEFICIARY. The members, general partners, principals and (if Grantor is a trust) beneficial owners of Grantor are experienced in the ownership and operation of properties similar to the Property, and Grantor and Beneficiary are relying solely upon such expertise and business plan in connection with the ownership and operation of the Property. Grantor is not relying on Beneficiary's expertise, business acumen or advice in connection with the Property.

Section 5.3 NO BENEFICIARY OBLIGATIONS. (a) Notwithstanding the provisions of Subsections 1.1(f) and (l) or Section 1.2, Beneficiary is not undertaking the performance of (i) any obligations under the Leases; or (ii) any obligations with respect to such agreements, contracts, certificates, instruments, franchises, permits, trademarks, licenses and other documents.

(b) By accepting or approving anything required to be observed, performed or fulfilled or to be given to Beneficiary pursuant to this Security Instrument, the Loan Agreement, the Note or the other Loan Documents, including without limitation, any officer's certificate, balance sheet, statement of profit and loss or other financial statement, survey, appraisal, or insurance policy, Beneficiary shall not be deemed to have warranted, consented to, or affirmed the sufficiency, the legality or effectiveness of same, and such acceptance or approval thereof shall not constitute any warranty or affirmation with respect thereto by Beneficiary.

Section 5.4 RELIANCE. Grantor recognizes and acknowledges that in accepting the Note, the Loan Agreement, this Security Instrument and the other Loan Documents, Beneficiary



is expressly and primarily relying on the truth and accuracy of the warranties and representations set forth in Section 5 of the Loan Agreement and Articles 3 and 4 hereof without any obligation to investigate the Property and notwithstanding any investigation of the Property by Beneficiary; that such reliance existed on the part of Beneficiary prior to the date hereof; that the warranties and representations are a material inducement to Beneficiary in accepting the Note, the Loan Agreement, this Security Instrument and the other Loan Documents; and that Beneficiary would not be willing to make the Loan and accept this Security Instrument in the absence of the warranties and representations as set forth in Section 5 of the Loan Agreement and Articles 3 and 4 hereof.

ARTICLE 6 - FURTHER ASSURANCES

Section 6.1 RECORDING OF SECURITY INSTRUMENT, ETC. Grantor forthwith upon the execution and delivery of this Security Instrument and thereafter, from time to time upon Beneficiary's written request, will cause this Security Instrument and any of the other Loan Documents creating a lien or security interest or evidencing the lien hereof upon the Property and each instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect and perfect the lien or security interest hereof upon, and the interest of Beneficiary in, the Property. Grantor will pay all taxes, filing, registration or recording fees, and all reasonable out-of-pocket expenses incident to the preparation, execution, acknowledgment and/or recording of the Note, the Loan Agreement, this Security Instrument, the other Loan Documents, and any instrument of further assurance, and any modification or amendment of the foregoing documents, and all federal, state, county and municipal taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Security Instrument, the other Loan Documents, or any instrument of further assurance, and any modification or amendment of the foregoing documents, except where prohibited by law so to do.

Section 6.2 FURTHER ACTS, ETC. Grantor will, at the cost of Grantor, and without expense to Beneficiary, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, deeds of trust, mortgages, assignments, notices of assignments, transfers and assurances as Beneficiary shall, from time to time, reasonably require, for the better assuring, conveying, assigning, transferring, and confirming unto Beneficiary and Trustee the Property and rights hereby deeded, mortgaged, granted, bargained, sold, conveyed, confirmed, pledged, assigned, warranted and transferred or intended now or hereafter so to be, or which Grantor may be or may hereafter become bound to convey or assign to Beneficiary, or for carrying out the intention or facilitating the performance of the terms of this Security Instrument or for filing, registering or recording this Security Instrument, or for complying with all Legal Requirements. Grantor, on demand, will execute and deliver and hereby authorizes Beneficiary, following ten (10) days' notice to Grantor, to execute in the name of Grantor or without the signature of Grantor to the extent Beneficiary may lawfully do so, one or more financing statements, chattel mortgages or other instruments, to evidence more effectively the security interest of Beneficiary in the Property or any Collateral. Grantor grants to Beneficiary an

irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Beneficiary at law and in equity, including without limitation such rights and remedies available to Beneficiary pursuant to this Section 6.2.

By executing this Security Instrument, Grantor authorizes Beneficiary to file such financing statements, with or without the signature of Grantor, as Beneficiary may elect, as may be necessary or desirable to perfect the lien of Beneficiary's security interest in the Personal Property. Grantor further authorizes Beneficiary to file, with or without any additional signature from Grantor, as Beneficiary may elect, such amendments and continuation statements as Beneficiary may deem necessary or desirable from time to time to perfect or continue the lien of Beneficiary's security interest in the Personal Property. Grantor hereby expressly ratifies any financing statements that may have been filed by Beneficiary in advance of the date hereof to perfect Beneficiary's security interest in the Personal Property.

Section 6.3 CHANGES IN TAX, DEBT CREDIT AND DOCUMENTARY STAMP LAWS.

(a) Grantor will not claim or demand or be entitled to any credit or credits on account of the Obligations for any part of the Taxes or other charges assessed against the Property, or any part thereof, and no deduction shall otherwise be made or claimed from the assessed value of the Property, or any part thereof, for real estate tax purposes by reason of this Security Instrument or the Obligations.

(b) If at any time the United States of America, any State thereof or any subdivision of any such State shall require revenue or other stamps to be affixed to the Note, the Loan Agreement, this Security Instrument, or any of the other Loan Documents or impose any other tax or charge on the same, Grantor will pay for the same, with interest and penalties thereon, if any.

Section 6.4 LEGAL FEES FOR ENFORCEMENT. Grantor shall pay to Beneficiary on demand any and all expenses, including legal expenses and attorneys' fees, incurred or paid by Beneficiary in protecting its interest in the Property or in collecting any amount payable hereunder or in enforcing its rights hereunder with respect to the Property (including commencing any foreclosure action), whether or not any legal proceeding is commenced hereunder or thereunder, together with interest thereon at the Default Rate from the date paid or incurred by Beneficiary until such expenses are paid by Grantor.

ARTICLE 7 - DUE ON SALE/ENCUMBRANCE

Section 7.1 NO SALE/ENCUMBRANCE. Neither Grantor nor any Restricted Party shall Transfer the Property or any part thereof or any interest therein or permit or suffer the Property or any part thereof or any interest therein to be Transferred other than as expressly permitted pursuant to the terms of the Loan Agreement.



