



200803040092

Skagit County Auditor

3/4/2008 Page 1 of 7 3:15PM

After Recording Return to:
Jack R. Wallace, Attorney
P.O. Box 372
Burlington, WA 98233

CHICAGO TITLE COMPANY
IC44710

ACCOMMODATION RECORDING

Document Title: **Mortgage (For Security Purposes)**
Reference Number of Related Document: N/A
Grantor: **Wallace Bay View Properties, LLC**
Grantee: **G&D Wallace, Inc**
Abbreviated Legal Description: Lot 4A, Bay Ridge Business Park Phase 4; and Lots 5A, 5B, and 5C, Bay Ridge Business Park Phase 5, as more fully described in Exhibit "A" which is attached hereto and made a part hereof.
Assessor's Tax Parcel Number(s): P125000 and P125005

MORTGAGE (For Security Purposes)

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

Wallace Bay View Properties, LLC, a Washington limited liability company ("Mortgagor"), mortgages to **G & D Wallace, Inc.**, a Washington corporation ("Mortgagee"), the following described real estate, situate in Skagit County, Washington: See Exhibit "A," attached hereto and incorporated herein by this reference (the "Premises"), to secure the payment of the sum of \$4,000,000, with interest thereon, according to the terms of a promissory note (the "Note") bearing even date herewith made by Mortgagor payable to Mortgagee, together with any and all modifications, extensions, renewals, and replacements thereof, plus costs and other charges as provided in such note, plus all sums advanced to protect the security of this mortgage, together with interest thereon.

The Mortgagor further represents, warrants, covenants and agrees as follows:

1. **Insurance.** Mortgagor will keep any and all improvements on the Premises insured for the protection of Mortgagee for their full replacement cost with such company or companies as Mortgagee may from time to time approve, and to keep the policies therefore properly endorsed on deposit with Mortgagee. Such policy or policies of insurance shall name Mortgagee as an additional insured and first loss payee, and Mortgagor shall provide Mortgagee with certificates of insurance indicating that coverage shall not be changed or cancelled without 30 days prior written notice to Mortgagee. Unless Mortgagor and Mortgagee otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the damaged property, if the restoration or repair is economically feasible and the Mortgagee's security is not lessened. If the restoration or repair is not economically feasible or the Mortgagee's security would be lessened, the insurance proceeds shall be applied to the sums secured by the Mortgage, whether or not then due, with any excess paid to the Mortgagor.

2. **Taxes and Assessments.** Mortgagor promises and agrees to pay before delinquency, directly to the payee thereof, all taxes, assessments, and other public charges levied, assessed or charged against the Premises.

3. **Waste/Hazardous Substances.** Mortgagor will farm, cultivate, and care for said Premises in a proper farm-like manner, and will not cause, permit, or suffer waste on the Premises. Notwithstanding any provision of this Mortgage to the contrary, Mortgagor shall not, during the term of this Mortgage, permit the release of any hazardous substance (defined as any hazardous, dangerous, or toxic substance which is regulated under any federal, state, or local statute, ordinance, rule, or regulation now or hereafter in effect) into the environment; provided, however, Mortgagor may use appropriate farm chemicals according to all applicable laws, regulations, and manufacturer's label instructions. Mortgagor will defend, hold harmless and indemnify Mortgagee from and against claims, demands, penalties, fees, liens, damages, losses, expenses, or liabilities resulting from any breach of the foregoing, any cost or expense incurred as a result of hazardous substances being found on the Premises, and any cleanup costs. This indemnity shall survive satisfaction of the Mortgage through foreclosure or otherwise.

4. **Indebtedness/Promissory Note.** In the event Mortgagor shall fail to pay any installment of principal or interest secured



hereby when due or to keep or perform any covenant or agreement contained herein or in the Note, then the whole indebtedness hereby secured shall forthwith become due and payable, at the election of the Mortgagee, all in accordance with the terms and conditions of this Mortgage and the Note.

5. Due on Sale Clause. If all or any part of the subject property or an interest therein is sold or transferred by Mortgagor without Mortgagee's prior written consent, excluding (a) the creation of a lien or encumbrance subordinate to their mortgage; (b) the creation of a purchase money security interest for household appliances or fixtures; and (c) a transfer by devise, descent, or by operation of law upon the death of a joint tenant, then Mortgagee may, at its option, declare all sums secured by this Mortgage to be immediately due and payable.

6. Nonwaiver of Defaults. The entering upon and taking possession of the Premises, the collection of the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the Premises, and the application or release thereof as herein provided, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

7. Remedies Cumulative. To the extent permitted by law, every right and remedy provided in this Mortgage is distinct and cumulative to all other rights or remedies under this Mortgage, or afforded by law or equity, or any other agreement between Mortgagee and Mortgagor, and may be exercised concurrently, independently, or successively, in any order whatsoever. Mortgagee may exercise any of its rights and remedies at its option without regard to the adequacy of its security.

