

After Recording, Return to:

U.S. Bank National Association  
1420 Fifth Avenue, 11<sup>th</sup> Floor  
Seattle, WA 98101  
Attention: Byron Richards



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CHICAGO TITLE CO.

1C44684

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

GRANTOR:	WOOD REALTY, LLC, a Washington limited liability company
GRANTEE/BENEFICIARY:	U.S. BANK NATIONAL ASSOCIATION
GRANTEE/TRUSTEE:	U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION
Legal Description (Abbr.)	Ptn. SE, SW and SW SE, Sec. 29, T34N, R4EWM Full legal description on Exhibit A
Assessor's Tax Parcel ID Nos.:	340429-0-065-0005 340429-3-024-0009 a Portion of 340429-0-066-0004

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Exhibit A – Legal Description

Exhibit B – Exceptions to Title

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

THIS DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS AND FIXTURE FILING ("Deed of Trust") is made as of June 2, 2009, by WOOD REALTY, LLC, a Washington limited liability company, as grantor and debtor ("Grantor"), whose address is P.O. Box 578, Mount Vernon, Washington 98273, to U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION ("Trustee"), whose mailing address is 1420 Fifth Avenue, 8<sup>th</sup> Floor, Seattle, Washington 98101, for the benefit of U.S. BANK NATIONAL ASSOCIATION ("Beneficiary"), whose address is 1420 Fifth Avenue, Mail Code PD-WA-T11M, Seattle, Washington 98101.

WITNESSETH

GRANTOR HEREBY IRREVOCABLY GRANTS, BARGAINS, SELLS,  
CONVEYS, TRANSFERS AND ASSIGNS:

A. To Trustee, in trust, with power of sale and right of entry and possession, all of its present and future estate, right, title and interest in and to that certain real property located in the state of Washington, as more particularly described in Exhibit A attached hereto and made a part hereof, including all easements and rights used in connection therewith or as a means of access thereto, together with all right, title and interest that Grantor now has or may hereafter acquire in:

1. All income, accounts, general intangibles, rents, royalties, revenue, issues, profits and proceeds from any and all of such real property, subject, however, to the right, power and authority hereinafter conferred upon Beneficiary or reserved to Grantor to collect and apply such income, rents, royalties, revenue, issues, profits and proceeds.

2. All deposits or other security or advance payments, including rental payments, made by or on behalf of Grantor to others with respect to (i) utility service for all or any part of said property or any improvements thereon, (ii) insurance policies relating to said property or any improvements thereon, and all claims or demands relating to insurance, (iii) cleaning, maintenance, repair or similar services for said property or any part thereof or any improvements thereon, and (iv) rental of equipment used in the operation of any part of said property or any improvements thereon.

3. All fixtures now or hereafter affixed to such real property, including all buildings, structures and improvements of every kind and description now or hereafter erected or placed thereon, and any and all machinery, motors, elevators, boilers, equipment (including, without limitation, all equipment for the generation or distribution of air, water, heat, electricity, light, fuel or refrigeration or for ventilating or air-conditioning purposes or for sanitary or drainage purposes or for the removal of dust, refuse or garbage), partitions,

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appliances, furniture, furnishings, building service equipment, building materials, supplies, kitchen equipment, dishwashers, microwave ovens, ranges, refrigerators, cabinets, washers, dryers and other laundry room equipment, radios, televisions, television and radio antenna systems, including satellite dish antennas, electronic audio/visual equipment, computers, software, telecommunications equipment, awnings, window shades, venetian blinds, drapes and drapery rods and brackets, screens, carpeting and other floor coverings, lobby furnishings, games, athletic and recreational equipment, whirlpool baths, swimming pool equipment, sprinklers and sprinkler equipment, tractors, lawn mowers, ground sweepers, any and all trees, plants, shrubs and other landscaping, trash compactors, garbage dumpsters, incinerators and other property of every kind and description now or hereafter placed, attached, affixed or installed in such buildings, structures or improvements (but excluding personal property owned by tenants of such real property), and all replacements, repairs, additions, accessions or substitutions or proceeds thereto or therefor; all of such fixtures, whether now or hereafter placed thereon, being hereby declared to be real property and referred to hereinafter as the "Improvements".

4. All damages, royalties and revenue of every kind, nature and description whatsoever that Grantor may be entitled to receive from any person or entity owning or having or hereafter acquiring a right to the oil, gas or mineral rights and reservations of such real property, with the right in Beneficiary to receive and receipt therefor and apply the same to the indebtedness secured hereby either before or after any default hereunder, and Beneficiary may demand, sue for and recover any such payments but shall not be required so to do.

5. All proceeds and claims arising on account of any damage to or taking of any part thereof, and all causes of action and recoveries for any loss or diminution in the value of such real property or the Improvements.

6. All licenses (including but not limited to any operating licenses), contracts, management contracts or agreements, franchise agreements, permits, authorizations or certificates required or used in connection with the ownership of, or the operation or maintenance of, the Improvements.

7. All governmental permits relating to construction, all names under or by which the Improvements or other real property may at any time be operated or known, and all rights to carry on business under any such names or any variant thereof.

8. All of Grantor's rights further to encumber said property for debt.

All of the property conveyed or intended to be conveyed to Trustee in Paragraph A above is hereinafter referred to as the "Real Property".

B. To Beneficiary, as secured party, a security interest in any portion of the Real Property owned by Grantor which may be construed to be personal property and in all other

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personal property of every kind and description, whether now existing or hereafter acquired and owned by Grantor, now or at any time hereafter attached to, erected upon, situated in or upon, forming a part of or appurtenant to and which is used or useful in the construction or operation of or in connection with, or arising from the use or enjoyment of all or any portion of, or from any lease or agreement pertaining to, the Real Property, including:

1. All water rights appurtenant to the Real Property, all water permits and applications together with all pumping and distribution equipment, plants, pipes and flumes, all shares of stock or other evidence of ownership of any part of the Real Property that is owned by Grantor in common with others, and all documents of membership in any owners' or members' association or similar group having responsibility for managing or operating any part of the Real Property.

2. All plans and specifications prepared for original construction or repair or renovation of the Improvements from time to time and all studies, data and drawings related thereto; and also all contracts and agreements of Grantor relating to the aforesaid plans and specifications or to the aforesaid studies, data and drawings, or to the construction, repair or renovation of the Improvements.

3. All furniture, furnishings, equipment, machinery, fixtures, inventory, household appliances, goods, accounts, health-care-insurance-receivables, contract rights, investment property, as defined in the Washington Uniform Commercial Code, general intangibles, payment intangibles, money, deposit accounts, documents, instruments, chattel paper, electronic chattel paper and all other personal property of every kind and description.

4. All of Grantor's right, title and interest in all money, escrow deposits or accounts, deposit accounts, money market funds, instruments, securities, investment property, certificates of deposit and other investments, together with all interest accrued thereon, additional deposits thereto and all renewals, replacements, and substitutions thereto.

5. All records and data related to any property herein described, whether in the form of a writing, photographs, microfilm, microfiche, or electronic media, together with all of Grantor's right, title and interest in and to all computer software required to utilize, create, maintain and process any such records or data or electronic media.

6. All substitutions, accessions, additions and replacements to any of the foregoing.

7. All proceeds of any of the foregoing property (including the Real Property), including, without limitation, proceeds of any voluntary or involuntary disposition or claim respecting any such property (pursuant to judgment, condemnation award or otherwise) and all accounts, goods, documents, money, general intangibles, payment intangibles, chattel paper, electronic chattel paper, accounts, instruments and investment



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property, wherever located, acquired with cash proceeds of any of the foregoing or proceeds thereof.

All of the property assigned or transferred or intended to be assigned or transferred to Beneficiary in Paragraph B above is hereinafter referred to as the "Personal Property".

All of the Real Property and the Personal Property is referred to herein collectively as the "Property."

TO HAVE AND TO HOLD said Property bargained and described, together with all and singular the lands, tenements, privileges, water rights, hereditaments and appurtenances thereto belonging or in anywise appertaining, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof, and all of the estate, right, title, claim and demands whatsoever of Grantor, either in law or in equity, of, in and to the above-bargained Property forever, as security for the faithful performance of the obligations of Skagit Valley Publishing Co., a Washington corporation ("Borrower"), under that certain Credit Agreement of even date herewith between Borrower and Beneficiary (together with all amendments, supplements, exhibits and modifications thereto, the "Credit Agreement"; all capitalized terms not otherwise defined herein shall have the same meaning as defined in the Credit Agreement.) secured hereby and as security for the faithful performance of each and all of the covenants, agreements, terms and conditions of this Deed of Trust,

**FOR THE PURPOSE OF SECURING:**

ONE: Payment of all indebtedness of Borrower to Beneficiary under the Credit Agreement and \$1,400,000 Term Note described in the Credit Agreement, with interest thereon, all future advances thereunder, and any renewals, extensions or modifications thereof, and fees and late charges as provided by the Credit Agreement, which is made a part hereof by reference.

TWO: Payment of all other moneys herein or in the Credit Agreement agreed or provided to be paid by Borrower and such further sums as may be advanced or loaned by Beneficiary to Borrower pursuant to the terms hereof.

THREE: Performance of each agreement of Grantor herein contained or of Borrower contained in the Credit Agreement or contained in any other agreement given by Grantor or Borrower to Beneficiary for the purpose of further securing any indebtedness hereby secured.

FOUR: Any and all obligations of Grantor or Borrower to Beneficiary under or related to any Rate Swap Transaction, if any, entered into between Beneficiary and Grantor or Borrower relating to the other obligations secured by this Deed of Trust, including, without limitation, any payments on Early Termination under any Swap Agreement or Confirmation. Capitalized terms used in this paragraph FOUR are defined in the ISDA Definitions, published by the International Swap Dealers Association, Inc.

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Notwithstanding any provisions of this Deed of Trust to the contrary, this Deed of Trust does not secure any of the obligations of Grantor or Borrower under that certain Environmental Indemnity Agreement of even date herewith between Borrower, certain other parties and Beneficiary or any obligations (including indemnification obligations) of Borrower with respect to any environmental matters concerning the Property or any portion thereof that are set forth in the Credit Agreement or any other Loan Document.

