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Skagit County Auditor

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13 3:53PM

AFTER RECORDING RETURN TO:

Banner Bank

Attn: Loan Servicing

PO Box 907

Walla Walla, WA 99362

POOR ORIGINAL

LAND TITLE OF SKAGIT COUNTY

140674-0

Document Title:

Deed of Trust

Grantor(s):

Casa Grande LLC

Grantee:

Banner Bank

Legal Description:

Lot 1, Blk 9, Riverside Add. To Mt. Vernon

Tax Parcel No.

3755-009-001-0001 /P54185

Loan #14003541

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

THIS DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING WITH ASSIGNMENT OF LEASES AND RENTS (this "Deed of Trust") is made as of March 30, 2012, by Casa Grande LLC, a Washington limited liability company ("Grantor"), whose address is PO Box 3243, Kirkland, WA 98083 to NORTHWEST FINANCIAL CORPORATION, A WASHINGTON CORPORATION ("Trustee"), whose address is P.O. Box 907, Walla Walla, Washington, 99362, for the benefit of BANNER BANK, a banking corporation ("Beneficiary"), whose address is PO Box 907, Walla Walla, WA 99362.

1. **Granting Clause.** Grantor irrevocably grants, bargains, sells and conveys to Trustee and its successors and assigns in trust, with power of sale and with right of entry and possession as provided herein, all of Grantor's estate, right, title, interest, claim and demand, now owned or hereafter acquired, including leaseholds, in and to the following property described in this Section 1 (collectively, the "Property") and the Related Property identified in Section 2 hereof (the Property in this Section 1 and the Related Property in Section 2 are collectively referenced in this Deed of Trust as the "Collateral"):

(a) the real property in Skagit County, State of Washington, described as follows and any and all improvements now or hereafter located thereon (the "Real Property"):

Lot 1, Block 9, "RIVERSIDE ADDITION TO THE TOWN OF MOUNT VERNON," as per plat recorded in Volume 3 of Plats, page 24, records of Skagit County, Washington.

Situate in the City of Mount Vernon, County of Skagit, State of Washington.

(b) all land lying in streets and roads adjoining the Real Property, and all access rights and easements pertaining to the Real Property;

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(c) all the lands, tenements, privileges, reversions, remainders, irrigation and water rights and stock, oil and gas rights, royalties, minerals and mineral rights, all development rights and credits, air rights, hereditaments and appurtenances belonging or in any way pertaining to the Real Property;

(d) all buildings, structures, improvements, fixtures, equipment and machinery and property now or hereafter attached to or used in connection with the use, occupancy or operation of the Real Property including, but not limited to, heating and incinerating apparatus and equipment, boilers, engines, motors, generating equipment, telephone and other communication systems, piping and plumbing fixtures, ranges, cooking apparatus and mechanical kitchen equipment, refrigerators, cooling, ventilating, sprinkling and vacuum cleaning systems, fire extinguishing apparatus, gas and electric fixtures, irrigation equipment, carpeting, underpadding, elevators, escalators, partitions, mantles, built in mirrors, window shades, blinds, screens, storm sash, awnings, furnishings of public spaces, halls and lobbies, and shrubbery and plants. All property mentioned in this subsection (d) shall be deemed part of the realty and not severable wholly or in part without material injury to the Real Property;

(e) all rents, issues and profits of the Real Property, all existing and future leases of the Real Property (including extensions, renewals and subleases), all agreements for use and occupancy of the Real Property, all guaranties of payment and performance under such leases and agreements (all such leases and agreements, whether written or oral, are hereafter referred to as the "Leases"), together with the immediate and continuing right to collect and receive all of the rents, income, receipts, revenues, issues, profits and other income of any nature now or hereafter due (including any income of any nature coming due during any redemption period) under the Leases or from or arising out of the Real Property including minimum rents, additional rents, percentage rents, parking or common area maintenance contributions, tax and insurance contributions, deficiency rents, liquidated damages following default in any Lease, all proceeds payable under any policy of insurance covering loss of rents resulting from untenability caused by destruction or damage to the Real Property, all proceeds payable as a result of exercise of an option to purchase the Real Property, all proceeds derived from the termination or rejection of any Lease in a bankruptcy or other insolvency proceeding, all security deposits or other deposits for the performance of any lessee's obligations under the Leases, and all proceeds from any rights and claims of any kind that Grantor may have against any lessee under the Leases or any occupants of the Real Property (all of the above are hereafter collectively referred to as the "Rents"). This subsection (e) is subject to the right, power and authority given to Beneficiary in the Loan Documents (as defined below) to collect and apply the Rents; and

(f) all of Grantor's rights to further encumber said Real Property for debt and all Grantor's rights to enter into any lease agreement that would create a tenancy that is or may become subordinate in any respect to any mortgage or deed of trust other than this Deed of Trust.

