

**WHEN RECORDED RETURN TO:**

Land Title & Escrow  
3010 Commercial Avenue  
Anacortes, WA 98221



201206080010  
Skagit County Auditor

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**DOCUMENT TITLE(S):**

Hold Harmless, Indemnification and Pledge Agreement

**REFERENCE NUMBER(S) OF DOCUMENTS ASSIGNED OR RELEASED:**

**GRANTOR:**

Ronald Woolworth

**GRANTEE:**

Sweet 16 Investments, LLC

**ABBREVIATED LEGAL DESCRIPTION:**

Units 100W, 201, 202 and 203 The Cannery  
Lot 2D BLD 200306060196 Ptn Seafarer's View

**TAX PARCEL NUMBER(S):**

P125268 & P118627

## HOLD HARMLESS, INDEMNIFICATION AND PLEDGE AGREEMENT

This Hold Harmless, Indemnification and Pledge Agreement (the "Agreement") is entered into this 19<sup>th</sup> day of May, 2011, by and among Ronald Woolworth (hereinafter "Woolworth"), Sweet 16 Investments, LLC, a Washington limited liability company (hereinafter "Sweet 16"), and William Wooding (hereinafter "Wooding").

### RECITALS

A. Woolworth and Nels Strandberg ("Strandberg") entered into a partnership, under the name of Seafarer's, LLP, a Washington limited liability partnership ("Seafarer's). Woolworth holds a fifty percent (50%) partnership interest in Seafarer's and Strandberg holds the other fifty percent (50%) partnership interest.

B. Wooding and Sweet 16 own certain real property located at 34<sup>th</sup> + TAVE  
AWACANES, SKAGIT County, Washington;

C. Woolworth borrowed \$1,539,000 from Skagit State Bank, under loan number 3629721804, which loan is evidenced by a promissory note dated 07/20/2010 (the "Note") and which loan is secured by the real property owned by Wooding and Sweet 16. The loan obligation has been renewed since the time it was originally agreed upon and the parties expect that it will be renewed again after the execution of this agreement.

D. Woolworth and Strandberg intend to sell the assets of Seafarer's and apply Woolworth's share of the proceeds from such sale to the aforementioned Skagit State Bank promissory note and loan obligation.

E. In the event of Woolworth's death or disability, bankruptcy or any other event rendering Woolworth incapable or unable to pay the Note, occurring before Woolworth's interest in Seafarer's is sold; Woolworth desires and intends for his 50% interest in Seafarer's, and any cash proceeds derived therefrom, to be applied in



satisfaction of the Note. If, after paying the Note, any interest or proceeds remain, the same shall revert to Woolworth or his estate.

F. Notwithstanding the prior pledge of Wooding's and Sweet 16's real property as partial security for Woolworth's loan, Woolworth desires and intends to indemnify from liability and hold Sweet 16 and Wooding harmless from any and all outstanding debt due under the Note. This hold harmless/indemnification agreement shall only apply, however, in the event of Woolworth's death, incapacity, bankruptcy, or any other occurrence rendering Woolworth incapable of satisfying his obligations to Skagit State Bank.

G. In addition to his desire to hold Wooding and Sweet 16 harmless and indemnify them from any liability on the Note, Woolworth also desires to pledge and assign to Sweet 16 and Wooding, jointly, his fifty percent (50%) partnership interest in Seafarer's, which interest is being pledged as security for Woolworth's indemnity obligation.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth together with other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

I.  
**AGREEMENT**

1. The above recitals are hereby incorporated into this Agreement by this reference.

2. Each of the parties has been informed of the potential adverse interest in executing this Agreement. Each of the parties acknowledges that he or it has been advised to seek independent legal counsel, and by executing this Agreement acknowledges he or it either received such counsel or has knowingly chosen not to seek such counsel.

3. **Definitions**

(a) Cure Period. The term "Cure Period" means a period of fifteen (15) days beginning with delivery of any notice of Default required pursuant to Section 15 of this Agreement.

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(b) **Obligations.** The term "Obligations" means all of the debts, financial obligations, and other duties owed by Woolworth to Skagit State Bank under the Note or directly related to Woolworth's obligations under the Note.

(c) **Default.** Woolworth shall be in default ("Default") under this Agreement upon the happening of any the following events:

(i) Failure by Woolworth or the personal representative of Woolworth's estate to make any payments when due on any of the Obligations if not cured within the Cure Period; and

(ii) Failure to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or the Note if not cured within the Cure Period.

II.

**INDEMNIFICATION AND HOLD HARMLESS**

Woolworth further agrees to indemnify and hold Sweet 16 and Wooding harmless from any losses, interest penalties, damages, costs, claims, liabilities, expenses, or other monetary or other financial loss, including attorneys fees, which may be suffered, incurred, or accrued by Wooding and/or Sweet 16 as a result of Woolworth's inability to satisfy his obligations to Skagit State Bank under the Note and any resulting action, including foreclosure, that Skagit State Bank may undertake in the event of Woolworth's default.

III.

**PLEDGE OF PARTNERSHIP INTEREST**

Woolworth pledges his partnership interest in Seafarer's, together with any proceeds of the sale of his interest in the assets of Seafarer's, to Sweet 16 and Wooding to secure the full and punctual payment and discharge of the Obligations.

Woolworth will promptly pay and perform the Obligations of the Note and when due.

Woolworth will neither make nor permit any transfer of his interest in Seafarer's, except as provided in this Agreement, without the prior written consent of Sweet 16 and Wooding.



