

When recorded return to:

Jeff Hendricks
11622 North Del Mar Drive
Anacortes, WA 98221



201010280136
Skagit County Auditor

10/28/2010 Page 1 of 11 4:09PM

Recorded at the Request of:
Guardian Northwest Title
File No.: A100545

DEED OF TRUST

(For use in the State of Washington only)

A100545-2
GUARDIAN NORTHWEST TITLE CO.

THIS DEED OF TRUST, made this 4th day of October, 2010 between Corporate Air Center, LLC, GRANTOR, whose address is 15452 Airport Drive, Burlington, WA 98233, Guardian Northwest Title, TRUSTEE, whose address is 1301-B Riverside Drive, Mount Vernon, WA. 98273 and Jeff Hendricks BENEFICIARY, whose address is 11622 North Del Mar Drive, Anacortes, WA 98221.

WITNESSETH: Grantor hereby bargains, sells, and conveys to Trustee in trust, with power of sale, the following described real property in Skagit County, Washington:

Abbreviated Legal:

Lot 5, BSP PL06-0913;

Unit 1D, Bayview Executive Hangars Condominium

Lot 73, "Amended Skagit Regional Airport BSP Phase 1"

Unit 511 Skagit Airport Hangar Condominium, Phase 2

Additional leasehold interests listed and described on Exhibit "A"

For Full Legal See Attached Exhibit "A"

Tax Parcel Number(s): P123357, 8071-000-005-0000, P129778, 8071-000-005-0100, P120186, 8012-000-081-0100, P129815, 4950-000-004-0000, P120178, 8012-000-073-0200, P116171
8012-000-919-0000, P119543, 4803-000-005-0000, P129746, 4803-005-511-0000

which real property is not used principally for agricultural purposes, together with all the tenements, hereditaments, and appurtenances now or hereafter thereunto belonging or in any wise appertaining, and the rents, issues, and profits of the property.

This Deed of Trust is for the purpose of securing performance of each agreement of Grantor herein contained in this Deed of Trust, and payment of the sum of **ONE MILLION ONE HUNDRED THOUSAND AND NO/100 Dollars (\$1,100,000.00)** with interest, in accordance with the terms of a promissory note of even date herewith, payable to Beneficiary or order, and made by Grantor, and all renewals, modifications, and extensions of the note, and also such further sums as may be advanced or loaned by Beneficiary to Grantor, or any of the Grantor's successors or assigns, together with interest thereon at the rate agreed upon.

DUE DATE: The entire balance of the promissory note secured by this Deed of Trust, together with any and all interest accrued thereon, shall be due and payable in full on **November 15, 2022**.

To protect the security of this Deed of Trust, Grantor covenants and agrees:

1. To keep the property in good condition and repair; to permit no waste of the property; to complete any building, structure, or improvement being built or about to be built on the property; to restore promptly any building, structure, or improvement on the property which may be damaged or destroyed; and to comply with all laws, ordinances, regulations, covenants, conditions, and restrictions affecting the property.
2. To pay before delinquent all lawful taxes and assessments upon the property; to keep the property free and clear of all other charges, liens, or encumbrances impairing the security of this Deed of Trust.
3. To keep all buildings now or hereafter erected on the property continuously insured against loss by fire or other hazards in an amount not less than the total debt secured by this Deed of Trust. All policies shall be held by the Beneficiary, and be in such companies as the Beneficiary may approve and have loss payable first to the Beneficiary, as its interest may appear, and then to the Grantor. The amount collected under any insurance policy may be applied upon any indebtedness secured by this Deed of Trust in such order as the Beneficiary shall determine. Such application by the Beneficiary shall not cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of the Grantor in insurance policies then in force shall pass to the purchaser at the foreclosure sale.

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4. To defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of title search and attorney's fees in a reasonable amount, in any such action or proceeding, and in any suit brought by Beneficiary to foreclose this Deed of Trust.

5. To pay all costs, fees, and expenses in connection with this Deed of Trust, including the expenses of the Trustee incurred in enforcing the obligation secured by this Deed of Trust and Trustee's and attorney's fees actually incurred, as provided by statute.

6. Should Grantor fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances, or other charges against the property. Beneficiary may pay the same, and the amount so paid, with interest at the rate set forth in the note secured by this Deed of Trust, shall be added to and become a part of the debt secured in this Deed of Trust.

