

RECORDED AT THE REQUEST OF:

Polygon Financial 05, LLC
P.O. Box 178
Bow, WA 98232-0178

RETURN TO:

Born Associates
923 E. Lake Samish Drive
Bellingham, WA 98229

Attention: Lloyd W. Born



201106270102
Skagit County Auditor

6/27/2011 Page

1 of 23 3:59PM

(Space above this line is for Recorder's use)

LAND TITLE OF SKAGIT COUNTY

17-19185

**DEED OF TRUST, ASSIGNMENT OF RENTS AND LEASES
AND SECURITY AGREEMENT
(Fixture Filing)**

The information contained in this boxed section is for recording purposes only pursuant to RCW 65.04, and is not to be relied upon for any other purpose, and shall not affect the intent of or any warranty contained in the document itself.

Document Title: Deed of Trust, Assignment of Rents and Leases and Security Agreement

Grantor: POLYGON FINANCIAL 05, LLC, a Washington limited liability company

Grantee: BORN ASSOCIATES, a Washington general partnership

Abbreviated Legal Description: W 60FT of NW ¼ SW ¼ EXC RD & #0-011-1 & TGW TRNS & PIPE LI R/W
THRU SEC 7 & 8 REC VOL134 PG 403 DEEDS

The complete legal description is on Exhibit A.

Tax Parcel Numbers: 360406-1-002-0012, 360407-1-001-0012 and 360408-0-011-0003

Reference Number(s) of Documents Affected: N/A

THIS DEED OF TRUST, ASSIGNMENT OF RENTS AND LEASES AND SECURITY AGREEMENT ("Deed of Trust") is made as of June 22, 2011, by the Grantor, POLYGON FINANCIAL 05, LLC, a Washington limited liability company ("Grantor"), whose mailing address is P.O. Box 178, Bow, Washington 98232. The Trustee is LAND TITLE COMPANY, whose mailing address is 111 East George Hopper Road, Burlington, Washington 98233. The Beneficiary is BORN ASSOCIATES, a Washington general partnership ("Beneficiary"), whose mailing address is 923 East Lake Samish Drive, Bellingham, Washington 98229.

This Deed of Trust is given by Grantor to Beneficiary as security for the terms and conditions of the loan documents entered into between Grantor and Beneficiary.

For purposes of Article 9 of the Uniform Commercial Code (RCW 62A.9A), this Deed of Trust constitutes a Security Agreement with Grantor being the Debtor and Beneficiary being the Secured Party. This Deed of Trust also constitutes a Financing Statement filed as a fixture filing pursuant to Article 9 of the Uniform Commercial Code, RCW 62A.9A-502(c).

In consideration of the loan ("Loan") evidenced by the Note described below, Grantor hereby irrevocably GRANTS, TRANSFERS, CONVEYS and ASSIGNS to Trustee, IN TRUST, WITH POWER OF SALE, all of Grantor's present and future estate, right, title, claim and interest, either in law or in equity, in and to the following property ("Property"):

a. The real property described on **Exhibit A**, all rights to the alleys, streets and roads adjoining or abutting the real property, all easements, access, air and development rights, minerals and oil, gas and other hydrocarbon substances, water, water rights and water stock, and all other rights, hereditaments, privileges and appurtenances now or hereafter belonging or in any way appertaining to such real property ("Land").

b. All cut, uncut and downed timber now or hereafter located on or cut or removed from the Land, and all logs and other products thereof (the "Timber"), and all timber, logging and cutting rights now or hereafter in any way pertaining to the Timber plus all licenses, permits, approvals, consents, authorizations and rights now or hereafter granted by the United States or any political subdivision thereof, or by any other person, for the harvesting, removal, sale or other disposition of Timber.

c. All buildings, improvements and tenements now or hereafter located on the Land ("Improvements"), including, without limitation, all fixtures, articles and accessions of property attached to, or used or adapted for use in the ownership, development, operation or maintenance of the Land and Improvements (whether such items are leased, owned or subject to any title-retaining or security instrument); all heating, cooling, air-conditioning, ventilating, refrigerating, plumbing, generating, power, lighting, laundry, maintenance, incinerating, lifting, cleaning, fire prevention and extinguishing, security and access control, cooking, gas, electric and communication fixtures, equipment and apparatus; all engines, motors, conduits, pipes, pumps, tanks, ducts, compressors, boilers, water heaters and furnaces; all ranges, stoves, disposals, refrigerators and other appliances; all escalators and elevators, baths, sinks, all cabinets, partitions, mantels, built-in mirrors, window shades, blinds, screens, awnings, storm doors, windows and sash; all carpeting, underpadding, floor covering, paneling, and draperies; all furnishings of public spaces, halls and lobbies; and all shrubbery and plants. All such items shall be deemed part of the Land and not severable wholly or in part without material injury to the freehold.

d. All of the present and future rents, revenues, issues, accounts, general intangibles, profits and income of the Land and Improvements, and all present and future leases and other agreements for the occupancy or use of all or any part of the Land and Improvements, including, without limitation, all cash or security deposits, advance rentals and deposits or payments of similar nature, and all guarantees of tenants' or occupants' performance under such leases and agreements.

e. All of Grantor's assets, including, without limitation, tangible and intangible personal property now or hereafter used, acquired in connection with or in any way arising out of or related to the ownership, development, operation or maintenance of the Land and Improvements, including, without limitation, all furniture, furnishings, equipment, supplies, inventory and other goods, wherever located, whether in the possession of Grantor, warehousemen, bailee or any



201106270102
Skagit County Auditor

other person; all site plans, plats, architectural plans, specifications, work drawings, surveys, engineering reports, topographical studies, test borings, market surveys, and other similar work products; all permits, licenses, franchises and trade names; all contract rights (including, without limitation, all architectural, construction, engineering, consulting and management contracts, all insurance policies, and all performance, payment, completion and other surety bonds); and all claims, causes of action, warranties, accounts receivable, escrow accounts, insurance policies, deposits (including tax, insurance and other reserves), instruments, documents of title, general intangibles and business records.

f. All present and future monetary deposits given to any public or private utility with respect to utility services furnished to the Land or the Improvements.

g. All proceeds (including claims and demands therefore) of the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims, including, without limitation, the insurance proceeds and condemnation awards.

h. All proceeds of the foregoing.

TO SECURE THE FOLLOWING ("Secured Obligations"):

a. Payment of the sum evidenced by the Promissory Note in the original principal sum of Eight Million and no/100 Dollars (\$8,000,000.00), with interest thereon, dated November 7, 2007 as modified by the First Loan Modification Agreement dated October 29, 2009, the Second Loan Modification Agreement dated November 3, 2009, the Third Loan Modification Agreement dated April 19, 2010, the Fourth Loan Modification Agreement dated January 17, 2011 and the Fifth Loan Modification Agreement dated June 22, 2011 (collectively the "Note").

b. Payment of all other sums which are or may become owing under the Loan Documents (as hereinafter defined).

c. Performance of all other obligations under the Loan Documents.