ARTICLE 8 - PREPAYMENT

Section 8.1 PREPAYMENT. The Loan may not be prepaid in whole or in part except in accordance with the express terms and conditions of the Loan Agreement.

ARTICLE 9 - RIGHTS AND REMEDIES

Section 9.1 REMEDIES. Upon the occurrence and during the continuance of any Event of Default, Grantor agrees that Beneficiary may, or acting through Trustee may, take such action, without notice or demand, as it deems advisable to protect and enforce its rights against Grantor and in and to the Property, including, but not limited to, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Beneficiary may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of Beneficiary or Trustee:

- (a) declare the entire unpaid Loan to be immediately due and payable;
- (b) institute proceedings, judicial or otherwise, for the complete foreclosure of this Security Instrument under any applicable provision of law in which case the Property or any interest therein may be sold for cash or upon credit in one or more parcels or in several interests or portions and in any order or manner;
- (c) with or without entry, to the extent permitted and pursuant to the procedures provided by applicable law, institute proceedings for the partial foreclosure of this Security Instrument for the portion of the Obligations then due and payable, subject to the continuing lien and security interest of this Security Instrument for the balance of the Obligations not then due, unimpaired and without loss of priority;
- (d) sell for cash or upon credit the Property or any part thereof and all estate, claim, demand, right, title and interest of Grantor therein and rights of redemption thereof, pursuant to power of sale or otherwise, at one or more sales, in one or more parcels, at such time and place, upon such terms and after such notice thereof as may be required or permitted by law;
- (e) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained herein;
- (f) recover judgment on the Note either before, during or after any proceedings for the enforcement of this Security Instrument or the other Loan Documents;
- (g) apply for the appointment of a receiver, trustee, liquidator or conservator of the Property, without notice and without regard for the adequacy of the security for the Obligations and without regard for the solvency of Grantor, any Guarantor, Indemnitor or of any person, firm or other entity liable for the payment of the Obligations;



(h) subject to any applicable law, the license granted to Grantor under Section 1.2 shall automatically be revoked and Beneficiary may enter into or upon the Property, either personally or by its agents, nominees or attorneys and dispossess Grantor and its agents and servants therefrom, without liability for trespass, damages or otherwise and exclude Grantor and its agents or servants wholly therefrom, and take possession of all books, records and accounts relating thereto and Grantor agrees to surrender possession of the Property and of such books, records and accounts to Beneficiary upon demand, and thereupon Beneficiary may (i) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Property and conduct the business thereat; (ii) complete any construction on the Property in such manner and form as Beneficiary deems advisable; (iii) make alterations, additions, renewals, replacements and improvements to or on the Property as Beneficiary deems advisable; (iv) exercise all rights and powers of Grantor with respect to the Property, whether in the name of Grantor or otherwise, including, without limitation, the right to make, cancel, enforce or modify Leases, obtain and evict tenants, and demand, sue for, collect and receive all Rents of the Property and every part thereof; (v) require Grantor to pay monthly in advance to Beneficiary, or any receiver appointed to collect the Rents, the fair and reasonable rental value for the use and occupation of such part of the Property as may be occupied by Grantor; (vi) require Grantor to vacate and surrender possession of the Property to Beneficiary or to such receiver and, in default thereof, Grantor may be evicted by summary proceedings or otherwise; and (vii) apply the receipts from the Property to the payment of the Obligations, as provided in Section 6.4 of the Loan Agreement;

(i) exercise any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing: (i) the right to take possession of any Collateral (including, without limitation, the Personal Property) or any part thereof, and to take such other measures as Beneficiary or Trustee may deem necessary for the care, protection and preservation of the Collateral (including without limitation, the Personal Property), and (ii) request Grantor at its expense to assemble the Collateral, including without limitation, the Personal Property and make it available to Beneficiary at a convenient place acceptable to Beneficiary. Any notice of sale, disposition or other intended action by Beneficiary or Trustee with respect to the Collateral, including without limitation, the Personal Property sent to Grantor in accordance with the provisions hereof at least five (5) business days prior to such action, shall constitute commercially reasonable notice to Grantor;

(j) in the exercise of the power of sale given herein, elect to sell in parts or parcels, and in such event said sales may be held from time to time, and the power shall not be fully executed until all of the property or security not previously sold shall have been sold. If the provisions of the Uniform Commercial Code are applicable to any security given to secure the Obligations which is sold in combination with or as a part of the Land or Improvements, or any part thereof, at one or more foreclosure sales, any notice required under such provisions shall be fully satisfied by the notice given in



execution of the power of sale, if any, herein given with respect to the Land, Improvements or any part thereof.

(k) apply any sums then deposited in the Loan Accounts and any other sums held in escrow or otherwise by Beneficiary in accordance with the terms of this Security Instrument, the Loan Agreement, or any other Loan Documents as provided in Section 6.4 of the Loan Agreement.

(l) foreclose by power of sale or otherwise and apply the proceeds of any recovery to the Obligations in accordance with Article 9 of this Security Instrument;

(m) exercise all rights and remedies under any causes of action, whether before or after any sale of the Property by foreclosure, power of sale, or otherwise and apply the proceeds of any recovery to the Obligations in accordance with Article 9 of this Security Instrument; or

(n) pursue such other remedies as Beneficiary may have under applicable law.

In the event of a sale, by foreclosure, power of sale, or otherwise, of less than all of the Property, this Security Instrument shall continue as a lien and security interest on the remaining portion of the Property unimpaired and without loss of priority. For purposes of this Security Instrument, the term "default," as used in the STATUTORY POWER OF SALE, shall mean an Event of Default as defined in the Loan Agreement.

Specifically, and without otherwise limiting the generality of the foregoing, Beneficiary may: (i) cause this deed of Trust to be foreclosed judicially, in the same manner as a mortgage; (ii) sue directly on the Note in accordance with applicable law; or (iii) cause the Trustee to exercise the power of sale in accordance with the provisions of this Deed of Trust and the Washington Deed of Trust Act, RCW Ch. 61.24, as now existing or hereafter amended.