7. DUE ON SALE: (OPTIONAL – Not applicable unless initialed by Grantor and Beneficiary) The property described in this security instrument may not be sold or transferred without the Beneficiary's consent. Upon breach of this provision, Beneficiary may declare all sums due under the note and Deed of Trust immediately due and payable, unless prohibited by applicable law.

JK RK.
Grantor (Initials)

[Signature]
Beneficiary (Initials)

IT IS MUTUALLY AGREED THAT:

8. In the event any portion of the property is taken or damaged in an eminent domain proceeding, the entire amount of the award or such portion as may be necessary to fully satisfy the obligation secured by this Deed of Trust shall be paid to Beneficiary to be applied to said obligation.

9. By accepting payment of any sum secured by this Deed of Trust after its due date, Beneficiary does not waive its right to require prompt payment when due of all other sums so secured or to declare default for failure to so pay.

10. The Trustee shall reconvey all or any part of the property covered by this Deed of Trust to the person entitled thereto, on written request of the Grantor and the Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiary or the person entitled thereto.

11. Upon default by Grantor in the payment of any indebtedness secured by this Deed of Trust or in the performance of any agreement contained in this Deed of Trust, all sums secured by this Deed of Trust shall immediately become due and payable at the option of the Beneficiary, subject to any cure period provided in the note secured by this Deed of Trust. In such event and upon written request of Beneficiary, Trustee shall sell the trust property, in accordance with the Deed of Trust Act of the State of Washington, 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: (1) to the expense of the sale, including a reasonable Trustee's fee and attorney's fee; (2) to the obligation secured by this Deed of Trust; and (3) the surplus, if any, shall be distributed to the persons entitled thereto.

12. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser all right, title and interest in the real and personal property which Grantor had or had the power to convey at the time of the execution of this Deed of Trust, and such as Grantor may have acquired thereafter. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of 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 purchaser and encumbrances for value.

13. 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; Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage.

14. In the event of the absence, death, incapacity, disability, or resignation of Trustee, or at the discretion of the Beneficiary, Beneficiary may appoint in writing a successor trustee, and upon the recording of such appointment in the mortgage records of the county in which this Deed of Trust is recorded, the successor trustee shall be vested with all powers of the original trustee. The trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of an action or proceeding in which Grantor, Trustee, or Beneficiary shall be a party unless such action or proceeding is brought by the Trustee.



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15. This Deed of Trust applies to, inures to the benefit of, and is binding not only on the parties hereto, but on his/her/their heirs, devisees, legatees, administrators, executors, and assigns. The term Beneficiary shall mean the holder and owner of the note secured hereby, whether or not named as Beneficiary herein.

16. ADDITIONAL TERMS AND CONDITIONS: As set forth on the attached "Exhibit B" which is incorporated by this reference.

Dated: September 30, 2010

Corporate Air Center, LLC

By: Timothy C. Lewis, Member

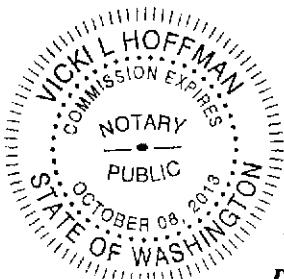
Ronaye Kos

By: Ronaye Kos, Member

STATE OF: Washington }
County Of: Skagit } SS

I certify that I know or have satisfactory evidence that Timothy C. Lewis and Ronaye Kos signed this instrument, on oath stated that they are authorized to execute the instrument and acknowledged it as the Members of Corporate Air Center, LLC to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

Dated: 10-4-10



Vicki L. Hoffman

Notary Public in and for the State of: Washington
Residing at: ANACORTES
My appointment Expires: 10-8-13

REQUEST FOR FULL RECONVEYANCE
Do not record. To be used only when note has been paid.

TO: TRUSTEE

The undersigned is the legal owner and holder of the note and all other indebtedness secured by the within Deed of Trust. Said note, together with all other indebtedness secured by said Deed of Trust, has been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note above mentioned, and all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you thereunder.

