

WHEN RECORDED RETURN TO:

Wallace E. Skidmore, Jr.
Aiken, St. Louis & Siljeg, P.S.
801 Second Avenue, Suite 1200
Seattle, WA 98104



200309100147

Skagit County Auditor

9/10/2003 Page

1 of

18 10:31AM

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

GRANTOR:	La Conner Pier L.L.C.
BENEFICIARIES:	Craig W. Dorsey and Gillian M. Dorsey
LEGAL DESCRIPTION:	All of tracts 18, 19, 20, 21 and 22, as shown on Corrected Plat No. 18, Map of La Conner Tide and Shore Lands (See Exhibit A for complete description)
ASSESSOR'S PROPERTY TAX PARCEL/ACCOUNT NUMBER	4129-018-021-0005 Multiple parcel numbers listed on Exhibit B attached

THIS DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS AND FIXTURE FILING ("Deed of Trust"), is made as of May 1, 2003, among La Conner Pier L.L.C., a Washington limited liability company, the address of which is 110 Caledonia, La Conner, Washington 98257 ("Grantor"); First American Title Insurance Company, the address of which is 2101 4th Avenue, Seattle, Washington 98121, and its successors in trust and assigns ("Trustee"), and Craig W. Dorsey and Gillian M. Dorsey, the address of which is 5461 Claramar Drive, Roche Harbor, Washington 98250 ("Beneficiary").

37 WATERS EDGE LANE,
1. **GRANTING CLAUSE.** Grantor, in consideration of the acceptance by Trustee of the trust hereunder, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the obligations described in Section 3 below, grants, bargains, sells, and conveys 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 the real property in the county of Skagit, state of Washington, described on Exhibit A hereto, whether now existing or hereafter acquired, and all of the property described in all parts of this Section 1 (sub-section 1.1 through 1.6) and all additional property, if any, described in Section 2, all of which is collectively herein called the "Property":

1.1 **Land and Appurtenances.** The land described on Exhibit A hereto, and all tenements, hereditaments, rights-of-way, easements, appendages and appurtenances thereto

belonging or in any way appertaining, including without limitation all of the right, title and interest of Grantor in and to any avenues, streets, ways, alleys, vaults, strips or gores of land adjoining that property, and all claims or demands of Grantor either in law or in equity in possession or expectancy of, in and to that property; and

1.2 Improvements and Fixtures. All buildings, structures and other improvements now or hereafter erected on the property described in 1.1 above, and all facilities, fixtures, machinery, apparatus, installations, goods, equipment, inventory, furniture and other properties of whatsoever nature (including without limitation all heating, ventilating, air conditioning, plumbing and electrical equipment, all elevators and escalators, all sprinkler systems, all engines and motors, all lighting, laundry, cleaning, fire prevention and fire extinguishing equipment, all ducts and compressors, all refrigerators, stoves and other appliances, attached cabinets, partitions, rugs, carpets and draperies, all building materials and supplies, and all construction forms, tools and equipment), now or hereafter located in or used or procured for use in connection with that property, it being the intention of the parties that all property of the character hereinabove described which is now owned or hereafter acquired by Grantor and which is affixed or attached to, stored upon or used in connection with the property described in 1.1 above shall be, remain or become a portion of that property and shall be covered by and subject to the lien of this Deed of Trust, together with all contracts, agreements, permits, plans, specifications, drawings, surveys, engineering reports and other work products relating to the construction of the existing or any future improvements on the Property, any and all rights of Grantor in, to or under any architect's contracts or construction contracts relating to the construction of the existing or any future improvements on the Property, and any performance and/or payment bonds issued in connection therewith, together with all trademarks, trade names, copyrights, computer software and other intellectual property used by Grantor in connection with the Property; and

1.3 Enforcement and Collection. Any and all rights of Grantor without limitation to make claim for, collect, receive and receipt for any and all rents, income, revenues, issues, royalties, and profits, including mineral, oil and gas rights and profits, insurance proceeds, condemnation awards and other moneys, payable or receivable from or on account of any of the Property, including interest thereon, or to enforce all other provisions of any other agreement (including those described in Section 1.2 above) affecting or relating to any of the Property, to bring any suit in equity, action at law or other proceeding for the collection of such moneys or for the specific or other enforcement of any such agreement, award or judgment, in the name of Grantor or otherwise, and to do any and all things which Grantor is or may be or become entitled to do with respect thereto, provided, however, that no obligation of Grantor under the provisions of any such agreements, awards or judgments shall be impaired or diminished by virtue hereof, nor shall any such obligation be imposed upon Trustee or Beneficiary; and