The procedure for exercise of the Trustee's power of sale shall be as follows:

Upon written request therefor by Beneficiary specifying the nature of the default, or the nature of the several defaults, and the amount or amounts due and owing, Trustee shall execute a written notice of breach and of its election to cause the Property to be sold to satisfy the obligation secured hereby, and shall cause such notice to be recorded and otherwise given according to law.

Notice of sale having been given as then required by law and not less than the time then required by law having elapsed after recordation of such notice of breach, Trustee, without demand on Grantor, shall sell the Property at the time and place of sale specified in the notice, as provided by statute, either as a whole or in separate parcels and in such order as it may determine, at public auction to the highest and best bidder for cash in lawful money of the United States, payable at time of sale. Grantor agrees that such a sale (or a sheriff's sale pursuant to judicial foreclosure) of all the Property as real estate



constitutes a commercially reasonable disposition thereof, but that with respect to all or any part of the Property which may be personal property, Trustee shall have and may exercise, at Beneficiary's sole election, all the rights and remedies of a secured party under the UCC. Whenever notice is permitted or required hereunder or under the UCC, ten (10) days shall be deemed reasonable. Trustee may postpone sale of all or any portion of the Property, and from time to time thereafter may postpone such sale, as provided by statute. Trustee shall deliver to the purchaser its deed and bill of sale conveying the Property so sold, but without any covenant or warranty, express or implied. The recital in such deed and bill of sale of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person other than Trustee, including Grantor or Beneficiary, may purchase at such sale.

After deducting all reasonable costs, fees and expenses of Trustee and of this trust, including the cost of evidence of title search and reasonable counsel 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 at the Default Rate of interest specified in the Note; all other sums then secured hereby; and the remainder, if any, to the clerk of the superior court of the county in which the sale took place, as provided in RCW 61.24.080.

Section 9.2 APPLICATION OF PROCEEDS. The purchase money, proceeds and avails of any disposition of the Property, or any part thereof, or any other sums collected by Beneficiary pursuant to the Note, this Security Instrument, the Loan Agreement, or the other Loan Documents, shall be applied by Beneficiary to the payment of the Obligations, as provided in Section 6.4 the Loan Agreement.

Section 9.3 RIGHT TO CURE DEFAULTS. Upon the occurrence and during the continuance of any Event of Default, Beneficiary may, but without any obligation to do so and without notice to or demand on Grantor and without releasing Grantor from any obligation hereunder, make or do the same in such manner and to such extent as Beneficiary may deem necessary to protect the security hereof. Beneficiary or Trustee is authorized to enter upon the Property for such purposes, or appear in, defend, or bring any action or proceeding to protect its interest in the Property or to foreclose this Security Instrument or collect the Obligations. The reasonable cost and expense of any cure hereunder (including reasonable attorneys' fees to the extent permitted by law), with interest as provided in this Article 9, shall constitute a portion of the Obligations and shall be due and payable to Beneficiary or Trustee upon demand. All such reasonable costs and expenses incurred by Beneficiary in remedying such Event of Default or such failed payment or act or in appearing in, defending, or bringing any such action or proceeding shall bear interest at the Default Rate for the period after applicable notice from Beneficiary that such cost or expense was incurred to the date of payment to Beneficiary. All such reasonable costs and expenses incurred by Beneficiary together with interest thereon calculated at the Default Rate shall be deemed to constitute a portion of the Obligations and be secured by this Security Instrument and the other Loan Documents and shall be immediately due and payable upon demand by Beneficiary therefor.



Section 9.4 ACTIONS AND PROCEEDINGS. Beneficiary or Trustee has the right to appear in and defend any action or proceeding brought with respect to the Property and, after the occurrence and during the continuance of an Event of Default, to bring any action or proceeding, in the name and on behalf of Grantor, which Beneficiary, in its discretion, decides should be brought to protect its interest in the Property.

Section 9.5 RECOVERY OF SUMS REQUIRED TO BE PAID. Beneficiary shall have the right from time to time to take action to recover any sum or sums which constitute a part of the Obligations as the same become due, without regard to whether or not the balance of the Obligations shall be due, and without prejudice to the right of Beneficiary or Trustee thereafter to bring an action of foreclosure, or any other action, for a default or defaults by Grantor existing at the time such earlier action was commenced.

Section 9.6 OTHER RIGHTS, ETC. (a) The failure of Beneficiary or Trustee to insist upon strict performance of any term hereof shall not be deemed to be a waiver of any term of this Security Instrument. Grantor shall not be relieved of Grantor's obligations hereunder by reason of (i) the failure of Beneficiary or Trustee to comply with any request of Grantor, any Guarantor or any Indemnitor to take any action to foreclose this Security Instrument or otherwise enforce any of the provisions hereof or of the Note or the other Loan Documents, (ii) the release, regardless of consideration, of any part of the Property, or of any person liable for the Obligations or any portion thereof, or (iii) any agreement or stipulation by Beneficiary or Trustee extending the time of payment or otherwise modifying or supplementing the terms of the Note, the Loan Agreement, this Security Instrument or the other Loan Documents.

(b) It is agreed that the risk of loss or damage to the Property is on Grantor, and neither Beneficiary nor Trustee shall have any liability whatsoever for decline in value of the Property, for failure to maintain the Policies, or for failure to determine whether insurance in force is adequate as to the amount of risks insured. Possession by Beneficiary or Trustee shall not be deemed an election of judicial relief, if any such possession is requested or obtained, with respect to the Property or any other Collateral not in Beneficiary's or Trustee's possession.

(c) Beneficiary may resort for the payment of the Obligations to any other security held by Beneficiary in such order and manner as Beneficiary, in its discretion, may elect. Beneficiary or Trustee may take action to recover the Obligations, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of Beneficiary or Trustee thereafter to foreclose this Security Instrument. The rights of Beneficiary or Trustee under this Security Instrument shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of Beneficiary or Trustee shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision. Neither Beneficiary nor Trustee shall be limited exclusively to the rights and remedies herein stated but shall be entitled to every right and remedy now or hereafter afforded at law or in equity.



Section 9.7 RIGHT TO RELEASE ANY PORTION OF THE PROPERTY. Beneficiary may release any portion of the Property for such consideration as Beneficiary may require without, as to the remainder of the Property, in any way impairing or affecting the lien or priority of this Security Instrument, or improving the position of any subordinate lienholder with respect thereto, except to the extent that the obligations hereunder shall have been reduced by the actual monetary consideration, if any, received by Beneficiary for such release, and may accept by assignment, pledge or otherwise any other property in place thereof as Beneficiary may require without being accountable for so doing to any other lienholder. This Security Instrument shall continue as a lien and security interest in the remaining portion of the Property.

