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925 Fourth Avenue, Suite 2900  
Seattle, WA 98104-1158  
Attention: Cynthia M. Weed



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12/5/2012 Page

1 of 68 2:02PM

CHICAGO TITLE

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

**GRANTOR:** SKAGIT VALLEY COLLEGE FOUNDATION

**GRANTEE:** THE BANK OF NEW YORK MELLON  
CHICAGO TITLE INSURANCE COMPANY

**Legal Description:**

Abbreviated form:

Ptn. NW1/4, NW1/4, Sec. 16, TWP34N, R4E, WM, Skagit County, WA.

Additional legal description on page 53

**Assessor's Property Tax Parcel Account Number(s):** 340416-2-007-0007

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

THIS DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS AND FIXTURE FILING ("Deed of Trust") is made as of the 6<sup>th</sup> day of December, 2012, by SKAGIT VALLEY COLLEGE FOUNDATION, a Washington nonprofit corporation, as grantor and debtor ("Grantor"), whose address is 2405 E. College Way, Mount Vernon, WA 98273, to CHICAGO TITLE INSURANCE COMPANY, as trustee ("Trustee"), whose address is 425 Commercial Street, Mount Vernon, WA 98273, for the benefit of THE BANK OF NEW YORK MELLON, as fiscal agent and custodial agent, pursuant to the Amended and Restated Agreement for Fiscal Agency Services, dated as of February 1, 2011, or any successor thereto as fiscal agent of the State of Washington, pursuant to RCW ch. 43.80, or upon assignment to a Standby Trustee, appointed as provided herein, whose address is 101 Barclay Street, 7W, New York, New York 10286 as beneficiary and secured party (the "Beneficiary").

WITNESSETH:

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

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

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

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

3. The Improvements.



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

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

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

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

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

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

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

1. All water stock relating to the Real Property, shares of stock or other evidence of ownership of any part of the Real Property that is owned by Grantor in common with others, and all documents of membership in any owners' or members' association or similar group having responsibility for managing or operating any part of the Real Property.

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



3. All equipment, machinery, fixtures, household appliances, goods, accounts, general intangibles, documents, instruments and chattel paper, and all other personal property of every kind and description not owned by tenants of the Real Property.

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

5. All proceeds of any of the foregoing property, including, without limitation, proceeds of any voluntary or involuntary disposition or claim respecting any such property (pursuant to judgment, condemnation award or otherwise) and all goods, documents, general intangibles, chattel paper and accounts, wherever located, acquired with cash proceeds of any of the foregoing or proceeds thereof.

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

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

TO HAVE AND TO HOLD said Property bargained and described, together with all and singular the lands, tenements, privileges, water rights, hereditaments and appurtenances thereto belonging or in anywise appertaining, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof, and all of the estate, right, title, claim and demands whatsoever of Grantor, either in law or in equity, of, in and to the above-bargained Property forever, as security for the faithful performance of the obligations under the Bonds secured hereby and as security for the faithful performance of each and all of the covenants, agreements, terms and conditions of this Deed of Trust

**FOR THE PURPOSE OF SECURING:**

ONE: Payment of all indebtedness of Grantor to Beneficiary under the Grantor's Student Housing Revenue Refunding Bonds, 2012, and any renewals, extensions or modifications thereof (the "Bonds"), which evidences the indebtedness of Grantor in the amount of ONE MILLION SIX HUNDRED FORTY THOUSAND and NO/100 DOLLARS (\$1,640,000) together with the interest thereon as the same may be adjusted from time to time in accordance with the provisions of the Bonds, fees, and other charges as provided by the Bonds, which is made a part hereof by reference.

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



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

Capitalized terms used in this Deed of Trust shall have the meaning given such terms in Part I of Appendix 1. This Deed of Trust shall be construed in accordance with the Rules of Construction set forth in Part II of Appendix 1. Any authority or duty imposed upon the Foundation hereunder may be undertaken and performed by the Authorized Foundation Representative. The miscellaneous provisions set forth in Part III of Appendix 1 shall be incorporated into this Deed of Trust. This Custodial Agency Agreement may be supplemented and amended from time to time in accordance with Part IV of Appendix 1.

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

ARTICLE I  
COVENANTS

1.01. Performance of Bonds and Deed of Trust.

Grantor will pay all indebtedness including principal, interest, fees and other charges of every nature payable under the Bonds according to its terms, and will perform and comply with each and every term, covenant and condition hereof and of the Bonds.

1.02. Warranty of Title.

Grantor represents and warrants that at the time of the delivery of this Deed of Trust, Grantor holds title to an indefeasible estate in fee simple in the Real Property and has good and absolute title to all existing Personal Property, and has good right, full power and lawful authority to convey and encumber the same in the manner and form conveyed and encumbered hereby; that the same is free and clear of all liens, charges, and encumbrances whatsoever, except as approved by Beneficiary under the title policy insuring the lien of Deed of Trust, including, as to the Personal Property and fixtures, security agreements, conditional sales contracts and anything of a similar nature and none superior to this Deed of Trust will be created or suffered to be created by Grantor; that there is no financing statement covering the Property, or any part thereof, on file in any public office; and that Grantor shall and will warrant and forever defend the title to the Property against the claims of all persons whomsoever.

1.03. Tax Deposits.

Upon demand by Beneficiary, Grantor will pay to Beneficiary on the first day of each month, an amount equal to one-twelfth (1/12) of the yearly real and personal property taxes,



assessments and other governmental or public charges affecting the Property, insurance premiums and other similar charges (including any amounts which may become payable by Grantor pursuant to Paragraph 1.05 hereof) as reasonably estimated by Beneficiary to be sufficient to allow the payment at least thirty (30) days before they become due, of all taxes, assessments, insurance premiums and other similar charges against the Property. The arrangement provided for in this paragraph 1.03 is solely for the added protection of Beneficiary and entails no responsibility on Beneficiary's part beyond the allowing of due credit, without payment of interest or income to Grantor, unless specifically required by law, for the sums actually received by it. Those sums received, but not immediately required for payment of the items set forth above, may be invested or otherwise used by Beneficiary without payment to or on behalf of Grantor until such time as payment of the items set forth above is required. Upon demand of Beneficiary, Grantor shall promptly deliver to Beneficiary such additional sums as are necessary to make up any deficiency in the amount necessary to pay such taxes, assessments, insurance premiums and other similar charges in a timely manner together with all interest on all such sums so expended by Beneficiary from date of expenditure at an interest rate equal to twelve percent (12%) per annum until paid in full. Upon assignment of this Deed of Trust by Beneficiary, any funds on hand shall be turned over to the assignee and any responsibility of the assignor with respect thereto shall terminate. Each transfer of the Real Property shall automatically transfer to the grantee all rights of the grantor with respect to any funds accumulated hereunder.

Beneficiary agrees that such payments need not include real and personal property taxes, assessments, and other governmental or public charges affecting the Property or insurance premiums as provided in this paragraph 1.03 unless and until an Event of Default occurs under this Deed of Trust (whether or not such default is subsequently cured). If an Event of Default occurs under this Deed of Trust, Beneficiary may apply all sums held by Beneficiary under this Paragraph 1.03 to cure such defaults.

1.04. Taxes, Liens and Other Charges

Grantor will pay when due:

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

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

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



(d) All costs, fees and expenses of this Deed of Trust, including cost of evidence of title, Trustee's fees and attorneys' fees in connection with sale pursuant to Paragraph 2.01 (whether completed or not) together with interest from and after ten (10) days following demand for repayment at an interest rate equal to twelve percent (12%) per annum until paid in full, and

(e) Grantor may, in good faith, contest, by proper legal proceedings, and at its own expense, the validity or amount of any such tax, assessment or governmental charge, provided that Grantor shall deposit with Beneficiary a sum which shall be at least ten percent (10%) greater than the amount so contested, (unless the contested amount has been paid in full or is not yet due) and also, from time to time, on demand of Beneficiary, such additional sums as may be reasonably required to cover interest or penalties accrued or to accrue on any such item or items, and Beneficiary may upon reasonable notice to Grantor pay such contested item or items out of any sums so deposited in case of undue delay in the prosecution of such proceedings, or if the protection of the Property or of Beneficiary's interest therein shall, in the reasonable judgment of Beneficiary, require such payment. On default under this paragraph 1.04(e) Beneficiary may, at its option, pay, or pay out of reserves accumulated under paragraph 1.03, any such sums, without waiver of any other right of Beneficiary by reason of such default of Grantor, and Beneficiary shall not be liable to Grantor for a failure to exercise any such option.

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

1.05. Further Taxes.

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



against the Property or any portion thereof. The obligations of Grantor under such agreement shall be secured hereby.

1.06. Insurance.

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

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

(ii) Policies of insurance insuring the Property against the loss of "rental value" of any building which constitutes a part of the Improvements on a "rented or vacant basis" arising out of the perils insured against pursuant to subparagraph (a) above in an amount equal to six months' gross "rental value" of the Improvements with co-insurance in such percentage as may be acceptable to Beneficiary. "Rental value" as used herein is defined as the sum of (a) the total anticipated gross rental income from tenant occupancy of such buildings, and (b) the amount of all charges which are the legal obligation of tenants and which would otherwise be the obligation of the Grantor, and (c) the fair rental value of any portion of such buildings which are occupied by Grantor. The proceeds of such insurance shall be assigned to Beneficiary, to be applied in payment of the indebtedness evidenced by the Bonds secured by this Deed of Trust to each installment as they come due, insurance premiums, taxes, assessments and private impositions until such time as the buildings shall have been restored and placed in full operation, at which time, provided Grantor is not then in default under this Deed of Trust, the balance of such insurance proceeds, if any, held by Beneficiary shall be returned to Grantor;

(iii) Flood insurance upon the Property in the event that such insurance is available pursuant to the provisions of the Flood Disaster Protection Act of 1973 or other applicable legislation (Beneficiary reserves the right to require that Grantor secure flood insurance in excess of the amount provided by the Flood Disaster Protection Act of 1973 if such insurance is commercially available at a reasonable premium up to the amount provided in Paragraph 1.06(a)(i) hereof);

(iv) Boiler and pressure vessel insurance, including air tanks, pressure piping and major air conditioning equipment, provided any building which



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constitutes a part of the Property contains equipment of the nature ordinarily covered by such insurance, in such an amount as Beneficiary may reasonably require;

(v) builder's risk insurance insuring against loss or damage from such causes of loss as are embraced by insurance policies of the type now known as "Builder's Risks" property insurance (written on an "all risk" or "open perils" basis), including, without limitation, fire and extended coverage, collapse of the improvements and earthquake coverage to agreed limits, all in form and substance acceptable to Beneficiary and (i) as to property then subject to Restoration (as defined in Section 1.07(b)) or any restoration accomplished in connection with a Condemnation, in an amount not less than the full replacement cost of such property, and (ii) as to any additional improvements then being constructed, in an amount not less than the completed value on a non reporting form, of the additional improvements then being constructed; provided, however, that such insurance shall be required only during any period of Restoration or any restoration accomplished in connection with a Condemnation, or any period of construction of any additional improvements;

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

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

(b) All policies of insurance required under this Paragraph 1.06 shall be issued by companies approved by Beneficiary, shall be subject to the approval of Beneficiary as to amount, content, form and expiration date, shall contain a Noncontributory Standard Mortgagee Clause and the Lender's Loss Payable Endorsement (Form 438 BFU NS), or their equivalents, in favor of Beneficiary, and shall provide that the proceeds thereof shall be payable to Beneficiary (to the extent of their respective interests). Beneficiary shall be furnished with the original of each policy or certificates thereof required to be provided by Grantor hereunder, which policy shall provide that it shall not be modified or cancelled without thirty (30) days' written notice to each Beneficiary. At least thirty (30) days prior to expiration of any policy required to be provided by Grantor hereunder, Grantor shall furnish each Beneficiary appropriate proof of issuance of a policy continuing in force the insurance covered by the policy so expiring. Grantor shall furnish Beneficiary receipts for the payment of premiums on such insurance policies or other evidence of such payment reasonably



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satisfactory to Beneficiary in the event that such premiums have not been paid to Beneficiary pursuant to Paragraph 1.03 hereof. In the event that Grantor does not deposit with Beneficiary a new policy of insurance with evidence of payment of premium thereon at least thirty (30) days prior to the expiration of any expiring policy, then Beneficiary may, but shall not be obligated to, procure such insurance and pay the premiums therefor and Grantor agrees to repay to Beneficiary the premiums thereon promptly on demand, together with interest thereon at an interest rate equal to twelve percent (12%) per annum until paid in full.