2. Related Property. The following described estate, property and rights of Grantor are also included as security for the performance of each covenant and agreement of Grantor contained herein and the payment of all sums of money secured hereby:

(a) all furniture, furnishings, appliances, machinery, vehicles, equipment and all other property of any kind now or hereafter located on the Property, used or intended to be used on the Property wherever actually located, and all rights of Grantor as lessee of any property described in this Section 2 and subsection (d) of Section 1 above;

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(b) all compensation, awards, damages, rights of action and proceeds (including insurance proceeds and any interest on any of the foregoing) arising out of or relating to a taking or damaging of the Property by reason of any public or private improvement, condemnation proceeding (including change of grade), fire, earthquake or other casualty, injury or decrease in the value of the Property;

(c) all returned premiums or other payments on any insurance policies pertaining to the Property and any refunds or rebates of taxes or assessments on the Property;

(d) all rights to the payment of money, accounts receivable, deferred payments, refunds, cost savings, payments and deposits, whether now or later to be received from third parties (including all utility deposits), architectural and engineering plans, specifications and drawings, contract rights, governmental permits and licenses, and agreements and purchase orders that pertain to or are incidental to the design or construction of any improvements on the Property, Grantor's rights under any payment, performance, or other bond in connection with construction of improvements on the Property, and all construction materials, supplies, and equipment delivered to the Property or intended to be used in connection with the construction of improvements on the Property wherever actually located;

(e) all general intangibles, accounts, and deposit accounts pertaining to or affecting the Real Property or arising out of the ownership or operation of the Real Property including, but not limited to, leases creating Grantor's leasehold interest in the Real Property, if any, management, operating and franchise agreements, licenses, trade names and trademarks;

(f) all books and records pertaining to any and all of the Property and the other collateral described above, including computer readable memory and any computer hardware or software necessary to access and process such memory; and

(g) all additions, accessions, replacements, substitutions, proceeds and products of the Property described in this Section 2 and of any of the Property that is personal property.

3. **Security Agreement.** If any of the Collateral is determined to be personal property, Grantor as debtor hereby grants to Beneficiary as secured party a security interest in all such personal property to secure payment and performance of the Secured Obligations. This Deed of Trust constitutes a security agreement between Grantor and Beneficiary pursuant to the Uniform Commercial Code as adopted in the State of Washington, as now or hereafter amended, with respect to the Collateral, and any and all property affecting or related to the use and enjoyment of the Real Property, now or hereafter described in any Uniform Commercial Code financing statement naming Grantor as debtor and Beneficiary as secured party. Grantor and Beneficiary agree that the filing of any financing statement in the records normally having to do with personal property shall not be construed as impairing the hereby stated intention of the parties that everything used in connection with the construction, management, maintenance and production of income from the Real Property together with all other rights and property described herein and comprising the Collateral shall at all times and for all purposes in all proceedings, both legal and equitable, be regarded as part of the Real Property, whether physically attached or specifically identified or not.

The remedies of Beneficiary for any violation of the covenants, terms and conditions of this Deed of Trust or any other Loan Document (as defined below) shall include all remedies available to secured parties under the Uniform Commercial Code.

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4. **Financing Statement.** This Deed of Trust shall also constitute a financing statement filed for record in the real estate records as a fixture filing pursuant to the Uniform Commercial Code.

5. **Obligations Secured.** This Deed of Trust secures the full and timely payment and performance of the following indebtedness, liabilities and obligations (collectively, the "Secured Obligations"):

(a) each agreement of Grantor contained herein and the payment of the sum of Four Hundred Thousand and 00/100 Dollars (\$400,000.00) with interest thereon according to 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 thereof (collectively the "Note"); .

(b) payment of any further sums advanced or loaned by Beneficiary to the Grantor, or any of its successors or assigns, if (1) the Note or other writing evidencing the future advance or loan specifically states that it is secured by this Deed of Trust or (2) the advance, including costs and expenses incurred by Beneficiary, is made pursuant to this Deed of Trust or any other documents executed by Grantor evidencing, securing or relating to the Note and/or the Collateral, whether executed prior to, contemporaneously with or subsequent to this Deed of Trust together with interest thereon at the rate set forth in the Note unless otherwise specified in the Loan Documents or agreed to in writing; and

(c) performance of each agreement, term and condition set forth or incorporated by reference in the Loan Documents (hereafter defined) unless any such agreement, term or condition is expressly provided to be independent of this Deed of Trust, or is in this Deed of Trust excluded from the obligations secured hereby.

Notwithstanding the foregoing and the covenants hereafter set forth, it is expressly agreed and acknowledged that none of the covenants, representations, or other obligations of Grantor set forth in this Deed of Trust are intended by Grantor and Beneficiary to secure or be the substantial equivalent of obligations of Grantor arising under any hazardous substances warranty and indemnity agreement or provision, including without limitation any agreement or provision pertaining to hazardous or toxic wastes or substances, set forth in the Loan Documents and any reference hereafter to the Loan Documents shall not include any such hazardous substance warranty and indemnity agreement or provision included therein.