Section 9.8 RIGHT OF ENTRY. Beneficiary and its agents shall have the right to enter and inspect the Property at all reasonable times as provided in the Loan Agreement.

ARTICLE 10 - INDEMNIFICATIONS

Section 10.1 GENERAL INDEMNIFICATION. Grantor shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any one or more of the following: (a) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about the Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (b) any use, nonuse or condition in, on or about the Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (c) performance of any labor or services or the furnishing of any materials or other property in respect of the Property or any part thereof; (d) any failure of the Property to be in compliance with any Legal Requirements; (e) any and all claims and demands whatsoever which may be asserted against Beneficiary by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants, or agreements contained in any Lease; or (f) the payment of any commission, charge or brokerage fee to anyone which may be payable in connection with the funding of the Loan evidenced by the Note and secured by this Security Instrument; provided that Grantor shall have no obligation to indemnify an Indemnified Party for Losses resulting from such Indemnified Party's gross negligence or willful misconduct or, to the extent RCW 4.24.115 is applicable, negligence. Any amounts payable to Beneficiary by reason of the application of this Section 10.1 shall become immediately due and payable and shall bear interest at the Default Rate from the date loss or damage is sustained by Beneficiary until paid.

Section 10.2 MORTGAGE AND/OR INTANGIBLE TAX. Grantor shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any tax on the making and/or recording of this Security Instrument, the Loan Agreement, the Note or any other Loan Document.



ARTICLE 11 - WAIVERS

Section 11.1 WAIVER OF NOTICE. Grantor shall not be entitled to any notices of any nature whatsoever from Beneficiary or Trustee except (a) with respect to matters for which this Security Instrument, the Loan Agreement or any other Loan Document, specifically and expressly provides for the giving of notice by Beneficiary or Trustee to Grantor, and (b) with respect to matters for which Beneficiary or Trustee is required by any applicable law to give notice, and Grantor hereby expressly waives the right to receive any notice from Beneficiary or Trustee with respect to any matter for which this Security Instrument or any other Loan Document does not specifically and expressly provide for the giving of notice by Beneficiary or Trustee to Grantor.

Section 11.2 SOLE DISCRETION OF BENEFICIARY. Wherever pursuant to this Security Instrument (a) Beneficiary exercises any right given to it to approve or disapprove, (b) any arrangement or term is to be satisfactory to Beneficiary, or (c) any other decision or determination is to be made by Beneficiary, the decision of Beneficiary to approve or disapprove, all decisions that arrangements or terms are satisfactory or not satisfactory and all other decisions and determinations made by Beneficiary, shall be in the sole and absolute discretion of Beneficiary, except as may be otherwise expressly and specifically provided herein.

ARTICLE 12 - [RESERVED]

ARTICLE 13 - SUBMISSION TO JURISDICTION

Section 13.1 SUBMISSION TO JURISDICTION. With respect to any claim or action arising hereunder or under the Note or the other Loan Documents, Grantor (a) irrevocably submits to the nonexclusive jurisdiction of the courts of the State of New York and the United States District Court located in New York, New York, and appellate courts from any thereof, and (b) irrevocably waives any objection which it may have at any time to the laying on venue of any suit, action or proceeding arising out of or relating to this Security Instrument brought in any such court, irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Nothing in this Security Instrument will be deemed to preclude Beneficiary from bringing an action or proceeding with respect hereto in any other jurisdiction.

ARTICLE 14 - APPLICABLE LAW

Section 14.1 CHOICE OF LAW. THIS SECURITY INSTRUMENT SHALL BE DEEMED TO BE A CONTRACT ENTERED INTO PURSUANT TO THE LAWS OF THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE GOVERNED, CONSTRUED, APPLIED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, PROVIDED HOWEVER, THAT WITH RESPECT TO THE CREATION, PERFECTION, PRIORITY AND ENFORCEMENT OF THE LIEN OF THIS SECURITY



INSTRUMENT, AND THE DETERMINATION OF DEFICIENCY JUDGMENTS, THE LAWS OF THE STATE WHERE THE PROPERTY IS LOCATED SHALL APPLY.

Section 14.2 PROVISIONS SUBJECT TO APPLICABLE LAW. All rights, powers and remedies provided in this Security Instrument may be exercised only to the extent that the exercise thereof does not violate any applicable provisions of law and are intended to be limited to the extent necessary so that they will not render this Security Instrument invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any Legal Requirements. If any term of this Security Instrument or any application thereof shall be invalid or unenforceable, the remainder of this Security Instrument and any other application of the term shall not be affected thereby.

ARTICLE 15 - DEFINITIONS

Section 15.1 GENERAL DEFINITIONS. Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Security Instrument may be used interchangeably in singular or plural form and the word "Grantor" shall mean "each Grantor and any subsequent owner or owners of the Property or any part thereof or any interest therein," the word "Beneficiary" shall mean "Beneficiary and any subsequent holder of the Note," the word "Trustee" shall mean "Trustee and any substitute Trustee of the estates, properties, powers, trusts and rights conferred upon Trustee pursuant to this Security Instrument," the word "Note," shall mean "the Note and any other evidence of indebtedness secured by this Security Instrument," the word "Property" shall include any portion of the Property and any interest therein, and the phrases "legal fees", "attorneys' fees" and "counsel fees" shall include any and all reasonable attorneys', paralegal and law clerk fees and disbursements, including, but not limited to, reasonable fees and disbursements at the pre-trial, trial and appellate levels incurred or paid by Beneficiary in protecting its interest in the Property, the Leases and the Rents and enforcing its rights hereunder.

Section 15.2 HEADINGS, ETC. The headings and captions of various Articles and Sections of this Security Instrument are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

ARTICLE 16 - MISCELLANEOUS PROVISIONS

Section 16.1 NO ORAL CHANGE. This Security Instrument and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Grantor or Beneficiary, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

Section 16.2 LIABILITY. If Grantor consists of more than one person, the obligations and liabilities of each such person hereunder shall be joint and several. This Security Instrument



shall be binding upon and inure to the benefit of Grantor and Beneficiary and their respective successors and assigns forever.