1.4 **Accounts and Income.** Any and all rights of Grantor in any and all accounts, rights to payment, contract rights, chattel paper, documents, instruments, licenses, contracts, agreements and general intangibles relating to any of the Property, including, without limitation, income and profits derived from the operation of any business on the Property or attributable to services that occur or are provided on the Property or generated from the use and operation of the Property; and

1.5 **Leases.** All of Grantor's rights as landlord in and to all existing and future leases and tenancies, whether written or oral and whether for a definite term or month to month or otherwise, now or hereafter demising all or any portion of the property described in 1.1 and 1.2 above, including all renewals and extensions thereof and all rents, deposits and other amounts received or receivable thereunder. In accepting this Deed of Trust neither Beneficiary nor Trustee assumes any liability for the performance of any such lease.

1.6 **Books and Records.** All books and records of Grantor relating to he foregoing in any form and all computer software necessary or useful to reading such books and records.

2. **SECURITY AGREEMENT.** To the extent any of the property described in Section 1 is personal property, Grantor, as debtor, grants to Beneficiary, as secured party, a security interest therein together with a security interest in all other personal property of whatsoever nature which is located on or used or to be used in connection with any of the property described in Section 1, and any products or proceeds of any thereof, pursuant to the Uniform Commercial Code of the state of Washington (the "UCC") , on the terms and conditions contained herein. Beneficiary hereby assigns such security interest to Trustee, in trust, for the benefit of Beneficiary to be dealt with as a portion of the "Property" except as otherwise specified herein.

3. **OBLIGATIONS SECURED.** This Deed of Trust is given for the purpose of securing:

3.1 **Performance and Payment.** The performance of the obligations contained herein and the payment of ONE MILLION TWO HUNDRED EIGHTY-TWO THOUSAND FIVE HUNDRED DOLLARS (\$1,282,500) with interest thereon and all other amounts payable according to the terms of a promissory note of even date herewith made by Grantor, payable to Beneficiary or order, and any and all extensions, renewals, modifications or replacements thereof, whether the same be in greater or lesser amounts (the "Note"); and

3.2 **Future Advances.** The repayment of any and all sums advanced or expenditures made by Beneficiary subsequent to the execution of this Deed of Trust for the maintenance or preservation of the Property or advanced or expended by Beneficiary pursuant to any provision of this Deed of Trust subsequent to its execution, together with interest thereon.



4. **WARRANTIES AND COVENANTS OF GRANTOR.** Grantor warrants, covenants, and agrees:

4.1 **Warranties.**

(a) Grantor has full power and authority to grant the Property to Trustee and warrants the Property to be free and clear of all liens, charges, and other encumbrances except those, if any, noted on Exhibit B hereto.

(b) None of the Property is used principally or at all for agricultural or farming purposes.

(c) Not used.

(d) The loan evidenced by the Note and secured by this Deed of Trust is primarily for commercial, industrial or business purposes and is not primarily for personal, family or household purposes.

4.2 **Preservation of Lien.** Grantor will preserve and protect the priority of this Deed of Trust as a first lien on the Property.

4.3 **Repair and Maintenance of Property.** Grantor will keep the Property in good condition and repair, which duty shall include but is not limited to continual cleaning, painting, landscaping, repairing and refurbishing of the Property; will complete and not remove or demolish, materially alter, or make material additions to any building or other improvement which is part of the Property without the express written consent of Beneficiary; will underpin and support when necessary any such building or other improvement and protect and preserve the same; will complete or restore promptly and in good and workmanlike manner any such building or other improvement which may be damaged or destroyed and pay when due all claims for labor performed and materials furnished therefor; will not commit, suffer or permit any act upon the Property in violation of law; and will do all other acts which from the character or use of the Property may be reasonably necessary for the continued operation of the Property in a safe and legal manner, the specific enumerations herein not excluding the general.