As used herein, the term "Loan Documents" shall mean and include this Deed of Trust, the Note and such other documents executed by Grantor including any construction or other loan agreement, related to securing or payment of the indebtedness and obligations arising under the Note, including without limitation any other deed of trust, mortgage, pledge, assignment, security agreement or other security document, or any related agreement, document, certificate or instrument executed by Grantor in connection therewith, as any thereof may be amended, restated, supplemented or otherwise modified from time to time, excluding, however, (i) any hazardous material indemnity agreement now or hereafter executed by Grantor (or any other person or entity) in connection with the loan evidenced by the Loan Documents; (ii) the indemnification obligation regarding Third Party Claims set forth in Section 12.17 of the Loan Agreement executed concurrently herewith; and (iii) any guaranty agreement executed by any person or entity who is not a maker of the Note.

6. **Assignment of Rents and Leases.** Grantor hereby absolutely and irrevocably assigns to Beneficiary all of Grantor's interest in the Rents and Leases. The foregoing assignment is subject to the terms and conditions of any separate assignment of the Leases and/or Rents, whenever executed, in favor of Beneficiary and covering the Property. Grantor warrants it has made no prior assignment of the Rents or the

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Leases and will make no subsequent assignment (other than to Beneficiary) without the prior written consent of Beneficiary.

(a) Unless otherwise provided in the Loan Documents, so long as no Event of Default (as defined below) shall have occurred, Grantor may collect the Rents as the Rents become due. All Rents receivable from or in respect to the Collateral that Grantor shall be permitted to collect hereunder shall be received by it in trust to pay the usual and reasonable operating expenses of, and the taxes upon, the Collateral and the payment of all sums secured hereby. No Rents shall be collected for a period subsequent to the current one-month rental period and first or last month's rent. Grantor's right to collect the Rents shall not constitute Beneficiary's consent to the use of cash collateral in any bankruptcy proceeding.

(b) Upon the occurrence of any default in payment of any indebtedness or performance of any obligation secured hereby, all rights of Grantor to collect and receive rents and profits shall wholly and immediately terminate without notice, and Beneficiary shall thereafter have the absolute right to all such rents and profits. The Beneficiary or its agents, or a court-appointed receiver (and Grantor hereby irrevocably consents to appointment of such a receiver without the posting of bond by such receiver, and waives any challenge to a proposed receiver based on affiliation with Beneficiary), may collect the Rents. In doing so, Beneficiary may (i) evict lessees for nonpayment of rent, (ii) terminate in any lawful manner any tenancy or occupancy, (iii) lease the Property in the name of the then owner on such terms as it may deem best, (iv) institute proceedings against any lessee or guarantor for past due rent, and (v) do all other acts and things as Beneficiary deems necessary or desirable. The Rents received shall be applied to payment of the costs and expenses of collecting the Rents, including a reasonable fee to Beneficiary, a receiver or an agent, operating expenses for the Property and any sums due or payments required under the Loan Documents, in such order as Beneficiary may determine. Any excess shall be paid to Grantor.

(c) Regardless of whether or not Beneficiary, in person or by agent, takes actual possession of the Property or any part thereof, Beneficiary is not and shall not be deemed to be: (i) "a mortgagee in possession" for any purpose; (ii) responsible for performing any of the obligations of the lessor under any Lease; (iii) responsible for any waste committed by lessees or any other parties, any dangerous or defective condition of the Property, or any negligence in the management, upkeep, repair or control of the Property; or (iv) liable in any manner for the Property or the use, occupancy, enjoyment or operation of all or any part of it. In exercising its rights under this Section 6 Beneficiary shall be liable only for the proper application of and accounting for the Rents collected by Beneficiary or its agents.

7. Leases. Grantor shall fully comply with all of the terms, conditions and provisions of the Leases so that the same shall not become in default and do all things necessary to preserve the Leases in force. Unless otherwise agreed in writing by Beneficiary, without Beneficiary's prior written consent, Grantor will not enter into any Lease containing an option or right to purchase all or any part of the Collateral in favor of any lessee. With respect to any Lease of the whole or any part of the Property involving an initial term of three years or more, Grantor shall not, without the prior written consent of Beneficiary, (a) permit the assignment or subletting of all or part of the lessee's rights under the Lease unless the right to assign or sublet is expressly reserved by the lessee under the Lease, (b) modify or amend the Lease for a lesser rental or term, or (c) accept surrender of the Lease or terminate the Lease except in accordance with the terms of the Lease providing for termination in the event of a default. Any proceeds or damages resulting from a lessee's default under any Lease, at Beneficiary's option, shall be paid to Beneficiary and applied against sums owed under the Loan Documents even though such sums may not be due and payable. Except for real estate taxes and assessments, without Beneficiary's prior written consent, Grantor shall not permit any lien to be created against the Property which

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may be or may become prior to any Lease. If the Property is partially condemned or suffers a casualty, Grantor shall promptly repair and restore the Property in order to comply with the Leases.