As used herein, the term "Loan Documents" means the Note, this Deed of Trust and all related documents and instruments, and any and all modifications, extensions, renewals and replacements thereof. The Secured Obligations may be indexed, amended, modified, adjusted, renewed or renegotiated.

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

1. Title and Use.

1.1 Warranty of Title. Grantor warrants, represents, covenants and agrees as follows: (a) Grantor holds marketable title to the Property with the full right and power to grant, convey and assign the Property; (b) the Property is free from liens, encumbrances, exceptions and other charges of any kind whatsoever, except for the exceptions listed on Lender's title policy (the "Permitted Exceptions"); (c) no other lien or encumbrance, whether superior or



inferior to this Deed of Trust, shall be created or suffered to be created by Grantor without the prior written consent of Beneficiary; (d) no default on the part of Grantor or any other person exists under any of the Permitted Exceptions and all of the Permitted Exceptions are in full force and effect and in good standing, without modification; (e) Grantor shall fully comply with all the terms of the Permitted Exceptions and shall deliver to Beneficiary a copy of all notices of default under, violation of or other claim delivered in connection with the Permitted Exceptions; (f) Beneficiary has the right to contact the other parties to the Permitted Exceptions to confirm the status thereof, and Grantor shall, from time to time, at the request of Beneficiary, request of such parties a certificate confirming such information regarding the Permitted Exceptions as Beneficiary may request; and (g) Grantor shall forever warrant and defend the Property unto Beneficiary against all claims and demands of any other person whatsoever, subject only to nondelinquent taxes and assessments, the Permitted Exceptions and the Senior Deed of Trust.

1.2 Nonagricultural Use; Commercial Loan. Grantor represents and warrants to Beneficiary that (a) the Property is not used principally for agricultural purposes and (b) the loan secured by this Deed of Trust was not made primarily for personal, family or household purposes.

2. Grantor's Covenants.

2.1 Payment and Performance of Secured Obligations. Grantor shall pay when due all sums which are now or which may become owing under the Note, and shall pay and perform all other Secured Obligations in accordance with their terms.

2.2 Payment of Taxes, Utilities, Liens and Charges.

a. Taxes and Assessments. Except as the same may otherwise be paid under Section 3, Grantor shall pay when due directly to the payee thereof all taxes and assessments (including, without limitation, nongovernmental levies or assessments such as maintenance charges, owner association dues or charges or fees, levies or charges resulting from covenants, conditions or restrictions) levied, assessed or charged against or with respect to the Property or this Deed of Trust. Upon request, Grantor shall promptly furnish to Beneficiary all notices of amounts due under this subparagraph and all receipts evidencing such payments.

b. Utilities. Grantor shall pay when due all utility charges and assessments for services furnished the Property.

c. Labor and Materials. Grantor shall pay when due the claims of all persons supplying labor or materials to or in connection with the Property.

d. Liens and Charges. Grantor shall promptly discharge any lien, encumbrance or other charge (other than the Permitted Exceptions), whether superior or inferior to this Deed of Trust, which may be claimed against the Property; provided that Grantor shall have the right to contest the amount or validity in whole or in part of any lien, encumbrance or other charge against the Property by appropriate proceedings conducted in good faith and with due diligence, in which event Grantor, upon prior written notice to Beneficiary, may postpone or defer payment of such lien, encumbrance or other charge so long as (i) such proceedings shall operate to



prevent the collection of the lien, encumbrance or other charge; (ii) neither the Property nor any part thereof will, by reason of such postponement or deferment, be in danger of being forfeited or lost; and (iii) Grantor, before the date such lien, encumbrance or other charge becomes delinquent, gives such reasonable security as may be requested by Beneficiary to ensure payment thereof and prevent any forfeiture or loss of the Property or any part thereof.

e. Taxes, Assessments and Other Charges Imposed on Beneficiary. If, at any time after the date of this Deed of Trust, any law is enacted or changed (including any interpretation thereof) which subjects Beneficiary to any increase in any tax (except federal income taxes), assessment or other charge, in any form measured by or based on any portion of the indebtedness secured by this Deed of Trust, Grantor shall pay such increased amount to Beneficiary on demand; provided that if any such payment would be unlawful, Beneficiary may declare all accrued interest and the entire principal balance of the Note immediately due and payable.

2.3 Insurance.

a. Coverages Required. Grantor shall keep the following insurance coverages in effect with respect to the Property, provided the insurance described in clauses (1) and (3) shall not be required until improvements are placed upon the Property:

(1) Insurance against loss by fire and the hazards now or hereafter covered by the standard "All Risk" (Builders Risk) form of insurance, in an amount equal at all times to the full insurable value of the Improvements. All such insurance coverage shall contain a "replacement cost endorsement" without reduction for depreciation, and shall also contain loss of rents and/or business interruption insurance coverage, a fluctuating value endorsement with a waiver of the coinsurance clause (or an agreed amount endorsement with an inflation guard endorsement), and shall contain such other endorsements as Beneficiary may reasonably request. All such endorsements shall be in form and substance reasonably satisfactory to Beneficiary.

(2) Commercial general liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Property in amounts and on terms acceptable to Beneficiary.

(3) Rental and/or business interruption insurance for a period of not less than twelve months in amounts and otherwise on terms satisfactory to Beneficiary.

b. Policies. Each insurance policy shall be with a company and in a form acceptable to Beneficiary. Each hazard insurance policy shall include a Form 438BFU or equivalent mortgagee endorsement in favor of Beneficiary. Each liability insurance policy shall name Beneficiary as an additional insured. All required policies will provide for at least ten days' written notice to Beneficiary prior to the effective date of any cancellation or material amendment, which term shall include any reduction in the scope or limits of coverage. Grantor shall furnish to Beneficiary a copy of each required insurance policy, together with a certificate of insurance setting forth the coverage, the limits of liability, the carrier, the policy number and the expiration date. As security for the Secured Obligations, Grantor hereby assigns to



201106270102

Skagit County Auditor

Beneficiary all required insurance policies, together with all proceeds thereof, rights thereto and all unearned premiums returnable upon cancellation.

c. Payment; Renewals. Grantor shall promptly furnish to Beneficiary copies of all renewal notices relating to insurance policies. Except as the same may otherwise be paid under Section 3, Grantor shall pay all premiums on insurance policies directly to the carrier. At least 30 days prior to the expiration date of each such policy, Grantor shall furnish to Beneficiary a copy of a renewal policy in a form acceptable to Beneficiary, together with evidence that the renewal premium has been paid.

d. Application of Insurance Proceeds. In the event of any material loss, Grantor shall give prompt written notice thereof to the insurance carrier and Beneficiary. Grantor hereby authorizes Beneficiary as Grantor's attorney-in-fact to make proof of loss, to adjust and compromise any claim, to commence, appear in and prosecute, in Beneficiary's or Grantor's name, any action relating to any claim, and to collect and receive insurance proceeds; provided, however, that Beneficiary shall have no obligation to do so. Beneficiary shall apply any insurance proceeds received by it hereunder first to the payment of the costs and expenses incurred in the collection of the proceeds and then, in its absolute discretion and without regard to the adequacy of its security, to:

(1) The payment of the Secured Obligations, whether then due and payable or not. Any such application of proceeds to principal on the Note shall be without the imposition of any prepayment fee otherwise payable under the Note, but shall not extend or postpone the due dates of the installment payments under the Note, or change the amounts thereof; or

(2) The reimbursement of Grantor, under Beneficiary's prescribed disbursement control procedures, for the cost of restoration or repair of the Property. Beneficiary may, at its option, condition the reimbursement on Beneficiary's approval of the plans and specifications of the reconstruction, contractor's cost estimates, architect's certificates, waivers of liens, sworn statements of mechanics and materialmen, and such other evidence of costs, percentage completion of construction, application of payments and satisfaction of liens as Beneficiary may reasonably require.