4.4 **Insurance.** To keep all buildings now or hereafter erected on the property described herein continuously insured against loss by fire or other hazards in an amount not less than the total debt secured by this Deed of Trust. All policies shall be held by the Beneficiary, and be in such companies as the Beneficiary may approve and have loss payable first to the Beneficiary, as its interest may appear, and then to the Grantor. The amount collected under any insurance policy may be applied upon any indebtedness hereby secured in such order as the Beneficiary shall determine. Such application by the Beneficiary shall not cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of the Grantor in insurance policies then in force shall pass to the purchaser at the foreclosure sale.

4.5 **Right of Inspection.** Grantor shall permit Beneficiary or its agents, at all reasonable times, to enter upon and inspect the Property.



4.6 **Preservation of Licenses, Etc.** Grantor shall observe and comply with all requirements necessary to the continued existence and validity of all rights, licenses, permits, privileges, franchises and concessions relating to any existing or presently contemplated use of the Property, including but not limited to any zoning variances, special exceptions and nonconforming use permits.

4.7 **Further Assurances.** Grantor will, at its expense, from time to time execute and deliver any and all such instruments of further assurance and other instruments and do any and all such acts, or cause the same to be done, as Trustee or Beneficiary deems necessary or advisable to grant to Trustee the Property or to carry out more effectively the purposes of this Deed of Trust.

4.8 **Legal Actions.** Grantor will appear in and defend any action or proceeding before any court or administrative body purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and will pay all costs and expenses, including cost of evidence of title, title insurance premiums and any fees of attorneys, appraisers, environmental inspectors and others, incurred by Beneficiary or Trustee, in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary or Trustee to foreclose this Deed of Trust and in any non-judicial foreclosure of this Deed of Trust.

4.9 **Taxes, Assessments and other Liens.** Grantor will pay not later than when due all taxes, assessments, encumbrances, charges, and liens with interest, on the Property or any part thereof, which at any time appear to be or are alleged to be prior and superior hereto, including but not limited to any tax on or measured by rents of the Property, the Note, this Deed of Trust, or any obligation or part thereof secured hereby.

4.10 **Expenses.** Grantor will pay all costs, fees and expenses reasonably incurred by Beneficiary or Trustee in connection with this Deed of Trust.

4.11 **Repayment of Expenditures.** Grantor will pay immediately and without demand all amounts secured by this Deed of Trust, other than principal of and interest on the Note, with interest from date of expenditure at the default rate of interest specified in the Note (the "Default Rate") and the repayment thereof shall be secured hereby.

4.12 **Financial & Operating Information.** Not used.

4.13 **Sale, Transfer, or Encumbrance of Property.** Grantor shall not, without the prior written consent of Beneficiary, sell, transfer or otherwise convey the Property or any interest therein, further encumber the Property or any interest therein, cause or permit any change in the entity, ownership or control of Grantor or agree to do any of the foregoing without first repaying in full the Note and all other sums secured hereby.

Consent to any one such occurrence shall not be deemed a waiver of the right to require consent to any future occurrences.



4.14 **Leases.**

(a) Grantor will in all respects promptly and faithfully keep, perform and comply with all of the terms, provisions, covenants, conditions and agreements in each of the agreements pursuant to which any tenant of any part of the Property is occupying the Property (the "Leases") to be kept, performed and complied with by the lessor therein, and will require, demand and strictly enforce, by all available means, the prompt and faithful performance of and compliance with all of the terms provisions, covenants, conditions and agreements in the Leases to be performed and complied with by the lessees therein.

(b) Grantor shall not receive or collect any rents from any present or future tenant of the Property or any part thereof for a period of more than one (1) month in advance of the date on which such payment is due, or collect a security deposit in excess of two (2) months' rent.

(c) Grantor shall promptly deposit and maintain all security deposits or other deposits received by Grantor from tenants in a segregated trust account in a federally insured or savings and loan association and shall notify and direct in writing each and every present or future tenant or occupant of the Property or any part thereof that any security deposit or other deposit heretofore delivered to Grantor has been retained by Grantor or assigned and delivered to Beneficiary as the case may be.

(d) In the event any lessee under the Leases should be the subject of any proceeding under the United States Bankruptcy Code or any other type of insolvency proceeding, Grantor covenants and agrees that in the event Grantor has a claim in such proceeding in respect of any of the Leases, no settlement thereof shall be made without the prior written consent of Beneficiary; and further that any check in payment of damages for rejection of any such Lease shall be made payable both to Grantor and Beneficiary; and Grantor hereby assigns any such payment to Beneficiary and further covenants and agrees that upon request of Beneficiary it will duly endorse to the order of Beneficiary any such check, the proceeds of which will be applied to any portion of the indebtedness secured, by this Deed of Trust as Beneficiary may elect. In addition, after the occurrence of and during the continuance of any Event of Default, Beneficiary shall be entitled to assert, in its own name or in the name of Grantor, any claim in respect of the Leases in any such proceeding.