8. **Non Agricultural Use; Commercial Purpose.** Grantor represents and warrants to Beneficiary that (i) neither the Real Property nor any other Collateral is used principally for agricultural purposes; and (ii) Grantor, or the maker of the Note or other indebtedness secured hereby if other than Grantor, intends to use the proceeds of the Note or other extension of credit solely for business or commercial purposes.

9. **Performance of Obligations.** Grantor shall promptly and timely pay all sums due pursuant to the Loan Documents strictly comply with all the terms and conditions of each Loan Document, and perform each Secured Obligation in accordance with its terms.

10. **Warranty of Title.** Grantor warrants that it has good and marketable title to an indefeasible fee simple estate in the Property (unless Grantor's present interest in the Property is described as a leasehold interest, in which case Grantor warrants that it lawfully possesses and holds a valid leasehold interest in the Property, and good marketable title to the personal property Collateral, subject to no liens, encumbrances, easements, assessments, security interests, claims or defects of any kind prior or subordinate to the lien of this Deed of Trust, except those approved by Beneficiary in writing (the "Exceptions") and real estate taxes and assessments for the current year. Grantor warrants the Exceptions and the real estate taxes and assessments are not delinquent or in default, and Grantor has the right to convey the Property to Trustee for the benefit of Beneficiary, and the right to grant a security interest in the personal property Collateral. Grantor will warrant and defend title to the Collateral and will defend the validity and priority of the lien of this Deed of Trust and the security interests granted herein against any claims or demands.

11. **Prohibited Liens.**

(a) Subject to Grantor's rights under subsection (b) below, Grantor shall not permit any governmental or statutory liens (including tax, mechanics' or materialmen's liens) to be filed against the Collateral except for real estate taxes and assessments not yet due and liens permitted by the Loan Documents or approved by Beneficiary in writing.

(b) Grantor will have the right to contest in good faith by appropriate legal or administrative proceeding the validity of any prohibited lien, encumbrance or charge so long as (i) no Event of Default has occurred and is continuing, (ii) Grantor first deposits with Beneficiary a bond or other security satisfactory to Beneficiary in the amount reasonably required by Beneficiary; (iii) Grantor immediately commences its contest of such lien, encumbrance or charge, and continuously pursues the contest in good faith and with due diligence; (iv) foreclosure of the lien, encumbrance or charge is stayed; and (v) Grantor pays any judgment rendered for the lien claimant or other third party within ten (10) days after the entry of the judgment. If the contested item is a mechanics' or materialmen's lien, Grantor will furnish Beneficiary with an endorsement to its title insurance policy that insures the priority of this Deed of Trust over the lien being contested. Grantor will discharge or elect to contest and post an appropriate bond or other security within twenty (20) days of written demand by Beneficiary.

12. **Payment of Taxes and Other Encumbrances.** Grantor shall pay the real estate taxes and any assessments or ground rents at least seven (7) days prior to delinquency. All other encumbrances, charges and liens affecting the Collateral, including mortgages and deeds of trust, whether prior to or subordinate to the lien of this Deed of Trust, shall be paid when due and shall not be in default. On request Grantor shall furnish evidence of payment of these items.

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13. Maintenance; No Waste. Grantor shall protect and preserve the Collateral and maintain it in good condition and repair. Grantor shall do all acts and take all precautions that, from the character and use of the Collateral, are reasonable, proper or necessary to so maintain, protect and preserve the Collateral. Grantor shall not commit or permit any waste of the Collateral.

14. Alterations, Removal and Demolition. Unless otherwise agreed in writing by Beneficiary, Grantor shall not structurally alter, remove or demolish any building or improvement on the Property without Beneficiary's prior written consent. Grantor shall not remove any fixture or other item of property that is part of the Collateral without Beneficiary's prior written consent unless the fixture or item of property is replaced by an article of equal suitability, owned by Grantor free and clear of any lien or security interest.

15. Completion, Repair and Restoration. Grantor shall promptly complete or repair and restore in good workmanlike manner any building or improvement on the Property that may be constructed or damaged or destroyed and shall pay all costs incurred therefor. Prior to commencement of any construction, Grantor shall submit the plans and specifications for Beneficiary's approval and furnish evidence of sufficient funds to complete the work.

16. Compliance With Laws. Grantor shall comply with all laws, ordinances, regulations, covenants, conditions, and restrictions affecting the Collateral, including, without limitation, all applicable requirements of the Fair Housing Act of 1968 (as amended from time to time) and the Americans With Disabilities Act of 1990 (as amended from time to time), and shall not commit or permit any act upon or concerning the Collateral in violation of any such laws, ordinances, regulations, covenants, conditions, and restrictions.

17. Impairment of Collateral. Grantor shall not, without Beneficiary's prior written consent, change the present use or the intended use of the Property, change the general nature of the occupancy of the Property, initiate, acquire or permit any change in any public or private restrictions (including without limitation a zoning reclassification) limiting the uses that may be made of the Collateral, or take or permit any action that would impair the Collateral or Beneficiary's lien or security interest in the Collateral.