GRANTOR REPRESENTS, ALLEGES, WARRANTS, COVENANTS AND AGREES AS FOLLOWS:

## ARTICLE I COVENANTS

### 1.01 Warranty of Title

Grantor represents and warrants that at the time of the recording of this Deed of Trust in the real estate records, (i) Grantor is lawfully possessed and is the owner in fee simple of the Property; (ii) except as provided in Exhibit B attached hereto, the Property is free and clear of any deed of trust, mortgage, lien, charge or encumbrance thereon or affecting the title thereto prior to this Deed of Trust and none will be created by Grantor during the term of this Deed of Trust except upon such terms and conditions as may be satisfactory to Beneficiary; (iii) Grantor has good right to make this Deed of Trust; (iv) Grantor has good and absolute title to all existing Personal Property, and has good right, full power and lawful authority to convey and encumber the same in the manner and form conveyed and encumbered hereby; that the same is free and clear of all liens, charges, and encumbrances whatsoever, including, as to the Personal Property and fixtures, security agreements, conditional sales contracts and anything of a similar nature, and none superior to this Deed of Trust will be created or suffered to be created by Grantor; (v) except as set forth in Exhibit B, there is no financing statement covering the Property, or any part thereof, on file in any public office; and (vi) Grantor will warrant and forever defend the title to the Property against the claims of all persons whomsoever.

### 1.02 Tax Deposits

Upon demand by Beneficiary during the existence of any Event of Default under the Credit Agreement, Grantor will pay to Beneficiary on the first day of each month, an amount for real and personal property taxes, assessments and other governmental or public charges affecting the Property, insurance premiums and other similar charges (including any amounts which may become payable by Grantor pursuant to Section 1.04 hereof) as reasonably estimated by Beneficiary to be sufficient to allow the payment at least thirty (30) days before they become due, of all taxes, assessments, insurance premiums and other similar charges against the Property. The arrangement provided for in this Section 1.02 is solely for the added protection of Beneficiary and entails no responsibility on Beneficiary's part beyond the allowing of due credit, without payment of interest or income to Grantor, unless





specifically required by law, for the sums actually received by it. Those sums received, but not immediately required for payment of the items set forth above, may be invested or otherwise used by Beneficiary without payment to or on behalf of Grantor until such time as payment of the items set forth above is required. To the extent sums have been received from Grantor, Beneficiary shall pay such taxes, assessments or insurance premiums prior to delinquency. Beneficiary shall not be required to expend its own funds to make such payments. Upon demand of Beneficiary, Grantor shall promptly deliver to Beneficiary such additional sums as are necessary to make up any deficiency in the amount necessary to pay such taxes, assessments, insurance premiums and other similar charges in a timely manner together with all interest on all such sums so expended by Beneficiary from date of expenditure at an interest rate equal to the Default Rate provided for in the Credit Agreement until paid in full. Upon assignment of this Deed of Trust by Beneficiary, any funds on hand shall be turned over to the assignee and any responsibility of the assignor with respect thereto shall terminate. Each transfer of the Real Property shall automatically transfer to the grantee all rights of the grantor with respect to any funds accumulated hereunder.

### **1.03 Taxes, Liens and Other Charges**

Grantor will pay when due:

(a) All taxes, assessments and other governmental or public charges affecting the Property, and any accrued interest, cost and/or penalty thereon and upon request by Beneficiary will submit receipts therefor to Beneficiary promptly following payment;

(b) All encumbrances (including any debt secured by deeds of trust), ground rents, liens and/or charges, with interest, on the Property or any part thereof which appear to be prior, superior or on a parity hereto, and all costs and fees related thereto;

(c) All charges for utilities or services, including, but not limited to, electricity, gas, sewer and water;

(d) All costs, fees and expenses of this Deed of Trust, including cost of evidence of title, Trustee's fees and attorneys' fees in connection with sale pursuant to Section 2.01 (whether completed or not) together with interest on all such costs, fees and expenses from the date of expenditure at an interest rate equal to the Default Rate provided for in the Credit Agreement until paid in full, and

(e) Grantor may, in good faith, contest, by proper legal proceedings, and at its own expense, the validity or amount of any such tax, assessment or governmental charge, provided that Grantor shall deposit with Beneficiary a sum which shall be at least ten percent (10%) greater than the amount so contested, (unless the contested amount has been paid in full or is not yet due) and also, from time to time, on demand of Beneficiary, such additional sums as may be reasonably required to cover interest or penalties accrued or to accrue on any such item or items, and Beneficiary may upon reasonable notice to Grantor pay such



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contested item or items out of any sums so deposited in case of undue delay in the prosecution of such proceedings, or if the protection of the Property or of Beneficiary's interest therein shall, in the reasonable judgment of Beneficiary, require such payment. On default under this Section 1.03(e) Beneficiary may, at its option, pay, or pay out of reserves accumulated under Section 1.02, any such sums, without waiver of any other right of Beneficiary by reason of such default of Grantor, and Beneficiary shall not be liable to Grantor for a failure to exercise any such option.

Grantor's obligations under Section 1.03(a) above shall be deemed satisfied if Grantor has promptly and properly paid all of such amounts to Beneficiary pursuant to, and otherwise in compliance with, Section 1.02 hereof.

#### **1.04 Further Taxes**

In the event of the passage, after the date of this Deed of Trust, of any law, deducting from the value of the Property for the purposes of taxation any lien thereon, or changing in any way the laws now in force for the taxation of deeds of trust or debts secured by deeds of trust, except for the imposition of any tax upon the gross or net income from such debts (or the manner of the collection of any such taxes), so as to adversely affect Beneficiary's interest in this Deed of Trust, or imposing payment of the whole or any portion of any taxes, assessments or other similar charges against the Property upon Beneficiary, the indebtedness secured hereby shall immediately become due and payable at the option of Beneficiary; provided, however, that such election by Beneficiary shall be ineffective if such law either (a) shall not impose a tax upon Beneficiary nor increase any tax now payable by Beneficiary, or (b) shall impose a tax upon Beneficiary or increase any tax now payable by Beneficiary and prior to the due date of such tax: (i) Grantor is permitted by law and can become legally obligated to pay such tax or the increased portion thereof without exceeding the limits imposed by applicable interest rate laws; (ii) Grantor does pay such tax or increased portion; and (iii) Grantor agrees with Beneficiary in writing to pay, or reimburse Beneficiary for the payment of, any such tax or increased portion thereof when thereafter levied or assessed against the Property or any portion thereof. The obligations of Grantor under such agreement shall be secured hereby. Notwithstanding anything in this Section 1.04 to the contrary, Grantor is not obligated to pay Beneficiary any additional amounts resulting from an increase in federal income tax rates or state business occupation tax rates of general application to all taxpayers.

#### **1.05 Insurance**

(a) Grantor will at all times provide, maintain and keep in force or cause to be provided, maintained or kept in force:

(i) All risk insurance insuring against loss or damage from such causes of loss as are embraced by insurance policies of the type now known as "Builder's Risks"



property insurance (written on an "all risk" or "open perils" basis), including, without limitation, fire and extended coverage, collapse of the improvements and earthquake coverage to agreed limits, all in form and substance acceptable to Beneficiary and (i) as to property then subject to Restoration (as defined in Section 1.06(b)) or any restoration accomplished in connection with a Condemnation, in an amount not less than the full replacement cost of such property, and (ii) as to any improvements then being constructed, in an amount not less than the completed value on a non reporting form, of the additional improvements then being constructed; provided, however, that such insurance shall be required only during any period of Restoration or any restoration accomplished in connection with a Condemnation, or any period of construction of any improvements;

(ii) Policies of insurance insuring the Property against loss or damage by fire and lightning; against loss or damage by other risks embraced by coverage of the type now known as all risk or special cause of loss coverage, including, but not limited to, riot and civil commotion, vandalism and malicious mischief; and against such other risks or hazards as Beneficiary from time to time reasonably may designate in an amount sufficient to prevent Beneficiary or Grantor from becoming a co-insurer under the terms of the applicable policies, but in any event in an amount not less than 100% of the then full replacement cost of the Improvements (exclusive of the cost of excavations, foundations and footings below the lowest basement floor) and Personal Property without deduction for physical depreciation;

(iii) Policies of insurance insuring the Property against business interruption in an amount of not less than \$2,500,000. The proceeds of such insurance shall be assigned to Beneficiary, to be applied in payment of the indebtedness evidenced by the Credit Agreement secured by this Deed of Trust to each installment as they come due, insurance premiums, taxes, assessments and private impositions until such time as the buildings shall have been restored and placed in full operation, at which time, provided Grantor is not then in default under this Deed of Trust, the balance of such insurance proceeds, if any, held by Beneficiary shall be returned to Grantor;

(iv) Flood insurance upon the Property in the event that such insurance is available pursuant to the provisions of the Flood Disaster Protection Act of 1973 or other applicable legislation (Beneficiary reserves the right to require that Grantor secure flood insurance in excess of the amount provided by the Flood Disaster Protection Act of 1973 if such insurance is commercially available at a reasonable premium up to the amount provided in Section 1.05(a)(ii) hereof);

(v) Boiler and pressure vessel insurance, including air tanks, pressure piping and major air conditioning equipment, provided any building which constitutes a part of the Property contains equipment of the nature ordinarily covered by such insurance, in such an amount as Beneficiary may reasonably require;



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(vi) Comprehensive general liability insurance (full form personal injury and broad form property damage) against claims for personal injury (including, without limitation, bodily injury or death) and property damage liability with a coverage limit acceptable to Beneficiary. Such insurance coverage shall be issued and maintained on an "occurrence" basis. Beneficiary shall be named as an additional insured thereunder, and Beneficiary shall have the right from time to time to require the coverage limits, thereunder to be increased upon not less than thirty (30) days' prior notice to Grantor;

(vii) In the event Grantor obtains an environmental property liability insurance policy, Beneficiary shall be named as an additional insured thereunder; and

(viii) Such other insurance, and in such amounts, as may from time to time be reasonably required by Beneficiary against the same or other insurable hazards which at the time are commonly insured against in the case of premises similarly situated, due regard being given to the height and type of buildings thereon and their construction, use and occupancy.