4.15 **Hazardous Waste.** Not used.

5. **DEFAULT.**

5.1 **Definition.** Any of the following shall constitute an "Event of Default" as that term is hereinafter used:

(a) Any representation or warranty made by or for the benefit of Grantor herein or elsewhere in connection with the loan secured hereby, including but not limited to any representations in connection with the security therefor, shall prove to have been incorrect or misleading in any material respect;



(b) Grantor or any other person or entity liable therefor shall fail to pay when due any indebtedness secured hereby;

(c) Grantor or any other signatory thereto shall default in the performance of any covenant or agreement contained in this Deed of Trust, the Note, or any other agreement securing the indebtedness secured hereby;

(d) Grantor or any other person or entity liable for the repayment of the indebtedness secured hereby shall become unable or admit in writing its inability to pay its debts as they mature, or file, or have filed against it, a voluntary or involuntary petition in bankruptcy, or make a general assignment for the benefit of creditors, or become the subject of any other receivership or insolvency proceeding;

(e) Grantor or any other signatory thereto shall default in the performance of any covenant or agreement contained in any mortgage or deed of trust encumbering the Property, or the note or any other agreement evidencing or securing the indebtedness evidenced thereby; or

(f) A tax, charge or lien shall be placed upon or measured by the Note, this Deed of Trust, or any obligation secured hereby which Grantor does not or may not legally pay in addition to the payment of all principal and interest as provided in the Note.

5.2 Beneficiary's and Trustee's Right to Perform. Upon the occurrence of any Event of Default, Beneficiary or Trustee, but without the obligation so to do and without notice to or demand upon Grantor and without releasing Grantor from any obligations hereunder, may: make any payments or do any acts required of Grantor hereunder in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon the Property for such purposes; commence, appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien in accordance with the following paragraph; and in exercising any such powers, pay necessary expenses, employ counsel and pay a reasonable fee therefor. All sums so expended shall be payable on demand by Grantor, be secured hereby (except as otherwise provided in Section 4.18) and bear interest at the Default Rate from the date advanced or expended until repaid.

Beneficiary or Trustee in making any payment herein and hereby authorized, in the place and stead of the Grantor, in the case of a payment of taxes, assessments, water rates, sewer rentals and other governmental or municipal charges, fines, impositions or liens asserted against the Property, may make such payment in reliance on any bill, statement or estimate procured from the appropriate public office without inquiry into the accuracy of the bill, statement or estimate or into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim thereof; in the case of any apparent or threatened adverse claim of title, lien, statement of lien, encumbrance, deed of trust, claim or charge Beneficiary or Trustee, as the case may be, shall be the sole judge of the legality or validity of same; and in the case of a payment for any other purpose herein and hereby authorized, but not enumerated in this paragraph, such payment may be made whenever, in the sole judgment and discretion of Trustee or Beneficiary, as the case may be, such advance or advances shall seem necessary or desirable to protect the full security



intended to be created by this instrument, provided further, that in connection with any such advance, Beneficiary at its option may and is hereby authorized to obtain a continuation report of title prepared by a title insurance company, the cost and expenses of which shall be repayable by the Grantor without demand and shall be secured hereby.

5.3 **Remedies on Default.** Upon the occurrence of any Event of Default all sums secured hereby shall become immediately due and payable, without notice or demand, at the option of Beneficiary and Beneficiary may:

(a) Have a receiver appointed as a matter of right, without regard to the sufficiency of the Property or any other security for the indebtedness secured hereby and, without the necessity of posting any bond or other security, such receiver shall take possession and control of the Property and shall collect and receive all of the rents, issues and profits thereof;

(b) Foreclose this Deed of Trust as a mortgage or otherwise realize upon the Property;

(c) Cause Trustee to exercise its power of sale; or

(d) Sue on the Note according to law.

5.4 **No Waiver.** By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured or to declare an Event of Default for failure to do so.