18. Inspection of Collateral. Beneficiary and/or its representatives may enter on to and inspect the Collateral (including taking and removing soil, groundwater and other samples) at reasonable times after reasonable notice. Grantor agrees that Beneficiary neither has nor undertakes any duty or obligation to examine or inspect the Collateral or any records, books or papers relating thereto. Neither Grantor nor any other party is entitled to rely on any inspection or other inquiry by Beneficiary and/or its representatives. Any failure by Grantor or a third party to permit Beneficiary to exercise its rights herein, following five (5) days written demand from Beneficiary, shall entitle Beneficiary without further notice to Grantor to make ex parte application to the court of applicable jurisdiction where the Collateral that Beneficiary seeks to inspect is located for immediate issuance of any order, without bond, granting specific performance of Beneficiary's rights to enter on and inspect the Collateral.

19. Grantor's Defense of Collateral. Grantor, at its sole cost and expense, shall appear in and defend any action or proceeding that may affect the Collateral or the rights or powers of Beneficiary or Trustee under this Deed of Trust.

20. Beneficiary's Right to Protect Collateral. Beneficiary may commence, appear in, and defend any action or proceeding that may affect the Collateral or the rights or powers of Beneficiary or Trustee under

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this Deed of Trust. Beneficiary may pay, purchase, contest or compromise any encumbrance, charge or lien not listed as an Exception that in its judgment appears to be prior or superior to the lien of this Deed of Trust. If Grantor fails to make any payment or do any act required under any of the Loan Documents (including this Deed of Trust), Beneficiary, without any obligation to do so and without releasing Grantor from any obligations under any Loan Document, may make the payment or cause the act to be performed in such manner and to such extent as Beneficiary may deem necessary to protect the Collateral. Beneficiary is authorized to enter upon the Property for such purposes. In exercising any of these powers Beneficiary may incur such expenses, in its absolute discretion, it deems necessary.

21. Repayment of Beneficiary's Expenditures. Without limiting any other provision hereof requiring Grantor to pay Beneficiary's costs and expenses, Grantor shall pay within ten (10) days after written notice from Beneficiary all sums expended by Beneficiary and all costs and expenses incurred by Beneficiary in taking any actions pursuant to any of the Loan Documents to which it is a party including attorneys' fees, accountants' fees, appraisal and inspection fees, and the costs for title reports. Expenditures by Beneficiary shall bear interest at a per annum rate equal the Default Rate under the Note (referenced herein as the "Default Rate") from the date of such advance or expenditure until repaid by Grantor. Any such amounts shall be secured hereby with the same priority as the lien of this Deed of Trust. If Grantor fails to pay any such expenditures, costs and expenses and interest thereon, Beneficiary may, at its option, without foreclosing the lien of this Deed of Trust, commence an independent action against Grantor for the recovery of the expenditures and/or advance any undisbursed Loan proceeds to pay the expenditures.

22. Release of Parties or Collateral. Without affecting the obligations of any party under the Loan Documents and without affecting the lien of this Deed of Trust and Beneficiary's security interest in the Collateral, Beneficiary may, without notice, (a) release all or any other party now or hereafter liable for any of the Secured Obligations (including Grantor), (b) release all or any part of the Collateral, (c) subordinate the lien of this Deed of Trust or Beneficiary's security interest in the Collateral, (d) take and/or release any other security for or guarantees of the Secured Obligations, (e) grant an extension of time for performance of the Secured Obligations, (f) modify, waive, forbear, delay or fail to enforce any of the Secured Obligations, (g) sell or otherwise realize on any other security or guaranty prior to, contemporaneously with or subsequent to a sale of all or any part of the Collateral, (h) make advances pursuant to the Loan Documents, (i) consent to the making of any map or plat of the Property, and (j) join in the grant of any easement on the Property. Any subordinate lienholder shall be subject to all such releases, extensions or modifications without notice to or consent from the subordinate lien holder. Grantor shall pay any trustee's, attorneys', title insurance, recording, inspection or other fees or expenses incurred in connection with release of Collateral, the making of a map, plat or the grant of an easement.

23. Insurance.

(a) Unless otherwise provided in the Loan Documents, Grantor shall maintain full replacement cost coverage insurance on the Collateral insuring against loss by fire and such other risks covered by extended coverage insurance, loss of rents, business interruption, and such other perils and risks as Beneficiary may require from time to time. Grantor also shall maintain comprehensive general public liability insurance and, if the Property is located in a designated flood hazard area, flood insurance. All insurance shall be with companies satisfactory to Beneficiary and in such amounts and with such coverages as Beneficiary may require from time to time, with lender's loss payable clauses in favor of and in form satisfactory to Beneficiary. At least forty five (45) days prior to the expiration of the term of any insurance policy, Grantor shall furnish Beneficiary with written evidence of renewal or issuance of a satisfactory replacement policy.