(c) In the event of any loss or damage to the Property, all proceeds of insurance (the "Insurance Proceeds") shall be payable to Beneficiary, and Grantor hereby authorizes and directs any affected insurance company to make payment of the Insurance Proceeds directly to Beneficiary. The application or release by Beneficiary of any Insurance Proceeds shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

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

#### 1.07. Restoration.

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

(b) Grantor hereby assigns to Beneficiary all Insurance Proceeds which Grantor may be entitled to receive. In the event of any damage to or destruction of the Improvements, then, provided there is not a Bond Default or an Event of Default and Beneficiary has determined that its security has not been impaired, Grantor shall commence and diligently pursue to completion in accordance with this Section 1.07 the repair, restoration and rebuilding of any portion of the Property that has been partially damaged or destroyed in full compliance with all legal requirements and to the same condition, character and at least equal value and general utility as nearly as possible to that existing prior to such damage or destruction (the "Restoration"), and Beneficiary shall hold and disburse the Net Insurance Proceeds in the manner hereinafter provided (except as set forth in Paragraph 1.06(a)(ii)), to the Restoration. In the event that the Property is substantially destroyed or Beneficiary has determined that its security has been impaired, Beneficiary



shall thereupon cause a mandatory redemption of Bonds in an amount equal to the Net Insurance Proceeds in accordance with the provisions of Section 4.04 of this Deed of Trust.

(c) In the event the Net Insurance Proceeds are to be used for the Restoration, Grantor shall, prior to disbursement of any Net Insurance Proceeds for any Work, deliver or furnish to Beneficiary the Approved Plans and Specifications; (ii) the amount of money which, as determined by Beneficiary, will be sufficient when added to the Net Insurance Proceeds, if any, to pay the entire cost of the Restoration (all money as held by Beneficiary is referred to herein as the "Restoration Funds"); (iii) copies of all permits and approvals required by law in connection with the commencement and conduct of the Restoration; and (iv) a contract for construction executed by Grantor and the Contractor in form, scope and substance satisfactory to Beneficiary (including the customary retention) for performance of the Work.

(d) After commencing the Work, Grantor shall perform or cause Contractor to perform the Work diligently and in good faith in accordance with the Approved Plans and Specifications approved by Beneficiary. So long as a Bond Default or Event of Default has not occurred and is continuing, Beneficiary shall disburse the Restoration Funds in increments to Grantor or as Grantor may direct, from time to time as the Work progresses, to pay (or reimburse Grantor for) the costs of the Restoration, but subject to the following conditions, any of which Beneficiary may waive in its sole discretion:

(i) Beneficiary shall make such payments only upon not less than ten (10) days' prior written notice from Grantor to Beneficiary and Grantor's delivery to Beneficiary of (A) a Request for Payment accompanied by a certificate by Architect in form, scope and substance satisfactory to Beneficiary which states that all of the Work completed to that date has been done in compliance with the Approved Plans and Specifications and in accordance with all provisions of law, that the amount requested has been paid or is then due and payable and is properly a part of the cost of the Restoration and that when added to all sums, if any, previously paid out by Beneficiary, the requested amount does not exceed the value of the Work done to the date of such certificate; (B) evidence satisfactory to Beneficiary that there are no mechanic's or similar liens for labor or material supplied in connection with the Work to date or that any such liens have been adequately provided for to Beneficiary's satisfaction; and (C) evidence satisfactory to Beneficiary that the balance of the Restoration Funds remaining after making the payments shall be sufficient to pay the balance of the cost of the Restoration not completed to date (giving in such reasonable detail as Beneficiary may require an estimate of the cost of such completion). Each Request for Payment shall be accompanied by waivers of liens satisfactory to Beneficiary covering that part of the Work previously paid for, if any, and by a search prepared by a title company or by other evidence satisfactory to Beneficiary that no mechanic's liens or other liens or instruments for the retention of title in respect of any part of the Work have been filed against the Property and not discharged of record and that no encumbrance exists on or



affecting the Property other than encumbrances, if any, which are set forth in the title policy issued to Beneficiary insuring the lien of this Deed of Trust; and

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

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

(f) If (i) within one hundred and eighty days (180) days after the occurrence of any damage or destruction to the Property requiring Restoration, Grantor fails to submit to Beneficiary and receive Beneficiary's approval of plans and specifications or fails to deposit with Beneficiary the additional amount necessary to accomplish the Restoration as provided in Paragraph 1.07(c), or (ii) after such plans and specifications are approved by all such governmental authorities and Beneficiary, Grantor fails to commence promptly or diligently continue to completion the Restoration, or (iii) Grantor becomes delinquent in payment to mechanics, materialmen or others for the costs incurred in connection with the Restoration, then, in addition to all of the rights herein set forth Beneficiary may apply the Restoration Funds then or thereafter held by Beneficiary to reduce the unpaid indebtedness secured hereby in such order as Beneficiary may determine, and at Beneficiary's option and in its sole discretion, Beneficiary may declare the entire indebtedness secured hereby immediately due and payable.

(g) In the event that Beneficiary applies all or any portion of the Restoration Funds to reduce the unpaid indebtedness secured hereby as provided in this Paragraph 1.07, after payment in full of all sums secured hereby, any remaining Restoration Funds shall be paid to Grantor.



1.08. Condemnation.

Should the Property or any part thereof be taken or damaged by reason of any public improvement, condemnation proceeding, or conveyance in lieu thereof, or in any other manner, Beneficiary shall be entitled to all compensation, awards and other payments or relief therefor, and shall be entitled, at its option, to commence, appear in and prosecute in its own name any action or proceeding. Grantor shall have the right, with the prior written consent of the Beneficiary, to make a compromise or settlement in connection with such taking or damage. All such compensation, awards, damages, rights of action and proceeds (the "Proceeds") are hereby assigned to Beneficiary, who shall, after deducting therefrom all its reasonable expenses, including attorneys' fees, apply or release the Proceeds with the same effect as provided in Paragraph 1.07 above with respect to disposition of insurance proceeds other than rent insurance proceeds; provided, that if such Proceeds are to be utilized for restoration of the Property and there are any excess Proceeds after application thereof to the restoration of the Property, Beneficiary shall be entitled to apply such excess to the reduction of any indebtedness outstanding under the Bonds. Grantor agrees to execute such further assignments of the Proceeds as Beneficiary or Trustee may require.

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

1.09. Care of the Property.

Grantor will:

- (a) Keep the Property in good condition and repair and not commit or permit any waste or deterioration of the Property;
- (b) Not remove, demolish or substantially alter any portion of the Property (except such alterations as may be required by laws, ordinances or regulations of governmental authorities);
- (c) Comply with all laws, ordinances, rules, regulations and orders of governmental authorities now or hereafter affecting the Property or requiring any alterations or improvements to be made thereon, and perform all of its obligations under any covenant, condition, restriction or agreement of record affecting the Property;
- (d) Complete promptly and in good and workmanlike manner any portion of the Property which may be constructed hereafter, and promptly restore in like manner as obligated in Paragraph 1.07, any portion of the Property which may be damaged or destroyed, and pay, when due, all costs incurred and claims for labor performed and materials furnished therefor;



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

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

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

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

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

1.10. Further Assurances.

If required by Beneficiary at any time during the term of this Deed of Trust, Grantor will execute, acknowledge and deliver to Beneficiary, in form satisfactory to Beneficiary, such chattel mortgages, security agreements or other similar security instruments, in form and substance satisfactory to Beneficiary, covering all property of any kind whatsoever owned by Grantor or in which Grantor has any interest which, in the sole opinion of Beneficiary, is required to perfect the security interests intended to be created in the real and personal property described in this Deed of Trust or which is essential to the operation of the Real Property covered by this Deed of Trust. Grantor shall further, from time to time, within 15 days after request by Beneficiary, execute, acknowledge and deliver any financing statement, renewal, affidavit, certificate, continuation statement or other document as Beneficiary may request in order to perfect, preserve, continue, extend or maintain the security interest under, and the priority of, this Deed of Trust and the priority of such chattel mortgage or other security instrument as a first lien. Grantor further agrees to pay to Beneficiary on demand all costs and expenses incurred by Beneficiary in connection with the preparation, execution, recording, filing and refiling of any such instrument or document including the charges for examining title and the attorney's fee for rendering an opinion as to the priority of this Deed of Trust and of such chattel mortgage or other security instrument as a valid first and subsisting lien. However, neither a request so made by Beneficiary nor the failure of Beneficiary to make such request shall be construed as a release of such Property, or any part thereof, from the conveyance of title by this Deed of Trust, it being understood and agreed that this covenant and any such chattel mortgage, security agreement or other similar security instrument, delivered to Beneficiary, are cumulative and given as additional security. Any breach of such security agreement shall constitute an Event of Default under this Deed of Trust.



1.11. Leases and Other Agreements Affecting the Property.

(a) Grantor will submit to Beneficiary for its written approval a standard form of residential lease to be used by Grantor. After approval by Beneficiary Grantor will not modify such standard form of residential lease without the prior written consent of Beneficiary. Grantor shall not otherwise lease all or any portion of the Improvements without the prior written consent of Beneficiary.

(b) Each lease of any portion of the Improvements shall be assigned to Beneficiary by an assignment of same in recordable form and notice of such assignment given to the tenant or tenants thereunder as may be required by Beneficiary.

(c) Unless otherwise approved in writing by Beneficiary, each lease of a portion of any building which constitutes a part of the Property shall be absolutely subordinate to the lien of this Deed of Trust, but shall contain a provision satisfactory to Beneficiary that in the event of the exercise of the private power of sale or a judicial foreclosure hereunder, such lease, at the sole and exclusive option of the purchaser at such sale, shall not be terminated and the tenant thereunder shall attorn to such purchaser and, if requested to do so, shall enter into a new lease for the balance of the term of such lease then remaining upon the same terms and conditions.

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

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

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

(g) Save and except for taxes and assessments provided to be paid by Grantor as specified in Paragraphs 1.03 and 1.04 hereof, Grantor will not create or suffer or permit to be created, subsequent to the date of the execution and delivery of this Deed of Trust, any lien or encumbrance which may be or become superior to any lease affecting the Real Property except such as have been disclosed to and approved by Beneficiary in writing upon such terms and conditions as may be satisfactory to Beneficiary.



(h) If any part of the automobile parking areas included within the Real Property is taken by condemnation, or before said areas are otherwise reduced, Grantor will provide parking facilities in kind, size and location to comply with all leases and to ensure the continued operation of the Improvements in compliance with all applicable zoning regulations, and before making any contract for such substitute parking facilities, Grantor will furnish to Beneficiary satisfactory assurance of completion thereof free of liens and in conformity with all applicable zoning and land use laws, ordinances, rules and regulations.

1.12. Expenses.

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

(b) Grantor will pay immediately following demand all sums expended or expenses incurred by Trustee and/or Beneficiary, including, without limitation, attorneys' fees, under any of the terms of this Deed of Trust, with interest from date of expenditure at an interest rate equal to twelve percent (12%) per annum until paid in full.

1.13. Books, Records and Accounts.

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

Grantor shall provide to Beneficiary on demand a balance sheet and statement of income and expense for the Property for the preceding calendar year in reasonable detail.



Such statements shall be based upon generally accepted accounting principles applied on a consistent basis and shall be certified as to completeness and accuracy by an independent certified public accountant.

1.14. Subrogation.

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

1.15. Americans With Disabilities Act.

The Property is in compliance with all applicable requirements of the Fair Housing Act of 1968 (as amended) and the Americans With Disabilities Act of 1990, and Grantor shall cause the Property to continuously be in compliance with such Acts (as the same may be amended from time to time). Grantor agrees to indemnify, protect and hold Beneficiary harmless from and against all liability threatened against or suffered by Beneficiary by reason of a breach by Grantor of the foregoing representations and warranties. The foregoing indemnity shall include the cost of all alterations to the Property (including architectural, engineering, legal and accounting costs), all fines, fees and penalties, and all legal and other expenses including attorneys' fees), incurred in connection with the Property being in violation of such Acts and for the cost of collection of the sums due under the indemnity. In the event that Beneficiary shall become the owner of the Property by foreclosure or deed in lieu of foreclosure of this Deed of Trust, the foregoing indemnification obligation shall survive such foreclosure or deed in lieu of foreclosure.