Except to the extent that insurance proceeds are applied to payment of the Secured Obligations, nothing herein contained shall be deemed to excuse Grantor from restoring, repairing or maintaining the Property as provided for in Section 2.4, regardless of whether or not there are insurance proceeds available or whether any such proceeds are sufficient in amount.

e. Application of Insurance Proceeds to Restoration. Notwithstanding the provisions of Section 2.3(d), Grantor, rather than Beneficiary, shall have the right to direct the application of insurance proceeds to payment of the Secured Obligations or to repair or restoration of the Property upon satisfaction of the following conditions:

(1) There is then no Event of Default nor any event or condition which would be an Event of Default if not cured within the time allowed.



201106270102

Skagit County Auditor

(2) If the proceeds are to be applied to repair or restoration then in addition to the matters required under Section 2.3(d)(2) above, Beneficiary shall have approved each of the following with respect to the repair or restoration: (i) the construction contract, and if required by Beneficiary, payment and performance bonds with dual obligee rider; (ii) evidence that the insurance proceeds are adequate to restore the Property to its condition immediately prior to the casualty, and if insufficient, the deficiency shall be deposited with Beneficiary for disbursement prior to disbursement of insurance proceeds; (iii) evidence that Grantor has funds sufficient to pay operating expenses, taxes, debt service and other carrying costs of the Property through the period of repair or restoration; (iv) evidence that upon such repair or restoration the Property will be in compliance with all applicable laws, ordinances and regulations; (v) evidence that such repair or restoration of the Property will be completed at least 30 days before the current maturity date under the Note; and (vi) evidence that upon the completion of any such repair or restoration the Property will produce sufficient income and be of sufficient value to be adequate security for the Secured Obligations.

(3) Grantor shall execute and deliver to Beneficiary such additional security documents and instruments as Beneficiary deems necessary to continue and to perfect Beneficiary's security interests in and liens on the Property.

f. Transfer of Title. If the Property is sold pursuant to Section 4 or if Beneficiary otherwise acquires title to the Property, Beneficiary shall have all of the right, title and interest of Grantor in and to any insurance policies and unearned premiums thereon and in and to the proceeds resulting from any damage to the Property prior to such sale or acquisition.

2.4 Preservation and Maintenance of Property; Right of Entry.

a. Preservation and Maintenance. Grantor represents and warrants that the Improvements are free from damage caused by fire or other casualty. Grantor shall (i) not commit or suffer any waste or permit any impairment or deterioration of the Property, (ii) not abandon the Property, (iii) restore or repair promptly and in a good and workmanlike manner all or any part of the Property to the equivalent of its condition as of the date hereof, or such other condition as Beneficiary may approve in writing, in the event of any damage, injury or loss thereto, whether or not insurance proceeds are available to cover in whole or in part the costs of such restoration or repair, (iv) keep the Property, including, fixtures, equipment, machinery and appliances thereon, in good condition and repair and shall replace fixtures, equipment, machinery and appliances of the Property when necessary to keep such items in good condition and repair, and (v) generally operate and maintain the Property in a commercially reasonable manner.

b. Alterations. None of the Improvements shall be structurally altered, removed or demolished, in whole or in part, without Beneficiary's prior written consent. Beneficiary shall not unreasonably withhold or delay its consent to minor structural alterations if Grantor furnishes plans and assurances that the work will be completed in good workmanlike quality and Beneficiary determines in its reasonable business judgment that the value of the Property will not be materially and adversely affected. Grantor shall not remove any fixture or chattel covered by this Deed of Trust and adapted to the use and enjoyment of the Property at



201106270102

Skagit County Auditor

any time without Beneficiary's prior written consent unless actually replaced by an article of equal suitability which is owned by Grantor free and clear of any lien or security interest.

c. Right of Entry. Beneficiary is hereby authorized to enter the Property, including the interior of any structures, at reasonable times and after reasonable notice, for the purpose of inspecting the Property to determine Grantor's compliance with this Section.

2.5 Use of Property. Grantor represents and warrants to Beneficiary that the Land, the Improvements and their intended use by Grantor comply with all applicable restrictive covenants, zoning and subdivision laws, ordinances, regulations and legal requirements, building codes, flood disaster laws, applicable health and environmental laws and regulations and all other laws, ordinances, regulations, orders and legal requirements issued by any state, federal or municipal authority having or claiming jurisdiction over the Property. Grantor shall comply with all laws, ordinances, regulations and requirements of any governmental body, and all other covenants, conditions and restrictions applicable to the Property and its intended use, and pay all fees and charges in connection therewith. Unless required by applicable law or unless Beneficiary has otherwise agreed in writing, Grantor shall not allow changes in the use for which all or any part of the Property was intended at the time this Deed of Trust was executed. Grantor shall not initiate or acquiesce in a change in the zoning classification of the Property without Beneficiary's prior written consent.

2.6 Condemnation.

a. Proceedings. Grantor shall promptly notify Beneficiary of any action or proceeding relating to any condemnation or other taking (including, without limitation, any change in the grade of the Property), whether direct or indirect, of the Property or part thereof or interest therein, and Grantor shall appear in and prosecute any such action or proceeding unless otherwise directed by Beneficiary in writing. Grantor authorizes Beneficiary, at Beneficiary's option, as attorney-in-fact for Grantor, to commence, appear in and prosecute, in Beneficiary's or Grantor's name, any action or proceeding relating to any such condemnation or other taking, and to settle or compromise any claim in connection with such condemnation or other taking. All such awards, payments, damages, direct, consequential and otherwise, claims and proceeds thereof, in connection with any such condemnation or other taking, or for conveyances in lieu of condemnation, are hereby assigned to Beneficiary, and all proceeds of any such awards, payments, damages or claims shall be paid to Beneficiary.

b. Application of Condemnation Proceeds. Beneficiary shall apply any such proceeds in the manner and upon the terms and conditions set forth in Section 2.3(d) relating to the application of insurance proceeds.