Section 16.3 INAPPLICABLE PROVISIONS. If any term, covenant or condition of this Security Instrument or any other Loan Document, is held to be invalid, illegal or unenforceable in any respect, the Note and this Security Instrument or the other Loan Documents, as the case may be, shall be construed without such provision.

Section 16.4 DUPLICATE ORIGINALS; COUNTERPARTS. This Security Instrument may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original. This Security Instrument may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single Security Instrument.

Section 16.5 NUMBER AND GENDER. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

Section 16.6 NOTICE. All notices required or permitted under this Security Instrument shall be given and be effective in accordance with Section 12.5 of the Loan Agreement.

Section 16.7 CONFLICT. In the event of any inconsistency between the terms and provisions of this Security Instrument and the terms and provisions of the Loan Agreement, the terms and provisions of the Loan Agreement shall govern.

ARTICLE 17 - CROSS-COLLATERALIZATION

Section 17.1 CROSS-COLLATERALIZATION. Grantor acknowledges that the Obligations are secured by this Security Instrument together with those additional Security Documents given by other Grantors to Beneficiary pursuant to the Loan Agreement, together with other Loan Documents securing or evidencing the Obligations, and encumbering the other Mortgaged Property, all as more specifically set forth in the Loan Agreement. Upon the occurrence of an Event of Default, Beneficiary shall have the right to institute a proceeding or proceedings for the total or partial foreclosure of this Security Instrument and any or all of the other Security Instruments whether by court action, power of sale or otherwise, under any applicable provision of law, for all of the Obligations and the lien and the security interest created by the other Security Documents shall continue in full force and effect without loss of priority as a lien and security interest securing the payment of that portion of the Obligations then due and payable but still outstanding. Grantor acknowledges and agrees that the Property and the other Mortgaged Property are located in one or more States and counties, and therefore Beneficiary shall be permitted to enforce payment of the Obligations and the performance of any term, covenant or condition of the Note, this Security Instrument, the Loan Documents or the other Security Documents and exercise any and all rights and remedies under the Note, this Security Instrument, the Loan Documents or the other Security Documents, or as provided by law or at



equity, by one or more proceedings, whether contemporaneous, consecutive or both, to be determined by Beneficiary, in its sole discretion, in any one or more of the States or counties in which the Property or any other Mortgaged Property is located. Neither the acceptance of this Security Instrument, the Loan Documents or the other Security Documents nor the enforcement thereof in any one State or county, whether by court action, foreclosure, power of sale or otherwise, shall prejudice or in any way limit or preclude enforcement by court action, foreclosure, power of sale or otherwise, of the Note, this Security Instrument, the other Loan Documents, or any other Security Document through one or more additional proceedings in that State or county or in any other State or county. Any and all sums received by Beneficiary under the Note, this Security Instrument, and the Loan Documents shall be applied to the Obligations in such order and priority as provided in the Loan Agreement, without regard to the appraised value of the Property or any other Mortgaged Property.

ARTICLE 18 - LOCAL LAW PROVISIONS

Section 18.1 INCONSISTENCIES. In the event of any inconsistencies between the terms and conditions of this Article 18 and the other provisions of this Security Instrument, the terms and conditions of this Article 18 shall control and be binding.

Section 18.2 Suretyship Waivers. Any Grantor that has signed this Security Instrument as a surety or accommodation party, or that has guaranteed the payment of the Loan or other Obligation or that has subjected its property to this Security Instrument to secure the indebtedness of another, hereby expressly waives to the fullest extent permitted by law any and all benefits and defenses that any statutes or rules now or hereafter in effect that purport to confer specific rights upon or make specific defenses and procedures available to Grantor, due to its status as a surety, accommodation party or guarantor, and waives any defense arising by reason of any disability or other defense of Grantor or by reason of the cessation from any cause whatsoever of the liability of Grantor.

Section 18.3 NO MERGER. There shall be no merger of the lien, security interest or other estate or interest created by this Security Instrument with the fee estate, any leasehold estate, easement rights, or any other rights or interests in the Property by reason of any such interest created by this Security Instrument being held, directly or indirectly, by or for the account of any person who shall own the fee estate or any other interest in the Property including without limitation, by reason of another deed of trust, mortgage or other lien in favor of the Beneficiary hereunder. No merger of this Security Instrument shall occur unless and until all persons at the time having such concurrent interests shall join in a written instrument expressly specifying such merger, and such instrument shall be duly recorded.

ARTICLE 19 - DEED OF TRUST PROVISIONS

Section 19.1 CONCERNING THE TRUSTEE. Trustee shall be under no duty to take any action hereunder except as expressly required hereunder or by law, or to perform any act which



would involve Trustee in any expense or liability or to institute or defend any suit in respect hereof, unless properly indemnified to Trustee's reasonable satisfaction. Trustee, by acceptance of this Security Instrument, covenants to perform and fulfill the trusts herein created, being liable, however, only for gross negligence or willful misconduct, and hereby waives any statutory fee and agrees to accept reasonable compensation, in lieu thereof, for any services rendered by Trustee in accordance with the terms hereof. Trustee may resign at any time upon giving thirty (30) days' notice to Grantor and to Beneficiary. Beneficiary may remove Trustee at any time or from time to time and select a successor trustee. In the event of the death, removal, resignation, refusal to act, or inability to act of Trustee, or in its sole discretion for any reason whatsoever Beneficiary may, without notice and without specifying any reason therefor and without applying to any court, select and appoint a successor trustee, by an instrument recorded wherever this Security Instrument is recorded and all powers, rights, duties and authority of Trustee, as aforesaid, shall thereupon become vested in such successor. Such substitute trustee shall not be required to give bond for the faithful performance of the duties of Trustee hereunder unless required by Beneficiary. The procedure provided for in this Section 19.1 for substitution of Trustee shall be in addition to and not in exclusion of any other provisions for substitution, by law or otherwise.

Section 19.2 TRUSTEE'S FEES. Grantor shall pay all reasonable costs, fees and expenses incurred by Trustee and Trustee's agents and counsel in connection with the performance by Trustee of Trustee's duties hereunder and all such costs, fees and expenses shall be secured by this Security Instrument.