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Each policy of insurance shall provide Beneficiary with no less than forty five (45) days prior written notice of any cancellation, expiration, non renewal or modification.

(b) If under the terms of any Lease the lessee is required to maintain insurance of the type required by the Loan Documents and if the insurance is maintained for the benefit of both the lessor and Beneficiary, Beneficiary will accept such policies provided all of the requirements of Beneficiary and the Loan Documents are met. In the event the lessee fails to maintain such insurance, Grantor shall promptly obtain such policies as are required by the Loan Documents.

(c) If Grantor fails to maintain any insurance required of it by Beneficiary, or fails to pay any premiums with respect to such insurance, Beneficiary may obtain such replacement insurance as it deems necessary or desirable, or pay the necessary premium on behalf of Grantor, and any sums expended by Beneficiary in so doing shall bear interest at the Default Rate from the date until repaid by Grantor. Any such amounts shall be secured hereby and shall be repaid by Grantor on demand.

(d) The proceeds of any policies of insurance affecting the Property are hereby assigned to Beneficiary. Unless otherwise agreed in writing by Beneficiary, the amount collected under any such insurance shall be applied first to Beneficiary's expenses and then to any indebtedness hereby secured in such order as Beneficiary shall determine. Such application of the proceeds shall not cure any default of Grantor or cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of Grantor in insurance policies pertaining to the Collateral shall pass to Beneficiary.

24. Reserves for Taxes, Insurance, Assessments. If Beneficiary so requires, Grantor shall pay monthly, in addition to the periodic payments payable under the Note, a sum equal to one-twelfth of the annual assessments for real estate taxes, hazard insurance premiums, assessments, rents (if subject property is a leasehold), all as reasonably estimated initially and from time to time by Beneficiary, in Beneficiary's sole discretion (said payments to constitute and be referenced as the "Reserve Fund"). Any waiver by Beneficiary of the right to require that Borrower pay such funds may be revoked by Beneficiary, in Beneficiary's sole discretion, at any time upon notice in writing to Grantor. Beneficiary shall apply the Reserve Fund to pay said taxes, insurance premiums, assessments, rents, and other impositions affecting the Collateral. The Reserve Fund is solely for the protection of Beneficiary; Beneficiary shall have no responsibility except to credit properly the sums actually received by it. No interest will be paid on the Reserve Fund and Beneficiary shall have no obligation to deposit the Reserve Fund in an interest-bearing account. If there is a shortage in the Reserve Fund, as reasonably determined by Beneficiary, Beneficiary may require Borrower to make higher periodic payments or to make one cash payment to eliminate the shortage. The Reserve Fund is pledged as additional security for the sums secured by this Deed of Trust. Upon Borrower's default hereunder, under the Note, or under any of the Loan Documents, the obligations of which are secured hereby, Beneficiary may apply the Reserve Fund in its sole discretion to any obligation secured by this Deed of Trust.

25. Condemnation. The proceeds of any condemnation award affecting the Property are hereby assigned to Beneficiary. The entire amount of the award shall be paid to Beneficiary to be applied as a payment to the obligations secured hereby. Any portion of the award in excess of the obligation secured hereby shall be paid to Grantor.

26. Transfer of Property or a Beneficial Interest in Grantor. Grantor shall be in default, and Beneficiary may, at its option, require immediate payment in full of all sums secured by hereby, in the event (i) the Collateral or any part thereof or interest therein is hypothecated, encumbered, sold (by contract or otherwise), conveyed, leased without Lender's prior approval, or otherwise transferred by Borrower; or (ii) if

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there is any change in the ownership or control of any of Borrower's stock, partnership interest, or member interest if Borrower is a respectively a corporation, a partnership, or a limited liability company; or (iii) if there is any change in the ownership or control of any beneficial interest in Borrower if Borrower is an entity of any other kind, all of which are collectively referenced as a Prohibited Transfer. Beneficiary may opt to give consent to a Prohibited Transfer and in so doing, may require such modifications in the terms of any of the Loan Documents, including without limitation the interest rate provided in the Note, as Beneficiary alone shall determine in the exercise of its sole discretion. In addition, to the extent permitted by applicable law, Beneficiary may charge a fee as a condition to Beneficiary's consent to a Prohibited Transfer. Notwithstanding Beneficiary's consent to a Prohibited Transfer, Grantor will continue to be obligated under the Note, this Deed of Trust, and all other Loan Documents unless Beneficiary releases Grantor in writing.