2.7 Protection of Beneficiary's Security. Grantor shall give notice to Beneficiary of and shall appear in and defend any action or proceeding that may affect the Property, the interests of Beneficiary or Trustee therein, or the rights or remedies of Beneficiary or Trustee under the Loan Documents. If any such action or proceeding is commenced and there is an uncured Event of Default, or Grantor fails to perform any of the Secured Obligations, Beneficiary or Trustee may, at their option, make any appearances, disburse any sums, pay or



201106270102

Skagit County Auditor

settle any claims that have resulted in or may result in a lien of any portion of the property, make any entries upon the Property and take any actions as may be necessary or desirable to (i) protect or enforce the security of this Deed of Trust, (ii) remedy Grantor's failure to perform the Secured Obligations (without waiving such default by Grantor), or (iii) otherwise protect Beneficiary's or Trustee's interests. Grantor shall pay all losses, damages, fees, costs and expenses incurred by Beneficiary and Trustee in taking such actions; including, without limitation, reasonable legal fees.

2.8 Reimbursement of Beneficiary's and Trustee's Expenses. All amounts disbursed by Beneficiary and Trustee pursuant to Section 2.7 or any other provision of this Deed of Trust or the other Loan Documents, with interest thereon at the default rate set forth in the Note from the date of disbursement until repaid, shall constitute a Secured Obligation. All such amounts shall be immediately due and payable and bear interest from the date of disbursement at the lesser of the default rate set forth in the Note, or the maximum rate permitted by law.

2.9 Books and Records on Property. Grantor shall keep and maintain at Grantor's address stated above, or such other place as Beneficiary may approve in writing, books of account and records adequate to reflect correctly the results of operation of the Property and copies of all written contracts, leases and other documents affecting the Property. Such books, records, contracts, leases and other documents shall be subject to examination, inspection and copying at any reasonable time by Beneficiary. Grantor shall furnish to Beneficiary, within 20 days after Beneficiary's request therefore, the following documents, each certified to Beneficiary by Grantor as being true, correct and complete: (a) copies of all leases and other agreements for occupancy or use of all or any portion of the Property, (b) a rent roll for the Property, showing the name of each tenant, and for each tenant, the number of square feet rented, the lease expiration date, the rent payable, the date through which rent has been paid, the amount of any security deposit and the number and term of any renewal options, (c) copies of the most recent real and personal property tax statements for the Property, and (d) copies of the most recent statements for the insurance coverage maintained pursuant to this Deed of Trust.

3. Reserves.

3.1 Deposits. If required by Beneficiary, Grantor shall, at the time of making each monthly installment payment under the Note, deposit with Beneficiary a sum, as estimated by Beneficiary, equal to (i) the taxes and special assessments next due on the Property, and (ii) the premiums that will next become due on insurance policies as may be required under this Deed of Trust, less all sums already deposited therefore, divided by the number of months to elapse before two months prior to the date when such taxes, special assessments and premiums will become delinquent. Beneficiary may require Grantor to deposit with Beneficiary, in advance, such other sums for other taxes, assessments, premiums, charges and impositions in connection with Grantor or the Property as Beneficiary reasonably deems necessary to protect Beneficiary's interests ("Other Impositions"). Such sums for Other Impositions shall be deposited in a lump sum or in periodic installments, at Beneficiary's option. If required by Beneficiary, Grantor shall promptly deliver to Beneficiary all bills and notices with respect to any taxes, assessments, premiums and Other Impositions. Unless Grantor and Beneficiary otherwise agree in writing, Beneficiary shall not be required to pay Grantor any interest, earnings or profits on any sums



201106270102

Skagit County Auditor

deposited with Beneficiary. All sums deposited with Beneficiary under this Section 3.1 are hereby pledged as security for the Secured Obligations.

3.2 Application of Deposits. All such deposited sums shall be held by Beneficiary and applied in such order as Beneficiary elects to pay such taxes, assessments, premiums and Other Impositions or, upon any Event of Default, may be applied in whole or in part, to the Secured Obligations. The arrangement provided for in this Section 3 is solely for the added protection of Beneficiary and entails no responsibility on Beneficiary's part beyond the allowing of due credit, without interest, for the sums actually received by it. Upon any assignment of this Deed of Trust by Beneficiary, any funds on hand shall be turned over to the assignee and any responsibility of Beneficiary with respect thereto shall terminate. Each transfer of the Property in accordance with Section 4 shall automatically transfer to the transferee all rights of Grantor with respect to any funds deposited hereunder. Upon payment in full of the Secured Obligations, Beneficiary shall promptly refund to Grantor the remaining balance of any deposits then held by Beneficiary.

3.3 Adjustments to Deposits. If the total deposits held by Beneficiary exceed the amount deemed necessary by Beneficiary to provide for the payment of such taxes, assessments, premiums and Other Impositions, such excess shall, provided there is no Event of Default or any event which would constitute an Event of Default if not cured within the time allowed, be credited by Beneficiary on the next due installment or installments of such deposits. If at any time the total deposits held by Beneficiary are less than the amount deemed necessary by Beneficiary to provide for the payment of such taxes, assessments, premiums and Other Impositions, Grantor shall promptly deposit the deficiency with Beneficiary after receipt of written demand from Beneficiary.

3.4 Conditional Waiver. Notwithstanding the foregoing, Beneficiary shall not require the payment of reserves as provided in this Section until a delinquency occurs in the payment of such taxes, assessments, premiums and Other Impositions, or until the occurrence of an Event of Default.

4. Restrictions on Transfer or Encumbrance. Neither the Property nor any part thereof or interest therein shall be encumbered, sold (by contract or otherwise), conveyed, leased (except as provided in this Section 4) or otherwise transferred by Grantor; nor shall there be any change in (i) the ownership or control of any of Grantor's stock if Grantor is a corporation, (ii) the ownership or control of any of the membership interests in Grantor if Grantor is a limited liability company, (iii) the ownership or control of any of the general partnership interests in Grantor if Grantor is a partnership, (iv) the ownership or control of any of the beneficial interests in Grantor if Grantor is not otherwise a natural person or persons, or (v) the ownership or control of any of the stock, membership interests, general partnership interests or any other beneficial interests in any corporation, partnership or other entity that has any ownership interest in Grantor. Any such action without Beneficiary's prior written consent shall be deemed to increase the risk of Beneficiary and shall constitute an Event of Default if not corrected within five days after Beneficiary's delivery of written demand to Grantor. Beneficiary may, in its sole discretion, consent to any such action subject to such terms and conditions as Beneficiary may require,



201106270102

Skagit County Auditor

including, without limitation, the payment of a transfer review fee, an assumption fee of one percent (1%) of the principal balance of the Note and an increase in the interest rate of the Note.

5. Uniform Commercial Code Security Agreement.

5.1 Grant to Beneficiary. This Deed of Trust constitutes a security agreement pursuant to the Uniform Commercial Code with respect to:

a. Any of the Property which, under applicable law, is not real property or effectively made part of the real property by the provisions of this Deed of Trust; and

b. Any and all other property now or hereafter described on any Uniform Commercial Code Financing Statement naming Grantor as Debtor and Beneficiary as Secured Party and affecting property in any way connected with the use and enjoyment of the Property (any and all such other property constituting "Property" for purposes of this Deed of Trust);

and Grantor hereby grants Beneficiary a security interest in all property described in clauses (a) and (b) above as security for the Secured Obligations. Grantor and Beneficiary agree, however, that neither the foregoing grant of a security interest nor the filing of any such financing statement shall be construed as limiting the parties stated intention that everything used in connection with the production of income from the Property, or adapted for use therein, or which is described or reflected in this Deed of Trust, is and at all times shall be regarded as part of the Land.