1.16. Inspection of Property.

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

1.17. Performance by Grantor.

Grantor will faithfully perform each and every covenant to be performed by Grantor under any lien or encumbrance, including, without limiting the generality hereof, mortgages, deeds of trust, leases, declarations or covenants, conditions and/or restrictions and other agreements which affect the Property, in law or in equity, which Beneficiary reasonably believes may be prior or superior to or on a parity with the lien or charge of this Deed of Trust. Grantor shall not, without first obtaining Beneficiary's prior written consent, change the general nature of the occupancy or initiate or acquiesce in any zoning reclassification or



suffer any act or thing which would impair the security for said debt or Beneficiary's lien upon the Property. A breach of or a default under any such lien or encumbrance, or a breach of any requirement of this paragraph 1.17 shall constitute an event of default under this Deed of Trust.

1.18. Forfeiture.

To the best of Grantor's knowledge, after due and diligent inquiry, the Property has not been used in any manner or purchased with proceeds (or other things of value) that would subject the Property to forfeiture pursuant to any federal, state or local law. Neither Grantor, nor, to the best knowledge of Grantor after due and diligent inquiry, any entity which has or had an interest in the Property, has engaged in any enterprise or activity that would subject the Property to forfeiture pursuant to any federal, state or local law.

1.19. Assignment of Rents.

Grantor hereby absolutely and unconditionally assigns and transfers to Beneficiary all the income, rents, royalties, revenue, issues, profits and proceeds of the Property, whether now due, past due or to become due, and hereby gives to and confers upon Beneficiary the right, power and authority to collect such income, rents, royalties, revenue, issues, profits and proceeds. Grantor irrevocably appoints Beneficiary its true and lawful attorney at the option of Beneficiary at any time to demand, receive and enforce payment, to give receipts, releases and satisfactions, and to sue, either in the name of Grantor or in the name of Beneficiary, for all such income, rents, royalties, revenue, issues, profits and proceeds. It is understood and agreed that neither the foregoing assignment of income, rents, royalties, revenue, issues, profits and proceeds to Beneficiary nor the exercise by Beneficiary of any of its rights or remedies under this Paragraph 1.19 or under Paragraph 2.04 hereof shall be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise responsible or liable in any manner with respect to the Property or the use, occupancy or enjoyment or operation of all or any portion thereof, unless and until Beneficiary, in person or by agent, assumes actual possession thereof; nor shall appointment of a receiver for the Property by any court at the request of Beneficiary or by agreement with Grantor or the entering into possession of the Property or any part thereof by such receiver be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise responsible or liable in any manner with respect to the Property or the use, occupancy, enjoyment or operation of all or any portion thereof. The foregoing assignment is intended to be specific, perfected and choate upon the recording of this Deed of Trust as provided in RCW 7.28.230(3).

1.20. Collection of Rents.

Notwithstanding anything to the contrary contained herein or in the Bonds secured hereby, so long as there is no Bond Default or Event of Default or in any other agreement given as security for the indebtedness evidenced by the Bonds, Grantor shall have the right to



collect all income, rents, royalties, revenue, issues, profits and proceeds from the Property and to retain, use and enjoy the same.

1.21. Collateral Security Instruments.

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

1.22. Suits to Protect Property.

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

1.23. Beneficiary's Right to Defend Action and Cure Certain Defaults.

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

Should Grantor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and upon reasonable prior notice to or demand upon Grantor (except for monetary defaults or defaults in the payment of taxes or insurance for which no prior written notice or demand shall be required) and without releasing Grantor from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon the Real Property for such purposes; commence,



appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such power, incur any liability, expend whatever amounts in its absolute discretion it may deem necessary therefor, including cost of evidence of title, employ an attorney, and pay said attorneys' reasonable fees.

Grantor hereby agrees to pay immediately following demand, together with interest from and after ten (10) days following demand for payment at an interest rate equal to twelve percent (12%) per annum until paid in full, all of Beneficiary's costs, charges, expenses and accounts referred to above in this Paragraph 1.23, including cost of evidence of title and reasonable attorneys' fees incurred in such action or proceeding in which Beneficiary may appear. All costs, charges and expenses so incurred, together with interest thereon as aforesaid, shall be secured by the lien of this Deed of Trust.

**ARTICLE II**  
**DEFAULTS AND REMEDIES**

2.01. Events of Default.

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

- (a) Bond Default; or
- (b) Failure by Grantor to comply with any of the covenants, conditions or restrictions now or hereafter affecting the Property, or any part thereof and the same is not fully cured within the period of time, if any, permitted for cure therein or herein, and, if no period for cure is otherwise provided therein or herein (except for defaults under subparagraphs (d) (f) and (h) which shall be deemed immediate defaults according to their terms), within thirty (30) days after written notice from Beneficiary to Grantor thereof or in the case of defaults which by their nature cannot be cured within thirty (30) days, if cure is not commenced within thirty (30) days and prosecuted diligently to completion, provided, however, that said cure is in any event effected within sixty (60) days; or
- (c) Failure by Grantor to comply with any of the covenants, terms, conditions, restrictions or agreements contained in the Bonds or in the Deed of Trust or any agreement relating to the Property or to the indebtedness secured hereby and the same is not fully cured within the period of time, if any, permitted for cure therein or herein, and, if no period for cure is otherwise provided therein or herein (except defaults under subparagraphs (d) (f) and (h) which shall be deemed immediate defaults according to their terms), within thirty (30) days after written notice from Beneficiary to Grantor thereof or in the case of defaults which by their nature cannot be cured within thirty (30) days, if cure is not commenced within thirty (30) days and prosecuted diligently to completion, provided, however, that said cure is in any event effected within sixty (60) days; or



(d) Grantor applies for or consents to the appointment of a receiver or trustee for it or any portion of its property, or if such receiver or trustee is appointed for Grantor, or Grantor, admits in writing its inability to pay its debts as they become due, or Grantor becomes insolvent, or a petition is filed by or against Grantor, pursuant to any of the provisions of the United States Bankruptcy Code, as amended; or

(e) A petition is filed against Grantor pursuant to any of the provisions of the United States Bankruptcy Code, as amended, or there is an attachment or sequestration of any of the property of Grantor and the same is not discharged or bonded within sixty (60) days; or

(f) Grantor shall cause or institute or there shall be instituted against Grantor any proceeding for the dissolution or termination of Grantor; or

(g) Any representation or disclosure made to Beneficiary by Grantor proves to be materially false or misleading on the date when such representation or disclosure was made, whether or not that representation or disclosure appears in this Deed of Trust; or

(h) The occurrence of any of the events described in paragraphs 3.12 or 3.13 below; or

(i) Any judgment or decree in an amount in excess of \$50,000 against the Grantor or against the Property shall remain unpaid, unstayed on appeal, undischarged, unbonded or undismissed for a period of 30 days.

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

In the event of any such Event of Default and upon written request of Beneficiary, Trustee shall sell the Property in accordance with the Deed of Trust Act of the State of Washington (RCW Chapter 61.24 as existing now or hereafter amended) and the Uniform Commercial Code of the State of Washington, where applicable, at public auction to the highest bidder. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (i) to the expenses of sale, including a reasonable Trustee's fee and attorneys' fee; (ii) to all the indebtedness evidenced by the Bonds and all other indebtedness secured by this Deed of Trust or any other instrument; (iii) the surplus, if any, shall be distributed in accordance with said Deed of Trust Act. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser the



interest in the property which Grantor had or had the power to convey at the time of its execution of this Deed of Trust and such as it may have acquired thereafter. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of the law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrancers for value. The power of sale conferred by this Deed of Trust and by the Deed of Trust Act of the State of Washington is not an exclusive remedy, and when not exercised Beneficiary may foreclose this Deed of Trust as a mortgage.

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

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

#### 2.02. Discontinuance of Proceedings.

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

#### 2.03. Beneficiary Statement.

Trustee, upon presentation to it of an affidavit signed by or on behalf of Beneficiary setting forth any fact or facts showing a default by Grantor under any of the terms or conditions of this Deed of Trust, is authorized to accept as true and conclusive all facts and statements in such affidavit and to act hereunder in complete reliance thereon.

#### 2.04. Remedies Upon Default.

In such case, so long as such Event of Default shall not have been remedied, a Bondowners' Trustee may be appointed for the Bonds and all Bonds by the Owners of 51% in principal amount of the Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such owners of the Bonds or by their attorneys-in-fact



duly authorized and delivered to such Bondowners' Trustee, notification thereof being given to the Foundation. Any Bondowners' Trustee appointment under the provisions of this Section shall be a bank or trust company organized under the laws of the State of Washington or the State of New York or a national banking association. The fees and expenses of a Bondowners' Trustee shall be borne by the Foundation/Grantor. The bank or trust company acting as a Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed by the owners of a majority in principal amount the Bonds Outstanding, by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or by their attorneys-in-fact duly authorized.

The Bondowners' Trustee appointed in the manner herein provided, and each successor thereto, is hereby declared to be a trustee for the Owners of all Bonds and is empowered to exercise all the rights and powers herein conferred on the Bondowners' Trustee.

A Bondowners' Trustee may upon the happening of an Event of Default and during the continuance thereof, take such steps and institute such suits, actions or other proceedings in its own name, or as trustee, all as it may deem appropriate for the protection and enforcement of the rights of Bondowners to collect any amounts due and owing the Foundation, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in this Deed of Trust in addition to those remedies hereinafter specified.

Any action, suit or other proceedings instituted by a Bondowners' Trustee hereunder shall be brought in its name as trustee for the Bondowners and all such rights of action upon or under any of the Bonds or the provisions of the Resolution or this Deed of Trust may be enforced by a Bondowners' Trustee without the possession of any of said Bonds, and without the production of the same at any trial or proceedings relating thereto except where otherwise required by law, and the respective owners of said Bonds by taking and holding the same, shall be conclusively deemed irrevocably to appoint a Bondowners' Trustee the true and lawful trustee to the respective Owners of said Bonds, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums that become distributable on account of said Bonds; to execute any paper or documents for the receipt of such moneys, and to do all acts with respect thereto that the Bondowner himself might have done in person. Nothing herein contained shall be deemed to authorize or empower any Bondowners' Trustee to consent to accept or adopt, on behalf of any Owner of said Bonds or appurtenant coupons, any plan of reorganization or adjustment affecting the said Bonds or any right of any owner thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the Foundation shall be a party.

No Owner of any one or more of the Bonds shall have any right to institute any action, suit or proceedings at law or in equity for the enforcement of the same or coupons



appertaining thereto, unless an Event of Default shall have happened and be continuing, and unless no Bondowners' Trustee has been appointed for such series as herein provided, but any remedy herein authorized to be exercised by a Bondowners' Trustee may be exercised individually by any Owner, in his own name and on his own behalf or for the benefit of all Owners, in the event no Bondowners' Trustee has been appointed, or with the consent of the Bondowners' Trustee if such Bondowners' Trustee has been appointed; *provided however*, that nothing in the Resolution, this Deed of Trust or in the Bonds shall affect or impair the obligation of the Foundation which is absolute and unconditional, to pay from Pledged Revenues the principal of and interest on said Bonds to the respective owners thereof and the coupons appertaining thereto at the respective due dates therein specified, or affect or impair the right of action, which is absolute and unconditional, of such owners to enforce such payments.

The remedies herein conferred upon or reserved to the Owners of Bonds and to a Bondowners' Trustee are not intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. The privileges herein granted shall be exercised from time to time and continued so long as and as often as the occasion therefor may arise and no waiver of any Event of Default, whether by a Bondowners' Trustee or by the Owners of Bonds, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon. No delay or omission of the Owners or of a Bondowners' Trustee to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein.

