

After Filing Return To:

HAHN & HESSEN LLP
488 Madison Avenue
New York, New York 10022
Attention: Melanie J. Fox, Esq.



201311150034

Skagit County Auditor

\$326.00

11/15/2013 Page

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38 10:22AM

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

Grantor: Washington Alder, LLC

CHICAGO TITLE
620019913

Grantees:

1. Ally Commercial Finance LLC, as Agent (Beneficiary)
2. Chicago Title Company of Washington (Trustee)

Abbreviated Legal Description (lot, block and plat name, or section-township-range):

PTN LOT 3 SKAGIT COUNTY SHORT PLAT NO. 7-89

Additional legal description is on Exhibit A (page 38) of document

Assessor's Property Tax Parcel Account Number: P21284 / 340309-2-005-0009

Reference Numbers of Documents Assigned or Released (if applicable): 9805150005
(Memorandum of Lease)

**LEASEHOLD DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS,
SECURITY AGREEMENT AND FIXTURE FILING**
(Collateral is or may include Fixtures)

This instrument secures an obligation that may increase and decrease from time to time.

Dated as of: **November 15, 2013**

FROM

WASHINGTON ALDER, LLC

the Grantor,

TO

CHICAGO TITLE COMPANY OF WASHINGTON,

the Trustee,

for the benefit of

ALLY COMMERCIAL FINANCE LLC, as Agent

the Beneficiary,

Premises located at: **13421 Farm To Market Road, Mount Vernon,
Skagit County, Washington**

This instrument was prepared by, and after recording, please return by mail to:

HAHN & HESSEN LLP
488 Madison Avenue
New York, New York 10022
Attention: Melanie J. Fox, Esq.



201311150034

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

THIS LEASEHOLD DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING (herein "**Deed of Trust**") is made as of this 15th day of November, 2013, by WASHINGTON ALDER, LLC, a Washington limited liability company, having an office at c/o American Industrial Partners, 535 Fifth Avenue, 32nd Floor, New York, NY 10017, as grantor (the "**Grantor**"), to Chicago Title Company of Washington, having an address at 701 Fifth Avenue, 23rd Floor, Seattle, Washington 98104, as trustee ("**Trustee**"), for the benefit of ALLY COMMERCIAL FINANCE LLC, a Delaware limited liability company ("**ALLY**"), as Agent for itself and the other Secured Parties (as defined in the Loan Agreement referred to below), whose address is 1185 Avenue of the Americas, 2nd Floor, New York, New York 10036, as beneficiary (together with its successors, assigns and transferees, the "**Agent**").

WHEREAS, Grantor, Northwest Hardwoods, Inc., Potomac Supply, LLC, Inter-Continental Hardwoods, LLC, each as a Borrower (collectively, the "**Borrowers**"), the Guarantor(s) party thereto, Agent and the financial institution(s) listed on the signature pages of the Loan Agreement (as hereinafter defined) together with their respective successors and assigns (collectively, the "**Lenders**") are parties to that certain Loan and Security Agreement dated as of August 1, 2011 (as the same has been, and/or may be hereinafter, amended, modified, restated, replaced, or supplemented from time to time, the "**Loan Agreement**"), providing, inter alia, that the Lenders have agreed to make the following revolving and term loans (collectively, the "**Loan**") in the aggregate original maximum principal amount of up to One Hundred Million and 00/100 Dollars (\$100,000,000.00) comprised of (i) certain revolving loans and other extensions of credit in the aggregate original maximum principal amount of Ninety Million and 00/100 Dollars (\$90,000,000.00), (ii) a term loan in the aggregate original maximum principal amount of up to Ten Million and 00/100 Dollars (\$10,000,000.00), and (iii) the issuance of the Lender Letters of Credit in connection therewith in the amount set forth therein. All capitalized terms used but not otherwise defined herein shall have the meanings provided therefor in the Loan Agreement.

NOW, THEREFORE, in consideration of the Loan and to secure (a) the repayment of the Loans and the other Obligations evidenced by the Loan Agreement and the Other Loan Documents (as hereinafter defined) with interest thereon, and all renewals, extensions and modifications thereof; (b) the repayment of any future advances with interest thereon, made by Agent to Borrowers pursuant to Section 39 hereof (herein "**Future Advances**"); (c) Intentionally Omitted; (d) the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Deed of Trust ("**Other Sums**" and together with the Loan and Future Advances, indebtedness and Obligations, collectively referred to herein as the "**Debt**"); and (e) the performance of the covenants and agreements of Borrowers or any Guarantor herein contained, or contained in the Loan Agreement, and all other instruments and documents evidencing, securing or governing the terms of the