5.2 Beneficiary's Rights and Remedies. With respect to the Property subject to the foregoing security interest, Beneficiary shall have all of the rights and remedies (a) of a secured party under the Uniform Commercial Code, (b) provided herein, including, without limitation, the right to cause such Property to be sold by Trustee under the power of sale granted by this Deed of Trust, and (c) provided by law. In exercising its remedies, Beneficiary may proceed against the items of real property and any items of personal property separately or together and in any order whatsoever, without in any way affecting the availability of Beneficiary's remedies. Upon demand by Beneficiary following an Event of Default hereunder, Grantor shall assemble any items of personal property and make them available to Beneficiary at the Land. Beneficiary shall give Grantor at least five days' prior written notice of the time and place of any public sale or other disposition of such Property or of the time of or after which any private sale or any other intended disposition is to be made. Any person permitted by law to purchase at any such sale may do so. Such Property may be sold at any one or more public or private sales as permitted by applicable law.

6. Assignment of Rents and Leases.

6.1 Assignment of Rents and Leases. As security for the Secured Obligations, Grantor assigns and transfers to Beneficiary and grants Beneficiary a security interest in and to all right, title and interest of Grantor in and to: (a) any and all present and future leases, subleases and other agreements for the occupancy or use of all or any part of the Property, and any and all extensions, renewals and replacements thereof ("Leases"); (b) all cash or security deposits,



advance rentals and deposits of a similar nature under the Leases; (c) any and all guarantees of tenants' or occupants' performances under any and all Leases; and (d) all rents, issues, profits and revenues ("Rents") now due or which may become due or to which Grantor may now or shall hereafter become entitled or may demand or claim (including Rents coming due during any redemption period), arising or issuing from or out of any and all Leases, including, without limitation, minimum, additional, percentage and deficiency rents and liquidated damages.

6.2 Collection of Rents. Prior to any Event of Default hereunder, Grantor shall have a license to, and shall, collect and receive all Rents of the Property as trustee for the benefit of Beneficiary and Grantor, apply the Rents so collected first to the payment of taxes, assessments and other charges on the Property prior to delinquency, second to the cost of insurance, maintenance and repairs required by the terms of this Deed of Trust, third to the costs of discharging any obligation or liability of Grantor under the Leases, and fourth to the Secured Obligations, with the balance, if any, to the account of Grantor provided there is no Event of Default. Upon delivery of written notice by Beneficiary to Grantor of an Event of Default hereunder and stating that Beneficiary exercises its rights to the Rents, and without the necessity of Beneficiary entering upon and taking and maintaining full control of the Property in person, by agent or by a court-appointed receiver, Beneficiary shall immediately be entitled to possession of all Rents from the Property as the same become due and payable, including, without limitation, Rents then due and unpaid, and all such Rents shall immediately upon delivery of such notice be held by Grantor as trustee for the benefit of Beneficiary only. Upon delivery of such written notice by Beneficiary, Grantor hereby agrees to direct each tenant or occupant of the Property to pay all Rents to Beneficiary on Beneficiary's written demand therefore, without any liability on the part of said tenant or occupant to inquire further as to the existence of an Event of Default by Grantor. Grantor hereby authorizes Beneficiary as Grantor's attorney-in-fact to make such direction to tenants and occupants upon Grantor's failure to do so as required herein. Payments made to Beneficiary by tenants or occupants shall, as to such tenants and occupants, be in discharge of the payors' obligations to Grantor. Beneficiary may exercise, in Beneficiary's or Grantor's name, all rights and remedies available to Grantor with respect to collection of Rents. Nothing herein contained shall be construed as obligating Beneficiary to perform any of Grantor's obligations under any of the Leases.

6.3 Grantor's Representations and Warranties. Grantor hereby represents and warrants to Beneficiary that Grantor has not executed and will not execute any other assignment of said Leases or Rents that Grantor has not performed and will not perform any acts and has not executed and will not execute any instrument which would prevent Beneficiary from exercising its rights under this Section 6, and that at the time of execution of this Deed of Trust there has been no anticipation or prepayment of any of the Rents of the Property for more than two (2) months prior to the due dates thereof Grantor further represents and warrants to Beneficiary that all existing Leases are in good standing and there is no default thereunder, whether by Grantor or lessee, and that, to Grantor's knowledge, there is no event or condition which, with notice or the passage of time or both, would be a default thereunder. Grantor shall execute and deliver to Beneficiary such further assignments of Rents and Leases of the Property as Beneficiary may from time to time request.



201106270102

Skagit County Auditor

6.4 Leases of the Property. Grantor shall comply with and observe Grantor's obligations as landlord under all Leases and will do all that is necessary to preserve all Leases in force and free from any right of counterclaim, defense or setoff. At Beneficiary's request, Grantor shall furnish Beneficiary with executed copies of all Leases now existing or hereafter made and all Leases hereafter entered into shall use a form previously approved by Beneficiary. All nonresidential Leases and tenants shall be subject to Beneficiary's prior written approval, and shall specifically provide that the tenant attorns to any person succeeding to the interest of Grantor upon any foreclosure of this Deed of Trust or conveyance in lieu thereof. Such attornment shall be in such form as Beneficiary may approve and shall provide that Tenant shall not have the right of set off or defense to payment of rents for any event or act that occurred prior to such successor obtaining title to Grantor's interest except to the extent such event or act is continuing at the time such successor obtains such title. Tenant shall also agree to execute such further evidences of attornment as Beneficiary may from time to time request. Without Beneficiary's written consent, Grantor shall not (a) collect or accept payment of any Rents more than one month prior to the due dates thereof; (b) modify, surrender or terminate any Lease; (c) waive, discharge, release or modify the obligations of any tenant or other occupant of the Property under any Lease; or (d) request or consent to the subordination of any Lease to any lien subordinate to this Deed of Trust. Any attempted action in violation of this Section 6.4 shall be null and void. Without in any way limiting the requirement of Beneficiary's consent hereunder, any sums received by Grantor in consideration of any termination (or the release or discharge of any lessee), modification or amendment of any Lease shall be applied to reduce the outstanding Secured Obligations and any such sums received by Grantor shall be held in trust by Grantor for such purpose.