4. Sweet 16 and Wooding shall ensure the return of Woolworth's partnership interest in Seafarer's to Woolworth upon complete and satisfactory performance of the Obligations.

5. Neither Sweet 16 nor Wooding shall sell or pledge or assign Woolworth's partnership interest in Seafarer's other than to take action necessary to levy upon Woolworth's interest in Seafarer's pursuant to a Default.

6. As long as Woolworth is not in Default, he may make and accept such partnership distributions or compensatory pay in accordance with generally accepted accounting principles.

7. Each party agrees to take any further actions and to make, execute, and deliver any further written instrument which may be reasonably required to carry out the terms, provisions, intentions, and purposes of this Agreement.

8. Either Sweet 16 or Wooding or both shall deliver notice of any Default to Woolworth if such a default is alleged. Woolworth shall have the right to cure any Default within the Cure Period. If Woolworth fails to cure a Default within the Cure Period then, after expiration of the Cure Period, Sweet 16 and/or Wooding may pursue any and all remedies provided in this Agreement, including the sale or assignment of the Collateral.

9. Miscellaneous.

9.1 Term of Agreement. The term of this Agreement shall be perpetual, until terminated by written mutual agreement of the parties hereto or their successors, assigns, heirs or personal representatives.

9.2 Modification. Any modification of this Agreement shall be valid and binding only if in writing and signed by all of the parties hereto.

9.3 Waiver. No waiver of any of the terms or conditions of this Agreement shall be binding or effective for any purpose unless expressed in writing and executed by the party to be bound thereby.

9.4 Invalid Provision. The invalidity or unenforceability of any provision or portion of this Agreement shall not affect the validity of enforceability of any other



provision of this Agreement, and the Agreement shall be enforced in all respects as if the invalid or unenforceable provisions were omitted.

9.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, assigns, heirs and personal representatives.

9.6 Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the state of Washington. In the event that suit is brought to enforce any provision hereof, the venue of any such suit shall be in Skagit County, Washington.

9.7 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

9.8 The Entire Agreement. This document is the entire, final and complete agreement and understanding of the parties with respect to the obligations under the Note and security therefor, and replaces all written agreements and understandings heretofore made or existing by and between the parties or their representatives thereto.

9.9 Amendment. No supplement, modification, or amendment to this Agreement shall be valid unless the same is in writing and signed by all parties.

9.10 Attorneys Fees. In the event any suit, action, or other legal proceeding shall be instituted to declare or enforce any right created by this Agreement, the prevailing party shall be entitled to recover reasonable attorney fees as fixed by the trial court and all appellate courts.

9.11 Captions. The caption headings or the articles, sections, and subsections of this Agreement are for convenience of reference only and are not intended to be, and should not be construed as, a part of this Agreement.



IN WITNESS WHEREOF, the parties hereto have set their hands the day and year first written above.

SWEET 16 INVESTMENTS, LLC

By: *William Wooding*

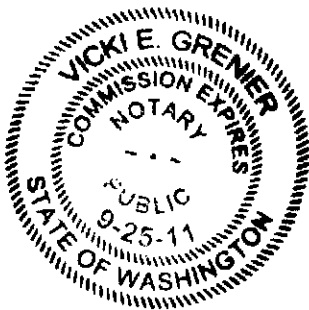
DATE: 5/19/2011

*Ronald Woolworth*  
RONALD WOOLWORTH

DATE: 5/19/2011

*William Wooding*  
WILLIAM WOODING

DATE: 5/19/2011



*Vicki E. Greiner*  
5-19-11  
at Anacortes, Washington



Units 100W, 201, 202 and 203, THE CANNERY, a Commercial Condominium, recorded November 29, 2006, under Auditor's File No. 200611290275, records of Skagit County, Washington, and being a portion of Lot 2C of that certain Boundary Line Adjustment Survey recorded June 6, 2003, under Auditor's File No. 200306060196, records of Skagit County, Washington, being a revision of Lots 2A, 2B, 2C and 2D, Seafarer's View, according to the plat thereof recorded December 3, 2001, under Auditor's File No. 200112030101, records of Skagit County, Washington; being in portions of Government Lots 1 and 2, Section 19, Township 35 North, Range 2 East of the Willamette Meridian and of Plate No. 10 Tide and Shore Lands of Section 19, Township 35 North, Range 2 East of the Willamette Meridian, Anacortes Harbor, according to the official map thereof on file with the State Land Commissioner at Olympia, Washington.

Situated in Skagit County, Washington.

715 Seafarer's Way  
P125268



Lot 2D of that certain Boundary Line Adjustment Survey recorded June 6, 2003, under Auditor's File No. 200306060196, records of Skagit County, Washington, being a revision of Lots 2A, 2B, 2C, and 2D, SEAFARER'S VIEW, as recorded under Auditor's File No. 200112030101, records of Skagit County, Washington; being in portions of Government Lots 1 and 2, Section 19, Township 35 North, Range 2 East of the Willamette Meridian, and of Plate No. 10 Tide and Shore Lands of Section 19, Township 35 North, Range 2 East of the Willamette Meridian, Anacortes Harbor, according to the official map thereof on file with the State Land Commissioner at Olympia, Washington.

Situated in Skagit County, Washington

The Real Property or its address is commonly known as 611 SEAFARER'S WAY, ANACORTES, WA 98221. The Real Property tax identification number is 350219-0-040-0300 (P118627).



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