Dated _____,



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Exhibit A to Deed of Trust

The real property subject to and encumbered by the Deed of Trust in favor of Jeff Hendricks, as Lender and Grantee, includes the following described property, leasehold interests, agreements and improvements thereon:

Parcel Number One (Leasehold and Improvements only):

Lot 5 of Binding Site Plan No. PL06-0913 recorded June 18, 2007, under Auditor's File No. 200706180136, being a portion of Lot 80, "AMENDED SKAGIT REGIONAL AIRPORT BINDING SITE PLAN, PHASE 1, PL02-0127", dated February 28, 2003, recorded March 4, 2003, as Auditor's File No. 200303040030.

Said Lot 5 is subject to that certain Lease recorded as Auditor's File No. 200807160133 and amended by document recorded as Auditor's File No. 200709210100. This conveyance is TOGETHER WITH all rights of Grantor in said Lease.

Parcel Number Two:

Unit#1 D, Bayview Executive Hangars Condominium, as per Survey Map and Set of Plans recorded March 13, 2008, under Auditor's File No. 200803130039, and as described in Declaration of Condominium recorded March 13, 2008, under Auditor's File No. 200803100040, being a portion of Lot 81, "AMENDED SKAGIT REGIONAL AIRPORT BINDING SITE PLAN, PHASE 1, PL02-0127", dated February 28, 2003, recorded March 4, 2003, as Auditor's File No. 200303040030.

Said unit is a leasehold improvement that is subject to the Condominium Declaration recorded as Auditor's File No. 200803100040 that is subject to the Ground Lease that includes other property and that was recorded as Auditor's File No. 20080313004, assigned and amended by documents recorded as Auditor's File Nos. 200807160136, 200807160137 and 2008808290139. This conveyance is TOGETHER WITH all rights of the Grantor in said Lease that are appurtenant to said Unit 511.

Parcel Number Three (Leasehold and Improvements only):

Lot 73, "AMENDED SKAGIT REGIONAL AIRPORT BINDING SITE PLAN, PHASE 1", recorded March 4, 2003, as Skagit County Auditor's File No. 200303040030; being a portion of the Northwest $\frac{1}{4}$ of Section 3, Township 34 North, Range 3 East, W.M.; TOGETHER WITH that portion of the Northwest $\frac{1}{4}$ of Section 3, Township 34 North, Range 3 East W.M., being in a portion of the Skagit Regional Airport Binding Site Plan, Phase 1, as recorded in Book 7 of Short Plats, pages 111 through 120, records of Skagit County, Washington, described as follows:



Commencing at the North Quarter corner of said Section 3 as shown on said Binding Site Plan; thence North 88°44'25" West, along the North line of said Section 3, a distance of 704.01 feet to the intersection with the building restriction line, as shown on said Binding Site Plan; thence South 52°21'58" East, along said building restriction line, 274.34 feet; thence South 37°36'00" West 115.00 feet to the true point of beginning; thence South 52°21'58" East at a distance of 133.82 feet; thence South 37°38'02" West at a distance of 69.50 feet; thence North 52°21'58" West at a distance of 330.00 feet; thence North 37°38'04" East, for a distance of 69.50 feet; thence South 52°21'58" East at a distance of 196.18 feet to the true point of beginning.

Said portion of the Northwest ¼ of Section 3 being also a portion of Lot 87 of said "AMENDED SKAGIT REGIONAL AIRPORT BINDING SITE PLAN, PHASE 1", recorded as Auditor's File No. 200303040030.

Said Lot 73 is further subject to that certain Building Lease Agreement dated February 1, 2008, for a stated term of thirty (30) years, beginning February 1, 2008, and ending January 31, 2038, covering Parcel Number Three. Option to Extend for one (1) additional ten (10) year option period. The address of the building located on Lot 73 is: 15452 Airport Drive, Burlington, Washington. All further subject to terms and conditions of the lease. This conveyance is TOGETHER WITH all rights of Grantor in said Lease.

Parcel Number Five:

Unit 511, "SKAGIT AIRPORT HANGAR CONDOMINIUM, PHASE 2", according to Survey Map and Set of Plans recorded October 25, 2002, under Auditor's File No. 200210250126, and as described in Declaration of Condominium recorded September 30, 2002 under Auditor's File No. 200209300320 and First Amendment thereto recorded October 25, 2002 under Auditor's File No. 200210250127 and Second Amendment thereto recorded January 29, 2003 under Auditor's File No. 200301290053 and Third Amendment thereto recorded March 26, 2003 under Auditor's File No. 200303260108.