6.5 Beneficiary in Possession; Appointment of Receiver. Upon any Event of Default, Beneficiary may, in person, by agent or by a court-appointed receiver, regardless of the adequacy of Beneficiary's security, enter upon and take and maintain full control of the Property in order to perform all acts necessary and appropriate for the operation and maintenance thereof in the same manner and to the same extent as Grantor could do the same, including, without limitation, the execution, enforcement, cancellation and modification of Leases, the collection of all Rents of the Property, the removal and eviction of tenants and other occupants, the making of alterations and repairs to the Property, and the execution and termination of contracts providing for management or maintenance of the Property, all on such terms as are deemed best by Beneficiary to protect the security of this Deed of Trust. From and after any Event of Default, if any owner of the Property shall occupy the Property or part thereof such owner shall pay to Beneficiary in advance on the first day of each month a reasonable rental for the space so occupied, and upon failure so to do Beneficiary shall be entitled to remove such owner from the Property by any appropriate action or proceedings. Following an Event of Default, Beneficiary shall be entitled (regardless of the adequacy of Beneficiary's security) to the appointment of a receiver, Grantor hereby consenting to the appointment of such receiver. Said receiver may serve without bond and may be Beneficiary or an employee of Beneficiary. The receiver shall have, in addition to all the rights and powers customarily given to and exercised by such receivers, all the rights and powers granted to Beneficiary in this Section 6. Beneficiary or the receiver shall be entitled to receive a reasonable fee for so managing the Property.



201106270102

Skagit County Auditor

6.6 Application of Rents. All Rents collected subsequent to delivery of written notice by Beneficiary to Grantor of an Event of Default shall be applied first to the costs, if any, of taking control of and managing the Property and collecting the Rents, including, without limitation, attorneys' fees, receiver's fees, premiums on receiver's bonds, costs of maintenance and repairs to the Property, premiums on insurance policies, taxes, assessments and other charges on the Property, and the costs of discharging any obligation or liability of Grantor under the Leases, and then to other Secured Obligations. Beneficiary or the receiver shall be liable to account only for those Rents actually received. Beneficiary shall not be liable to Grantor, anyone claiming under or through Grantor or anyone having an interest in the Property by reason of anything done or left undone by Beneficiary under this Section.

6.7 Deficiencies. To the extent, if any, that the costs of taking control of and managing the Property, collecting the Rents, and discharging obligations and liabilities of Grantor under the Leases, exceed the Rents of the Property, the excess sums expended for such purposes, plus interest, shall constitute a Secured Obligation. Such excess sums shall be payable upon demand by Beneficiary and shall bear interest from the date of disbursement at the lesser of the default rate set forth in the Note, or the maximum rate permitted by law.

6.8 Beneficiary Not Mortgagee in Possession. Nothing herein shall constitute Beneficiary a "mortgagee in possession" prior to its actual entry upon and taking possession of the Property. Entry upon and taking possession by a receiver shall not constitute possession by Beneficiary.

6.9 Enforcement. Beneficiary may enforce this assignment without first resorting to or exhausting any security or collateral for the Secured Obligations.

7. Events of Default.

7.1 Events of Default. Any one or more of the following is an "Event of Default":

a. Grantor fails to make any payment under the Note, this Deed of Trust or any of the other Loan Documents within ten days after the due date.

b. There is a default under any of the Permitted Exceptions, if not cured within any cure period given in the Permitted Exceptions.

c. There is an Event of Default as defined in any of the other Loan Documents.

d. A decree or order is entered for the appointment of a trustee, receiver or liquidator for Grantor or any guarantor or the property of Grantor or any guarantor; or Grantor files a voluntary petition for relief under the Bankruptcy Code, makes an assignment for the benefit of creditors, or requests relief under any other insolvency or comparable statute or proceeding; or an involuntary petition is filed against Grantor under any of the foregoing statutes or proceedings and such involuntary petition is not dismissed within forty-five (45) days after commencement; or Grantor admits in writing its inability to pay its debts generally as they become due.



201106270102

Skagit County Auditor

e. There is an attachment, execution or other judicial seizure of any property of Grantor or any guarantor and such seizure is not discharged within ten days.

7.2 Inapplicability of Cure Periods. All cure periods provided in this Deed of Trust or the other Loan Documents shall be inapplicable if, in Beneficiary's reasonable judgment, the default is not capable of being cured within the time allowed, or a delay in Beneficiary's enforcement of its rights and remedies is likely to result in a material impairment of its security.

7.3 Form of Notice. At Beneficiary's option, any written notice of default given to Grantor under Section 7.1 may be given in the form of a statutory notice of default under the Washington Deed of Trust Act or any other form as Beneficiary may elect.

8. Remedies.

8.1 Acceleration Upon Default; Additional Remedies. Upon any Event of Default, Beneficiary may, at its option upon ten (10) days after notice of default is given to Grantor, exercise any one or more of the following actions:

- a. Declare all the Secured Obligations immediately due and payable.
- b. Bring a court action to enforce the provisions of this Deed of Trust or any of the other Loan Documents.
- c. Foreclose this Deed of Trust as a mortgage.
- d. Cause any or all of the Property to be sold under the power of sale granted by this Deed of Trust in any manner permitted by applicable law.
- e. To the extent permitted by RCW 61.24.100, obtain a deficiency judgment if the net sales proceeds of any sale of the Property under the power of sale granted by this Deed of Trust are insufficient to pay in full all of the Secured Obligations.
- f. Elect to exercise its rights with respect to the Leases and the Rents.
- g. Exercise any or all of the other rights and remedies under this Deed of Trust and the other Loan Documents.
- h. Exercise any other right or remedy available under law or in equity.

8.2 Exercise of Power of Sale. For any sale under the power of sale granted by this Deed of Trust, Beneficiary or Trustee shall record and give all notices required by law and then, upon the expiration of such time as is required by law, Trustee may sell the Property upon any terms and conditions specified by Beneficiary and permitted by applicable law.

Trustee may postpone any sale by public announcement at the time and place noticed for the sale. If the Property includes several lots or parcels, Beneficiary in its discretion may designate their order of sale or may elect to sell all of them as an entirety. The Property, real,



201106270102

Skagit County Auditor

personal and mixed, may be sold in one parcel. To the extent any of the Property sold by the Trustee is personal property, then Trustee shall be acting as the agent of Beneficiary in selling such Property. Any person permitted by law to do so may purchase at any sale.

Upon any sale, Trustee will execute and deliver to the purchaser or purchasers a deed or deeds conveying the Property sold, but without any covenant or warranty, express or implied, and the recitals in the Trustee's deed showing that the sale was conducted in compliance with all the requirements of law shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrancers for value.

8.3 Application of Sale Proceeds. Except as may otherwise be required by law, the proceeds of any sale under this Deed of Trust shall be applied in the following priority:

a. Payment of the costs and expenses of the sale; including, without limitation, Trustee's fees, reasonable legal fees and disbursements, title charges and transfer taxes, and payment of all expenses, liabilities and advances of Trustee, together with interest on all advances made by Trustee from date of disbursement at the lesser of the default rate set forth in the Note, or the maximum rate permitted by law.

b. Payment of all sums expended by Beneficiary under the terms of this Deed of Trust and not yet repaid, together with interest on such sums from date of disbursement at the lesser of the default rate set forth in the Note, or the maximum rate permitted by law.

c. Payment of all other Secured Obligations in any order that Beneficiary chooses.

d. The remainder, if any, to the person or persons legally entitled to it.