6. **CONDEMNATION.** Any award of damages, whether paid as a result of judgment or prior settlement, in connection with any condemnation or other taking of any portion of the Property, for public or private use, or for injury to any portion of the Property is hereby assigned and shall be paid to Beneficiary which may apply such moneys received by it in the same manner and with the same effect as provided in Section 4.4.1 above for disposition of proceeds of hazard insurance. Should the Property or any part or appurtenance thereof or right or interest therein be taken or threatened to be taken by reason of any public or private improvement, condemnation proceeding (including change of grade), or in any other manner, Beneficiary may, at its option, commence, appear in and prosecute, in its own name, any action or proceeding, or make any reasonable compromise or settlement in connection with such taking or damage, and obtain all compensation, awards or other relief therefor, and Grantor agrees to pay Beneficiary's costs and reasonable attorneys' fees incurred in connection therewith. No condemnation award at any time assigned to or held by Beneficiary shall be deemed to be held in trust, and Beneficiary may commingle such award with its general assets and shall not be liable for the payment of any interest thereon.

7. **TRUSTEE.**

7.1 **General Powers and Duties of Trustee.** At any time or from time to time, without liability therefor and without notice and without affecting the liability of any person for the payment of the indebtedness secured hereby, upon written request of Beneficiary,



payment of its own fees and presentation of this Deed of Trust and the Note for endorsement (in case of full reconveyance, for cancellation or retention), Trustee may:

- (a) Consent to the making of any map or plat of the Property;
- (b) Join in granting any easement or creating any restriction thereon;
- (c) Join in any subordination or other agreement affecting this Deed of Trust or the lien or charge thereof; or
- (d) Reconvey, without warranty, all or any part of the Property.

7.2 **Reconveyance.** Upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and the Note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recitals in any reconveyance executed under this Deed of Trust of any matters of fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto".

7.3 **Powers and Duties on Default.** 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 default 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 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 costs, fees and expenses of Trustee and of this trust, including the cost of evidence of title search and title insurance and reasonable counsel fees in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums secured hereby in such order as



Beneficiary may determine; 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.

7.4 **Reassignment of Security Interest.** At the request of Beneficiary, Trustee shall reassign to Beneficiary the security interest created hereby and after such reassignment Beneficiary shall have the right, upon the occurrence or continuance of any Event of Default, to realize upon the personal property subject to this Deed of Trust, independent of any action of Trustee, pursuant to the UCC.

7.5 **Acceptance of Trust.** Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto except Beneficiary of pending sale under any other deed of trust or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party unless brought by Trustee.

7.6 **Reliance.** Trustee, upon presentation to it of an affidavit signed by Beneficiary setting forth facts showing a default by Grantor under this Deed of Trust, is authorized to accept as true and conclusive all facts and statements therein, and to act thereon hereunder.

7.7 **Replacement of Trustee.** Beneficiary may, from time to time, as provided by statute, appoint another trustee in place and stead of Trustee herein named, and thereupon Trustee herein named shall be discharged and the trustee so appointed shall be substituted as Trustee hereunder, with the same effect as if originally named Trustee herein.

8. **APPLICATION OF RENTS.** Grantor hereby gives to and confers upon Beneficiary the right, power and authority during the continuance of this Deed of Trust to collect the rents, issues and profits of the Property, reserving unto Grantor the right, prior to any default in payment of any indebtedness secured hereby or hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Grantor's right to spend or retain any rents, issues or profits of the Property shall cease immediately and without notice or demand and Beneficiary may at any time and without notice, either in person, by agent, or by a receiver to be appointed by a court, without regard to the adequacy of any security for the indebtedness hereby secured and without the necessity for posting any bond or other security, enter upon and take possession of the Property or any part thereof, or in its own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of the Property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

9. **NOTICES.**

9.1 **Trustee.** Any notice or demand upon Trustee may be given or made at:

First American Title Insurance Company
2101 - 4th Avenue
Seattle, Washington 98121

9.2 **Grantor and Beneficiary.** Any notice to or demand upon Grantor (including any notice of default or notice of sale) or notice to or demand upon Beneficiary shall be deemed to have been sufficiently made for all purposes when deposited in the United States mails, postage prepaid, registered or certified, return receipt requested, addressed as follows:

Grantor: La Conner Pier L.L.C.
110 Caledonia
La Conner, Washington 98257

Beneficiary: Craig W. Dorsey and Gillian M. Dorsey
~~5461 Claramar Drive~~ 37 WATERS EDGE LAKE
Roche Harbor, Washington 98250 P.O. Box 4305

or to such other address as may be filed in writing by Grantor or Beneficiary with Trustee.