27. Default; Remedies. Default by Grantor in the payment of any indebtedness secured hereby or upon breach by Grantor of any obligation made in this Deed of Trust or in the Loan Documents shall constitute an "Event of Default" hereunder. If an Event of Default shall occur, Beneficiary shall have all remedies provided by law including the right to accelerate the maturity of the Secured Obligations and, without limiting the generality of the foregoing or the remedies provided in any other section hereof or in any other Loan Document, shall have the following remedies:

(i) the right to foreclose this Deed of Trust judicially as a mortgage or non judicially pursuant to the power of sale; upon request of Beneficiary, Trustee may sell the Collateral, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person may bid at Trustee's sale. At Trustee's sale, all property held as security, whether real, personal, or mixed, may be sold as one parcel or in separate parcels as Beneficiary shall direct. Trustee shall apply the proceeds of the sale as follows: (a) to the expense of sale, including a reasonable Trustee's fee and attorney's fee; (b) to the obligation secured by this Deed of Trust; (c) the surplus, if any, shall be distributed in the manner required by law.

(ii) the remedies of a secured party under the Uniform Commercial Code; and

(iii) all other remedies that may be available in law or equity.

Beneficiary's exercise of any right, power or remedy shall in no event constitute a waiver of any Event of Default nor prejudice the right of Beneficiary in the exercise of any right hereunder. Beneficiary's failure to enforce any of its rights, powers or remedies upon the occurrence of an Event of Default shall not constitute a waiver of the default or any subsequent default of its rights and remedies with respect to such default. In the event of foreclosure, the cost of the title premium for Trustee's sale guaranty (or equivalent title policy or report) shall be paid for by Grantor and shall be added to and be a part of the Secured Obligations. If this Deed of Trust or any of the other Loan Documents are referred to an attorney for enforcement or for preservation of Beneficiary's rights or remedies, and whether or not suit is filed or any proceedings are commenced, all of Beneficiary's costs and expenses incurred in connection therewith including, without limitation, trustee's and attorneys' fees (including attorneys' fees for any appeal, bankruptcy proceeding or any other proceeding), accountants' fees, appraisal and internal appraisal-review fees, inspection fees (including inspections for hazardous substances, asbestos-containing materials, and compliance with building and land use codes and regulations), engineering fees, and expert witness fees and costs of title reports shall be added to and be a part of the Secured Obligations and shall be payable on demand.

28. Cumulative Remedies; No Election of Remedies. To the fullest extent allowed by law, all of Beneficiary's and Trustee's rights and remedies specified in the Loan Documents (including this Deed of Trust) are cumulative, not mutually exclusive and not in substitution for any rights or remedies available at law

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or in equity. Without waiving its rights in the Collateral, Beneficiary may proceed against Grantor, any other party obligated to pay or perform the Secured Obligations or against any other security or guaranty for the Secured Obligations, in such order or manner as Beneficiary may elect. Except where prohibited by applicable law, the commencement of proceedings to enforce a particular remedy shall not preclude the commencement of other proceedings to enforce a different remedy.

29. Entry. If an Event of Default shall occur, Beneficiary, in person, by agent or by court-appointed receiver, may enter, take possession of, manage and operate all or any part of the Collateral, and may also do any and all other things in connection with those actions that Beneficiary may consider necessary and appropriate to protect the security of this Deed of Trust, including taking and possessing all of Grantor's or the then owner's books and records; entering into, enforcing, modifying, or canceling Leases on such terms and conditions as Beneficiary may consider proper; obtaining and evicting tenants; fixing or modifying Rents; collecting and receiving any payment of money owing to Grantor; completing any unfinished construction; and/or contracting for and making repairs and alterations.

30. Appointment of Receiver. If an Event of Default shall occur, Grantor consents to, and Beneficiary, to the fullest extent permitted by applicable law, shall be entitled, without notice, bond or regard to the adequacy of the Collateral, to the appointment of a receiver for the Collateral. The receiver shall have, in addition to all the rights and powers customarily given to and exercised by a receiver, all the rights and powers granted to Beneficiary by the Loan Documents. The receiver shall be entitled to receive a reasonable fee for management of the Property. If Grantor is an occupant of the Property, Beneficiary has the right to require Grantor to pay rent at fair market rates and the right to remove Grantor from the Property if Grantor fails to pay rent.

31. Sale of Property After Default. Following the occurrence of an Event of Default and the foreclosure of this Deed of Trust, either judicially or nonjudicially, the Collateral may be sold separately or as a whole, at the option of Beneficiary. Beneficiary may also realize on the personal property Collateral in accordance with the remedies available to secured parties under the Uniform Commercial Code or at law. In the event of a trustee's sale, Grantor, and the holder of any subordinate liens or security interest with actual or constructive notice hereof, waive any equitable, statutory or other right they may have to require marshaling of assets in connection with the exercises of any of the remedies permitted by applicable law or provided herein, or to direct the order in which any of the Collateral will be sold in the event of any sale under this Deed of Trust or foreclosure in the inverse order of alienation.

32. Foreclosure of Lessee's Rights; Subordination. Beneficiary shall have the right, at its option, to foreclose this Deed of Trust subject to the rights of any lessees of the Property. Beneficiary's failure to foreclose against any lessee shall not be asserted as a claim against Beneficiary or as a defense against any claim by Beneficiary in any action or proceeding. Beneficiary at any time may subordinate this Deed of Trust to any or all of the Leases except that Beneficiary shall retain its priority claim to any condemnation or insurance proceeds.