8.4 Waiver of Order of Sale and Marshalling. Beneficiary shall have the right to determine the order in which any or all portions of the Secured Obligations are satisfied from the proceeds realized upon the exercise of any remedies provided herein. To the fullest extent permitted by law, Grantor, any party who consents to this Deed of Trust and any party who now or hereafter acquires a security interest in the Property and who has actual or constructive notice hereof, hereby waives any and all right to require marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein, or to direct the order in which any of the Property will be sold in the event of any sale under this Deed of Trust.

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

8.6 Expenses During Redemption Period. If this Deed of Trust is foreclosed as a mortgage and the Property sold at a foreclosure sale, the purchaser may during any redemption period allowed, make such repairs or alterations on the 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 lesser of the default rate



set forth in the Note, or the maximum rate permitted by law, shall be added to and become a part of the amount required to be paid for redemption from such sale.

8.7 Foreclosure Subject to Tenancies. 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 Property.

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

8.9 Beneficiary's and Trustee's Expenses. Grantor shall pay all of Beneficiary's and Trustee's expenses incurred in any efforts to enforce any terms of this Deed of Trust, whether or not any suit is filed, including, without limitation, legal fees and disbursements, foreclosure costs, title charges, and expenses incurred in any bankruptcy, reorganization, liquidation, receivership or similar proceeding. All such sums, with interest thereon, shall be additional indebtedness of Grantor secured by this Deed of Trust. Such sums shall be immediately due and payable and shall bear interest from the date of disbursement at the lesser of the default rate set forth in the Note, or the maximum rate permitted by law.

9. General.

9.1 No Offset. Grantor's obligation to timely pay and perform all obligations under the Note, this Deed of Trust and the other Loan Documents shall be absolute and unconditional and shall not be affected by any event or circumstance; including, without limitation, any setoff, counterclaim, abatement, suspension, recoupment, deduction, defense or any other right that Grantor or any guarantor may have or claim against Beneficiary or any other person or entity. The foregoing shall not constitute a waiver of any claim or demand which Grantor or any guarantor may have in damages or otherwise against Beneficiary or any other person or entity; provided that Grantor shall maintain a separate action thereon.

9.2 Application of Payments. Except as applicable law or this Deed of Trust may otherwise provide, all payments received by Beneficiary under the Note or this Deed of Trust shall be applied by Beneficiary in the following order of priority: (a) Beneficiary's and Trustee's expenses incurred in any efforts to enforce any terms of this Deed of Trust; (b) interest payable on advances made to protect the security of this Deed of Trust; (c) principal of such advances; (d) amounts payable to Beneficiary by Grantor under Section 3 for reserves; (e) interest and late charges payable on the Note; (f) principal of the Note; and (g) any other Secured Obligations in such order as Beneficiary, at its option, may determine; provided, however, that Beneficiary may, at its option, apply any such payments received to interest on or principal of the Note prior to applying such payments to interest on and principal of advances made to protect the security of this Deed of Trust.



201106270102

Skagit County Auditor

9.3 Imposition of Tax. For purposes of this Section, "Tax" shall mean:

- a. a specific tax on deeds of trust or on all or any part of the indebtedness secured by a deed of trust; or
- b. a specific tax on the owner of the Property covered by a deed of trust which the taxpayer is authorized or required to deduct from payments on the deed of trust; or
- c. a tax on property covered by a deed of trust chargeable against a beneficiary or trustee under the deed of trust or the holder of the note secured by the deed of trust; or
- d. a specific tax (other than an income tax or a gross receipts tax) on all or any portion of the obligations secured hereby or on payments of principal and interest made by a grantor under a deed of trust. If any Tax is enacted subsequent to the date of this Deed of Trust, enactment of the Tax shall constitute an Event of Default, and Beneficiary may exercise any or all of the remedies available to it upon the occurrence of any Event of Default, unless the following conditions are met: (i) Grantor may lawfully pay the Tax without causing any resulting economic disadvantage or increase of tax to Beneficiary or Trustee; and (ii) Grantor pays the Tax (including any tax on the payment made) within 30 days after notice from Beneficiary that the tax law has been enacted.

9.4 Reconveyance. Upon payment of all Secured Obligations, Beneficiary shall request Trustee to reconvey the Property and shall surrender this Deed of Trust and all notes evidencing the Secured Obligations to Trustee. Trustee shall reconvey the Property without warranty to the person or persons legally entitled thereto. 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. Such person or persons shall pay Trustee's reasonable costs incurred in so reconveying the Property.

9.5 Successor Trustee. In accordance with applicable law, Beneficiary may from time to time appoint a successor trustee to any Trustee appointed hereunder. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon the Trustee herein and by applicable law.

9.6 Beneficiary's Powers. Without affecting the liability of any person for payment or performance of the Secured Obligations or any of Beneficiary's rights or remedies, Beneficiary, at its option, may extend the time for payment of the Secured Obligations or any part thereof, reduce payment thereon, release anyone liable thereon, accept a renewal note or notes therefore, modify the terms and time of payment thereof, release the lien of this Deed of Trust on any part of the Property, take or release other or additional security, release or reconvey or cause to be released or reconveyed all or any part of the Property, or consent and/or cause Trustee to consent to the making of any map or plat of the Property, consent or cause Trustee to consent to the granting of any easement or creating any restriction on the Property, or join or cause Trustee to join in any subordination or other agreement affecting this Deed of Trust or the lien or charge hereof. Grantor shall pay Beneficiary a reasonable service charge, together with such title insurance premiums and attorneys' fees as may be incurred at Beneficiary's option, for any such action if taken at Grantor's request.



201106270102

Skagit County Auditor

9.7 Subdivision. Grantor hereby consents to a subdivision of the Property, if Beneficiary, in its sole discretion, determines that a subdivision of the Property is necessary or desirable to preserve the lien of this Deed of Trust, or to permit Beneficiary to foreclose on only a portion of the Property.

9.8 Subrogation. Beneficiary shall be subrogated for further security to the lien, although released of record, of any and all encumbrances discharged, in whole or in part, by the proceeds of the Note or any other indebtedness secured hereby.

9.9 Limitation on Interest and Charges. The interest, fees and charges under the Loan Documents shall not exceed the maximum amounts permitted by any applicable law. If any such interest, fee or charge exceeds the maximum, the interest, fee or charge shall be reduced by the excess and any excess amounts already collected from Grantor shall be refunded. Beneficiary may refund such excess either by treating the excess as a prepayment of principal under the Note or by making a direct payment to Grantor. The provisions of this Section shall control over any inconsistent provision in the Loan Documents.

9.10 Additional Documents; Power of Attorney. Grantor, from time to time, shall execute, acknowledge and deliver to Beneficiary upon request, and hereby irrevocably appoints Beneficiary its attorney-in-fact, exercisable upon an Event of Default, to execute, acknowledge, deliver and if appropriate file and record, such security agreements, assignments for security purposes, assignments absolute, financing statements, affidavits, certificates and other documents, in form and substance satisfactory to Beneficiary, as Beneficiary may request in order to perfect, preserve, continue, extend in time or maintain the assignments herein contained, the lien and security interest under this Deed of Trust, and the priority thereof Grantor shall pay to Beneficiary upon request therefore all costs and expenses incurred in connection with the preparation, execution, recording and filing of any such document. Grantor hereby authorizes Beneficiary to cause to be filed such financing statements as reasonably deemed necessary to perfect, preserve, continue, extend in time or maintain the liens and security interests herein contained.