9.3 **Waiver of Notice.** The giving of notice may be waived in writing by the person or persons entitled to receive such notice, either before or after the time established for the giving of such notice.

10. **MODIFICATIONS.** Upon written request of any party then liable for any sum secured hereby, Beneficiary reserves the right to extend the term, or otherwise modify the terms, hereof or of the Note as Beneficiary and such person may from time to time deem appropriate and any such change shall not operate to release, in any manner, the liability of the original Grantor or Grantor's successors in interest.

11. **SUCCESSORS AND ASSIGNS.** All provisions herein contained shall be binding upon and inure to the benefit of the respective successors and assigns of the parties.

12. **GOVERNING LAW; SEVERABILITY.** This Deed of Trust shall be governed by the law of the state of Washington. In the event that any provision or clause of this Deed of Trust or the Note conflicts with applicable law, the conflict shall not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provision and to this end the provisions of this Deed of Trust and the Note are declared to be severable.

13. **GRANTOR'S RIGHT TO POSSESSION.** Grantor may be and remain in possession of the Property for so long as it is not in default hereunder or under the terms of the Note and Grantor may, while it is entitled to possession of the Property, use the same.

14. **MAXIMUM INTEREST.** No provision of this Deed of Trust or of the Note shall require the payment or permit the collection of interest in excess of the maximum permitted



by law. If any excess of interest in such respect is herein or in the Note provided for, neither Grantor nor its successors or assigns shall be obligated to pay that portion of such interest which is in excess of the maximum permitted by law, and the right to demand the payment of any such excess shall be and is hereby waived and this Section 14 shall control any provision of this Deed of Trust or the Note which is inconsistent herewith.

15. **ATTORNEYS' FEES AND LEGAL EXPENSES.** In the event of any default under this Deed of Trust, or in the event that any dispute arises relating to the interpretation, enforcement or performance of any obligation secured by this Deed of Trust, Beneficiary shall be entitled to collect from Grantor on demand all fees and expenses incurred in connection therewith, including but not limited to fees of attorneys, accountants, appraisers, environmental inspectors, consultants, expert witnesses, arbitrators, mediators and court reporters. Without limiting the generality of the foregoing, Grantor shall pay all such costs and expenses incurred in connection with: (a) arbitration or other alternative dispute resolution proceedings, trial court actions and appeals; (b) bankruptcy or other insolvency proceedings of Grantor, any guarantor or other party liable for any of the obligations secured by this Deed of Trust or any party having any interest in any security for any of those obligations; (c) judicial or nonjudicial foreclosure on, or appointment of a receiver for, any of the Property; (d) post-judgment collection proceedings; (e) all claims, counterclaims, cross-claims and defenses asserted in any of the foregoing whether or not they arise out of or are related to this Deed of Trust; (f) all preparation for any of the foregoing; and (g) all settlement negotiations with respect to any of the foregoing.

16. **PREPAYMENT PROVISIONS.** Not used.

17. **TIME OF ESSENCE.** Time is of the essence under this Deed of Trust and in the performance of every term, covenant and obligation contained herein.

18. **MISCELLANEOUS.**

18.1 Whenever the context so requires the singular number includes the plural herein, and the impersonal includes the personal.

18.2 The headings to the various sections have been inserted for convenient reference only and shall not modify, define, limit or expand the express provisions of this Deed of Trust.

18.3 This Deed of Trust, the Note and the other documents, instruments and agreements entered into by Grantor and Beneficiary in connection therewith (collectively, the "Loan Documents") constitute the final expression of the entire agreement of the parties with respect to the transactions set forth therein. No party is relying upon any oral agreement or other understanding not expressly set forth in the Loan Documents. The Loan Documents may not be amended or modified except by means of a written document executed by the party sought to be charged with such amendment or modification.

DATED as of the day and year first above written.



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

La Conner Pier L.L.C.