(b) All policies of insurance required under this Section 1.05 shall be issued by companies approved by Beneficiary, shall be subject to the approval of Beneficiary as to amount, content, form and expiration date, shall contain a Noncontributory Standard Mortgagee Clause and the Lender's Loss Payable Endorsement (Form 438 BFU NS), or their equivalents, in favor of Beneficiary, and shall provide that the proceeds thereof shall be payable to Beneficiary (to the extent of their respective interests). Beneficiary shall be furnished with the original of each policy or certificates thereof required to be provided by Grantor hereunder, which policy shall provide that it shall not be modified or cancelled without thirty (30) days' written notice to each Beneficiary. At least thirty (30) days prior to expiration of any policy required to be provided by Grantor hereunder, Grantor shall furnish each Beneficiary appropriate proof of issuance of a policy continuing in force the insurance so expiring. Grantor shall furnish Beneficiary receipts for the payment of premiums on such insurance policies or other evidence of such payment reasonably satisfactory to Beneficiary in the event that such premiums have not been paid to Beneficiary pursuant to Section 1.02 hereof. In the event that Grantor does not deposit with Beneficiary a new policy of insurance with evidence of payment of premium thereon at least thirty (30) days prior to the expiration of any expiring policy, then Beneficiary may, but shall not be obligated to, procure such insurance and pay the premiums therefor and Grantor agrees to repay to Beneficiary the premiums thereon promptly on demand, together with interest thereon at the Default Rate provided for in the Credit Agreement until paid in full.

(c) In the event of any loss or damage to the Property, all proceeds of insurance (the "Insurance Proceeds") shall be payable to Beneficiary, and Grantor hereby authorizes and directs any affected insurance company to make payment of the Insurance Proceeds directly to Beneficiary. The application or release by Beneficiary of any Insurance Proceeds



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shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(d) In the event of the foreclosure of this Deed of Trust or other transfer of the title to the Property in extinguishment, in whole or in part, of the indebtedness secured hereby, all right, title and interest of Grantor in and to any insurance policy, or premiums or payments in satisfaction of claims or any other rights thereunder then in force, shall pass to the purchaser or grantee notwithstanding the amount of any bid at such foreclosure sale. Nothing contained herein shall prevent accrual of interest as provided in the Credit Agreement on any portion of the principal balance due under Term Note until such time as the Insurance Proceeds are actually received and applied to reduce the principal balance outstanding.

#### **1.06 Restoration**

(a) After the happening of any casualty to the Property whether or not required to be insured against under the policies to be provided by Grantor hereunder, Grantor shall give prompt written notice thereof to each Beneficiary generally describing the nature and cause of such casualty and the extent of the damage or destruction to the Property.

(b) Grantor hereby assigns to Beneficiary all Insurance Proceeds which Grantor may be entitled to receive. In the event of any damage to or destruction of the Improvements, then, provided there is not an Event of Default under the Credit Agreement, the Deed of Trust or any of the other Loan Documents and Beneficiary has determined that its security has not been impaired, Grantor shall commence and diligently pursue to completion in accordance with this Section 1.06 the repair, restoration and rebuilding of any portion of the Property that has been partially damaged or destroyed in full compliance with all legal requirements and to the same condition, character and at least equal value and general utility as nearly as possible to that existing prior to such damage or destruction (the "Restoration"), and Beneficiary shall hold and disburse the Insurance Proceeds (less the cost, if any, to Beneficiary of recovering and paying out such proceeds (including, without limitation, attorneys' fees and expenses, adjuster's fees, and fees incurred in Beneficiary's performance of its obligations hereunder)) (the "Net Insurance Proceeds") in the manner hereinafter provided (except as set forth in Section 1.05(a)(iii)), to the Restoration. Beneficiary agrees that so long as no Event of Default, and no event that with the giving of notice, the passage of time or both, would constitute an Event of Default under the Credit Agreement, this Deed of Trust or any of the other Loan Documents has occurred, Beneficiary will consent to use of Insurance Proceeds or Condemnation Proceeds to rebuild the Improvements in accordance with the requirements of Sections 1.06 and 1.07 if Grantor provides evidence satisfactory to Beneficiary that it has funds sufficient (together with such Insurance Proceeds or Condemnation Proceeds as applicable) to pay all costs of Restoration (collectively, the "Restoration Funds"). In the event that Beneficiary has determined that its security has been impaired, Beneficiary may, at its option, apply the Net Insurance Proceeds



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to the reduction of the indebtedness evidenced by the Term Note and secured by this Deed of Trust in such order as Beneficiary may determine and, at Beneficiary's option and in its sole discretion, Beneficiary, may declare the entire indebtedness secured hereby immediately due and payable.

(c) In the event the Net Insurance Proceeds are to be used for the Restoration, Grantor shall, prior to disbursement of any Net Insurance Proceeds for any work in connection with the Restoration (the "Work"), deliver or furnish to Beneficiary (i) complete plans and specifications for the Work which (A) have been approved by all governmental authorities whose approval is required, (B) bear the signed approval of an architect satisfactory to Beneficiary (the "Architect") and (C) are accompanied by Architect's signed estimate of the total estimated cost of the Restoration. Such plans and specifications shall be subject to Beneficiary's approval, which approval shall not be unreasonably withheld (the "Approved Plans and Specifications"); (ii) the amount of money which, as determined by Beneficiary, will be sufficient when added to the Net Insurance Proceeds, if any, to pay the entire cost of the Restoration (all money as held by Beneficiary is referred to herein as the "Restoration Funds"); (iii) copies of all permits and approvals required by law in connection with the commencement and conduct of the Restoration; and (iv) a contract for construction executed by Grantor and a contractor satisfactory to Beneficiary (the "Contractor") in form, scope and substance satisfactory to Beneficiary (including the customary retention) for performance of the Work.

(d) After commencing the Work, Grantor shall perform or cause Contractor to perform the Work diligently and in good faith in accordance with the Approved Plans and Specifications approved by Beneficiary. So long as Borrower is not in default under the Credit Agreement or any of the other Loan Documents, Beneficiary shall disburse the Restoration Funds in increments to Grantor or as Grantor may direct, from time to time as the Work progresses, to pay (or reimburse Grantor for) the costs of the Restoration, but subject to the following conditions, any of which Beneficiary may waive in its sole discretion:

(i) Beneficiary shall make such payments only upon not less than ten (10) days' prior written notice from Grantor to Beneficiary and Grantor's delivery to Beneficiary of (A) Grantor's written request for payment (a "Request for Payment") accompanied by a certificate by Architect in form, scope and substance satisfactory to Beneficiary which states that all of the Work completed to that date has been done in compliance with the Approved Plans and Specifications and in accordance with all provisions of law, that the amount requested has been paid or is then due and payable and is properly a part of the cost of the Restoration and that when added to all sums, if any, previously paid out by Beneficiary, the requested amount does not exceed the value of the Work done to the date of such certificate; (B) evidence satisfactory to Beneficiary that there are no mechanic's or similar liens for labor or material supplied in connection with the Work to date or that any such liens have been adequately provided for to Beneficiary's satisfaction; and (C) evidence satisfactory to Beneficiary that the balance of the Restoration Funds remaining after making the payments



shall be sufficient to pay the balance of the cost of the Restoration not completed to date (giving in such reasonable detail as Beneficiary may require an estimate of the cost of such completion). Each Request for Payment shall be accompanied by waivers of liens satisfactory to Beneficiary covering that part of the Work previously paid for, if any, and by a search prepared by a title company or by other evidence satisfactory to Beneficiary that no mechanic's liens or other liens or instruments for the retention of title in respect of any part of the Work have been filed against the Property and not discharged of record and that no encumbrance exists on or affecting the Property other than encumbrances, if any, which are set forth in the title policy issued to Beneficiary insuring the lien of this Deed of Trust; and

(ii) Any Request for Payment after the Restoration has been completed shall be accompanied by a copy of any certificate or certificates required by law to render occupancy of the Improvements legal.

(e) Upon Beneficiary's receipt of the certificates of occupancy for the Improvements and other customary evidence requested by Beneficiary that the Restoration has been completed and the costs thereof paid in full, and satisfactory evidence that no mechanic's or similar liens for labor or material supplied in connection with the Restoration are outstanding against the Property and Beneficiary's disbursement under the final Request for Payment, and provided that Borrower is not then in default under the Credit Agreement or any of the other Loan Documents, Beneficiary shall pay any remaining Restoration Funds then held by Beneficiary to Grantor; provided, however, nothing contained herein shall prevent Beneficiary from applying at any time the whole or any part of the Restoration Funds to the curing of any default under the Credit Agreement.

(f) If (i) within sixty (60) days after the occurrence of any damage or destruction to the Property requiring Restoration, Grantor fails to submit to Beneficiary and receive Beneficiary's approval of plans and specifications or fails to deposit with Beneficiary the additional amount necessary to accomplish the Restoration as provided in Section 1.06(c), or (ii) after such plans and specifications are approved by all such governmental authorities and Beneficiary, Grantor fails to commence promptly or diligently continue to completion the Restoration, or (iii) Grantor becomes delinquent in payment to mechanics, materialmen or others for the costs incurred in connection with the Restoration, then, in addition to all of the rights herein set forth, Beneficiary may apply the Restoration Funds then or thereafter held by Beneficiary to reduce the unpaid indebtedness secured hereby in such order as Beneficiary may determine, and at Beneficiary's option and in its sole discretion, Beneficiary may declare the entire indebtedness secured hereby immediately due and payable.

(g) In the event that Beneficiary applies all or any portion of the Restoration Funds to reduce the unpaid indebtedness secured hereby as provided in this Section 1.06, after payment in full of all sums secured hereby, any remaining Restoration Funds shall be paid to Grantor.



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### **1.07 Condemnation**

Should the Property or any part thereof be taken or damaged by reason of any public improvement, condemnation proceeding, or conveyance in lieu thereof, or in any other manner ("Condemnation"), Beneficiary shall be entitled to all compensation, awards and other payments or relief therefor, and shall be entitled, at its option, to commence, appear in and prosecute in its own name any action or proceeding. Grantor shall have the right, with the prior written consent of Beneficiary, to make a compromise or settlement in connection with such taking or damage. All such compensation, awards, damages, rights of action and proceeds (the "Condemnation Proceeds") are hereby assigned to Beneficiary, who shall, after deducting therefrom all its reasonable expenses, including attorneys' fees, apply or release the Condemnation Proceeds with the same effect as provided in Section 1.06 above with respect to disposition of insurance proceeds (other than rent insurance proceeds); provided, that if such Condemnation Proceeds are to be utilized for restoration of the Property and there are any excess Condemnation Proceeds after application thereof to the restoration of the Property, Beneficiary shall be entitled to apply such excess to the reduction of any indebtedness outstanding under the Credit Agreement. Grantor agrees to execute such further assignments of the Condemnation Proceeds as Beneficiary may require.