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

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

(b) Commence, appear in and/or defend any action or proceedings purporting to affect the security hereof, and/or any additional or other security therefor, the interest, rights, powers and/or duties of Trustee and/or Beneficiary hereunder, whether brought by or against Grantor, Trustee or Beneficiary;



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

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

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

#### 2.05. Foreclosure Sale.

In the event that this Deed of Trust is foreclosed as a mortgage and the Real Property sold at a foreclosure sale, the purchaser may, during the statutory redemption period, make such repairs or alterations on the Real Property as may be reasonably necessary for the proper operation, care, preservation, protection and insuring thereof. Any sums so paid,



together with interest thereon from the time of such expenditure at an interest rate equal to twelve percent (12%) per annum until paid, shall be added to and become a part of the amount required to be paid for redemption from such sale.

2.06. Right of Foreclosure.

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

2.07. Sale of Property Pursuant to a Foreclosure.

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

2.08. Appointment of Receiver.

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

ARTICLE III  
GENERAL COVENANTS

3.01. No Waiver.

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



constitute a waiver of any such breach of such term, covenant or condition or of the later exercise of such right or remedy. All waivers shall be in writing.

3.02. Remedies Cumulative.

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

3.03. Plats, Easements and Other Agreements.

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

3.04. Recordation.

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

3.05. Substitution of Trustee.

Beneficiary may, from time to time, by a written instrument executed and acknowledged by Beneficiary and recorded in the county or counties where the Property is located, and by otherwise complying with appropriate statutory provisions, substitute a successor or successors for the trustee named herein or acting hereunder. Upon the recording of such appointment in the mortgage records of the county or counties in which the Property is situated, the successor trustee shall be vested with all the powers of the original trustee.

3.06. Heirs and Assigns; Terminology.

(a) This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and



assigns. The term "Grantor" shall mean both the original Grantor and any subsequent owner or owners of any of the Property. The term "Beneficiary" shall mean the owner and holder, including pledgees, of the Bonds, whether or not named as Beneficiary herein. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter; and the singular number includes the plural.

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

3.07. Time Is of the Essence.

Time is of the essence hereof in connection with all obligations of Grantor herein or in the Bonds. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3.08. Captions.

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

3.09. Irrevocable Trust.

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

3.10. Conveyance of Property; Change of Ownership.

In the event that all or any part of or any interest in the Property shall be sold, transferred, leased (other than space leases without options to purchase), conveyed, or a contract of sale or other conveyance entered into with respect thereto, without the prior written consent of Beneficiary, then, upon the occurrence of any one or more of the foregoing events, and regardless of whether or not Grantor shall be in default under the Bonds or this Deed of Trust Beneficiary may, at its option, declare the then outstanding principal balance evidenced by the Bonds plus accrued interest thereon immediately due and payable. The execution and delivery by the Grantor of any joint venture agreement, partnership agreement, declaration of trust or option agreement whereunder any other person or corporation may become entitled, directly or indirectly, to the possession or enjoyment of the Property, or the income or other benefits derived or to be derived therefrom shall in each case be deemed to be a conveyance or assignment of the Grantor's interest in the Property for the purposes of this section, and shall require the prior written consent of the Beneficiary.



3.11. Secondary Financing.

Grantor agrees that should the Property or any part thereof at any time be or become subject to the lien of any other mortgage or deed of trust or subject to any other encumbrance, pledge, hypothecation or security interest (except with the prior written consent of Beneficiary), the whole of the indebtedness evidenced by the Bonds and any other sums payable hereunder or secured hereby shall, at the option of Beneficiary, become immediately due and payable.

3.12. Effect of Security Agreement.

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

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

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

It is understood and agreed that, in order to protect Beneficiary from the effect of RCW 62A.9-313, as amended from time to time, in the event that (i) Grantor intends to purchase any goods which may become fixtures attached to the Property, or any part thereof, and (ii) such goods will be subject to a purchase money security interest held by a seller or any other party:



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

(i) a description of the fixtures to be replaced, added to, installed or substituted;

(ii) the address at which the fixtures will be replaced, added to, installed or substituted; and

(iii) the name and address of the proposed holder and proposed amount of the security interest,

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

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

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

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



(e) The provisions of subparagraphs (b), (c) and (d) above shall not apply if the goods which may become fixtures are of at least equivalent value and quality as any property being replaced and if the rights of the party holding such security interest have been expressly subordinated, at no cost to Beneficiary, to the lien of this Deed of Trust in a manner satisfactory to Beneficiary, providing to Beneficiary a satisfactory opinion of counsel to the effect that this Deed of Trust constitutes a valid and subsisting first lien on such fixtures which is not subordinate to the lien of such security interest under any applicable law, including without limitation, the provisions of RCW 62A.9-313.

3.13. Covenants Regarding Environmental Compliance.

(a) Grantor will not use, generate, manufacture, produce, store, release, discharge, or dispose of on, under or about the Real Property or transport to or from the Real Property any Hazardous Substance (as defined herein) or allow any other person or entity to do so. In no event shall Grantor permit any tenant or occupant of the Property to install or maintain on the Property any underground storage tank or similar facility for the storage of any Hazardous Substance; and Grantor shall not lease any portion of the Property, or permit any portion of the Property to be used, for the provision of any service that requires the use of any Hazardous Substance in connection therewith or for the sale of any product that is or that contains any Hazardous Substance, if such product is manufactured, processed or packaged for sale on the Property (as opposed to being delivered to the Property prepackaged for sale in closed containers). Further, in no event shall Grantor use or permit the use of the Property or any portion thereof for any activity or service that requires the use, handling, storage, sale or disposal of any Hazardous Substance if such use of the Property would result in the cancellation or denial of any insurance coverage required to be maintained by Grantor hereunder, and, in any event, any use, handling, storage, sale or disposal of any Hazardous Substance by any tenant or occupant of the Property shall at all times be in full compliance with all applicable Environmental Laws (as defined herein).

(b) Grantor shall keep and maintain the Real Property in compliance with, and shall not cause or permit the Real Property to be in violation of any Environmental Law (as defined herein). Grantor shall not cause or permit, as a result of any intentional or unintentional act or omission on the part of the Grantor or any tenant, subtenant, or other user or occupant of the Real Property, a release of any Hazardous Substance onto the Real Property or onto any other property.

(c) There is no claim, action, suit, proceeding, arbitration, investigation or inquiry pending or to the best of Grantor's knowledge, threatened against the Grantor before any federal, state or municipal court, or any governmental, administrative or self-regulatory body or agency, or any private arbitration tribunal, and Grantor has not received any written notice of any complaint, order, directive, claim, citation, notice of lien by or in favor of any governmental authority or private person with respect to (i) air emissions; (ii) spills, releases or discharges of Hazardous Substances on, in or to the Real Property or surface water or



groundwater affected by the Real Property or the sewer, septic system or waste water treatment system servicing the Real Property; (iii) solid or liquid waste disposal; (iv) the use, storage, generation, treatment, transportation or disposal of Hazardous Substances; (v) exposure to airborne or friable asbestos; (iv) violation of any Environmental Law; or (vii) any other environmental, health or safety matters affecting or pertaining to the Grantor or the Real Property.

(d) Except as to circumstances, matters or things that have been disclosed in writing to the Beneficiary prior to July 15, 1998 and as to which the Grantor previously has completed, or is proceeding diligently and in the ordinary course of the Grantor's activities to complete, cleanup, remove or remediate all effects of any Hazardous Substances, (i) the Grantor has no knowledge of any circumstance, matter or thing existing which might give rise to any of the claims, actions or proceedings discussed in paragraph (c) of this Section 3.13; (ii) the Grantor has not stored, disposed or released in, on or about the Real Property any Hazardous Substances the removal or remediation of which is or could be required, or the maintenance of which is prohibited or penalized, by any applicable Environmental Law, (iii) the Grantor has not at any time disposed or caused to be disposed at any location any Hazardous Substances generated or existing as a result of the Grantor's ownership of the Real Property in a manner which will or could cause the Grantor to be or become liable for a fine or related to such disposal; (iv) to the best knowledge of the Grantor, the Grantor has no contingent liability in connection with the release of any Hazardous Substances from the Real Property into the environment.

(e) The Grantor will use its best efforts to comply, and will use its best efforts to cause all tenants, subtenants, or other users or occupants of the Real Property to comply, with all Environmental Laws including, without limitation, the duty to undertake the following specific actions: (i) the Grantor will, at its own expense, procure, maintain in effect, and comply with all conditions of any and all permits, licenses and other governmental and regulatory approvals required by all Environmental Laws, including, without limitation, permits required for discharge of (appropriately treated) Hazardous Substances into the ambient air or any sanitary sewers serving the Real Property; and (ii) except as discharged into the ambient air or a sanitary sewer in strict compliance with all applicable Environmental Laws, any and all Hazardous Substances to be treated and/or disposed by the Grantor will be removed and transported solely by duly licensed transporters to a duly licensed treatment and/or disposal facility for final treatment and/or disposal (except when applicable Environmental Laws permit on-site treatment or disposal in a sanitary landfill).

(f) Grantor shall give prompt written notice to Beneficiary of:

(i) any proceeding or inquiry by any governmental authority (including, without limitation, the Washington State Department of Ecology) with respect to the presence of any Hazardous Substance on the Real Property or the migration thereof from or to other property; and



(ii) all claims made or threatened by any third party against Grantor or the Real Property relating to any loss or injury resulting from any Hazardous Substance; and

(iii) Grantor's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Real Property that could cause the Real Property or any part thereof to be subject to any restrictions on the ownership, occupancy, transferability or use of the Real Property under any Environmental Law; and

(iv) any use of the Property inconsistent with the provisions of this Section 3.13.

(g) Beneficiary shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Environmental Law which affect the Property and which could have an adverse impact upon Beneficiary's security and have its attorneys' fees in connection therewith paid by Grantor; provided, however, Beneficiary shall not engage counsel or otherwise participate in such proceedings so long as Grantor, at its sole cost and expense, is in good faith diligently defending such action.

(h) Grantor shall protect, indemnify and hold harmless Beneficiary, its directors, officers, employees, agents, successors and assigns from and against any and all loss, damage, cost, expense or liability (including attorneys' fees and costs) directly or indirectly arising out of or attributable to the use, generation, manufacture, production, storage, release, threatened release, discharge, disposal, or presence of a Hazardous Substance on, under or about the Real Property including without limitation (i) all foreseeable consequential damages; and (ii) the costs of any required or necessary repair, cleanup or detoxification of the Real Property and the preparation and implementation of any closure, remedial or other required plans.

(i) In the event that any investigation, site monitoring, containment, cleanup, removal, restoration or other remedial work of any kind or nature (the "Remedial Work") is reasonably necessary or desirable under any applicable local, state or federal law or regulation, any judicial order, or by any governmental or nongovernmental entity or person because of, or in connection with, the current or future presence, suspected presence, release or suspected release of a Hazardous Substance in or into the air, soil, groundwater, surface water or soil vapor at, on, about, under or within the Real Property (or any portion thereof), Grantor shall within thirty (30) days after written demand for performance thereof by Beneficiary (or such shorter period of time as may be required under any applicable law, regulation, order or agreement), commence to perform or cause to be commenced, and thereafter diligently prosecuted to completion, all such Remedial Work. All Remedial Work shall be performed by one or more contractors, approved in advance in writing by the Beneficiary, and under the supervision of a consulting engineer approved in advance in



writing by Beneficiary. All costs and expenses of such Remedial Work shall be paid by Grantor including, without limitation, the charges of such contractor(s) and/or the consulting engineer, and Beneficiary's reasonable attorneys' fees and costs incurred in connection with monitoring or review of such Remedial Work. In the event Grantor shall fail to timely commence, or cause to be commenced, or fail to diligently prosecute to completion, such Remedial Work, Beneficiary may, but shall not be required to, cause such Remedial Work to be performed and all costs and expenses thereof, or incurred in connection therewith, shall become part of the indebtedness secured hereby.