9.11 Forbearance by Beneficiary Not a Waiver. Any forbearance by Beneficiary in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy, and no waiver by Beneficiary of any particular default shall constitute a waiver of any other default or of any similar default in the future. Without limiting the generality of the foregoing, the acceptance by Beneficiary of payment of any of the Secured Obligations after the due date thereof shall not be a waiver of Beneficiary's right to either require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment. The procurement of insurance or the payment of taxes or other liens or charges by Beneficiary shall not be a waiver of Beneficiary's right to accelerate the maturity of the indebtedness secured by this Deed of Trust, nor shall Beneficiary's receipt of any awards, proceeds or damages under Sections 2.3 and 2.6 operate to cure or waive Grantor's default in payment of the Secured Obligations.

9.12 Entire Agreement; Modifications and Waivers. This Deed of Trust together with the other Loan Documents constitute the entire understanding and agreement of Grantor and Beneficiary with respect to the Loan. The Loan Documents supersede all prior negotiations,



201106270102
Skagit County Auditor

discussions, and agreements with respect to the Loan, may not be contradicted by evidence of any alleged oral agreement, and may not be waived, changed, discharged or terminated except by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge or termination is sought.

9.13 Notice. Any notice under this Deed of Trust shall be delivered or mailed, return receipt requested, to the parties at the addresses noted above. Either party may change its address by delivery of written notice to the other. Notices which are mailed shall be deemed delivered three days after the postmark thereof.

9.14 Governing Law; Severability; Captions. Except to the extent that the federal laws of the United States of America provide Beneficiary with greater rights or remedies, this Deed of Trust shall be governed by the laws of the State of Washington. If any provision or clause of this Deed of Trust conflicts with applicable law, such conflicts shall not affect other provisions or clauses hereof which can be given effect without the conflicting provision, and to this end the provisions hereof are declared to be severable. The captions and headings of the paragraphs and Sections of this Deed of Trust are for convenience only and are not to be used to interpret or define the provisions hereof.

9.15 Definitions. As used herein: the term "Grantor" means Grantor herein named, together with any subsequent owner of the Property or any part thereof or interest therein; the term "Trustee" means the Trustee herein named, together with any successor Trustee; and the term "Beneficiary" means Beneficiary herein named, together with any subsequent owner or holder of the Note or any interest therein, including pledgees, assignees and participants.

9.16 Successors and Assigns; Agents. This Deed of Trust shall bind and inure to the benefit of the parties hereto and their respective heirs, devisees, legatees, administrators, executors, successors and assigns, subject to the provisions of Section 4. In exercising any rights hereunder or taking actions provided for herein, Beneficiary and Trustee may act through their respective employees, agents or independent contractors as authorized by Beneficiary and Trustee.

9.17 Number; Gender. This Deed of Trust shall be construed so that wherever applicable the use of the singular number shall include the plural number, and vice versa, and the use of any gender shall be applicable to all genders.

9.18 Time. Time is of the essence in connection with all obligations of Grantor herein.

9.19 Request for Notice. Grantor hereby requests that a copy of any notice of default and notice of sale hereunder be mailed to it at its address set forth at the beginning of this Deed of Trust.

9.20 Assignment of Loan Documents. Beneficiary may assign the Loan Documents in whole or in part. Beneficiary may make available to any proposed assignee or participant all credit and financial data with respect to Grantor and any guarantor as may be in the possession of Beneficiary. Grantor agrees to provide any additional information that any proposed assignee or participant may reasonably request.



201106270102

Skagit County Auditor

9.21 Estoppel Certificate. Grantor shall, within ten days after receipt of Beneficiary's written request, furnish Beneficiary or any other party designated by Beneficiary with a written statement, duly acknowledged, setting forth the amount of the Secured Obligations and otherwise confirming the status of the Secured Obligations, the Property and the Loan Documents.

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

IN WITNESS WHEREOF, Grantor has executed this Deed of Trust as of the date first above written.

GRANTOR:

POLYGON FINANCIAL 05, LLC, a Washington
limited liability company

By: _____

Werner K. Paulus, Manager



201106270102

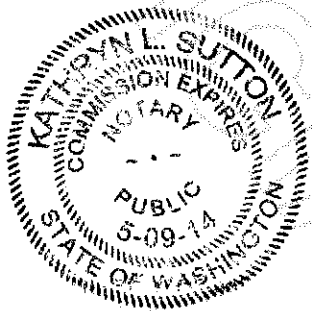
Skagit County Auditor

6/27/2011 Page 21 of 23 3:59PM

On June 22, 2011, before me, Kathryn L. Sutton personally appeared Werner K. Paulus, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

Kathryn L. Hoffman

My Commission Expires: May 9, 2014



201106270102
Skagit County Auditor

6/27/2011 Page 22 of 23 3:59PM

EXHIBIT "A"

PARCEL 360406:

The South $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$; the Southeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$; the Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$, EXCEPT that portion lying within the right-of-way of Abbey Road; that portion of the Southeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ lying Easterly of the U.S. Highway 99, as conveyed to the State of Washington by deed recorded under Auditor's File No. 253009, EXCEPT any portion conveyed to Skagit County by deed recorded January 4, 1912, under Auditor's File No. 88421 (Volume 87 of Deeds, page 563); the Southeast $\frac{1}{4}$; all in Section 6, Township 36 North, Range 4 East, W.M.

EXCEPT that portion conveyed to the Fairhaven and Southern Railroad Company by deed recorded August 14, 1890, in Volume 13 of Deeds, page 91, records of Skagit County, Washington.

Situate in the County of Skagit, State of Washington.

PARCEL 360407:

The East $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of Section 7, Township 36 North, Range 4 East, W.M.; the Northwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of said Section 7,

EXCEPT the Southwest $\frac{1}{4}$ thereof; and that portion of the Northeast $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of said Section 7, Township 36 North, Range 4 East, W.M., Skagit County, Washington, described as follows:

Beginning at the East $\frac{1}{4}$ corner of said Section 7, being the true point of beginning;
thence South $02^{\circ}20'00''$ East along the East boundary of said Section 7, a distance of 87.87 feet;
thence North $45^{\circ}24'05''$ West, a distance of 128.38 feet to a point on the North boundary of said Southeast $\frac{1}{4}$;
thence South $88^{\circ}28'10''$ East, a distance of 87.87 feet, more or less, to the point of beginning.

Situate in the County of Skagit, State of Washington.

PARCEL 360408:

The West 60 feet of the Northwest $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of Section 8, Township 36 North, Range 4 East, W.M.,

EXCEPT that portion lying South of the North margin of the County road as conveyed by deed recorded under Auditor's File No. 463822,

AND EXCEPT the West 12.00 feet of the South 314.00 feet of the remainder.

Situate in the County of Skagit, State of Washington.



201106270102
Skagit County Auditor