Nothing contained herein shall prevent the accrual of interest as provided in the Credit Agreement on any portion of the Condemnation Proceeds to be applied to the principal balance due under the Credit Agreement until such Condemnation Proceeds are actually received and applied.

### **1.08 Care of the Property**

Grantor will:

(a) Keep the Property in good condition and repair and not commit or permit any waste or deterioration of the Property;

(b) Not remove, demolish or substantially alter any portion of the Property (except for replacement of worn out or obsolete equipment, furnishings and/or fittings to the extent permitted by Beneficiary), except as approved in writing by Beneficiary and except such alterations as may be required by laws, ordinances or regulations of governmental authorities;

(c) Comply with all laws, ordinances, rules, regulations and orders of governmental authorities now or hereafter affecting the Property or requiring any alterations or improvements to be made thereon, and perform all of its obligations under any covenant, condition, restriction or agreement of record affecting the Property;

(d) Complete promptly and in good and workmanlike manner any portion of the Property which may be constructed hereafter, and promptly restore in like manner as

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obligated in Section 1.06, any portion of the Property which may be damaged or destroyed, and pay, when due, all costs incurred and claims for labor performed and materials furnished therefor;

(e) Not commit, suffer or permit any act to be done in, upon or to the Property in violation of any law or ordinance or any covenant, condition or restriction affecting the Property;

(f) Do any and all acts which, from the character or use of the Property, may be reasonably necessary to protect and preserve the security of Beneficiary, the specific enumerations herein not excluding the general;

(g) Not permit any mechanics' or materialmen's liens against the Property;

(h) Not take or permit to be taken any actions that might invalidate any insurance carried on the Property; and

(i) Maintain in full force and effect all licenses (including but not limited to any operating licenses, boarding house licenses or similar matters) required or permitted in the operation of the improvements on the Real Property.

#### **1.09 Further Assurances**

If required by Beneficiary at any time during the term of this Deed of Trust, Grantor will execute, acknowledge and deliver to Beneficiary, in form satisfactory to Beneficiary, such chattel mortgages, security agreements or other similar security instruments, in form and substance satisfactory to Beneficiary, covering all property of any kind whatsoever owned by Grantor or in which Grantor has any interest which, in the sole opinion of Beneficiary, is required to perfect the security interests intended to be created in the real and personal property described in this Deed of Trust or which is essential to the operation of the Real Property covered by this Deed of Trust. Grantor agrees that Beneficiary may execute and file any financing statement, renewal, affidavit, certificate, continuation statement or other document as Beneficiary may deem necessary to perfect, preserve, continue, extend or maintain the security interest under, and the priority of, this Deed of Trust and the priority of such chattel mortgage or other security instrument as a first lien. Grantor further agrees to pay to Beneficiary on demand all costs and expenses incurred by Beneficiary in connection with the preparation, execution, recording, filing and refileing of any such instrument or document including the charges for examining title and the attorneys' fee for rendering an opinion as to the priority of this Deed of Trust and of such chattel mortgage or other security instrument as a valid first and subsisting lien. However, neither a request so made by Beneficiary nor the failure of Beneficiary to make such request shall be construed as a release of such Property, or any part thereof, from the conveyance of title by this Deed of Trust, it being understood and agreed that this covenant and any such chattel mortgage, security agreement or other similar security instrument, delivered to Beneficiary, are

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cumulative and given as additional security. Any breach of such security agreement shall constitute an Event of Default under this Deed of Trust.

**1.10 Leases and Other Agreements Affecting the Property**

(a) Except for the lease to Borrower, Grantor shall not lease all or any portion of the Improvements without the prior written consent of Beneficiary.

(b) Grantor shall at no time file or record a condominium declaration against the Real Property or permit any part of the Real Property to be converted to, or operated as, a cooperative whereby the tenants or occupants thereof participate in the management or control of the Real Property, as tenants, stockholders or otherwise without the prior written consent of Beneficiary.

(c) Unless otherwise approved in writing by Beneficiary, each lease of a portion of the Improvements which constitutes a part of the Property shall be absolutely subordinate to the lien of this Deed of Trust.

(d) In addition to any other grant, transfer or assignment effected hereby, Grantor covenants and agrees to execute such further assignments to Beneficiary as security for the indebtedness secured hereby as may be necessary to fully assign Grantor's interests in all agreements, contracts, licenses and permits affecting the Property; such assignments shall be made by instruments in form satisfactory to Beneficiary, but no such assignment shall be construed as a consent by Beneficiary to any agreement, contract, license or permit so assigned, or impose upon Beneficiary any obligations with respect thereto.

(e) Grantor shall fully comply with all of the terms, conditions and provisions of all leases on the Real Property so that the same shall not become in default and shall do all that is needful and consistent with the exercise of reasonable business judgment to preserve all said leases in force.

(f) Grantor shall permit no assignment of any lease unless the right to assign or sublet is expressly reserved by the tenant under such lease.

(g) Save and except for taxes and assessments provided to be paid by Grantor as specified in Section 1.02 and 1.03 hereof, Grantor will not create or suffer or permit to be created, subsequent to the date of the execution and delivery of this Deed of Trust, any lien or encumbrance which may be or become superior to any lease affecting the Real Property except such as have been disclosed to and approved by Beneficiary in writing upon such terms and conditions as may be satisfactory to Beneficiary.

(h) If any part of the automobile parking areas included within the Real Property is taken by condemnation, or before said areas are otherwise reduced, Grantor will provide parking facilities in kind, size and location to comply with all leases and to ensure the



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continued operation of the Improvements in compliance with all applicable zoning regulations, and before making any contract for such substitute parking facilities, Grantor will furnish to Beneficiary satisfactory assurance of completion thereof free of liens and in conformity with all applicable zoning and land use laws, ordinances, rules and regulations.

### **1.11 Expenses**

(a) Following an Event of Default, upon election of either Beneficiary or Trustee so to do, employment of an attorney is hereby authorized and Grantor shall pay all reasonable attorneys' fees, costs and expenses, including expenses of retaking, holding, preparing for sale or selling (including cost of evidence or search of title) in connection with any action or actions which may be brought for the foreclosure of this Deed of Trust and/or for possession of the Property and/or for the protection of or the defense of the priority of the lien provided for by this Deed of Trust and/or for the appointment of a receiver and/or for the enforcement of any and all covenants or rights contained in or secured by this Deed of Trust and/or any case or proceeding under Chapter 7, 11, or 13 of the Bankruptcy Code or any successor statute thereto.

(b) Within 10 days of receipt of written demand from Beneficiary, Grantor will pay immediately following demand all sums expended or expenses incurred by Trustee and/or either Beneficiary, including, without limitation, reasonable attorneys' fees, under any of the terms of this Deed of Trust, with interest from date of expenditure at an interest rate equal to the Default Rate provided for in the Credit Agreement until paid in full.

### **1.12 Books, Records and Accounts**

Grantor will keep and maintain, or cause to be kept and maintained at its address set forth above or at such other location as Beneficiary may approve, proper and accurate books, records and accounts reflecting all items of income and expense in connection with the operation of the Property or in connection with any services, equipment or furnishings provided in connection with the operation of the Property, whether such income or expenses be realized by Grantor or by any other person or entity whatsoever, excepting persons unrelated to and unaffiliated with Grantor and who leased from Grantor portions of the Property for the purposes of occupying the same. Beneficiary and its designees shall have the right from time to time at all times during normal business hours and following reasonable notice to Grantor to examine such books, records and accounts at the office of Grantor or other person or entity maintaining such books, records and accounts and to make copies or extracts thereof as Beneficiary or its designee shall desire.

### **1.13 Subrogation**

Beneficiary shall be subrogated for further security to the lien, although released of record, of any and all encumbrances paid out of the proceeds of the loan secured by this Deed of Trust.

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#### **1.14 Late Charges**

In the event that any payment due hereunder or under the Credit Agreement shall not be made within fifteen (15) days of the date when due, a late charge of five cents (\$.05) for each dollar (\$1.00) so overdue may be charged by Beneficiary for the purpose of defraying the expense incident to handling such delinquent payment (the "Late Charge Fee"). Such Late Charge Fee represents the reasonable estimate of Beneficiary and Grantor of a fair average compensation for the loss that will be sustained by Beneficiary due to the failure of Grantor to make timely payments. Such Late Charge Fee shall be paid without prejudice to the right of Beneficiary to collect any other amounts provided to be paid or to declare an Event of Default under the Credit Agreement or this Deed of Trust. If an Event of Default (as hereunder defined) occurs, then the interest rate applicable in calculating any defaulted payments from the due date of the defaulted payments shall be the Default Rate provided for in the Credit Agreement until paid in full and the Late Charge Fee shall apply to any such payments.

#### **1.15 Inspection of Property**

Beneficiary is authorized, by itself, its agents, employees or workmen, to enter at any reasonable time upon any part of the Property for the purpose of inspecting the same upon reasonable prior notice (except in the case of an emergency for which no prior notice need be given), and for the purpose of performing any of the acts it is authorized to perform under the terms of this Deed of Trust. Grantor agrees to cooperate with Beneficiary to facilitate such inspections.

#### **1.16 Performance by Grantor**

Grantor will faithfully perform each and every covenant to be performed by Grantor under any lien or encumbrance, including, without limiting the generality hereof, mortgages, deeds of trust, leases, declarations or covenants, conditions and/or restrictions and other agreements which affect the Property, in law or in equity, which Beneficiary reasonably believes may be prior or superior to or on a parity with the lien or charge of this Deed of Trust. Grantor shall not, without first obtaining Beneficiary's prior written consent, change the general nature of the occupancy or initiate or acquiesce in any zoning reclassification or suffer any act or thing which would impair the security for said debt or Beneficiary's lien upon the Property. A breach of or a default under any such lien or encumbrance, or a breach of any requirement of this Section 1.16 shall constitute an event of default under this Deed of Trust.