(j) In the event that Beneficiary reasonably believes that there may be a violation or threatened violation by Grantor of any Environmental Law or a violation or threatened violation by Grantor of any covenant under this Paragraph 3.13, Beneficiary is authorized by itself, its agents, employees or workmen to enter at any reasonable time upon reasonable prior notice (except in the case of an emergency for which no prior notice need be given) any part of the Property for the purposes of inspecting the same for Hazardous Substances and Grantor's compliance with this Paragraph 3.13 and such inspections may include, without limitation, soil borings. Grantor agrees to pay to Beneficiary, upon Beneficiary's demand, all expenses, costs or other amounts incurred by Beneficiary in performing any inspection for the purposes set forth in this subparagraph (j). Beneficiary is under no duty, however, to visit or observe the Property or to conduct tests, and any such acts by Beneficiary shall be for the sole purpose of protecting Beneficiary's security and preserving Beneficiary's and Trustee's rights under the Related Documents (as defined in the Bonds). In no event shall any site visit, observation or testing by Beneficiary be a representation that Hazardous Substances are or are not present in, on, or under the Real Property or the Improvements, or that the construction of any of the Improvements is free from defective materials or workmanship, or that there has been or shall be compliance with any applicable governmental law. Neither Grantor nor any other party is entitled to rely on any site visit, observation or testing by Beneficiary.

3.14. Non-Agricultural Use.

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

3.15. Commercial Purposes.

The obligations and indebtedness evidenced by the Bonds were incurred primarily for commercial, investment or business purposes and not for personal, family or household purposes.



ARTICLE IV  
BOND TERMS

4.01. Satisfaction of Closing Conditions. The Bonds shall be authenticated, issued and delivered upon satisfaction of the Closing Conditions.

4.02. Disbursement of Bond Proceeds. The proceeds of the Bonds shall be delivered to the Fiscal Agent.

4.03. Bond Terms.

(a) *Details.* The Bonds shall be designated as "Skagit Valley College Foundation Student Housing Revenue Refunding Bonds, 2012"; shall be issued in fully registered form; shall be issued in Authorized Denominations within each maturity; shall be dated as of the date of their delivery; shall bear interest from their date, payable on Payment Dates at the following interest rates and shall mature in accordance with the Maturity Schedule.

(b) *Interest Accrual.*

(i) Each Bond shall bear interest from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from its date. The interest so payable on any Interest Payment Date will be paid by the Fiscal Agent to the persons shown as Owners on the Bond Register at the close of business on the Record Date for such Interest Payment Date, except as provided below. The interest payable on each Interest Payment Date for Bonds shall be that interest which has accrued through the last day preceding the Interest Payment Date.

Interest on the Bonds shall be computed on the basis of a year of 360 days and 12 months of 30 days each.

(c) *Disbursements of Principal and Interest.* The Bonds shall be issued in book-entry form, initially, and payments of principal and interest shall be paid by the Foundation on each Payment Date to the Fiscal Agent and disbursed to Owners in accordance with the terms of the Resolution.

4.04. Redemption Terms. The Bonds shall be subject to redemption prior to scheduled maturity in accordance with the Optional Redemption Provisions and the Mandatory Redemption Provisions. Notice of any redemption shall be given as provided in the Resolution.

4.05. Creation of Funds and Accounts. The following Funds and accounts are hereby created, to be held and maintained for the Bonds:



- (a) Revenue Fund;
- (b) Escrow Account, within the Bond Fund for the Bonds; and
- (c) Revenue Bond Fund, including a Debt Service Account and a Bond Reserve Account.

Each of the Funds and accounts created by this Deed of Trust, is hereby pledged to, and charged with, the payment of the principal or redemption price of and interest on the Bonds as the same shall become due.

4.06. Intentionally Left Blank.

4.07. Revenue Fund.

- (a) Deposits. The Foundation shall deposit in the Revenue Fund:
  - (i) all amounts received from the operation of the Financed Facilities;
  - (ii) all Pledged Revenue; and
  - (iii) all net earnings on investments of money in the Revenue Fund.

(b) Use of Money in the Revenue Fund. The money and investments in the Revenue Fund are irrevocably pledged and shall be used and transferred, as follows and in the following order of priority:

(i) To the Debt Service Account (A) on the 25th day of each month, from Net Revenue of the Financed Facilities and, if necessary, other Unrestricted Revenues, one-sixth of the amount required to pay interest on the Bonds on the next Interest Payment Date; and (B) on the twenty-fifth day of each month, from Net Revenues of the Financed Facilities and, if necessary, other Unrestricted Revenues, one-twelfth of the amount required to pay the principal of Bonds maturing on the next November 1; in each case taking into account on the 25th day of the month prior to the Interest Payment Date, other amounts on deposit in the Revenue Fund or the applicable account in Debt Service Account available for that purpose and (C) on the first day of the second month preceding any Payment Date, the principal amount of Bonds maturing on each Payment Date; and

(ii) To the Bond Reserve Account at any time, from Net Revenue of the Financed Facilities and, if necessary, other Unrestricted Revenues, the amount, if any, required to restore the balance in the Debt Service Reserve Account to the Reserve Requirement.



Any amounts remaining in the Revenue Fund after the transfers described in this Section 4.07 have been made shall be retained in the Revenue Fund until required for additional transfers pursuant to this Section 4.07.

Upon the occurrence and continuation of an Event of Default and acceleration of all Bonds, all money in the Revenue Fund shall be transferred to the Revenue Bond Fund, first to satisfy the requirements for the Debt Service Account.

4.08. Creation of Revenue Bond Fund.

(a) *Establishment.* The Foundation shall establish a special trust fund designated as the "Skagit Valley College Foundation Revenue Bond Fund," shall keep such Revenue Bond Fund separate and apart from all other accounts and moneys held by it, and shall administer such Revenue Bond Fund as provided in this Section.

(b) *Deposits into Debt Service Account.* The Foundation shall deposit the following sums into the Debt Service Account:

(i) On the Closing Date, all amounts derived from accrued interest required to be deposited therein, if any;

(ii) On or before each date described in Section 4.07(c)(i), the amount described therein;

(iii) On or before each date on which the Bonds are subject to redemption prior to maturity, the redemption price of the Bonds to be redeemed; and

(iv) Net proceeds received upon any foreclosure under the Deed of Trust after payment of the costs and expenses of the foreclosure, including reasonable attorneys' fees.

To the extent that such amounts are not on deposit at times and in amounts required by the foregoing paragraphs, the Foundation shall transfer the required amount(s) from time to time from the Bond Reserve Account on any date on which principal, premium or interest is due.

In addition, if amounts on hand in the Bond Reserve Account from time to time are in excess of the Bond Reserve Account Requirement, such excess amount(s) shall be transferred to the Revenue Bond Fund to offset deposits required to be made therein by the Foundation.

(c) *Following an Event of Default.* Following an Event of Default, the proceeds realized under the Deed of Trust (after deduction of the Trustee's fees, costs and



expenses, including reasonable attorneys' fees) also shall be deposited in the Revenue Bond Fund for the benefit of the Owners under the Granting Clauses of this Deed of Trust.

(d) *Remittances.* On or prior to each Payment Date, the Foundation shall remit to the Fiscal Agent the amount then due with respect to the principal of and/or interest on and redemption price of the Bonds then due.

4.09. Bond Reserve Account.

(a) *Establishment.* The Foundation shall establish a special trust fund designated as the "Bond Reserve Account," shall keep such Bond Reserve Account separate and apart from all other accounts and moneys held by it, and shall administer such Bond Reserve Account as provided in this Section.

(b) *Deposits.* There shall be deposited in the Bond Reserve Account an amount equal to the Reserve Requirement on the Closing Date. The Bond Reserve Account shall be maintained at all times, except for permitted withdrawals (as set forth in subsection (c) hereof) in an amount equal to the Reserve Requirement.

The Foundation may supply a Qualified Credit Facility or from time to time a substitute Qualified Credit Facility for the Reserve Requirement at any time.

In the event that any Qualified Credit Facility will expire prior to the maturity date of the Bonds, the Fiscal Agent shall have the absolute duty and obligation, without further direction, to draw the full amount available to be drawn thereunder not later than the 30th day prior to the expiration thereof for deposit into the Bond Reserve Account, to the extent that on such date, the Bond Reserve Account contains less than the Reserve Requirement, determined after giving effect to any substitute Qualified Credit Facility theretofore provided to the Fiscal Agent in accordance with this Deed of Trust, without giving effect to such expiring Qualified Credit Facility.

Not later than the 60th day prior to the expiration of any Qualified Credit Facility, the Foundation shall provide the Fiscal Agent a substitute Qualified Credit Facility effective not later than the 15th day preceding the expiration of such Qualified Credit Facility or cash, in such amounts as, on such day shall cause the amount in the Bond Reserve Account, determined without regard to the expiring Qualified Credit Facility, to equal the Reserve Requirement.

In making the payments and credits to the Bond Reserve Account required by this subsection (b), to the extent that the Foundation has obtained a Qualified Credit Facility for specific amounts required pursuant to this section to be paid out of the Bond Reserve Account, such amounts so covered by Qualified Credit Facility and available thereunder shall be credited against the amounts required to be maintained in the Bond Reserve Account by this subsection (b).



In the event that Foundation elects to meet the requirements of this subsection (b) with respect to the Bond Reserve Account through the use of a Qualified Credit Facility, the Foundation may contract with the entity providing such Qualified Credit Facility that the Foundation's reimbursement obligation, if any, to such entity shall be made by the Foundation subject only to the prior lien thereon for the payments required hereunder to be made to Owners of Bonds.

(c) *Disbursements.* The moneys deposited in the Bond Reserve Account shall be applied solely for the benefit of the Owners of Bonds (subject to the permissive transfers to the Revenue Bond Fund pursuant to Section 4.07(b) above). Whenever there is an insufficient amount in the Revenue Bond Fund to pay the principal of, and interest on all Outstanding Bonds when due, the money in the Bond Reserve Account may be used to remedy such deficiency in the Revenue Bond Fund. Money in the Bond Reserve Account also may be withdrawn to retire, and to pay the interest due to such date of payment or redemption and premium, if any, on any Outstanding Bonds, so long as the moneys left remaining on deposit in the Bond Reserve Account are equal to the lesser of (i) the Reserve Requirement or (ii) the amount required to pay all Outstanding Bonds until the maturity or prior redemption thereof. The Foundation also may transfer out of the Bond Reserve Account any moneys required in order to prevent Bonds from becoming "arbitrage bonds" under the Code.

In the event a deficiency in the Revenue Bond Fund shall occur on any date on which principal, premium or interest is due, such deficiency shall be made up from the Bond Reserve Account by the withdrawal of cash therefrom for that purpose and by the sale or redemption of obligations held in the Bond Reserve Account, if necessary, in such amounts as will provide cash in the Bond Reserve Account sufficient to make up any such deficiency, and if a deficiency still exists on such date and after the withdrawal of cash, the Fiscal Agent shall then draw from any Qualified Credit Facility in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Credit Facility shall provide. Any deficiency created in the Bond Reserve Account by reason of any such withdrawal shall then be made up by the Foundation in six equal consecutive monthly installments commencing on the first day of the second month following the withdrawal.

4.10. Liens. Except as permitted under this Deed of Trust, the Foundation shall not create any lien upon the Funds, upon other moneys held pursuant to this Deed of Trust or upon the Unrestricted Revenues other than the lien hereby created.

4.11. Investment of Money and Valuation of Funds. All money held in any of the Funds solely in Permitted Investments which shall mature not later than the date when the amounts will foreseeably be needed for purposes set forth in this Deed of Trust, but not longer than three years following the date of investment.



4.12. Nature of Security. The Bonds are general obligations of the Foundation payable from Net Revenues and from all Unrestricted Revenues. Each and every covenant herein made, including all covenants made in the various sections of this Article IV, is predicated upon the condition that the Bonds shall not be an obligation of the College or the State Board for Community and Technical Colleges nor constitute a debt or pledge of the faith and credit of the State or the College, but shall be payable solely from the Net Revenues and the other moneys pledged therefor under this Deed of Trust. The Foundation does not have taxing power.

The Foundation shall execute and deliver the Deed of Trust and UCC Financing Statements related thereto and with respect to the Funds as the beneficiary on behalf of the Owners. The Foundation shall record the Deed of Trust in Skagit County and shall file UCC Financing Statements in Olympia, Washington and continuation statements as necessary to maintain the security interests granted therein.

The Foundation shall promptly cause to be paid, solely from the sources stated herein, the principal of and interest on every Bond issued under this Deed of Trust at the place, on the dates and in the manner provided herein and in the Bonds according to the true intent and meaning thereof.