8. Mortgagee's Expenses. Mortgagor will pay all of Mortgagee's reasonable expenses incurred in any efforts to enforce any terms of this Mortgage, whether or not any suit is filed including, without limitation, reasonable legal fees and disbursements, foreclosure costs, and title charges. All such sums, with interest thereon, shall be additional indebtedness of Mortgagor secured by this Mortgage. Such sums shall be immediately due and payable, and shall bear interest from the date of disbursement at the default rate of interest stated in the Note, or the maximum rate which may be collected from Mortgagor under applicable law if that is less.



9. Application of Payments. Except as applicable law or this Mortgage may otherwise provide, all payments received by Mortgagee under the Note or this Mortgage shall be applied by Mortgagee in the following order of priority: (a) Mortgagee's expenses incurred in any efforts to enforce any terms of this Mortgage; (b) interest payable on advances made to protect the security of this Mortgage; (c) principal of such advances; (d) interest and late charges payable on the Note; (e) principal of the Note; and (f) any other sums secured by this Mortgage in such order as Mortgagee, at its option, may determine; provided, however, that Mortgagee may, at its option, apply any such payments received to interest on or principal of the Note prior to applying such payments to interest on and principal of advances made to protect the security of this Mortgage.

10. No Violation of Usury Laws. Interest, fees and charges collected or to be collected in connection with the indebtedness secured hereby shall not exceed the maximum, if any, permitted by any applicable law. If any such law is interpreted so that said interest, fees and/or charges would exceed any such maximum and Mortgagor is entitled to the benefit of such law, then: (a) such interest, fees and/or charges shall be reduced by the amount necessary to reduce the same to the permitted maximum; and (b) any sums already paid to Mortgagee which exceeded the permitted maximum will be refunded. Mortgagee may choose to make the refund either by treating the payments, to the extent of the excess, as prepayments of principal or by making a direct payment to the person(s) entitled thereto. No prepayment premium shall be assessed on prepayments under this paragraph. The provisions of this paragraph shall control over any inconsistent provision of this Mortgage or the Note.

11. Notice. Except as applicable law may otherwise require, all notices and other communications shall be in writing and shall be deemed given when delivered by personal service, or when mailed, certified or registered mail, postage prepaid, addressed to the address specified below, three (3) days after such mailing. Any party may at any time change their address for such purposes by delivering or mailing to the other parties hereto as aforesaid a notice of such change.

Mortgagor's Address: Wallace Bay View Properties, LLC
PO Box 372
Burlington, WA 98233



Mortgagee's Address:

G & D Wallace, Inc.
PO Box 569
Burlington, WA 98233

12. **Time.** Time is of the essence in connection with all obligations of Mortgagor herein.

DATED this 28th day of February, 2008.

WALLACE BAY VIEW PROPERTIES, LLC

By 

Tim Wallace, Its Manager

By 

Norm Wallace, Its Manager

By 

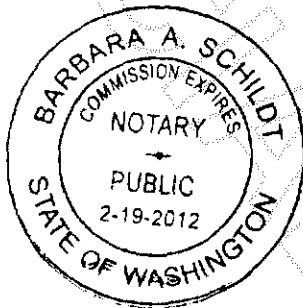
Jack Wallace, Its Manager



STATE OF WASHINGTON)
COUNTY OF SKAGIT)

I certify that I know or have satisfactory evidence that Jack Wallace, Tim Wallace, and Norm Wallace are the persons who appeared before me, and said persons acknowledged that they signed this instrument, on oath stated that they were authorized to execute the instrument and acknowledged it as the managers of Wallace Bay View Properties, LLC, a Washington limited liability company, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED: February 28, 2008.



Barbara A. Schildt
NOTARY PUBLIC

(Print or Type Name of Notary)

My Appointment Expires 2/19/12

EXHIBIT "A"

LEGAL DESCRIPTION

PARCEL A:

Lot 4A of BAY RIDGE BUSINESS PARK BINDING SITE PLAN, Phase 4, BSP No. PL-06-0184, as approved July 28, 2006, and recorded July 28, 2006, under Auditors File No. 200607280039, records of Skagit County, Washington; being a portion of Southeast Quarter of Section 34, Township 35 North, Range 3 East of the Willamette Meridian.

Situated in Skagit County, Washington

PARCELS B, C and D:

Lot 5A, Lot 5B and Lot 5C, BAY RIDGE BUSINESS PARK BINDING SITE PLAN, PHASE 5, BSP NO. PL-07-0733, as approved January 22, 2008 and recorded January 22, 2008, under Auditor's File No. 200801220120, records of Skagit County, Washington; being a portion of the Southeast Quarter of Section 34, Township 35 North, Range 3 East of the Willamette Meridian.

Situated in Skagit County, Washington

- END OF EXHIBIT 'A' -