#### **1.17 Assignment of Rents**

Grantor hereby absolutely and unconditionally assigns and transfers to Beneficiary all the income, rents, royalties, revenue, issues, profits and proceeds of the Property, whether now due, past due or to become due, and hereby gives to and confers upon Beneficiary the

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right, power and authority to collect such income, rents, royalties, revenue, issues, profits and proceeds. Grantor irrevocably appoints Beneficiary its true and lawful attorney at the option of Beneficiary at any time to demand, receive and enforce payment, to give receipts, releases and satisfactions, and to sue, either in the name of Grantor or in the name of Beneficiary, for all such income, rents, royalties, revenue, issues, profits and proceeds. It is understood and agreed that neither the foregoing assignment of income, rents, royalties, revenue, issues, profits and proceeds to Beneficiary nor the exercise by Beneficiary of any of its rights or remedies under this Section 1.17 or under Section 2.04 hereof shall be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise responsible or liable in any manner with respect to the Property or the use, occupancy or enjoyment or operation of all or any portion thereof, unless and until Beneficiary, in person or by agent, assumes actual possession thereof; nor shall appointment of a receiver for the Property by any court at the request of Beneficiary or by agreement with Grantor or the entering into possession of the Property or any part thereof by such receiver be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise responsible or liable in any manner with respect to the Property or the use, occupancy, enjoyment or operation of all or any portion thereof. The foregoing assignment is intended to be specific, perfected and choate upon the recording of this Deed of Trust as provided in RCW 7.28.230(3).

#### **1.18 Collection of Rents**

Notwithstanding anything to the contrary contained herein or in the Credit Agreement secured hereby, so long as there is no Event of Default by Grantor in the payment of any indebtedness secured hereby or in the performance of any obligation, covenant or agreement contained herein, in the Credit Agreement, any other Loan Document or in any other agreement given as security for the indebtedness evidenced by the Credit Agreement, Grantor shall have the right to collect all income, rents, royalties, revenue, issues, profits and proceeds from the Property and to retain, use and enjoy the same.

#### **1.19 Collateral Security Instruments**

Grantor covenants and agrees that if Beneficiary at any time holds additional security for any obligations secured hereby, it may enforce the terms thereof or otherwise realize upon the same, at its option, either before or concurrently herewith or after a sale is made hereunder, and may apply the proceeds upon the indebtedness secured hereby without affecting the status of or waiving any right to exhaust all or any other security, including the security hereunder, and without waiving any breach or default or any right or power whether exercised hereunder or contained herein or in any such other security.

#### **1.20 Suits to Protect Property**

Grantor covenants and agrees to appear in and defend any action or proceeding purporting to affect the security of this Deed of Trust, and/or any additional or other security



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for the obligations secured hereby, the interest of each Beneficiary or the rights, powers and/or duties of Trustee hereunder; and to pay all costs and expenses, including cost of evidence of title and attorneys' fees in a reasonable sum, in any action or proceeding in which either Beneficiary and/or Trustee may appear or be made a party, including, but not limited to, foreclosure or other proceeding commenced by those claiming a right to any part of the Property under subordinate liens, in any action to partition or condemn all or part of the Property, whether or not pursued to final judgment, and in any exercise of the power of sale contained herein, whether or not the sale is actually consummated.

#### **1.21 Beneficiary's Right to Defend Action and Cure Certain Defaults**

Beneficiary may appear in and defend any action or proceeding at law or in equity or in bankruptcy purporting to affect the Property or the security hereof, and in such event (except where the purported defect affecting the security hereof arises or results from any act or omission of Beneficiary), Beneficiary shall be allowed and paid all Beneficiary's costs, charges and expenses, including cost of evidence of title and attorneys' fees incurred in such action or proceeding in which Beneficiary may appear.

Should Grantor fail to make any payment or to do any act as herein provided, then each Beneficiary or Trustee, but without obligation so to do and upon reasonable prior notice to or demand upon Grantor (except for monetary defaults or defaults in the payment of taxes or insurance for which no prior written notice or demand shall be required) and without releasing Grantor from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, each Beneficiary or Trustee being authorized to enter upon the Real 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 either Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such power, incur any liability, expend whatever amounts in its absolute discretion it may deem necessary therefor, including cost of evidence of title, employ an attorney, and pay said attorneys' reasonable fees.

Within ten (10) days of receipt of written demand from Beneficiary, Grantor hereby agrees to pay immediately following demand, together with interest at the Default Rate provided for in the Credit Agreement until paid in full, all of Beneficiary's costs, charges, expenses and accounts referred to above in this Section 1.21, including cost of evidence of title and reasonable attorneys' fees incurred in such action or proceeding in which Beneficiary may appear. All costs, charges and expenses so incurred, together with interest thereon as aforesaid, shall be secured by the lien of this Deed of Trust.



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## ARTICLE II DEFAULTS AND REMEDIES

### 2.01 Events of Default

If any of the following events shall occur ("Event or Events of Default"):

- (a) The occurrence of an Event of Default under the Credit Agreement; or
- (b) Failure by Grantor to comply with any material covenants, conditions or restrictions now or hereafter affecting the Property, or any part thereof and the same is not fully cured within the period of time, if any, permitted for cure therein or herein; or
- (c) The occurrence of any of the events described in Paragraphs 3.12 or 3.13 below;

then and in any such event, Beneficiary shall be entitled to exercise all rights, and shall have the benefit of all remedies provided by law or set forth in this Deed of Trust or in any other instrument given to secure the indebtedness evidenced by the Credit Agreement, including the rights to declare all sums secured hereby immediately due and payable. No waiver of Beneficiary of any default on the part of Grantor shall be construed as a waiver of any subsequent default hereunder.

In the event of any such Event of Default and upon written request of Beneficiary, Trustee shall sell the Property in accordance with the Deed of Trust Act of the state of Washington (RCW Chapter 61.24 as existing now or hereafter amended) and the Uniform Commercial Code of the state of Washington, where applicable, at public auction to the highest bidder. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (i) to the expenses of sale, including a reasonable Trustee's fee and attorneys' fee; (ii) to all the indebtedness evidenced by the Credit Agreement and all other indebtedness secured by this Deed of Trust or any other instrument; (iii) the surplus, if any, shall be distributed in accordance with said Deed of Trust Act. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser the interest in the property which Grantor had or had the power to convey at the time of its execution of this Deed of Trust and such as it may have acquired thereafter. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of the law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrances for value. The power of sale conferred by this Deed of Trust and by the Deed of Trust Act of the state of Washington is not an exclusive remedy, and when not exercised Beneficiary may foreclose this Deed of Trust as a mortgage.

Trustee is not obligated to notify any party hereto of pending sale under any other deed of trust or of any action or proceeding in which Grantor, Trustee or either Beneficiary shall be a party, unless such action or proceeding is brought by Trustee.

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Beneficiary may proceed as to the Personal Property in accordance with Beneficiary's rights and remedies in respect to the Property or sell the Personal Property separately and without regard to the remainder of the Property in accordance with Beneficiary's rights and remedies provided by the Washington Uniform Commercial Code as well as other rights and remedies available at law or in equity.

## **2.02 Discontinuance of Proceedings**

Beneficiary, from time to time before the Trustee's sale pursuant to Section 2.01, may rescind any notice of default or notice of sale by executing and delivering to Trustee a written notice of discontinuance of Trustee's sale, which notice, when recorded, shall also constitute a cancellation of any prior notice of default and notice of sale. The exercise by Beneficiary of such right of rescission shall not constitute a waiver of any breach or default then existing or subsequently occurring, or impair the right of Beneficiary to execute and deliver to Trustee, as above provided, other notices of default and notices of sale, nor otherwise affect any provision, covenant or condition of the Credit Agreement and/or of this Deed of Trust or any of the rights, obligations or remedies of the parties thereunder or hereunder.

## **2.03 Beneficiary Statement**

Trustee, upon presentation to it of an affidavit signed by or on behalf of Beneficiary setting forth any fact or facts showing a default by Grantor under any of the terms or conditions of this Deed of Trust, is authorized to accept as true and conclusive all facts and statements in such affidavit and to act hereunder in complete reliance thereon. Upon written request by Grantor, Beneficiary will confirm the balances outstanding under the Credit Agreement and/or the status of the indebtedness evidenced thereby.

## **2.04 Remedies Upon Default**

Grantor covenants and agrees that, should Grantor fail or refuse to make any payment or do any act which it is obligated hereunder to make or do at the time and in the manner herein provided, then Beneficiary, or Trustee upon written instructions from Beneficiary (the legality thereof to be determined solely by Beneficiary), may, without demand upon Grantor, without releasing Grantor from any obligation hereunder and without waiving its right to declare a default as herein provided, or impairing any declaration of default or election to cause the Property to be sold or any sale proceeding predicated thereon:

(a) Make or do the same in such manner and to such extent as either Beneficiary or Trustee may deem necessary to protect the security hereof, Beneficiary and Trustee being authorized to enter upon and take possession of the Property for such purposes, and any sums expended for such purposes shall become part of the indebtedness secured hereby;

(b) Commence, appear in and/or defend any action or proceedings purporting to affect the security hereof, and/or any additional or other security therefor, the interest, rights,



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powers and/or duties of Trustee and/or Beneficiary hereunder, whether brought by or against Grantor, Trustee or Beneficiary;

(c) Pay, purchase, contest or compromise any claim, debt, lien, charge or encumbrance which, in the judgment of either, may affect or appear to affect the security of this Deed of Trust, the interest of Beneficiary or the rights, powers and/or duties of Trustee and/or Beneficiary hereunder, and any sums expended for such purposes shall become part of the indebtedness secured hereby; and

(d) Beneficiary is authorized, either by itself or by its agent to be appointed by it for that purpose or by a receiver appointed by a court of competent jurisdiction, to enter into and upon and take and hold possession of any portion or all of the Property, both real and personal, and exclude Grantor and all other persons therefrom; to operate and manage the Property and rent and lease the same; to perform such reasonable acts of repair or protection as may be reasonably necessary or proper to conserve the value thereof; and collect any and all income, rents, issues, profits and proceeds therefrom, the same being hereby assigned and transferred to Beneficiary, for the benefit and protection of Beneficiary, and from time to time apply and/or accumulate such income, rents, issues, profits and proceeds in such order and manner as Beneficiary or such receiver, in its sole discretion, shall consider advisable, to or upon the following: the expenses of receivership, if any; the proper costs of upkeep, maintenance, repair and/or operation of the Property; the repayment of any sums theretofore or thereafter advanced pursuant to the terms of this Deed of Trust, the interest then due or next to become due upon the indebtedness secured hereby, and the taxes and assessments upon the Property then due or next to become due, and/or upon the unpaid principal of such indebtedness. The collection and/or receipt of income, rents, issues, profits and/or proceeds from the Property by Beneficiary, its agent or receiver, after notice of default and notice of sale shall not affect or impair such default or notice of default or notice of sale or any sale proceedings predicated thereon, but such proceedings may be conducted and sale effected notwithstanding the receipt and/or collection of any such income, rents, issues, profits and/or proceeds. Any such income, rents, issues, profits and/or proceeds in the possession of Beneficiary, its agent or receiver, at the time of sale and not theretofore applied as herein provided, shall be applied in the same manner and for the same purposes as the proceeds of the sale.