4.13. Performance of Covenants of the Foundation; Representations. The Foundation shall faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Deed of Trust, in any and every Bond executed, authenticated and delivered hereunder, and in all proceedings pertaining thereto. The Foundation represents that it is duly authorized under the Constitution and laws of the State to issue the Bonds authorized hereby, to enter into this Deed of Trust and that the Bonds in the hands of the Owners thereof are and will be valid and binding obligations of the Foundation. The Foundation shall pay all Administrative Fees and Expenses upon receipt of invoices therefor. The Foundation shall also comply with all of its covenants, warranties and representations under the Deed of Trust.

4.14. Maintenance of Corporate Existence; Compliance With Laws. The Foundation shall at all times maintain its existence, and it shall comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body known to it to be applicable to this Deed of Trust.

4.15. Arbitrage Covenant. The Foundation covenants for the benefit of the Owners from time to time of the Bonds that it will not act so as to cause the proceeds of the Bonds, any moneys derived, directly or indirectly, from the use or investment thereof and any other moneys on deposit in any fund or account maintained in respect of the Bonds (whether such moneys were derived from the proceeds of the sale of the Bonds or from other sources) to be used in a manner which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code.



4.16. Transfer of Title. Within 60 days after the Foundation pays or causes to be paid to the Owners of all Bonds the principal and interest and redemption price, if any, to become due thereon, at the times and in the manner stipulated therein and in this Deed of Trust, the Foundation shall transfer title to the Financed Facilities to the College.

4.17. Rate Covenant. The Foundation shall operate the Project so as to generate Net Revenue during each Fiscal Year at least equal to 125% of annual debt service on all Bonds ("Rate Covenant"). If the Foundation is not then in compliance with the Rate Covenant, the certificate of the Foundation shall set forth the plan of remediation and a schedule for achieving compliance with the Rate Covenant.

The failure of the Foundation to maintain the Rate Covenant shall not constitute an Event of Default unless the Foundation has failed to meet the Rate Covenant for two consecutive fiscal years.

4.18. Designation under Section 265(b). The Bonds are hereby designated by the Foundation as "qualified tax-exempt obligations" under Section 265(b) of the Code for investment by financial institutions. The Foundation does not anticipate the issuance of more than \$10,000,000 in tax-exempt obligations during 2012.

4.19 Bonds Deemed to Be No Longer Outstanding. In the event that the Foundation, in order to effect the payment, retirement or redemption of any Bond, sets aside in the Debt Service Account or in another special account, held in trust by the Trustee, cash or noncallable Government Obligations, or any combination of cash and/or noncallable Government Obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Debt Service Account for the payment of the principal of and interest on such Bond. The Owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of this Deed of Trust or the Bond Resolution except the right to receive payment of principal, premium, if any, and interest from such special account, and such Bond shall be deemed to be not Outstanding.

The Fiscal Agent shall give written notice of defeasance to the owners of all Bonds so provided for within 10 days of the closing date and to the MSRB in accordance with Section 4.20.

4.20. Undertaking to Provide Ongoing Disclosure.

(a) Contract/Undertaking. This section constitutes the Foundation's written undertaking for the benefit of the owners of the Bonds as required by Section (b)(5) of the Rule.



(b) *Financial Statements/Operating Data.* The Foundation agrees to provide or cause to be provided to the Municipal Securities Rulemaking Board (“MSRB”), the following annual financial information and operating data for the prior fiscal year (commencing in 2013 for the fiscal year ended June 30, 2012): Annual financial statements, which statements may or may not be audited, showing ending fund balances for the Foundation prepared in accordance with generally accepted accounting principles (“GAAP”) and generally of the type included in the Official Statement for the Bonds under the heading “Campus View Village Net Revenues Available for Debt Service and Debt Service Coverage.”

Each of the above items shall be required only to the extent that such information is not included in the annual financial statements of the Foundation. However, the Foundation reserves the right to change the format of such annual information to reflect any changes in reporting formats or accounting policies which may be required due to changes in GAAP.

Such annual information and operating data described above shall be so provided on or before the expiration of nine months after the end of the Foundation’s fiscal year. The Foundation may adjust such date if the Foundation changes its fiscal year by providing written notice of the change of fiscal year and the new reporting date to the MSRB. In lieu of providing such annual financial information and operating data, the Foundation may cross-reference to other documents available to the public on the MSRB’s internet website and, if such document is a final official statement within the meaning of the Rule, available from the MSRB or filed with the Securities and Exchange Commission.

If not provided as part of the annual financial information discussed above, the Foundation will provide its audited annual financial statements prepared in accordance with regulations GAAP when and if available to the MSRB.

(c) *Material Events.* The Foundation agrees to provide notice of the following material events not in excess of ten business days after the occurrence of the event:

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;



- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- Modifications to the rights of Bondholders, if material;
- Bond calls, if material, and tender offers;
- Defeasances;
- Release, substitution, or sale of property securing repayment of the Bonds, if material;
- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the Foundation;
- The consummation of a merger, consolidation, or acquisition involving the Foundation or the sale of all or substantially all of the assets of the Foundation, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(d) *Notification Upon Failure to Provide Financial Data.* The Foundation agrees to provide or cause to be provided, in a timely manner to the MSRB, notice of its failure to provide the annual financial information described in subsection (b) above on or prior to the date set forth in subsection (b) above.

(e) *EMMA; Format for Filings with the MSRB.* Until otherwise designated by the MSRB or the SEC, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at [www.emma.msrb.org](http://www.emma.msrb.org) (which is not incorporated into this Official Statement by reference). All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

(f) *Termination/Modification.* The Foundation's obligations to provide annual financial information and notices of material events shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. This section, or any



provision hereof, shall be null and void if the Foundation (1) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this section, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (2) notifies the MSRB, of such opinion and the cancellation of this section. Notwithstanding any other provision of this resolution, the Foundation may amend this Section 4.20 and any provision of this Section 4.20 may be waived with an approving opinion of nationally recognized bond counsel.

In the event of any amendment of or waiver of a provision of this Section 4.20, the Foundation shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Foundation. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (I) notice of such change shall be given in the same manner as for a material event under Subsection (c), and (II) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if practical, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(g) *Bond Owner's Remedies Under This Section.* A Bond owner's right to enforce the provisions of this section shall be limited to a right to obtain specific enforcement of the Foundation's obligations hereunder, and any failure by the Foundation to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds under this resolution. For purposes of this section, "beneficial owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding the Bonds through nominees or depositories.

(h) *No Default.* The Foundation is not and has not been in default in the performance of its obligations of any prior undertaking for ongoing disclosure with respect to its obligations.

#### 4.21. Form of Bonds.

The Bonds shall be in substantially the following form with necessary or appropriate variations, omissions and insertions, as permitted or required by this Deed of Trust:



R-\_\_\_\_\_

\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF WASHINGTON  
SKAGIT VALLEY COLLEGE FOUNDATION  
STUDENT HOUSING REVENUE REFUNDING BOND, 2012

INTEREST RATE: \_\_\_\_\_ MATURITY DATE: \_\_\_\_\_ CUSIP NO: \_\_\_\_\_

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

The Skagit Valley College Foundation, a Washington nonprofit corporation (the "Foundation"), for value received, hereby promises to pay (but only out of the Net Revenues and Unrestricted Revenue pledged therefor as hereinafter mentioned) to the Registered Owner identified above, or registered assigns, on the Maturity Date, the Principal Amount identified above in lawful money of the United States of America; and to pay interest at the Interest Rate on the Principal Amount hereof in like lawful money from the date hereof until payment of such Principal Amount shall be discharged as provided in the Deed of Trust (hereinafter defined) payable on the first day of each May and November (each an "Interest Payment Date") commencing May 1, 2013. Interest on the bonds shall be computed on the basis of a year of 360 days, consisting of twelve 30-day months. Both interest and principal shall be paid in accordance with the operational arrangements of The Depository Trust Company for as long as this Bond is held in book-entry form by the fiscal agent of the State of Washington in New York, New York (the "Fiscal Agent").

This Bond is one of a duly authorized issue of bonds of the Foundation designated as the "Skagit Valley College Foundation Student Housing Revenue Refunding Bonds, 2012" (the "Bonds"), issued in the aggregate principal amount of \$1,640,000 pursuant to a resolution adopted by the Board of Governors of the Foundation on September 19, 2012 (the "Resolution"). The Bonds are issued for the purpose of refunding outstanding bonds of the Foundation. Capitalized terms used in this Bond have the meanings given such terms in the Deed of Trust.

The Foundation has designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code.

The Net Revenues and all Unrestricted Revenues are pledged irrevocably to the payment of the Bonds of this issue, and this pledge constitutes a lien and charge upon such Net Revenues and Unrestricted Revenues prior and superior to any other lien or charge whatsoever. The Foundation has reserved the right to issue other obligations, the principal



of and interest on which are to be paid from the general revenues of the Foundation and to pledge any Net Revenues for their payment. The Bonds of this issue also are secured by a Deed of Trust on the Financed Facilities.

Reference is hereby made to the Deed of Trust and to the Resolution for a description of the rights thereunder of the Registered Owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Fiscal Agent and of the rights and obligations of the Foundation thereunder, to all the provisions of which Deed of Trust the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

This Bond shall not be entitled to any benefit under the Resolution or the Deed of Trust, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed or on behalf of the Foundation.

It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Deed of Trust and by the Constitution and laws of the State of Washington.

IN WITNESS WHEREOF, the Skagit Valley College Foundation has caused this Bond to be executed in its name and in its behalf by the manual or facsimile signature of the President of its Board of Governors and its seal to be impressed or reproduced hereon by facsimile and attested by the manual or facsimile signature of its Secretary as of this 6th day of December, 2012.

SKAGIT VALLEY COLLEGE  
FOUNDATION

By           /s/ facsimile or manual signature            
President, Board of Governors

(SEAL)

ATTEST:

          /s/ manual or facsimile signature            
Secretary, Board of Governors

[FORM OF CERTIFICATE OF AUTHENTICATION]

Each Bond shall be authenticated by or on behalf of the Registrar, and the certificate of authentication shall be in substantially the following form:



Date of Authentication: December 6, 2012

This is one of the Bonds described in the within-mentioned Deed of Trust, and is one of the Foundation's Student Housing Revenue Refunding Bonds, 2012.

WASHINGTON STATE FISCAL AGENCY,  
as Registrar

By \_\_\_\_\_  
Authorized Signer

4.22. Additional Bonds.

The Foundation may issue one or more series of bonds ("Additional Bonds") from time to time to finance the construction, installation, equipping, repair, renovation, alteration or betterment of new or existing facilities of the Foundation and the costs of issuing such Additional Bonds. Additional Bonds shall have a subordinate lien on the property granted under this Deed of Trust.

4.23. Refunding Bonds.

(a) One or more series of refunding bonds ("Refunding Bonds") may be issued at any time to refund Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other money available therefore, to accomplish such refunding and to make the deposits in the funds and accounts under this Deed of Trust required by the provisions of the proceedings authorizing such Refunding Bonds. For as long as the Bonds are outstanding, Refunding Bonds shall have a subordinate lien on the property granted under the Deed of Trust.

4.24. Additional Covenant. The Foundation will not pledge any of its unrestricted gifts or donations to the repayment of any future debt on parity with the Bonds.

Nothing in this Deed of Trust shall be deemed to limit or restrict the authority of the Grantor to incur unsecured indebtedness for operating purposes or to acquire property through contracts under which the Grantor grants the seller a purchase money security interest in the acquired property.



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

SKAGIT VALLEY COLLEGE  
FOUNDATION, a Washington nonprofit  
corporation

By *Kathryn A. Bennett*  
Kathryn A. Bennett  
President, Board of Governors

By *Megan Scott O'Bryan*  
Megan Scott O'Bryan  
Secretary, Board of Governors

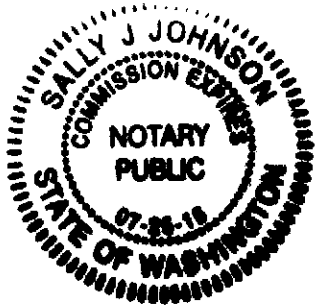


STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF SKAGIT )

On this 3rd day of December, 2012, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Kathryn A. Bennett and Megan Scott O'Bryan, to me known to be the President and Secretary, respectively, of the Board of Governors of SKAGIT VALLEY COLLEGE FOUNDATION, a Washington nonprofit corporation, the corporation that executed the within and foregoing instrument and acknowledged the said instrument to be the free and voluntary act and deed of them and the said corporation, for the uses and purposes therein mentioned, and on oath stated that they are authorized to execute the said instrument.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.