Said unit is a leasehold improvement that is subject to the Condominium Declaration recorded as Auditor's File No. 200209300230 that is subject to the Ground Lease that includes other property and that was recorded as Auditor's File No. 200204190119, assigned and amended by documents recorded as Auditor's File Nos. 200205240163, 200206040077 and 200701290240. This conveyance is TOGETHER WITH all rights of the Grantor in said Lease that are appurtenant to said Unit 511.

* * *

In addition to encumbering Grantor's interest in Parcels One, Two, Three and Five, the following are descriptions of each of the Lease Agreements by and between The Port of Skagit County, a Washington municipal corporation (as



"Lessor") and Corporate Air Center, LLC, a Washington limited liability company (as "Lessee"), and the premises subject thereto. Lessee's leasehold interests in each of the premises are further subject to and encumbered by the Deed of Trust:

Fuel Tank Pad Lease:

Fuel Tank Pad Lease dated February 1, 2009, for a stated term of ten (10) years. Option to Extend for one (1) additional ten (10) year option period. All further subject to terms and conditions of the lease.

The Premises is more particularly described as follows:

Pad No. 1028-01 and 1028-02 at Skagit Regional Airport.

Fuel Sign Agreement:

Fuel Sign Agreement dated February 1, 2009, for a month to month term. All further subject to terms and conditions of the lease.

The Premises is more particularly described as follows:

A location mid-point on the North side of the Tank Farm located on the 10/28 side of Skagit Regional Airport.

Aircraft Tie down Agreement (Space No. A-10):

Aircraft Tie down Agreement, with an effective date of May 1, 2002, for a month to month Term. All further subject to terms and conditions of the lease.

The Premises is more particularly described as follows:

Tie Down Space No. **A-10** located at Skagit Regional Airport, Bay View, WA.

Aircraft Tie down Agreement (Space No. A-11):

Aircraft Tie down Agreement, with an effective date of May 1, 2002, for a month to month Term. All further subject to terms and conditions of the lease.

The Premises is more particularly described as follows:

Tie Down Space No. **A-11** located at Skagit Regional Airport, Bay View, WA.



Aircraft Tie down Agreement (Space No. A-12):

Aircraft Tie down Agreement, with an effective date of June 1, 2002, for a month to month Term. All further subject to terms and conditions of the lease.

The Premises is more particularly described as follows:

Tie Down Space No. **A-12** located at Skagit Regional Airport, Bay View, WA.

Aircraft Tie down Agreement (Space No. A-13):

Aircraft Tie down Agreement, with an effective date of September 1, 2004, for a month to month Term. All further subject to terms and conditions of the lease.

The Premises is more particularly described as follows:

Tie Down Space No. **A-13** located at Skagit Regional Airport, Bay View, WA.

Aircraft Tie down Agreement (Space No. A-14):

Aircraft Tie down Agreement, with an effective date of March 15, 2007, for a month to month Term. All further subject to terms and conditions of the lease.

The Premises is more particularly described as follows:

Tie Down Space No. **A-14** located at Skagit Regional Airport, Bay View, WA.

Aircraft Tie down Agreement (Space No. A-15):

Aircraft Tie down Agreement, with an effective date of March 15, 2007, for a month to month Term. All further subject to terms and conditions of the lease.

The Premises is more particularly described as follows:

Tie Down Space No. **A-15** located at Skagit Regional Airport, Bay View, WA.

All of the Premises are situated in the County of Skagit, State of Washington.



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**EXHIBIT "B" TO DEED OF TRUST
(Leasehold Interests)**

The following provisions are incorporated into and made a part of the Deed of Trust by and between Corporate Air Center, LLC, a Washington limited liability company, GRANTOR, whose address is 15452 Airport Drive, Burlington, WA 98233, Guardian Northwest Title, TRUSTEE, whose address is 1301-B Riverside Drive, Mount Vernon, WA 98273 and Jeff Hendricks, BENEFICIARY, whose address is 11622 North Del Mar Drive, Anacortes, WA 9822, which pertains to the real property and leasehold interests in Skagit County, Washington, which are described in Exhibit "A" to the Deed of Trust.