Neither Trustee nor Beneficiary shall be under any obligation to make any of the payments or do any of the acts referred to in this Section 2.04, and any of the actions referred to in this Section 2.04 may be taken by Beneficiary after an Event of Default has occurred irrespective of whether any notice of default or notice of sale has been given hereunder and without regard to the adequacy of the security for the indebtedness evidenced by the Credit Agreement.



## **2.05 Foreclosure Sale**

In the event that this Deed of Trust is foreclosed as a mortgage and the Real Property sold at a foreclosure sale, the purchaser may, during the statutory redemption period, make such repairs or alterations on the Real Property as may be reasonably necessary for the proper operation, care, preservation, protection and insuring thereof. Any sums so paid, together with interest thereon from the time of such expenditure at the Default Rate provided for in the Credit Agreement until paid, shall be added to and become a part of the amount required to be paid for redemption from such sale.

## **2.06 Right of Foreclosure**

Beneficiary shall have the right, at its option, to foreclose this Deed of Trust subject to the rights of any tenant or tenants of the Real Property, and the failure to make any such tenant or tenants a party defendant to any such suit or action or to foreclose their rights will not be asserted by the Grantor as a defense in any action or suit instituted to collect the indebtedness secured hereby or any part thereof or any deficiency remaining unpaid after foreclosure and sale of the Real Property, any statute or rule of law at any time existing to the contrary notwithstanding.

## **2.07 Sale of Property Pursuant to a Foreclosure**

In case of a sale pursuant to a foreclosure of this Deed of Trust, the Property, real, personal or mixed, may be sold as an entirety or in parcels, by one sale or by several sales held at one time or at different times, all as Trustee, in its unrestricted discretion, may elect, and Grantor, for and on behalf of itself and all persons claiming by, through or under Grantor, waives any and all right to have the property and estates comprising the Property marshalled upon any foreclosure sale and agrees that, upon foreclosure, the Property may be sold as an entirety and not in parcels.

## **2.08 Appointment of Receiver**

The holder of this Deed of Trust, separately or in any action to foreclose it, shall be entitled (without regard to the adequacy of any security for said debt) to the appointment of a receiver of the income, rents, issues, profits and proceeds of the Property who shall have, in addition to all the rights and powers customarily given to and exercised by such receiver, all the rights and powers granted to Beneficiary by the covenants contained in Section 2.04 hereof.



## **ARTICLE III GENERAL COVENANTS**

### **3.01 No Waiver**

Grantor covenants and agrees that the acceptance by Beneficiary of any sum secured hereby after its due date, or in an amount less than the sum then due, shall not constitute a waiver by Beneficiary of its rights either to require prompt payment when due of all other sums so secured or to declare a default or exercise such other rights as herein provided for failure so to pay. No failure by Beneficiary to insist upon strict performance of any term, covenant or condition hereof, nor failure to exercise any right or remedy hereunder, shall constitute a waiver of any such breach of such term, covenant or condition or of the later exercise of such right or remedy. All waivers shall be in writing.

### **3.02 Remedies Cumulative**

No remedy herein conferred upon or reserved to Trustee or Beneficiary is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

### **3.03 Plats, Easements and Other Agreements**

At any time upon written request of Beneficiary, payment of its fees and presentation of this Deed of Trust (in case of full reconveyance, for cancellation and retention), without affecting the liability of any person for the payment of the indebtedness or the effect of the Deed of Trust upon the remainder of the Property, Trustee may (i) consent to the making of any map or plat of said Real Property; (ii) join in granting any easement or creating any restriction thereon; (iii) join in any subordination or other agreement affecting this Deed of Trust or the lien or charge thereof; or (iv) reconvey, without warranty, all or any part of the Real Property. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any matters or facts shall be conclusive proof of the truthfulness thereof. Grantor agrees to pay a reasonable Trustee's fee for full or partial reconveyance, together with a recording fee, if Trustee, at its option, elects to record said reconveyance.

### **3.04 Recordation**

Trustee accepts this Trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

### **3.05 Substitution of Trustee**

Beneficiary may, from time to time, by a written instrument executed and acknowledged by Beneficiary and recorded in the county or counties where the Property is



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located, and by otherwise complying with appropriate statutory provisions, substitute a successor or successors for the trustee named herein or acting hereunder. Upon the recording of such appointment in the mortgage records of the county or counties in which the Property is situated, the successor trustee shall be vested with all the powers of the original trustee.

### **3.06 Notices**

(a) All notices hereunder shall be deemed to have been duly given if (i) personally delivered, (ii) sent by machine confirmed facsimile, (iii) sent by United States Express Mail or other comparable overnight courier service, or (iv) mailed by United States registered or certified mail, with return receipt requested, postage prepaid, to the parties at the following addresses (or at such other addresses as shall be given in writing by any party to the others), and shall be deemed complete upon receipt, refusal of delivery or attempted delivery:

To Grantor:

Wood Realty, LLC  
c/o Skagit Valley Publishing Co.  
221 First Avenue West, Suite 405  
Seattle, Washington 98119  
Attention: Jeffrey A. Hood  
Telecopy: (206) 282-2143

To Beneficiary:

U.S. Bank National Association  
1420 Fifth Avenue, 11th Floor  
Mail Code PD-WA-T11M  
Seattle, Washington 98101  
Attention: Byron Richards  
Telecopy: (206) 344-2887

(b) In the event of any strike or occurrence of another similar event which interrupts mail service, notices may be served personally upon an individual, partner or an officer or director of a corporation which is or is part of the party being served hereunder.

(c) Grantor requests that a copy of any notice of default and of any notice of sale hereunder be mailed to Grantor at the address set forth above.

(d) Unless otherwise provided by applicable law, Trustee shall be under no obligation to notify any party hereto of any action or proceeding of any kind in which Grantor, Beneficiary and/or Trustee shall be a party, unless brought by Trustee, or of any pending sale under any other deed of trust.

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### **3.07 Heirs and Assigns; Terminology**

(a) This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term "Grantor" shall mean both the original Grantor and any subsequent owner or owners of any of the Property. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

(b) The term "and/or" as used herein means one or the other or both, or any one or all, or any combination of the things or persons in connection with which the words are used.

### **3.08 Severability**

If any provision hereof should be held unenforceable or void, then such provision shall be deemed separable from the remaining provisions and shall in no way affect the validity of this Deed of Trust, except that if such provision relates to the payment of any monetary sum then Beneficiary may, at its option, declare the indebtedness and all other sums secured hereby immediately due and payable.

### **3.09 Time Is of the Essence**

Time is of the essence hereof in connection with all obligations of Grantor herein and all of Borrower's obligations under the Credit Agreement. 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 default for failure so to pay.

### **3.10 Captions**

The captions are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope or intent of this Deed of Trust nor in any way affect this Deed of Trust.

### **3.11 Irrevocable Trust**

The Trust created hereby is irrevocable by Grantor unless and until the Property is reconveyed to Grantor as provided herein.

### **3.12 Conveyance of Property; Change of Ownership**

(a) It shall constitute an Event of Default under this Deed of Trust if all or any part of or any interest in the Real Property shall be sold, transferred, leased (other than space leases without options to purchase and with Beneficiary's prior written consent, not to be unreasonably withheld), further encumbered, conveyed, or a contract of sale or other



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conveyance entered into with respect thereto without the prior written consent of Beneficiary. In such event, Beneficiary may, at its option, declare the then outstanding principal balance evidenced by the Term Note plus accrued interest thereon immediately due and payable or, at its sole option, it may consent to said conveyance or transfer in writing and may increase the fees and charges payable under the Credit Agreement, increase the interest rate payable for the Term Loan and modify fees, charges, interest rates and financial and other covenants to those which Beneficiary would then require to commit to continue to make available the Term Loan and enter into a credit agreement which provides for similar real property security and on behalf of an account party of comparable financial strength and with similar development and managerial expertise, each as determined by Beneficiary in its sole discretion, and impose whatever other conditions it shall deem necessary to compensate it for such increased risk resulting from the breach of the foregoing covenants. The execution and delivery by the Grantor of any joint venture agreement, partnership agreement, limited liability company agreement, declaration of trust or option agreement whereunder any other person or corporation may become entitled, directly or indirectly, to the possession or enjoyment of the Property, or the income or other benefits derived or to be derived therefrom shall in each case be deemed to be a conveyance or assignment of the Grantor's interest in the Property for the purposes of this section, and shall require the prior written consent of Beneficiary.

(b) It shall constitute an Event of Default under this Deed of Trust if there occurs any change in (i) if Grantor or Borrower is a corporation, less than 51 percent of the stock of Grantor or Borrower (as the case may be) is owned by the owners thereof as of the date of this Deed of Trust, (ii) if Grantor or Borrower is a limited liability company, less than 51 percent of the membership interests of Grantor or Borrower (as the case may be) is owned by the owners thereof as of the date of this Deed of Trust, (iii) if Grantor or Borrower is a partnership, less than 51 percent of the partnership interests of Grantor or Borrower (as the case may be) is owned by the owners thereof as of the date of this Deed of Trust, (iv) if Grantor or Borrower is another form of entity, less than 51 percent of the ownership interests or beneficial interests of Grantor or Borrower (as the case may be) is owned by the owners or beneficial owners thereof as of the date of this Deed of Trust, or (v) if less than 51 percent of the ownership or control of any stock, membership, any general partnership interest or any other beneficial interest in any corporation, limited liability company, partnership or other entity that has an ownership interest in Grantor or Borrower is owned by owners thereof as of the date of this Deed of Trust. In such event, Beneficiary may, at its option, declare the then outstanding principal balance evidenced by the Term Note plus accrued interest thereon immediately due and payable or, at its sole option, it may consent to said change in writing and may increase the fees and charges payable under the Credit Agreement, increase the interest rate payable for the Term Loan and modify fees, charges, interest rates and financial and other covenants.