[SEAL]



Sally J. Johnson  
NOTARY PUBLIC in and for the State of  
Washington, residing at Mt. Vernon  
Printed Name Sally J. Johnson  
My commission expires 7-25-15



EXHIBIT A

LEGAL DESCRIPTION

The following real property situated in Skagit County, Washington and more particularly described as follows:

That portion of the Northwest 1/4 of the Northwest 1/4 of Section 16, Township 34 North, Range 4 East W.M., described as follows:

Beginning at the Southwest corner of said subdivision; thence North 165 feet; thence East to the East line of said subdivision; thence South 165 feet; thence West to the point of beginning; EXCEPT the following described tract:

The road right-of-way known as LaVenture Road along the West line thereof.



**APPENDIX 1**  
to  
**Deed of Trust**  
**Custodial Agency Agreement**  
(each, a “Document”)

Part I. **Definitions.** The following capitalized terms have the following meanings, when used in the above referenced Documents.

**Acquired Obligations** means the “Government Obligations,” as that term is now or hereafter defined in Chapter 39.53 RCW, or any successor statute thereto, now or hereafter acquired by the Foundation to effect the refunding of the 1998 Bonds.

**Authorized Denomination** means \$5,000 or any integral amount thereof within a maturity.

**Authorized Foundation Representative** means the President of the Board of Governors, the Secretary of the Board of Governors, the Executive Director and shall include any other officer appointed by the foregoing.

**Beneficial Owner** means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

**Board** means the governing body of the Foundation.

**Bond Counsel** means K&L Gates LLP or such other nationally recognized bond counsel firm designated by the Authorized Foundation Representative.

**Bond Default** means the failure to pay the principal of and/or interest on the Bonds when due.

**Bond Purchase Contract** means the purchase contract for the Bonds between the Underwriter and the Foundation.

**Bond Register** means the registration books maintained by the Bond Registrar for the purpose of complying with the registration requirements of the Code.

**Bond Reserve Account** means the Bond Reserve Account created and maintained pursuant to the Deed of Trust.

**Bonds** means Skagit Valley College Foundation (the “Foundation”) Student Housing Revenue Refunding Bonds, 2012 issued pursuant to the Resolution.

Appendix 1-1



201212050049  
Skagit County Auditor

**Business Day** means a day of the year which is not a Saturday or Sunday or a day on which banking institutions located in the State are required or authorized to remain closed or on which the Fiscal Agent or the New York Stock Exchange is closed.

**Closing Date** means the date on which the Bonds are delivered to the Underwriter upon receipt of the purchase price thereof.

**Closing Conditions** means:

- (a) the Fiscal Agent shall have received each of the following:
  - (1) An original executed or conformed copy of each document identified in the Custodial Agency Agreement;
  - (2) Evidence of recording the Deed of Trust;
  - (3) A lender's policy of title insurance, ALTA form 2006 with respect to the Property; and
  - (4) An opinion of Bond Counsel stating in the opinion of such Counsel that under existing law, the interest on the Bonds is exempt from federal income taxation, except under certain conditions to be more fully expressed in such opinion.
- (b) The Underwriter shall have received all of the items required under the Bond Purchase Contract.

**Code** means the Internal Revenue Code of 1986, as amended, and shall include all applicable regulations and rulings relating thereto.

**College** means Skagit Valley College, a community college of the State.

**Costs of Issuance** means administrative expenses, legal, accounting, financial and printing expenses, and all other expenses incurred in connection with the issuance and sale of Bonds, a portion of which is to be funded with the proceeds of the Bonds in an amount of \$28,000.

**Debt Service Account** means the account of that name created in the Revenue Bond Fund.

**Deed of Trust** means the Deed of Trust, Security Agreement, Assignment of Leases and rents and Fixture Filing, dated as of December 6, 2012, with respect to the Financed Facilities.

**DTC** means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds.

**Environmental Laws** shall mean any federal, state or local law, statute, ordinance, or regulation pertaining to health, industrial hygiene, or the environmental conditions on, under or about the Real Property, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), 42 U.S.C. Section 9601 et seq., as amended by the Superfund Amendments and Reauthorization Act of 1986 (PL 99-499), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Toxic Substance Control Act, 15 U.S.C. Section 2601, the Toxic Substance Control Act, 15 U.S.C. Section 2601, et seq., and the Resource Conservation and Recovery Act of 1976, as amended ("RCRA"), 42 U.S.C. Section 6901, et seq.

**Executive Director** means the duly appointed and acting Executive Director of the Foundation.

**Financed Facilities** means the student housing project and the other property defined with further particularity in the Deed of Trust.

**Fiscal Agency Agreement** means the Agreement of that name dated as of February 1, 2011, as amended to date, between and among the State Finance Committee of the State and The Bank of New York Mellon. Upon the appointment of any successor fiscal agent under Chapter 43.80 RCW, the term "Fiscal Agency Agreement" shall refer to the agreement between the State Finance Committee and the successor Fiscal Agent.

**Fiscal Agent or Bond Registrar or Beneficiary** means the fiscal agency of the State of Washington, currently The Bank of New York Mellon, pursuant to the Fiscal Agency Agreement. Upon any appointment of a successor fiscal agent by the State Finance Committee, such successor fiscal agent shall automatically succeed to the responsibilities of the Fiscal Agent.

**Foundation** means the Skagit Valley College Foundation, a Washington nonprofit corporation, qualified as a 501(c)(3) organization under the Code.

**Government Obligations** has the meaning given such term in Chapter 39.53 RCW, as amended from time to time.



**Gross Revenues** means all income, receipts and donations received by the Foundation, from any source whatsoever, including from the ownership or operation of the Financed Facilities, all lease payments, insurance and condemnation proceeds and proceeds resulting from foreclosure of the Deed of Trust and all Investment Earnings.

**Hazardous Substance** shall include without limitation:

(a) Those substances included within the definitions of "hazardous substances," "hazardous materials," "toxic substances," or "solid waste" in CERCLA, RCRA, the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., and the Toxic Substance Control Act, 15 U.S.C. Section 2601 et seq., and in the regulations promulgated pursuant to said laws;

(b) Those substances defined as "dangerous wastes," "hazardous wastes" or as "hazardous substances" under the Water Pollution Control Act, RCW 90.48.010 et seq., the Hazardous Waste Management Statute, RCW 70.105.010 et seq., the Washington Toxic Substance Control Act RCW 70.105B.010 et seq., the Washington Model Toxics Control Act, RCW 70.105D.010 et seq., and the Toxic Substance Control Act, 15 U.S.C. Section 2601 et seq., and in the regulations promulgated pursuant to said laws;

(c) Those substances listed in the United States Department of Transportation Table (49 C.F.R. 172.101 and amendments thereto) or by the Environmental Protection Agency (or any successor agency) as hazardous substances (40 C.F.R. Part 302 and amendments thereto);

(d) Storm water discharge regulated under any federal, state or local law, ordinance or regulation relating to storm water drains, including, but not limited to, Section 402(p) of the Clean Water Act, 33 U.S.C. Section 1342 and the regulations promulgated thereunder.

(e) Such other substances, materials and wastes which are or become regulated under applicable local, state or federal law, or the United States government, or which are classified as hazardous or toxic under federal, state or local laws or regulations; and

(f) Any material, waste or substance which is (A) petroleum, (B) asbestos, (C) polychlorinated biphenyls, (D) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. Section 1251, et seq. (33 U.S.C. Section 1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. Section 1317); (E) flammable explosives; or (F) radioactive materials.

**Improvements** means all fixtures now or hereafter affixed to such Land, including all buildings, structures and improvements of every kind and description now or hereafter erected or placed thereon, and any and all machinery, boilers, equipment (including, without



limitation, all equipment for the generation or distribution of air, water, heat, electricity, light, fuel or refrigeration or for ventilating or air-conditioning purposes or for sanitary or drainage purposes or for the removal of dust, refuse or garbage), partitions, appliances, furniture, furnishings, dishwashers, microwave ovens, cabinets, laundry equipment, ranges, refrigerators, radios, televisions, awnings, window shades, venetian blinds, drapes and drapery rods and brackets, screens, carpeting and other floor coverings, lobby furnishings, games and recreational equipment, incinerators, trash compactors and other property of every kind and description now or hereafter placed, attached, affixed or installed in such buildings, structures or improvements, and all replacements, repairs, additions, accessions or substitutions or proceeds thereto or therefor; all of such fixtures, whether now or hereafter placed thereon, being hereby declared to be real property.

**Insurance Proceeds** means the proceeds of insurance.

**Interest Payment Date** means each May 1 and November 1, commencing on May 1, 2013.

**Land** means the real property described on Exhibit A to the Deed of Trust.

**Letter of Representations** means the letter of representations from the Foundation to DTC.

**Mandatory Redemption Provisions**

The Bonds maturing on November 1, 2023 are subject to mandatory redemption at a price of par plus accrued interest to the date of redemption on November 1 of the following years in the following principal amounts:

<u>Redemption Years</u>	<u>Redemption Amounts</u>
2015	\$ 130,000
2016	135,000
2017	140,000
2018	145,000
2019	155,000
2020	160,000
2021	165,000
2022	170,000
2023*	180,000

\*Final Maturity.



**Maturity Schedule** means, with respect to the Bonds:

<b>Due</b>	<b>Principal</b>	<b>Interest Rate</b>	<b>Price</b>
November 1, 2013	\$ 130,000	1.25%	100%
November 1, 2014	130,000	1.50	100
November 1, 2023	1,380,000	4.10	100

**Minimum Authorized Denomination** means \$5,000.

**MSRB** means the Municipal Securities Rulemaking Board or any successor to its functions.

**Net Insurance Proceeds** means Insurance Proceeds (less the cost, if any, to Beneficiary of recovering and paying out such proceeds (including, without limitation, attorneys' fees and expenses, adjuster's fees, and fees incurred in Beneficiary's performance of its obligations hereunder)).

**Net Proceeds** means, when used with reference to the Bonds, the face amount of the Bonds, plus accrued interest and original issue premium, if any, and less original issue discount, if any.

**Net Revenues** or Pledged Revenues means Gross Revenues, less Operations and Maintenance Costs less Restricted Revenues.

**1998 Bonds** means the Foundation's Student Housing Revenue and Refunding Bonds, 1998, currently outstanding in the principal amount of \$1,720,000.

**Official Statement** means any official statement, offering circular, private placement memorandum or other disclosure document pursuant to which the Bonds are initially sold or remarketed.

**Operation and Maintenance Costs** means all necessary costs to the Foundation of operating and maintaining the Project, including but not limited to administrative and general expenses, costs of insurance (including reasonable contributions for self-insurance reserves, if any), consulting technical services and repairs and replacements (to the extent not properly classifiable as capital costs) and reasonable reserves therefor, but excluding depreciation (or reserves therefor), amortization of intangibles or other bookkeeping entries of a similar nature and debt service on the Bonds.

**Opinion of Counsel** means a written opinion of nationally recognized bond counsel selected by the Foundation and acceptable to the Trustee.



**Optional Redemption Provisions:** The Bonds are not subject to optional redemption prior to their stated maturities.

**Outstanding** means, in connection with the Bonds as of the time in question, all Bonds executed and delivered under the Deed of Trust, except:

- (a) Bonds theretofore canceled or required to be canceled under the Deed of Trust;
- (b) Bonds that have been defeased in accordance with Section 4.19 of the Deed of Trust; and
- (c) Bonds in substitution for which other Bonds have been executed and delivered pursuant to Article IV of the Deed of Trust.

**Owner or Bond Owner**, whenever used herein with respect to a Bond, means the person in whose name such Bond is registered on the Bond Register.

**Payment Date** means each date on which a payment of principal of and/or interest on the Bonds is due, whether by maturity, redemption or acceleration in advance of maturity.