Section 19.3 CERTAIN RIGHTS. With the approval of Beneficiary, Trustee shall have the right to take any and all of the following actions: (i) to select, employ, and advise with counsel (who may be, but need not be, counsel for Beneficiary) upon any matters arising hereunder, including the preparation, execution, and interpretation of the Note, this Security Instrument or the other Loan Documents, and shall be fully protected in relying as to legal matters on the advice of counsel, (ii) to execute any of the trusts and powers hereof and to perform any duty hereunder either directly or through his/her agents or attorneys, (iii) to select and employ, in and about the execution of his/her duties hereunder, suitable accountants, engineers and other experts, agents and attorneys-in-fact, either corporate or individual, not regularly in the employ of Trustee, and Trustee shall not be answerable for any act, default, negligence, or misconduct of any such accountant, engineer or other expert, agent or attorney-in-fact, if selected with reasonable care, or for any error of judgment or act done by Trustee in good faith, or be otherwise responsible or accountable under any circumstances whatsoever, except for Trustee's gross negligence or bad faith, and (iv) any and all other lawful action as Beneficiary may instruct Trustee to take to protect or enforce Beneficiary's rights hereunder. Trustee shall not be personally liable in case of entry by Trustee, or anyone entering by virtue of the powers herein granted to Trustee, upon the Property for debts contracted for or liability or damages incurred in the management or operation of the Property. Trustee shall have the right to rely on any instrument, document, or signature authorizing or supporting an action taken or proposed to be taken by Trustee hereunder, believed by Trustee in good faith to be genuine. Trustee shall be entitled to reimbursement for actual expenses incurred by Trustee in the performance of



Trustee's duties hereunder and to reasonable compensation for such of Trustee's services hereunder as shall be rendered.

Section 19.4 RETENTION OF MONEY. All moneys received by Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by applicable law) and Trustee shall be under no liability for interest on any moneys received by Trustee hereunder.

Section 19.5 PERFECTION OF APPOINTMENT. Should any deed, conveyance, or instrument of any nature be required from Grantor by any Trustee or substitute trustee to more fully and certainly vest in and confirm to the Trustee or substitute trustee such estates rights, powers, and duties, then, upon request by the Trustee or substitute trustee, any and all such deeds, conveyances and instruments shall be made, executed, acknowledged, and delivered and shall be caused to be recorded and/or filed by Grantor.

Section 19.6 SUCCESSION INSTRUMENTS. Any substitute trustee appointed pursuant to any of the provisions hereof shall, without any further act, deed, or conveyance, become vested with all the estates, properties, rights, powers, and trusts of its or his/her predecessor in the rights hereunder with like effect as if originally named as Trustee herein; but nevertheless, upon the written request of Beneficiary or of the substitute trustee, the Trustee ceasing to act shall execute and deliver any instrument transferring to such substitute trustee, upon the trusts herein expressed, all the estates, properties, rights, powers, and trusts of the Trustee so ceasing to act, and shall duly assign, transfer and deliver any of the property and moneys held by such Trustee to the substitute trustee so appointed in the Trustee's place.

ARTICLE 20 - MEMBERSHIP CAMPGROUND

Section 20.1 (a) With respect to non-Affiliates only:

(i) Notwithstanding anything in this Security Instrument to the contrary, Beneficiary hereby covenants and agrees that:

(A) Its rights in the Resort (as hereinafter defined) shall be subordinate to the rights of Purchasers (as hereinafter defined) from and after the recording of this instrument;

(B) In the event Beneficiary or its successors and assigns acquires the resort through foreclosure, trustee's sale or by deed in lieu of foreclosure of this Security Instrument or otherwise, it shall take the Resort subject to the use rights of Purchasers; and

(C) In the event Beneficiary or its successors and assigns acquires the Resort through foreclosure, trustee's sale or by deed in lieu of foreclosure of this Security Instrument or otherwise, it shall not



discontinue use of the Resort or cause or permit the Resort to be used in a manner which would prevent or materially prevent or interfere with Purchasers from using or occupying the Resort in the manner contemplated by the Purchasers' Camping Resort Contracts (as hereinafter defined). However, except as required by applicable law, Beneficiary and its successors and assigns shall have no obligation or liability to assume the responsibilities or obligations of Grantor or any of its Affiliates under the Camping Resort Contracts.

(ii) In the event Beneficiary or its successors and assigns obtains title to or possession of or causes a change in the title to or possession of the Resort by foreclosure or otherwise and does not continue to operate the Resort upon conditions no less favorable to Purchasers than existed prior to the change of title or possession, Beneficiary and its successors and assigns shall either:

(A) Offer the title to or possession of the Resort to an association of Purchasers to operate the Resort; or

(B) Obtain a commitment from another entity (which obtains title or possession to the Resort) to undertake the responsibility of operating the Resort.

(iii) The covenants contained herein may be enforced by each Purchaser of a Camping Resort Contract from Grantor or any of its present or future Affiliates, provided that the Purchaser is not in default under the terms of the Purchaser's Camping Resort Contract. So long as an Event of Default is not continuing under this Security Instrument or the other Loan Documents, the covenants contained herein may be enforced by Grantor.

(iv) The covenants contained herein shall be effective as between each Purchaser and Beneficiary despite any rejection or cancellation of the Purchaser's Camping Resort Contract during any bankruptcy proceedings of Grantor or any of its present or future Affiliates.

(v) The covenants and agreements contained herein shall inure to the benefit of and be binding upon the successors and assigns of Grantor and Beneficiary, including any person who acquires the Resort through foreclosure or by deed in lieu of foreclosure of this Security Instrument.

(b) When used in this Section, each of the following terms shall be defined as set forth below:

(i) "Purchaser" shall mean a person who enters into a Camping Resort Contract with Grantor or any of its present or fu



after the date hereof and thereby obtains title to, an estate or interest in, or license or the right to use the Resort.

(ii) "Camping Resort Contract" shall mean an agreement between Grantor or any of its present or future Affiliates, and a Purchaser evidencing the Purchaser's title to, estate or interest in, or right or license to use the Resort for more than 14 days in a year.

(iii) "Resort" means the campground located on or forming a part of the Property.

(c) The covenant of non-disturbance contained herein is made for the benefit of Grantor and Beneficiary and each Purchaser and shall be binding upon and inure to the benefit of Grantor and Beneficiary and their respective successors and assigns and shall inure to the benefit of each Purchaser and his or her respective successors and assigns.