1. For so long as there is no Event of Default, Trustor shall have the right to use and occupy the premises leased pursuant to the Leases, make rental payments and secure all other benefits provided under the terms of the Leases. In the event of a rejection of any of the Leases by a trustee in bankruptcy, Beneficiary's security interest and the lien of this Deed of Trust shall attach to and encumber Trustor's right of possession in the portion of the Property subject to the Lease(s) so rejected.

2. Trustor represents and warrants that:

(a) Trustor has good title to the tenant's interest in each of the Leases and the full right, power and authority to assign the same;

(b) No person, other than Trustor and the lessor under each of the respective Leases (the "Lessors"), has any right, title or interest in, under or to any of the Leases or the premises covered thereby;

(c) Trustor has duly and punctually performed all the terms, covenants, conditions and warranties of each of the Leases on Trustor's part to be performed and is not in default under any of the Leases;

(d) Trustor has delivered to Beneficiary true, correct and complete copies of each of the Leases, and each of the Leases remains valid, unmodified and in full force and effect;

(e) None of the Lessors under any of the Leases is in default with respect to any of the terms of the Leases, nor has any event occurred which, with the passage of time, the giving of notice or both, would constitute such a default, and Trustor has no defenses or offsets as to any of its obligations under the Leases;

(f) No consent, license, approval or authorization is required to be obtained or given in connection with the execution, delivery, performance, recordation, validity or enforceability of this assignment of the Leases;

(g) All rents (including additional rents and other charges) reserved in the Leases have been paid to the extent they were payable prior to the date hereof; and

(h) Beneficiary's quiet and peaceful possession of the property demised by the Leases.

4. Trustor further agrees to warrant and defend the leasehold estate created under the Leases for the entire remainder of the terms set forth therein, against all and every person or persons lawfully claiming, or who may claim the same or any part thereof, subject only to the payment of the rents in the Leases reserved, and to the performance and observance of all the terms, covenants, conditions and warranties therein and thereof.

Exhibit "B" to Deed of Trust
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5. Trustor agrees that it shall remain liable under each of the Leases, and that neither the acceptance by Beneficiary of this assignment with all the rights, powers, privileges and authority so granted, nor the exercise by Beneficiary of any of its rights hereunder, shall obligate Beneficiary to assume any obligations under any of the Leases or take any action thereunder or to expend any money or incur any expense or perform or discharge any obligation, duty or liability under any of the Leases or to assume any obligation or responsibility for the nonperformance of the provisions thereof by Trustor or any other party.

6. Covenants Regarding the Leases.

(a) Trustor covenants and agrees that Trustor will at all times perform and comply with all agreements, covenants, terms and conditions imposed upon or assumed by Trustor as lessee under the Leases. If Trustor shall fail to do so, Beneficiary may (but shall not be obligated to) take any action Beneficiary deems necessary or desirable to prevent or to cure any default by Trustor in the performance or compliance with any of Trustor's covenants or obligations under either of the Leases. Upon receipt by Beneficiary from the Lessor under any of the Leases of any written notice of default by Trustor thereunder, Beneficiary may rely thereon and take any action as aforesaid to cure such default even though the existence of such default or the nature thereof be questioned or denied by Trustor or by any party on behalf of Trustor. Trustor hereby expressly grants to Beneficiary, and agrees that Beneficiary shall have the absolute and immediate right to enter in and upon the leasehold premises or any part thereof to such extent and as often as Beneficiary, in its sole discretion, deems necessary for any such purpose, and Trustor hereby agrees to pay to Beneficiary immediately and without demand, all sums so paid and expended by Beneficiary together with interest thereon from the date of each such payment at the default rate of interest specified in the Note. All sums so paid and expended by Beneficiary, and the interest thereon, shall be added to the Secured Obligations and secured by this Deed of Trust. Moreover, to the extent that Beneficiary cures any such default on the part of Trustor, Beneficiary shall be thereby subrogated to all rights of the lessee under the terms and provisions of the Leases.