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indebtedness, Grantor does hereby mortgage, grant, convey and assign to Trustee, its successors, assigns and transferees, in trust, with power of sale and with right of entry and possession as provided herein, for the benefit of Beneficiary, all of its right, title, and interest in and to that certain unrecorded Washington Alder Ground Lease, executed December 17, 1997, by and between Dahlstedt Family Properties, L.L.C, as Landlord ("**Landlord**"), and Grantor, as Tenant (together with any and all current or future modifications, extensions or new leases by and between Landlord and Grantor, the "**Underlying Lease**"), as evidenced by a certain Memorandum of Lease, dated May 11, 1998, by and between Landlord and Grantor, recorded May 15, 1998 in the records of Skagit County, Washington as Auditor's No. 9805150005, and all of its right, title and interest, pursuant to the Underlying Lease, in and to that certain property located in Skagit County, State of Washington, as such property is more particularly described on Exhibit A attached hereto and incorporated herein by reference for all purposes (collectively, the "**Real Property**" and together with Grantor's right, title and interest to the following property, rights, interests and estates being hereinafter described are collectively referred to herein as the "**Property**"):

(a) all buildings, improvements, and tenements now or hereafter erected on the aforesaid property, and all heretofore or hereafter vacated alleys and streets abutting the aforesaid property, and all easements, rights, appurtenances, rents (subject however to the assignment of rents to Agent herein), royalties, mineral, oil and gas rights and profits, water, water rights, and water stock appurtenant to the aforesaid property, and all fixtures, machinery, equipment, engines, boilers, incinerators, building materials, appliances and personal property and goods of every nature whatsoever now or hereafter located in, or on, or used, or intended to be used in connection with the aforesaid property, including, but not limited to, those for the purposes of supplying or distributing heating, cooling, electricity, gas, water, air and light; and all elevators, and related machinery and equipment, fire prevention and extinguishing apparatus, security and access control apparatus, plumbing, bath tubs, water heaters, water closets, sinks, ranges, stoves, refrigerators, dishwashers, disposals, washers, dryers, awnings, storm windows, storm doors, screens, blinds, shades, curtains and curtain rods, mirrors, cabinets, paneling, rugs, attached floor coverings, furniture, pictures, antennas, trees and plants, tax refunds, trade names, licenses, permits, Grantor's rights to insurance proceeds, unearned insurance premiums and choses in action; all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the real property covered by this Deed of Trust; and all of the foregoing;

(b) all right, title and interest in, to and under any and all leases now or hereinafter in existence (as amended or supplemented from time to time) and covering space in or applicable to the Property (hereinafter referred to collectively as the "**Leases**" and singularly as a "**Lease**"), together with all rents, earnings, income, profits, benefits and advantages arising from the Property (collectively, the "**Rents**") and from said Leases and all other sums due or to become due under and pursuant thereto, and together with any and all guarantees, letter of credit rights, and other supporting obligations of or under any of said Leases, and together with all rights, powers, privileges, options and other benefits of Grantor as lessor under the Leases, including, without limitation, the immediate and continuing right to receive and collect all rents, income, revenues, issues, profits,



condemnation awards, insurance proceeds, moneys and security payable or receivable under the Leases or pursuant to any of the provisions thereof, whether as rent or otherwise, the right to accept or reject any offer made by any tenant pursuant to its Lease to purchase the Property and any other property subject to the Lease as therein provided and to perform all other necessary or appropriate acts with respect to such Leases as agent and attorney-in-fact for Grantor, and the right to make all waivers and agreements, to give and receive all notices, consents and releases, to take such action upon the happening of a default under any Lease, including the commencement, conduct and consummation of proceedings at law or in equity as shall be permitted under any provision of any Lease or by any law, and to do any and all other things whatsoever which the Grantor is or may become entitled to do under any such Lease together with all accounts, general intangibles, payment intangibles, contract rights, franchises, interests, estates or other claims, both at law and in equity, relating to the Property, to the extent not included in rent, earnings and income under any of the Leases;

(c) with all right, title and interest in, to and under any and all investment property and other financial assets and any and all reserve, deposit or escrow accounts (the "Accounts") made pursuant to this Deed of Trust or any Other Loan Document, together with all income, profits, benefits and advantages arising therefrom, and together with all rights, powers, privileges, options and other benefits of Grantor under the Accounts or such investment property or other financial assets, and together with the right to do any and all other things whatsoever which the Grantor is or may become entitled to do under the Accounts or with respect to such investment property or other financial assets;

(d) all agreements, contracts, certificates, guaranties, supporting obligations, warranties, instruments, franchises, permits, licenses, plans, specifications and other records and documents, now or hereafter entered into, and all rights therein and thereto, pertaining to the use, occupancy, construction, management or operation of the Property and any part thereof and any improvements or respecting any business or activity conducted on the Property and any part thereof and all right, title and interest of Grantor therein, including the right to receive and collect any sums payable to Grantor thereunder and all deposits or other security or advance payments made by Grantor with respect to any of the services related to the Property or the operation thereof;

(e) all tradenames, trademarks, servicemarks, logos, copyrights, goodwill, books and records and all other general intangibles relating to or used by Grantor;