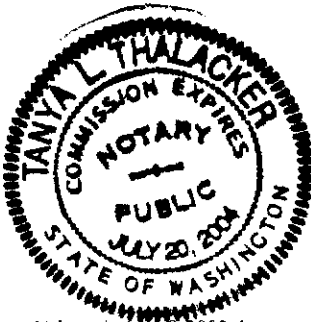
By: Craig W. Dorsey
Craig W. Dorsey, Manager

By: Gillian M Dorsey
Gillian M. Dorsey, Manager

STATE OF WASHINGTON)
) ss
COUNTY OF KING)

I certify that I know or have satisfactory evidence that Craig W. Dorsey and Gillian M. Dorsey are the persons who appeared before me, and said persons acknowledged that they signed this instrument, on oath stated that they was authorized to execute the instrument and acknowledged it as the managers of La Conner Pier L.L.C. to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

SUBSCRIBED AND SWORN TO before me this 3rd day of September, 2003.



I:\dorscr\m\dot 8-2003.doc

Tanya L. Thalacker
Print Name: Tanya L. Thalacker
NOTARY PUBLIC in and for the State of
Washington, residing at Friday Harbor WA
My Commission Expires: July 20, 2004



EXHIBIT A

The land is located in the County of Skagit, State of Washington, and is described as follows:

PARCEL 'A':

All of Tracts 18, 19, 20, 21, & 22 as shown on 'CORRECTED PLATE #18, MAP OF LA CONNER TIDE AND SHORE LANDS', on file in the office of the State Land Commissioner, at Olympia, Washington.

ALSO, all of Blocks 1 & 2; the Saw Mill Reserve; & that certain unnumbered tract lying Southerly of the Saw Mill Reserve, & also lying southerly of Lot 13, Block 2, all as shown on the Plat of 'SYNDICATE ADDITION TO THE TOWN OF LA CONNER', as per plat recorded in Volume 2 of Plats, page 109, records of Skagit County, Washington; (said plat being an over plat & including all of Tracts 18, 19, 20, 21, & 22 of 'CORRECTED PLATE #18, MAP OF LA CONNER TIDE AND SHORE LANDS', & also being an over plat & including all of Blocks 5 & 6 of 'FIRST ADDITION TO THE TOWN OF LA CONNER', as per plat recorded in Volume 1 of Plats, page 4, records of Skagit County, Washington.)

ALSO, all of vacated Second Street lying between the North line of Sherman Street & the South line of Caledonia Street, as said streets are delineated on the face of the above mentioned plats.

ALSO, all of the South 313 feet of First Street from Caledonia Street Southerly to its end, as said street is delineated on the face of said plat.

TOGETHER WITH that certain easement to drive & maintain piles as set forth in document dated May 23, 1955 & recorded August 4, 1955, under Auditor's File No. 522025, records of Skagit County, Washington.

EXCEPT from all of the above the following desribed tracts:

(1) All that portion of the above described property lying East of the centerline of the dike, as said centerline is set forth & established by deed recorded November 13, 1926 under Auditor's File No. 198706, in Volume 141 of Deeds, page 633, records of Skagit County, Washington, and lying Southerly of the Southerly line of a tract of land conveyed to Jack Regenvetter by deed recorded April 5, 1945 under Auditor's File No. 379332 (said line being 188 feet South of the Northeast corner of Block 2 of said 'SYNDICATE ADDITION TO THE TOWN OF LA CONNER' as measured along the Westerly line of Third Street & drawn Westerly at right anles to Thied Street).



200309100147

Skagit County Auditor

(2) That portion of Tract 22 of 'CORRECTED PLATE #18, MAP OF LA CONNER TIDE AND SHORE LANDS', as on file in the office of the State Land Commissioner, at Olympia, Washington, that lies Northwesterly of a boundary line as established by an Exchange Deed recorded August 4, 1955 under Auditor's File No. 522024, records of Skagit County, Washington, said boundary line being described as being drawn Northerly, perpendicular to Sherman Street at a point that is equidistant between two lines, the first line being drawn Northerly perpendicular to Sherman Street at a point that is 200 feet Southeasterly, as measured along Sherman Street, from the most Westerly corner of said Tract 22, Plate #18; the second line being drawn Southerly perpendicular to the common boundary line between Tracts 21 & 22 of the said Plate #18, at a point 200 feet southeasterly of the most Northerly point of Said Tract 22, as measured along the North line of said Tract 22.

(3) All that portion lying Westerly of the Inner Harbor Line as shown on the survey recorded April 6, 1988 in Volume 7 of Surveys, page 182 & 183, under Auditor's File No. 804060031.

TOGETHER WITH that certain easement to drive & maintain piles as set forth in document dated May 23, 1955 & recorded August 4, 1955 under Auditor's File No. 522025, records of Skagit County, Washington.