(b) Trustor further covenants and agrees:

(i) That Trustor will not surrender its leasehold estate and interest, nor terminate or cancel either of the Leases, nor modify, change, supplement, alter or amend either of the Leases either orally or in writing, without the express written consent of Beneficiary. In addition, as further security for the Indebtedness and for the performance of the covenants contained in this Deed of Trust, the other Loan Documents, and the Leases, Trustor hereby grants, transfers and assigns to Beneficiary all of its rights, privileges and prerogatives as lessee under the Leases to terminate, cancel, modify, change, supplement, renew, alter or amend the Leases; provided that as long as there is no breach of or default under any of the covenants or agreements herein contained to be performed by Trustor, or in the performance by Trustor of any of the terms, covenants and conditions contained in the Leases, Beneficiary shall have no right to terminate, cancel, modify, change, supplement, alter or amend either of the Leases without Trustor's consent.

(ii) That no release or forbearance of any of Trustor's obligations under either of the Leases, pursuant to the Leases or otherwise, shall release Trustor from any obligations under this Deed of Trust, including the obligations with respect to the payment of rent as provided for in the Leases and the performance of all of the terms, provisions, covenants, conditions, and agreements contained in the Leases, to be kept, performed and complied with by the lessee therein;

(iii) That it will promptly deposit with Beneficiary any and all documentary evidence received by it showing compliance by Trustor with the provisions of the Leases and will also deposit with Beneficiary an exact copy of any notice, communication, specification or other instrument or document received or given by it in any way relating to or affecting either of the Leases which may concern or affect the estate of the lessor or the lessee in or under either of the Leases or in the real estate thereby demised.



(c) Notwithstanding the rights and benefits conferred upon Beneficiary under the provisions hereof, any default of Trustor under the terms and provisions of any of the Leases shall nevertheless constitute a default hereunder.

(d) That so long as any of the obligations secured by this deed of trust (the "Secured Obligations") shall remain unpaid, unless Beneficiary shall otherwise in writing consent, the fee title and the leasehold estate in the real property demised by the Leases shall not merge but shall always be kept separate and distinct, notwithstanding the union of said estates either in the lessor or in the lessee under the Leases, or in a third party, by purchase or otherwise, and Trustor further covenants and agrees that, in case it shall acquire the fee title, or any other estate, title or interest, in the premises demised by the Leases, this Deed of Trust shall attach and spread to, and be a first lien upon, such other estate so acquired, and such other estate so acquired by Trustor shall be considered as mortgaged, assigned or conveyed to Beneficiary with the same force an effect as though specifically herein mortgaged, assigned or conveyed.

(e) The lien of this Deed of Trust shall attach to all of Trustor's rights and remedies at any time arising under or pursuant to Subsection 365(h) of the Bankruptcy Code, 11 U.S.C. Section 365(h), including without limitation, all of Trustor's rights to remain in possession of the Property.

(f) Trustor shall not without Beneficiary's prior written consent elect to treat any of the Leases as terminated under Subsection (365)(h)(1) of the Bankruptcy Code, 11 U.S.C. Section 365(h)(1). Any such election made without Beneficiary's prior written consent shall be void and of no force or effect.

(g) Trustor hereby unconditionally assigns, transfers and sets over unto Beneficiary all of Trustor's claims and rights to the payment of damages arising from any rejection of either of the Leases by either of the Lessors of the Property under the Bankruptcy Code, 11 U.S.C. Sections 101, et seq. Beneficiary shall have the right to proceed in its own name or in the name of Trustor in respect of any claim, suit, action or proceeding relating to the rejection of the Leases, including without limitation, the right to file and prosecute, to the exclusion of Trustor, any proof of claim, complaints, motions, applications, notices and other documents, in any case in respect of either Lessor under the Bankruptcy Code. This assignment constitutes a present, irrevocable and unconditional assignment of the foregoing claims, rights and remedies, and shall constitute in effect until all of the Secured Obligations shall have been satisfied and discharged in full. Any amounts received by Beneficiary as damages arising out of the rejection of either of the Leases by Lessor shall be applied first to all costs and expenses of Beneficiary (including, without limitation, attorneys' fees) incurred in connection with the exercise of any of its rights or remedies under this subsection (g).