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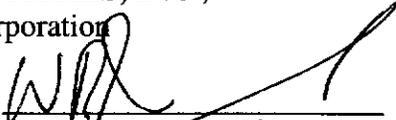


IN WITNESS WHEREOF, Grantor has executed this Instrument as of the day and year first above written.

PLEASE BE ADVISED THAT ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR FOREBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE UNENFORCEABLE UNDER WASHINGTON LAW.

GRANTOR:

THOUSAND TRAILS, INC.,
a Delaware corporation

By: 

Name: Walter B. Saccard

Title: Vice President

State of New York)
) ss.
County of New York)

On this 23 day of July, 2003 before me personally appeared Walter B. Jaccard, the Vice President of Thousand Trails, Inc., a Delaware corporation, and acknowledged said instrument to be his/her free act and deed and the free act and deed of said corporation.

Ellen Warren

Notary Public
My Commission Expires:

ELLEN WARREN
NOTARY PUBLIC, State of New York
No. 31-4847374
Qualified In New York County
Commission Expires July 31, 2005



200307300159
Skagit County Auditor

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EXHIBIT A

Land

LEGAL DESCRIPTION

(MOUNT VERNON)

PARCEL A:

That portion of the Southeast Quarter of the Northeast Quarter of Section 30, Township 36 North, Range 4 East of the Willamette Meridian, lying West of the county road;

EXCEPT the following described tract:

Beginning at the Northwest corner of said Southeast Quarter of the Northeast Quarter; thence South 86°44' East along the North line of said subdivision, 689.69 feet to the center line of Friday Creek as it existed in July 1960; being the true point of beginning of the tract herein described; thence South 43°58' West along the center line of said creek, 296.03 feet; thence South 86°44' East a distance of 219.57 feet to the Northwesterly line of the county road; thence Northeasterly along said county road to the North line of said subdivision; thence Westerly along the North line of said subdivision to the true point of beginning.

PARCEL B:

That portion of the Southwest Quarter of the Northeast Quarter of Section 30, Township 36 North, Range 4 East of the Willamette Meridian, described as follows:

Beginning at the Southeast corner of said subdivision; thence North 86°09'15" West along the South line of said subdivision, 173.83 feet; thence North 33°13' West, 593.74 feet; thence North 11°13'45" West, 366.72 feet; thence North 00°15'45" East, 91.67 feet; thence North 17°52'30" East, 89.17 feet; thence North 56°13'30" East, 260.95 feet; thence North 76°01'30" East, 83.57 feet; thence North 06°10'45" East, 136.52 feet to the North line of said subdivision; thence South 85°02'15" East, 201.30 feet to the Northeast corner of said subdivision; thence South 01°15'14" East along the East line of said subdivision to the Southeast corner thereof and the point of beginning.

PARCEL C:

That portion of the Northwest Quarter of the Northeast Quarter of Section 30, Township 36 North, Range 4 East of the Willamette Meridian, described as follows:

Beginning at the Southeast corner of said subdivision; thence North 85°02'15" West along the



South line of said subdivision, 201.30 feet; thence North 06°10'46" East, 20.50 feet; thence North 57°47'35" West, 1,067.71 feet to the East line of the state highway right-of-way; thence North 08°57' East along the East line of said highway right-of-way, 788.75 feet to the North line of said subdivision; thence South 86°10'35" East, 987.50 feet to the Northeast corner of said subdivision; thence South 00°16'19" West, 1,320.17 feet to the point of beginning.

PARCEL D:

That portion of the Northeast Quarter of the Northeast Quarter of Section 30, Township 36 North, Range 4 East of the Willamette Meridian, described as follows:

Beginning at the Southwest corner of said subdivision; thence South 85°02'15" East along the South line of said subdivision, 506.40 feet; thence North 02°47'15" East, 273.24 feet; thence North 05°54'45" West, 221.26 feet; thence North 77°29'15" West, 386.03 feet; thence North 67°35'15" West, 124.82 feet to West line of said subdivision; thence South 00°16'19" West along West line of said subdivision, 580.43 feet to the point of beginning.

PARCEL E:

That portion of the Northeast Quarter of the Northeast Quarter of Section 30, Township 36 North, Range 4 East of the Willamette Meridian, described as follows:

Beginning at the Southwest corner of said subdivision; thence South 85°02'15" East along the South line of said subdivision a distance of 506.40 feet to the true point of beginning. thence North 02°47'15" East a distance of 273.24 feet; thence North 05°54'45" West a distance of 221.26 feet; thence North 77°29'15" West a distance of 44.66 feet; thence North 77°48'45" East a distance of 319.99 feet; thence South 25°47'45" East a distance of 445.20 feet; thence South 72°23'45" East a distance of 142.16 feet; thence South 23°44'15" East a distance of 56.77 feet to the Northerly line of the county road; thence South 50°21'45" West along the Northerly line of the county road a distance of 180.99 feet to the South line of the Northeast Quarter of the Northeast Quarter of said Section 30; thence North 85°02'15" West along the South line of said subdivision a distance of 474.16 feet to the true point of beginning.

PARCEL F:

That portion of the Northwest Quarter of the Northeast Quarter of Section 30, Township 36 North, Range 4 East of the Willamette Meridian, lying East of Primary State Highway No. 1, as condemned by the State of Washington, under Skagit County Superior Court Cause No. 26638;

EXCEPT that portion thereof described as follows:

Beginning at the Southeast corner of said subdivision; thence North 85°02'15" West along the South line of said subdivision, 201.30 feet; thence North 06°10'46" East, 20.50 feet; thence North 57°47'35" West, 1,067.71 feet to the East line of the state highway right-of-way; thence North 08°57' East along the East line of said highway right-of-way, 788.75 feet to the North line



of said subdivision; thence South 86°10'35" East, 987.50 feet to the Northeast corner of said subdivision; thence South 00°16'19" West, 1,320.17 feet to the point of beginning; (Being a portion of Lot 4, Skagit County Short Plat No. 45-80, approved July 3, 1980, and recorded July 7, 1980, in Volume 4 of Short Plats, pages 131 and 132, under Auditor's File No. 8007070006, records of Skagit County, Washington).