**Permitted Investments** means, to the extent they are legal investments under applicable law, any of the following obligations or securities on which neither the Foundation nor any of its affiliates is the obligor:

- (a) Government Obligations, including obligations of any of the federal agencies set forth in clause (c) below to the extent unconditionally guaranteed by the United States of America;
- (b) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state or of any agency or instrumentality of any such local governmental unit
  - (i) which shall be rated at least "Aa" by Moody's Investors Service and at least "AA" by Standard & Poor's Ratings Service,
  - (ii) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions,



(iii) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) hereof which fund may be applied only to the payments of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (ii) of this clause (b), as appropriate,

(iv) as to which the principal of and interest on the bonds and obligations of the character described in clause (a) hereof which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (b) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (ii) of this clause (b), as appropriate, and

(v) which bonds, obligations and cash are held by a bank or trust company organized under any laws of any state of the United States of America or any national banking association, in a fiduciary payment;

(c) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; senior debt obligations of the Federal Home Loan Banks; debentures of the Federal Housing Administration; guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Association; guaranteed Title XI financing of the United States Maritime Administration; mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association; and participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation;

(d) direct and general obligations of the State of Washington the payment of the principal and interest on which the full faith and credit of the State is pledged, or any bonds or other obligations the payment of the principal and interest on which are unconditionally guaranteed by the State of Washington;

(e) certificates that evidence ownership of the right to payments of principal or interest on obligations described in clause (a), provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee;

(f) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances of any bank, which are rated not lower than the third highest rating category by Moody's Investors Service and Standard & Poor's Investors Service;



(g) commercial paper, other than that issued by bank holding companies, rated in the highest rating category by Moody's Investors Service and by Standard & Poor's Investors Service;

(h) repurchase agreements collateralized by any one or more of the securities described in clause (a) and (c) above, with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investors Service and "A-1" or "A-" or better by Standard & Poor's Ratings Service, provided:

(i) a master repurchase agreement or specific written, repurchase agreement governs the transaction; and

(ii) the securities are held free and clear of any lien by an independent third party, and such third party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million, and the Foundation shall have received written confirmation from such third party that it holds such securities, free of any lien; and

(iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee; and

(iv) the repurchase agreement has a term of 30 days or less; and

(v) the repurchase agreement matures at least 10 days (or other appropriate liquidation period) prior to an Interest Payment Date, and

(vi) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 100%; and

(i) taxable or nontaxable government money market portfolios or securities of or other interest in open-end or closed-end management-type investment companies or investment trusts registered under the federal investment company act of 1940, if such portfolios or investment companies or trusts are restricted to obligations with maturities of one year or less issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States of America and repurchase agreements fully collateralized by such obligations;

(j) A contract with an insurance company that provides for the return of the deposit made under the contract, plus interest, and which is issued by an insurance

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company whose claims paying ability is rated "AAA" by Standard & Poor's Ratings Service and/or "Aaa" by Moody's Investors Service; and

(k) A contract with a bank having capital, surplus and undivided profits or reserves of \$50,000,000 or more.

**Personal Property** means all of the property assigned or transferred or intended to be assigned or transferred to Beneficiary in paragraph B of the Deed of Trust.

**Pledged Revenues** means Gross Revenues, less Operation and Maintenance Costs and less Restricted Revenues.

**Private Person** means any natural person engaged in a trade or business or any trust, estate, partnership, association, company or corporation.

**Private Person Use** means the use of property in a trade or business by a private person if such use is other than as a member of the general public. Private Person Use includes ownership of the property by the private person as well as other arrangements that transfer to the private person the actual or beneficial use of the property (such as a lease, management or incentive payment contract or other special arrangement) in such a manner as to set the private person apart from the general public. Use of property as a member of the general public includes attendance by the private person at municipal meetings or business rental of property to the private person on a day-to-day basis if the rental paid by such private person is the same as the rental paid by any private person who desires to rent the property. Use of property by nonprofit community groups or community recreational groups is not treated as Private Person Use if such use is incidental to the governmental uses of property, the property is made available for such use by all such community groups on an equal basis and such community groups are charged only a de minimis fee to cover custodial expense.

**Projects** means the acquisition and construction of five four-unit student housing projects and two eight-unit housing projects located at 2410 Sigmar Lane in Mount Vernon, Skagit County, Washington for use by students of Skagit Valley College, and known as Campus View Village financed by the original bonds.

**Property** means all of the Real Property and the Personal Property.

**Qualified Credit Facility** means (a) any irrevocable letter of credit issued by a bank, or (b) any other irrevocable instrument issued by a financial institution serving the same purpose which letter of credit or other instrument and which bank or other financial institution meets the following requirements: (i) such bank or other financial institution shall have a long term credit rating on its senior unsecured debt in one of the three highest rating categories of any rating agency, and the obligations of such bank or other financial



institution under such letter of credit or other instrument shall rank on a parity with the senior unsecured debt of such bank or institution, and (ii) such letter of credit or other instrument is issued in the name of the Fiscal Agent, permits successive transfers to any successor trustees hereunder, has a term of least one year, permits either multiple drawings thereunder in an aggregate amount of not less than the stated amount thereof or a single drawing in the full stated amount thereof (regardless of whether such amount exceeds the amount of funds then required by the Fiscal Agent to make payments hereunder) on demand of the Fiscal Agent on any date on which a payment in respect of the Bonds is required be made hereunder in the face amount of such drawing and without the payment of fees, penalties, breakage costs or other charges to the Fiscal Agent, directs a full drawing of all amounts remaining available thereunder within not less than 60 days prior to the expiration thereof if such letter of credit or instrument expires earlier than the 15th day following the maturity date of the Bonds and the Fiscal Agent has not received a replacement Qualified Credit Facility or substitute cash for deposit into the Bond Reserve Account in a manner satisfying the conditions for such substitution set forth in Section 4.09 of the Deed of Trust, and otherwise having administrative and procedural provisions and in form satisfactory to the Fiscal Agent. Notwithstanding the preceding sentence, any Qualified Credit Facility may be furnished only at the direction of the Foundation.

**Rate Covenant** has the meaning given such term in Section 4.17 of the Deed of Trust.

**Real Property** means all of the property conveyed or intended to be conveyed to Trustee in Paragraph A of the Deed of Trust.

**Record Date** means the 15th day of the month immediately preceding each Interest Payment Date.

**Registered Owner** means the person named as the registered owner of a Bond in the Bond Register.

**Request for Payment** Grantor's written request for payment.

**Reserve Requirement** means the least of (i) 10% of the principal amount of each series of Bonds; (ii) maximum annual debt service with respect to all Outstanding Bonds; or (iii) 125% of average annual debt service with respect to all Outstanding Bonds.

**Resolution** means a resolution adopted by the Board on September 19, 2012.

**Restoration** has the meaning given such term in Section 1.07 of the Deed of Trust.



**Restricted Revenues** means gifts or donations to the Foundation, the use and application of which has been restricted by the donor.

**Revenue Bond Fund** shall have the meaning given such term in the Deed of Trust.

**Revenue Fund** means the special fund of the Foundation, into which the Foundation shall deposit and maintain all Pledged Revenues.

**Revenues** means all amounts received by the Foundation or by the Trustee for the account of the Foundation pursuant or with respect to the Deed of Trust, including, without limiting the generality of the foregoing, payments to be made by the Foundation (including both timely and delinquent payments and any late charges, paid from any source), prepayments, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Deed of Trust, but not including any administrative fees and expenses.

**SEC** means the Securities and Exchange Commission.

**Underwriter** means Seattle-Northwest Securities Corporation, Seattle, Washington.

**Unrestricted Revenues** means Gross Revenues, other than gifts, the donor of which has not encumbered with restriction(s) as to use.

Part II. **Rules of Construction.** The following rules of construction shall be applied to each Document.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of the respective agreement.

(d) In any agreement, the words "hereof," "herein," "hereto," "hereby" and "hereunder" (except in the form of Bond) refer to the entire Agreement.

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(e) Every "request," "order," "demand," "application," "appointment," "notice," "statement," "certificate," "consent," "direction" or similar action hereunder by the Foundation shall, unless the form thereof is specifically provided, be in writing signed by the Authorized Foundation Representative.

Part III. **Miscellaneous Provisions.** The following provisions shall be applicable to each Document.

(a) *No Personal Recourse.* No recourse shall be had for any claim based on any Document or the Bonds, including but not limited to the payment of the principal or redemption price of, or interest on, the Agency Rent represented by Bonds, against any officer, agent or employee, past, present or future, of the Foundation, the State Treasurer, the Fiscal Agent, the Custodial Agent or the Trustee or of any successor body, as such, either directly or through any of the foregoing or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or by any legal or equitable proceeding or otherwise.

(b) *Notices.* Any notice to or demand upon Foundation, the Fiscal Agent or the Custodial Agent shall be deemed to have been sufficiently given or served for all purposes by being sent by registered mail, by telegram or by telephone or telefax confirmed in writing, and addressed to the parties, respectively, or at such other address as may be filed in writing by such parties to the others as follows:

Address of the Custodial Agent and the Fiscal Agent: The Bank of New York Mellon  
101 Barclay Street, 7 West  
New York, NY 10286  
Attention: Bond Trustee Services  
Telephone: (212) 815-5085  
Telefax: (212) 815-5595

Address of the Foundation: Skagit Valley College Foundation  
2405 E. College Way  
Mount Vernon, WA 98273  
Attention: Executive Director  
Telephone: (360) 416-7717  
Telefax: (360) 416-7773

With a copy to: Skagit Valley College  
2405 E. College Way  
Mount Vernon, WA 98273  
Attention: President  
Telephone: (360) 416-7995  
Telefax: (360) 416-7773

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All notices shall be deemed effective upon receipt, refusal of delivery or attempted delivery.

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

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

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

(c) *Waiver of Notice.* Except as otherwise provided herein, whenever in this Document the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

(d) *Successors and Assigns.* All the covenants, promises and agreements in this Deed of Trust contained by or on behalf of the Foundation, the Fiscal Agent or the Custodial Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

(e) *Headings for Convenience Only.* The descriptive headings in this Document are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

(f) *Counterparts.* This Document may be executed in any number of counterparts, each of which when so executed and delivered shall be an original; but such counterparts shall together constitute but one and the same instrument.

(g) *Applicable Law.* Venue for any action brought under this Document shall be had in any Superior Court of Skagit County or the county in which the Land is situated, and the Parties do hereby stipulate to such jurisdiction and venue. This Document and the rights of the parties hereto shall be governed and construed in accordance with the laws of the State. Time is of the essence in the performance of the obligations under this Document.



(h) *Payments Due on Non-Business Days.* In any case where the date of maturity of interest on or principal of the Agency Rent represented by the Bonds or the date fixed for redemption of any or all of the Agency Rent represented by the Bonds shall not be a Business Day, then payment of interest or principal or redemption price need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest on such payment shall accrue for the period after such date.

(i) *Partial Invalidity.* If any term, covenant or condition of any Document or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of such Document, or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of the Documents shall be valid and be enforced to the fullest extent permitted by law.

Part IV. **Supplemental Agreements.**

(a) *Amendments and Supplements Without Registered Owners' Consent.* Each Document may be amended or supplemented at any time and from time to time by a Supplemental Agreement, signed by the Parties thereto without notice to or the consent of the Registered Owners upon receipt by the Parties thereto and the Treasurer Representative of an opinion from Bond Counsel to the effect that (i) the terms of the Supplemental Agreement are not materially adverse to the interests of Registered Owners of the Bonds; and that such Supplemental Agreement shall not impair the tax-exempt status of the Bonds (if the Bonds have been designated initially as tax-exempt under federal tax law).

(b) *Amendments with Registered Owners' Consent.* In addition to the authority granted under (b), the Documents may be amended from time to time by a Supplemental Agreement approved by the Registered Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding; provided, that no amendment shall be made which affects the rights of some but fewer than all the Outstanding Bonds without the consent of the Registered Owners of Bonds so affected.

(c) *Fiscal Agent and Custodial Agent Authorized to Join in Amendments and Supplements; Reliance on Counsel.* The Fiscal Agent and Custodial Agent are each authorized to join with the Parties in the execution and delivery of any Supplemental Agreement as permitted by this Part and in so doing shall be fully protected by an opinion of counsel that such Supplemental Agreement or amendment is so permitted.



(d) *Effect of Supplement or Amendment.* Upon the execution and delivery of any Supplemental Agreement, the respective Document shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under such Document of the Parties with respect thereto and all Registered Owners shall thereafter be determined, exercised and enforced under such Document subject in all respects to such Supplemental Agreement.