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### 3.13 Secondary Financing

Grantor agrees that should the Property or any part thereof at any time be or become subject to the lien of any other mortgage or deed of trust or subject to any other encumbrance, pledge, hypothecation or security interest (except as provided in the Credit Agreement or any other agreement between Grantor or Borrower and Beneficiary), the whole of the indebtedness evidenced by the Term Note and any other sums payable hereunder or secured hereby shall, at the option of Beneficiary, become immediately due and payable.

### 3.14 Effect of Security Agreement

This Deed of Trust creates a lien on the Property, and to the extent the Property is not real property under applicable law this Deed of Trust constitutes a security agreement under the Washington Uniform Commercial Code and any other applicable law and is filed as a fixture filing. If required by Beneficiary, at any time during the term of this Deed of Trust, Grantor will execute and deliver to Beneficiary, in form satisfactory to Beneficiary, additional security agreements, financing statements and/or other instruments covering all Personal Property or fixtures of Grantor which may at any time be furnished, placed on, or annexed or made appurtenant to the Real Property or used, useful or held for use, in the operation of the Improvements.

Beneficiary may commingle any Personal Property which comes into its possession; repledge such Personal Property upon terms which impair Grantor's right to redeem such; and require Grantor to assemble the Personal Property and make it available to Beneficiary at a place to be designated by Beneficiary which is reasonably convenient to both parties. To the extent Beneficiary is required for any reason to provide commercially reasonable notice to Grantor, Grantor agrees that notice mailed by first class mail ten (10) days before the event of which notice is given, is commercially reasonable notice. Grantor shall notify Beneficiary in writing within thirty (30) days of any change in name of Grantor or its legal structure. Nothing herein shall be construed as a consent by Beneficiary to a change in legal structure otherwise prohibited hereby.

If Grantor enters into a separate security agreement with Beneficiary relating to any of the Personal Property or fixtures, the terms of such security agreement shall govern the rights and remedies of Beneficiary in the event of default thereunder. Any breach of or default under any such security agreement shall constitute an event of default under this Deed of Trust.

It is understood and agreed that, in order to protect Beneficiary from the effect of RCW 62A.9A-334, as amended from time to time, in the event that (i) Grantor intends to purchase any goods which may become fixtures attached to the Property, or any part thereof, and (ii) such goods will be subject to a purchase money security interest held by a seller or any other party:



(a) Grantor shall, before executing any security agreement or other document evidencing such security interest, obtain the prior written approval of Beneficiary, and all requests for such written approval shall be in writing and contain the following information:

- (i) a description of the fixtures to be replaced, added to, installed or substituted;
- (ii) the address at which the fixtures will be replaced, added to, installed or substituted; and
- (iii) the name and address of the proposed holder and proposed amount of the security interest,

and any failure of Grantor to obtain such approval shall be a material breach of Grantor's covenant under this Deed of Trust, and shall, at the option of Beneficiary, entitle Beneficiary to all rights and remedies provided for herein upon default. No consent by Beneficiary pursuant to this subparagraph shall be deemed to constitute an agreement to subordinate the right of Beneficiary in fixtures or other property covered by this Deed of Trust.

(b) If at any time Grantor fails to make any payment on an obligation secured by a purchase money security interest in the Personal Property or any fixtures, Beneficiary, at its option, may at any time pay the amount secured by such security interest and the amount so paid shall be (1) secured by this Deed of Trust and shall be a lien on the Property having the same priorities as the liens and security interests created by this Deed of Trust, and (2) payable on demand with interest at the rate specified in the Credit Agreement from the time of such payment. If Grantor or Borrower shall fail to make such payment to Beneficiary within ten (10) days after demand, the entire principal sum secured hereby with all unpaid interest accrued thereon shall, at the option of Beneficiary, become due and payable immediately.

(c) Beneficiary shall have the right to acquire by assignment from the holder of such security interest any and all contract rights, accounts receivable, negotiable or non-negotiable instruments, or other evidence of Grantor's indebtedness for such Personal Property or fixtures, and, upon acquiring such interest by assignment, shall have the right to enforce the security interest as assignee thereof, in accordance with the terms and provisions of the Washington Uniform Commercial Code then in effect, and in accordance with any other provisions of law.

(d) Whether or not Beneficiary has paid the indebtedness secured by or taken an assignment of such security interest, Grantor covenants to pay all sums and perform all obligations secured thereby, and if Grantor at any time shall be in default for a period of ten (10) days under such security agreement, it shall be a material breach of Grantor's covenants under this Deed of Trust, and Beneficiary may, at its option, declare the principal sum secured hereby immediately due and payable, time being of the essence.



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(e) The provisions of subparagraphs (b), (c) and (d) above shall not apply if the goods which may become fixtures are of at least equivalent value and quality as any property being replaced and if the rights of the party holding such security interest have been expressly subordinated, at no cost to Beneficiary, to the lien of this Deed of Trust in a manner satisfactory to Beneficiary, providing to Beneficiary a satisfactory opinion of counsel to the effect that this Deed of Trust constitutes a valid and subsisting first lien on such fixtures which is not subordinate to the lien of such security interest under any applicable law, including without limitation, the provisions of RCW 62A.9A-334.

### **3.15 Non-Agricultural Use**

The Real Property which is the subject of this Deed of Trust is not used principally for agricultural purposes.

### **3.16 Commercial Purposes**

The obligations and indebtedness evidenced by the Term Note were incurred and the proceeds of the Term Loan will be used primarily for commercial, investment or business purposes and not for personal, family or household purposes.

### **3.17 Americans With Disabilities Act**

Grantor shall cause the Property to continuously be in compliance with all applicable requirements of the Fair Housing Act of 1968 (as amended) and the Americans with Disabilities Act of 1990 (collectively, the "Acts") (as the same may be amended from time to time). Grantor agrees to protect, defend, indemnify and hold Beneficiary harmless from and against all liability threatened against or suffered by Beneficiary by reason of a breach by Grantor of the foregoing representations and warranties. The foregoing indemnity shall include the cost of all alterations to the Property (including architectural, engineering, legal and accounting costs), all fines, fees and penalties, and all legal and other expenses (including attorneys' fees), incurred in connection with the Property being in violation of the Acts and for the cost of collection of the sums due under the indemnity. The obligations of Grantor under this Section 3.18 shall survive payment in full of all sums secured hereby and shall survive any foreclosure of this Deed of Trust or any transfer of the Property in lieu of foreclosure.

### **3.18 Washington State Law Governs**

This Deed of Trust is to be governed by and construed in accordance with the laws of the state of Washington. At the option of Beneficiary, the venue of any action to enforce the provisions hereof may be laid in Skagit County, Washington or any other county selected by Beneficiary.



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### 3.19 Jury Waiver

GRANTOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM ARISING OUT OF THIS DEED OF TRUST OR ANY OTHER LOAN DOCUMENT, WHETHER NOW OR HEREAFTER ARISING AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AND HEREBY CONSENTS AND AGREES THAT ANY SUCH CLAIM MAY, AT BENEFICIARY'S ELECTION, BE DECIDED BY TRIAL WITHOUT A JURY AND THAT BENEFICIARY MAY FILE AN ORIGINAL COUNTERPART OR COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE WAIVER AND AGREEMENT CONTAINED HEREIN.]

### 3.20 Third Party Grantor

(a) Grantor represents and warrants to Beneficiary that: (i) this Deed of Trust is executed at Borrower's request; (ii) this Deed of Trust complies with all agreements between Grantor and Borrower regarding Grantor's execution hereof; (iii) Beneficiary has made no representation to Grantor as to the creditworthiness of Borrower; and (iv) Grantor has established adequate means of obtaining from Borrower on a continuing basis financial and other information pertaining to Borrower's financial condition. Grantor agrees to keep adequately informed from such means of any facts, events or circumstances which might in any way affect Grantor's risks hereunder. Grantor further agrees that Beneficiary shall have no obligation to disclose to Grantor any information or material about Borrower which is acquired by Beneficiary in any manner. The liability of Grantor hereunder shall be reinstated and revived, and the rights of Beneficiary shall continue if and to the extent that for any reason any amount at any time paid on account of any obligation secured by this Deed of Trust is rescinded or must otherwise be restored by Beneficiary, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, all as though such amount had not been paid. The determination as to whether any amount so paid must be rescinded or restored shall be made by Beneficiary in its sole discretion; provided however, that if Beneficiary chooses to contest any such matter at the request of Grantor, Grantor agrees to indemnify and hold Beneficiary harmless from and against all costs and expenses, including reasonable attorneys' fees, expended or incurred by Beneficiary in connection therewith, including without limitation, in any litigation with respect thereto.

(b) (i) Grantor waives any right to require Beneficiary to: (A) proceed against Borrower or any other person; (B) marshal assets or proceed against or exhaust any security held from Borrower or any other person; (C) give notice of the terms, time and place of any public or private sale or other disposition of personal property security held from Borrower or any other person; (D) take any action or pursue any other remedy in Beneficiary's power; or (E) make any presentment or demand for performance, or give any notice of nonperformance, protest, notice of protest or notice of dishonor hereunder or in connection with any obligations or evidences of indebtedness held by Beneficiary as security



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for or which constitute in whole or in part the obligations secured by this Deed of Trust, or in connection with the creation of new or additional obligations.