33. Additional Security Documents. Grantor shall within fifteen (15) days after request by Beneficiary execute and deliver such additional security agreements or similar security instruments, in form and substance satisfactory to Beneficiary, as Beneficiary may request, covering all property of any kind described herein in which Grantor owns any interest. Grantor shall give Beneficiary at least fifteen (15) days' prior written notice of any proposed change in Grantor's name, identity or structure, or the adoption or change of any trade names under which Grantor operates or intends to operate the Property. Beneficiary may file any financing statement, renewal, affidavit, certificate, continuation statement, or other document Beneficiary

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deems necessary to perfect, preserve, continue, extend, or maintain security interests or liens granted herein to Beneficiary and the priority of such security interests or liens. Grantor shall pay all costs and expenses incurred by Beneficiary in connection with the preparation, execution, recording, filing, and refiling of any such document, including the charges for examining title and the attorneys' fees for rendering an opinion as to the priority of this Deed of Trust and of such security agreements or instruments as a valid and subsisting lien on the Collateral subject to no exceptions whatsoever except as described herein.

34. Reconveyance After Payment. Upon written request of Beneficiary stating that all obligations secured by this Deed of Trust have been satisfied in full, Trustee shall reconvey, without warranty, the Collateral then subject to the lien of this Deed of Trust. Grantor shall pay any costs, trustee's fees and recording fees incurred in so reconveying the Property.

35. Waivers by Grantor. Without affecting any of Grantor's obligations under any Loan Document to which it is a party, Grantor waives the following: (a) any right to require Beneficiary to proceed against any specific party liable for sums due under the Loan Documents or to proceed against or exhaust any specific security for sums due under the Loan Documents; (b) notice of new or additional indebtedness of either Grantor or any other party liable for sums due under the Loan Documents to Beneficiary; (c) any defense arising out of Beneficiary's entering into additional financing or other arrangements with either Grantor or any other party liable for sums due under the Loan Documents and any action taken by Beneficiary in connection with any such financing or other arrangements or any pending financing or other arrangements; (d) any defense arising out of the absence, impairment, or loss of any or all rights of recourse, reimbursement, contribution or subrogation or any other rights or remedies of Beneficiary against either Grantor or any other party liable for sums due under the Loan Documents or any Collateral; and (e) any obligation of Beneficiary to see to the proper use and application of any proceeds advanced pursuant to the Loan Documents.

36. Books and Records. Grantor will keep and maintain, at Grantor's address stated above, or such other place as Beneficiary may approve in writing, accurate books and records of the operations of Grantor and of the Property, and copies of all leases, contracts, agreements and other documents that affect the operation of the Property, subject to examination and copying at any reasonable time by Beneficiary.

37. Notices. Any notice given by Grantors or Beneficiary shall be given in the manner prescribed for notices, and such notices shall be effective, as set forth in the Loan Agreement.

38. Nonwaiver of Terms and Conditions. Time is of the essence with respect to performance of the obligations under the Loan Documents. Beneficiary's failure to require prompt enforcement of any such obligation shall not constitute a waiver of the obligation or any subsequent required performance of the obligation. No term or condition of this Deed of Trust may be waived, modified or amended except by a written agreement signed by Grantor and Beneficiary. Any waiver of any term or condition of this Deed of Trust shall apply only to the time and occasion specified in the waiver and shall not constitute a waiver of the term or condition at any subsequent time or occasion. Without limiting the generality of the foregoing, the acceptance by Beneficiary of payment of any sum secured by this Deed of Trust after its due date shall not be a waiver of Beneficiary's right to 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 on account of nonpayment of the same by Grantor, or exercise any other remedy for default; the receipt of any awards, insurance proceeds or damages shall not operate to cure or waive Grantor's default in payment of sums secured by this Deed of Trust.

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39. **Assignment.** This Deed of Trust shall inure to the benefit of Trustee and Beneficiary and their respective successors and assigns. This Deed of Trust shall be binding upon Grantor, and Grantor may not assign or otherwise transfer all or any part of its rights or obligations hereunder without the prior written consent of Beneficiary, and any such assignment or transfer purported to be made without such consent shall be ineffective.

40. **Governing Law.** This Deed of Trust shall be construed and enforced in accordance with the laws of the State of Washington, excluding its conflicts of laws rules.

41. **Severability.** Any provision of this Deed of Trust that is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof.

IN WITNESS WHEREOF, Grantor has executed this Deed of Trust the day and year first above written.

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

GRANTOR:

Casa Grande LLC, a Washington limited
Liability company

By:

Eric M. Zann, Manager

STATE OF WASHINGTON
COUNTY OF King

On this day personally appeared before me Eric M. Zann, to me known to be the Manager of Casa Grande LLC, the limited liability company that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument.

Given under my hand and official seal

4/2 2012



Notary Public for the State of Washington

Residing at:

My appointment expires:

Printed Name:

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