Situate in the County of Skagit, State of Washington.

PARCEL 'B':

That portion of Tract 22, 'Corrected Plate No. 18, Tide and Shore Lands of Section 36, Township 34 North, Range 2 East, W.M., LaConner Harbor', according to the official map thereof in the office of the State Land Commissioner at Olympia, Washington, described as follows:

Beginning at the most Westerly corner of said Tract 22;
thence in a Southeasterly direction along the Southwesterly line of said Tract 22, a distance of 200 feet to the true point of beginning;
thence Northeasterly, at right angles to said Southwesterly line a distance of 74 feet, more or less, to the Northeasterly line of said Tract 22;
thence Southeasterly along said Northeasterly line a distance of 25 feet, more or less, to the Northwesterly line of a Tract conveyed to Puget Sound Terminal Co., a Washington corporation by deed dated June 22, 1955, recorded August 4, 1955, under Auditor's File No. 522024;



200309100147

Skagit County Auditor

thence Southwesterly along said Northwesterly line a distance of 74 feet, more or less, to the Southeasterly line of said Tract 22;
thence Northwesterly along said Southeasterly line a distance of 25 feet, more or less, to the true point of beginning.

Situate in the County of Skagit, State of Washington.

PARCEL 'C':

A Leasehold interest in the following described tract:

The harbor area in front of Tract 21 & the Southwesterly 188 feet of Tract 18 as measured along the Southeasterly line thereof, Corrected Plate 18, LaConner Tide Lands, forming a tract bounded by the inner & outer harbor lines, and the Southwesterly line of said Tract 21 produced Northwesterly & a line which is parallel to & 188 feet Northeasterly from the Southwesterly line of said Tract 18 produced Northwesterly, as shown on the official maps of LaConner Tide Lands on file in the office of the Commissioner of Public Lands at Olympia, Washington.

PARCEL 'D':

A Leasehold interest in the following described tract:

That portion of the harbor area lying in front of the Northeasterly 125 feet of Tract 18, LaConner Tide Lands, & bounded by the inner & outer harbor lines, the produced Southerly line of Caledonia Street, & the produced Southerly line of said portion of Tract 18, as shown on Corrected Plate 18, LaConner Tide Lands on file in the office of the Commissioner of Public Lands at Olympia, Washington.

All situate in the County of Skagit, State of Washington.



200309100147
Skagit County Auditor

PARCEL E:

That portion of Tract 22, "Corrected Plate No. 18, Tide and Shore Lands of Section 36, Township 34 North, Range 2 East, W.M., LaConner Harbor", according to the official map thereof in the office of State Land Commissioners at Olympia, Washington, described as follows:

Beginning at the most Westerly corner of said Tract 22;
thence in a Southeasterly direction along the Southwesterly line of said Tract 22, a distance of 200 feet to the Northwesterly line of a tract conveyed to Puget Sound Terminal Company, a Washington corporation, by deed dated June 22, 1955, recorded August 4, 1955, under Auditor's File No. 522024;
thence Northeasterly along the Northwesterly line of said Puget Sound Terminal Company tract and at right angles to the Southwesterly line of said Tract 22, a distance of 74 feet to the Northeasterly line of Tract 22;
thence Northwesterly along the Northerly line of said Tract 22 to the Northwesterly corner thereof;
thence Southwesterly along the Northwesterly boundary line of said Tract 22, a distance of 79.9 feet to the point of beginning.

Situate in the County of Skagit, State of Washington.



200309100147

Skagit County Auditor

EXHIBIT B

Parcel Identification Numbers

PARCEL I.D. NUMBER

0210005
9002809
0220004
0040007
0160007
0200006
9002205
9002007
9002106
9001900
9001801
0190009
9002403
9000501
P74257
P74259
P74260
P74502

ASSESSOR'S ACCOUNT NUMBER

4129-018-021-0005
4129-018-900-2809
4129-018-022-0004
4125-005-004-0007
4128-002-016-0007
4129-018-020-0006
4129-018-900-2205
4129-018-900-2007
4129-018-900-2106
4129-018-900-1900
4129-018-900-1801
4129-018-019-0009
4129-018-900-2403
4128-002-900-0501
4128-002-900-0105
4128-002-900-0303
4128-002-900-0105
4129-018-900-2304



200309100147

Skagit County Auditor