PARCEL G:

That portion of the Southwest Quarter of the Northeast Quarter of Section 30, Township 36 North, Range 4 East of the Willamette Meridian, lying East of Primary State Highway No. 1, as condemned by the State of Washington under Skagit County Superior Court Cause No. 26638;

EXCEPT that portion thereof lying East of a line described as follows:

Beginning at the Southeast corner of said subdivision; thence North 86°09'15" West along the South line of said subdivision, 173.83 feet to the true point of beginning of the line herein described; thence North 33°13' West, 593.74 feet; thence North 11°13'45" West, 366.72 feet; thence North 00°15'45" East, 91.67 feet; thence North 17°52'30" East, 89.17 feet; thence North 56°13'30" East, 260.95 feet; thence North 76°01'30" East, 83.57 feet; thence North 06°10'45" East, 136.52 feet to the North line of said subdivision and the terminal point of the line herein described;

ALSO EXCEPT that portion thereof condemned by the State of Washington in Skagit County Superior Court Case No. 40077; (Being a portion of Lot 4, Skagit County Short Plat No. 45-80, approved July 3, 1980, and recorded July 7, 1980, in Volume 4 of Short Plats, pages 131 and 132, under Auditor's File No. 8007070006, records of Skagit County, Washington);

PARCEL H:

The West Half of the Southeast Quarter, that portion of the Southeast Quarter of the Southeast Quarter and of the South 600 feet of the Northeast Quarter of the Southeast Quarter, lying West of the Friday Creek Road No. 2611 (formerly known as and called Lake Samish Public Highway and the L.M. Abbey Road), all in Section 30, Township 36 North, Range 4 East of the Willamette Meridian;

EXCEPT from the above described premises the following described tract:

Beginning at a point of intersection with the North line of the South 600 feet of said Northeast Quarter of the Southeast Quarter with the centerline of Friday Creek as it existed on December 9, 1969; thence Easterly along the South line of that certain tract of land conveyed to Grace Jean Wallace by instrument recorded under Auditor's File No. 717952, records of Skagit County, Washington a distance of 120 feet; thence Southwesterly in a straight line which generally runs parallel with the Easterly bank of Friday Creek a distance of 250 feet; thence Westerly parallel with the North line of the South 600 feet of the Northeast Quarter of the Southeast Quarter, 120 feet to the centerline of said Friday Creek; thence Northeasterly along the centerline of said Friday Creek to the point of beginning.



ALSO EXCEPT that portion thereof condemned by the State of Washington in Skagit County Superior Court Cause No. 40077;

AND ALSO EXCEPT that portion thereof within Lots 2 and 3 of Short Plat No. 45-80, approved July 3, 1980, and recorded July 7, 1980, in Volume 4 of Short Plats, pages 131 and 132, under Auditor's File No. 8007070006, records of Skagit County, Washington; (Being a portion of Lot 4, Skagit County Short Plat No. 45-80, approved July 3, 1980, and recorded July 7, 1980, in Volume 4 of Short Plats, pages 131 and 132, under Auditor's File No. 8007070006, records of Skagit County, Washington).

PARCEL I:

That portion of the Southwest Quarter of Section 30, Township 36 North, Range 4 East of the Willamette Meridian, lying East of Primary State Highway No. 1, as condemned by the State of Washington, under Skagit County Superior Court Cause No. 26638; (Being a portion of Lot 4, Skagit County Short Plat No. 45-80, approved July 3, 1980, and recorded July 7, 1980, in Volume 4 of Short Plats, pages 131 and 132, under Auditor's File No. 8007070006, records of Skagit County, Washington).

PARCEL J:

That portion of the North Half of the Northeast Quarter of Section 31, Township 36 North, Range 4 East of the Willamette Meridian, lying West of the Friday Creek Road (formerly known as and called Lake Samish Public Highway and L.M. Abbey Road);

EXCEPT any portion thereof, lying within the boundaries of Pacific Highway (Old Highway 99);

ALSO EXCEPT that portion thereof within Lot 2, Skagit County Short Plat No. 45-80, approved July 3, 1980, and recorded July 7, 1980, in Volume 4 of Short Plats, pages 131 and 132, under Auditor's File No. 8007070006, records of Skagit County, Washington; (Being a portion of Lot 4, Skagit County Short Plat No. 45-80, approved July 3, 1980, and recorded July 7, 1980, in Volume 4 of Short Plats, pages 131 and 132, under Auditor's File No. 8007070006, records of Skagit County, Washington, being a portion of Lot 4, Skagit County Short Plat No. 45-80, approved July 3, 1980, and recorded July 7, 1980, in Volume 4 of Short Plats, pages 131 and 132, under Auditor's File No. 8007070006, records of Skagit County, Washington).

PARCEL K:

That portion of the South Half of the Northeast Quarter of Section 31, Township 36 North, Range 4 East of the Willamette Meridian, lying West of the Pacific Highway (Old Highway 99);

EXCEPT that portion thereof within Lots 1 and 2, Skagit County Short Plat No. 45-80, approved July 3, 1980, and recorded July 7, 1980, in Volume 4 of Short Plats, pages 131 and 132, under Auditor's File No. 8007070006, records of Skagit County, Washington; (Being a portion of Lot 4, Skagit County Short Plat No. 45-80, approved July 3, 1980, and recorded July 7, 1980, in



Volume 4 of Short Plats, pages 131 and 132, under Auditor's File No. 8007070006, records of Skagit County, Washington).

PARCEL L:

That portion of the Northwest Quarter of Section 31, Township 36 North, Range 4 East of the Willamette Meridian, lying East of Primary State Highway No. 1, as condemned by the State of Washington, under Skagit County Superior Court Cause No. 26638;

EXCEPT that portion thereof within Lot 1, Skagit County Short Plat No. 45-80, approved July 3, 1980, and recorded July 7, 1980, in Volume 4 of Short Plats, pages 131 and 132, under Auditor's File No. 8007070006, records of Skagit County, Washington; (Being a portion of Lot 4, Skagit County Short Plat No. 45-80, approved July 3, 1980, and recorded July 7, 1980, in Volume 4 of Short Plats, pages 131 and 132, under Auditor's File No. 8007070006, records of Skagit County, Washington).

PARCEL M:

An easement for access, road, and utilities contained in those certain easements and/or modifications to easements

Recorded: August 11, 1980, August 13, 1980, November 25, 1980, June 16, 1981, and June 23, 1981

Auditor's Nos.: 8008110023, 8008130012, 8011250035, 8106160017, 8106230014, 8106230015, and 8106230016

ALL situated in Skagit County, Washington.