(ii) Grantor waives any defense to its obligations hereunder based upon or arising by reason of: (A) any disability or other defense of Borrower or any other person; (B) the cessation or limitation from any cause whatsoever, other than payment in full, of any obligation secured by this Deed of Trust; (C) any lack of authority of any officer, director, partner, agent or any other person acting or purporting to act on behalf of Borrower which is a corporation, partnership or other type of entity, or any defect in the formation of Borrower; (D) the application by Borrower of the proceeds of any obligation secured by this Deed of Trust for purposes other than the purposes represented by Borrower to, or intended or understood by, Beneficiary or Grantor; (E) any act or omission by Beneficiary which directly or indirectly results in or aids the discharge of Borrower or any portion of any obligation secured by this Deed of Trust by operation of law or otherwise, or which in any way impairs or suspends any rights or remedies of Beneficiary against Borrower; (F) any impairment of the value of any interest in any security for the obligations secured by this Deed of Trust or any portion thereof, including without limitation, the failure to obtain or maintain perfection or recordation of any interest in any such security, the release of any such security without substitution, and/or the failure to preserve the value of, or to comply with applicable law in disposing of, any such security; (G) any modification of any obligation secured by this Deed of Trust, in any form whatsoever, including without limitation the renewal, extension, acceleration or other change in time for payment of, or other change in the terms of, any obligation secured by this Deed of Trust or any portion thereof, including increase or decrease of the rate of interest thereon; or (H) any requirement that Beneficiary give any notice of acceptance of this Deed of Trust. Until all obligations secured by this Deed of Trust shall have been paid in full, Grantor shall not have any right of subrogation, and Grantor waives any right to enforce any remedy which Beneficiary now has or may hereafter have against Borrower or any other person, and waives any benefit of, or any right to participate in, any security now or hereafter held by Beneficiary. Grantor further waives all rights and defenses it may have arising out of: (1) any election of remedies by Beneficiary, even though that election of remedies, such as a non-judicial foreclosure with respect to any security for any portion of the obligations secured by this Deed of Trust, destroys Grantor's rights of subrogation or Grantor's rights to proceed against Borrower for reimbursement; or (2) any loss of rights Grantor may suffer by reason of any rights, powers or remedies of Borrower in connection with any anti-deficiency laws or any other laws limiting, qualifying or discharging Borrower's obligations, whether by operation of RCW 61.24.100 as from time to time amended, or otherwise, including any rights Grantor may have to a fair market value hearing to determine the size of a deficiency following any trustee's foreclosure sale or other disposition of any security for any portion of the obligations secured by this Deed of Trust.

(iii) If any of said waivers is determined to be contrary to any applicable law or public policy, such waiver shall be effective to the extent permitted by applicable law or public policy.



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

[SIGNATURE PAGE FOLLOWS]

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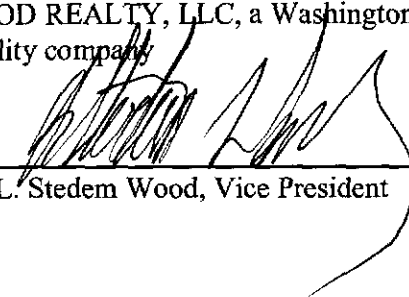
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IN WITNESS WHEREOF, Grantor has executed this Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing as of the date first written above.

"GRANTOR"

WOOD REALTY, LLC, a Washington limited liability company

By

  
L. Stedem Wood, Vice President

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STATE OF WASHINGTON )

COUNTY OF King ) ss.

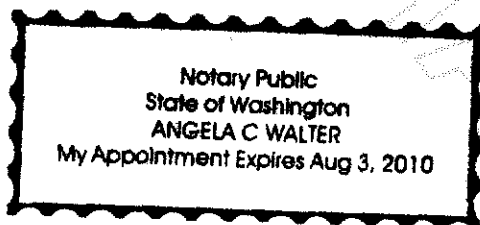
I certify that I know or have satisfactory evidence that L Stedem Wood is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Vice President of Wood Realty, LLC, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 06-05-09

Angela C. Walter  
Notary Public

Print Name: Angela C. Walter

My commission expires: 08-03-2010



**EXHIBIT A**  
**Legal Description of Real Property**

**PARCEL A:**

That portion of the Southeast Quarter of the Southwest Quarter and the Southwest Quarter of the Southeast Quarter of Section 29, Township 34 North, Range 4 East of the Willamette Meridian, described as follows:

Beginning at the intersection of the North line of the County road, known as Anderson Road and the Westerly line of Blodgett Road as said roads existed on March 21, 1947;

Thence Northerly along the Westerly line of said Blodgett Road to a point 467.5 feet (measured at right angles) North of the North line of Anderson Road;

Thence West 412 feet;

Thence South to the North line of the County Road;

Thence East 524 feet, more or less, to the point of beginning;

EXCEPT right of way for drainage ditch conveyed to Drainage District No. 17 by deed recorded February 28, 1941, under Auditor's File No. 335876, records of Skagit County, Washington;

AND EXCEPT that portion thereof conveyed to the State of Washington by deed recorded June 21, 1971, under Auditor's File No. 754331, records of Skagit County, Washington;

AND ALSO EXCEPT any portion thereof lying within the boundaries of the North 30 rods of the South 60 rods of said Southeast Quarter of the Southwest Quarter and of the Southwest Quarter of the Southeast Quarter.

Situated in Skagit County, Washington

**PARCEL B:**

That portion of the Southeast Quarter of the Southwest Quarter of Section 29, Township 34 North, Range 4 East of the Willamette Meridian, described as follows:



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Beginning at a point on the North line of the County road known as Anderson Road, 387 feet, more or less, East of the West line of said Southeast Quarter of the Southwest Quarter (said point being the Southeast corner of that certain tract sold on contract to Malcolm B. Keller and Winifred E. Keller, husband and wife, dated February 27, 1953 and recorded March 9, 1953, under Auditor's File No. 485701, records of Skagit County, Washington;

Thence North along the East line of said Keller Tract to the North line of the South 30 rods of the Southeast Quarter of the Southwest Quarter;

Thence East along the North line of said South 30 rods to the Southeast Quarter of the Southwest Quarter to the West line, produced North of that certain tract conveyed to George E. Boynton by deed dated March 21, 1947, and recorded March 21, 1947, under Auditor's File No. 402255, records of Skagit County, Washington;

Thence South along the West line of said Boynton Tract to the North line of the County road;

Thence West along the North line of said road to the point of beginning;

EXCEPT that portion thereof conveyed to Drainage District No. 17 of Skagit County, Washington, by deed dated February 10, 1941 and recorded February 28, 1941, under Auditor's File No. 335876, records of Skagit County, Washington;

AND EXCEPT the North 50 feet thereof as conveyed to the Drainage District No. 17 of Skagit County, Washington, by deed dated November 15, 1949, and recorded November 28, 1949, under Auditor's File No. 438717, records of Skagit County, Washington, lying West of that certain ditch right of way conveyed under Auditor's File No. 335876, records of Skagit County, Washington;

AND ALSO EXCEPT the West 130 feet thereof;

AND ALSO EXCEPT that portion condemned by the State of Washington in Decree of Appropriation entered November 29, 1973, under Superior Court Cause No. 32871 and amended by Decree entered February 14, 1974.

Situated in Skagit County, Washington





**PARCEL C:**

A strip of land ten feet wide in the South Half of the South 60 rods of the Southeast Quarter of the Southwest Quarter of Section 29, Township 34, Range 4 East of W.M., being more particularly described as follows:

From the South Quarter section corner of said Section 29 run West along Section line 425.6 feet;

Thence North 5°00' West 30 feet to the true point of beginning;

Thence, strip being five feet on each side of the centerline, continuing North 5°00' West a distance of 469.5 feet, more or less, to the North line of aforesaid South Half of the South 60 rods of the Southeast Quarter of the Southwest Quarter.

Situated in Skagit County, Washington



**EXHIBIT B**  
**Exceptions to Title**

1. Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing Security recorded in the official records of Skagit County, Washington under recording number 200803190107 on March 19, 2008.
2. UCC-1 Financing Statement file number 2008-079-6951-1 filed in Washington on March 18, 2008.
3. Easement, including the terms and conditions thereof, granted by instrument(s):  
  
Recorded: January 7, 2008  
Auditor's No(s).: 200801070078, records of Skagit County, Washington  
In favor of: Puget Sound Energy, Inc.  
For: Electric transmission and/or distribution line, together with necessary appurtenances  
Affects: Said premises, the exact location and extent of said easement is undisclosed of record
4. Relinquishment of all existing, future, or potential easements for access, light, view, and air and of all rights of ingress, egress and regress to, from, and between said premises and the highway (or highways) constructed on lands conveyed by Deed; EXCEPT that the grantors herein reserve for themselves, their heirs or assigns, the right of reasonable access to the A line East of H.E.S. A 27+10 of said highway:  
  
Recorded: June 21, 1971  
Auditor's No.: 754331, records of Skagit County, Washington  
To: State of Washington  
Affects: Parcel A
5. Covenants, conditions, and restrictions contained in instrument(s), but omitting any covenant or restrictions, if any, based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by law:  
  
Recorded: December 8, 1933  
Auditor's No(s).: 259092, records of Skagit County, Washington  
Executed By: Hamilton Farm and Timber Company, a corporation



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As Follows:

The grantor reserves the right to drain a fifteen acre tract of land adjoining and lying North of the land herein mentioned into a ditch that grantee agrees to dig, across the tract of land hereinbefore described and the said right of drainage shall be in perpetuity

6. Relinquishment of all existing, future, or potential easements for access, light, view, and air and of all rights of ingress, egress and regress to, from, and between said premises and the highway (or highways) condemned by proceedings, EXCEPT the right of reasonable access to said A line Easterly of Highway Engineers Station A 27+10:

Under: Skagit County Superior Court Case No. 32871  
To: State of Washington

7. Agreement, including the terms and conditions thereof; entered into:

By: City of Mount Vernon  
And Between: Skagit Valley Publishing  
Recorded: February 21, 2008  
Auditor's No. 200802210076, records of Skagit County, Washington  
Providing: Development

8. Easement, including the terms and conditions thereof, granted by instrument(s):

Recorded: January 7, 2008  
Auditor's No(s): 200801070077, records of Skagit County, Washington  
In favor of: Puget Sound Energy, Inc.  
For: Electric transmission and/or distribution line, together with necessary appurtenances  
Affects: Parcel C and other property

9. Terms, conditions and restrictions of that instrument entitled Water Service Contract;

Recorded: December 22, 2008  
Auditor's File No.: 200812220038, records of Skagit County, Washington  
As Follows: Applicant agrees to pay a SDF at \$18,720 based on the 3% increment of the flow capacity of each indicted metered water service



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10. Assessments or charges and liability to further assessments or charges, including the terms, covenants and provisions thereof, disclosed in instrument(s);

Imposed: Public Utility District No. 1

11. General taxes for the second half of 2009, which become delinquent November 1st, if unpaid.

Amount Due: \$24,193.13  
Total Amount: \$48,386.26, billed for 2009  
Account No.: 340429-0-065-0005  
Property No.: P28212  
Located in: the City of Sedro Woolley

12. General taxes for the second half of 2009, which become delinquent November 1st, if unpaid.

Amount Due: \$494.37  
Total Amount: \$988.74, billed for 2009  
Account No.: 340429-3-024-0009  
Property No.: P28738  
Located in: the City of Sedro Woolley



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