(h) If pursuant to Subsection 365(h)(2) of the Bankruptcy Code, 11 U.S.C. Section 365(h)(2), Trustor seeks to offset against the rent reserved in the Leases the amount of any damages caused by the nonperformance by any Lessor of any of Lessor's obligations under the Leases after the rejection by such Lessor of either of the Leases under the Bankruptcy Code, Trustor shall, prior to affecting such offset, notify Beneficiary in writing of its intent so to do, setting forth the amounts proposed to be offset and the basis therefor. Beneficiary shall have the right to object to all or any part of such offset, and, in the event of such objections, Trustor shall not affect any offset of the amounts so objected to by Beneficiary. If Beneficiary fails to object within thirty (30) days after receipt of notice from Trustor in accordance with the first sentence of this subsection (h), Trustor may proceed to affect such offset in the amounts set forth in Trustor's notice. Notwithstanding anything to the contrary contained herein, neither Beneficiary's failure to object nor any objection or other communication between Beneficiary and Trustor relating to such offset shall constitute an approval of any such offset by Beneficiary. Trustor shall pay and protect Beneficiary, and indemnify and save Beneficiary harmless from and against, any and all claims, demands, actions, suits, proceedings, damages, losses costs and expenses of every nature whatsoever (including, without limitation, attorneys' fees) arising from or relating to any offset by Trustor against the rent reserved in the Leases.

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(i) If any action, proceeding, motion or notice shall be commenced or filed in respect of either Lessor or the Property in connection with any case under the Bankruptcy Code, 11 U.S.C. Sections 101, et seq., Beneficiary shall have the option, to the exclusion of Trustor, exercisable upon notice from Beneficiary to Trustor, to conduct and control any such litigation with counsel of Beneficiary's choice. Beneficiary may proceed in its own name or in the name of Trustor in connection with any such litigation, and Trustor agrees to execute any and all powers, authorizations, consents or other documents required by Beneficiary in connection therewith. Trustor shall, upon demand, pay to Beneficiary all costs and expenses (including attorneys' fees) paid or incurred by Beneficiary in connection with the prosecution or conduct of any such proceedings. Any such costs or expenses not paid by Trustor shall be secured by the lien of the Deed of Trust and shall be added to the Secured Obligations. Trustor shall not commence any action, suit, proceeding or case, or file any application or make any motion, in respect to either of the Leases in any such case under the Bankruptcy Code without the prior written consent of Beneficiary.

(j) Trustor shall, after obtaining knowledge thereof, promptly notify Beneficiary orally of any filing by or against either Lessor of a petition under the Bankruptcy Code, 11 U.S.C. Section 101 et seq., by telephonic notice to the location for Beneficiary stated herein for notice. Trustor shall immediately thereafter give written notice of such filing to Beneficiary setting forth any information available to Trustor as to the date of such filing, the court in which such petition was filed and the relief sought therein. Trustor shall promptly deliver to Beneficiary, following receipt, copies of any and all notices, summonses, pleadings, applications and other documents received by Trustor in connection with any such petition and any proceeding relating thereto.

(k) If there shall be filed by or against Trustor a petition under the Bankruptcy Code, 11 U.S.C. Section 101 et seq., and Trustor, as lessee under the Leases, shall determine to reject either of the Leases pursuant to Section 365(a) of the Bankruptcy Code, Trustor shall give Beneficiary not less than thirty (30) days' prior written notice of the date on which Trustor will apply to the Bankruptcy Court for authority to reject the Leases. Beneficiary shall have the right, but not the obligation, to serve upon Trustor within such thirty (30) day period a notice stating that (i) Beneficiary demands that Trustor assume and assign either of the Leases to Beneficiary pursuant to Section 365 of the Bankruptcy Code and (ii) Beneficiary covenants to cure or provide adequate assurance of prompt cure of all defaults and provide adequate assurance of future performance under the Leases. If Beneficiary serves upon Trustor the notice described in the preceding sentence, Trustor shall not seek to reject either of the Leases and shall comply with the demand provided for in clause (i) of the preceding sentence within thirty (30) days after receipt of the notice, subject to the performance by Beneficiary of the covenant provided in clause (ii) of the preceding sentence.

(l) Effective upon the entry of an order for relief in respect of Trustor under Chapter 7 of the Bankruptcy Code, 11 U.S.C. Section 101, et seq., Trustor hereby assigns and transfers to Beneficiary a nonexclusive right to apply to the Bankruptcy Court under Subsection 365(d)(1) of the Bankruptcy Code for an order extending the period during which the Leases may be rejected or assumed.



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Skagit County Auditor

Exhibit "B" to Deed of Trust
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