(f) all now existing and hereafter acquired or arising Accounts, Goods, Health Care Insurance Receivables, General Intangibles, Payment Intangibles, Deposit Accounts, Chattel Paper (including, without limitation, Electronic Chattel Paper), Documents, Instruments, Software, Investment Property, Letters of Credit, Letter of Credit Rights, advices of credit, money, Commercial Tort Claims, Equipment, and Inventory, Fixtures, and Supporting Obligations, together with all products of and Accessions to any of the foregoing and all Proceeds of any of the foregoing, and to the extent, if any, not included in the foregoing, each and every other item of personal property and fixtures, whether now



existing or hereafter arising or acquired, including, without limitation, all licenses, contracts and agreements, and all collateral for the payment or performance of any contract or agreement, together with all products and Proceeds (including all insurance policies and proceeds) of any Accessions to any of the foregoing (each capitalized term used in this clause (f) shall have the meaning given to it by the Uniform Commercial Code (as hereinafter defined));

(g) all present and future business records and information, including computer tapes and other storage media containing the same and computer programs and software (including without limitation, source code, object code and related manuals and documentation and all licenses to use such software) for accessing and manipulating such information; and

(h) any and all proceeds resulting or arising from the foregoing (collectively, the "Proceeds").

TO HAVE AND TO HOLD the above granted and described Property unto and to the use and benefit of Trustee and its successors and assigns, forever;

AND Grantor represents and warrants to and covenants and agrees with Agent and Trustee as follows:

1. TITLE TO PROPERTY. Grantor covenants that Grantor is lawfully seized of the estate hereby conveyed and has the right to mortgage, grant, convey and assign the Property, and that Grantor will warrant and defend generally the title to the Property against all claims and demands, subject to any easements and restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Agent's interest in the Property, provided that Grantor hereby represents and warrants to and for the benefit of Agent that such listed easements and restrictions do not materially and adversely affect the use of the Property for the use currently being made thereof.

2. PAYMENT OF PRINCIPAL AND INTEREST. Grantor shall promptly pay when due the interest on the indebtedness as described by the Loan Agreement, any prepayment and late charges provided in the Loan Agreement and all other sums secured by this Deed of Trust.

3. FUNDS FOR TAXES, INSURANCE AND OTHER CHARGES. Subject to applicable law, after the occurrence and during the continuance of an Event of Default, Grantor shall pay to Agent on the first (1st) day of each calendar month (or on another day designated in writing by Agent), until the Loan is paid in full, a sum (herein "**Funds**") equal to one-twelfth of (a) the yearly taxes and assessments which may be levied on the Property (herein, the "**Property Taxes**"), and (b) the yearly premium installments for fire and other hazard insurance, rent loss insurance and such other insurance covering the Property as Agent may require pursuant to Section 6 hereof (collectively, the "**Insurance Premiums**"), all as reasonably estimated initially and from time to time by Agent on the basis of

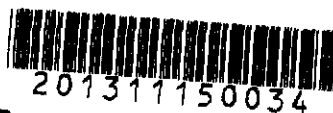


assessments and bills and reasonable estimates thereof. Upon demand by Agent, Grantor shall deliver to Agent such additional monies as are required to make up any deficiencies in the amounts necessary to enable Agent to pay the Property Taxes and Insurance Premiums. Any waiver by Agent of a requirement that Grantor pay such Funds may be revoked by Agent, in Agent's sole discretion, at any time upon notice in writing to Grantor. Agent may require Grantor to pay to Agent, in advance, such other Funds for other taxes, charges, premiums, assessments and impositions, including but not limited to a tax service fee, in connection with Grantor or the Property which Agent shall reasonably deem necessary to protect Agent's interests (herein "**Other Impositions**"). Unless otherwise provided by applicable law, Agent may require Funds for Other Impositions to be paid by Grantor in a lump sum or in periodic installments, at Agent's option.

The Funds shall be held in an institution(s) the deposits or accounts of which are insured or guaranteed by a federal or state agency (including Agent if Agent is such an institution). Agent shall apply the Funds to pay said rents, taxes, assessments, insurance premiums and Other Impositions so long as no Event of Default (as hereinafter defined) shall have occurred and be continuing. Agent shall make no charge for so holding and applying the Funds, analyzing said account or for verifying and compiling said assessments and bills, unless Agent pays Grantor interest, earnings or profits on the Funds and applicable law permits Agent to make such a charge. Grantor and Agent may agree in writing at the time of execution of this Deed of Trust that interest on the Funds shall be paid to Grantor, and unless such agreement is made or applicable law requires interest, earnings or profits to be paid, Agent shall not be required to pay Grantor any interest, earnings or profits on the Funds. Agent shall give to Grantor, without charge, an annual accounting of the Funds in Agent's normal format showing credits and debits to the Funds and the purpose for which each debit to the Funds was made. The Funds are pledged as additional security for the sums secured by this Deed of Trust.

If the amount of the Funds held by Agent at the time of the annual accounting thereof shall exceed the amount deemed necessary by Agent to provide for the payment of taxes, assessments, insurance premiums, rents and Other Impositions, as they fall due, such excess shall be credited to Grantor on the next monthly installment or installments of Funds due. If at any time the amount of the Funds held by Agent shall be less than the amount deemed necessary by Agent to pay taxes, assessments, insurance premiums, rents and Other Impositions, as they fall due, Grantor shall pay to Agent any amount necessary to make up the deficiency within thirty days after notice from Agent to Grantor requesting payment thereof.

Upon the occurrence of any Event of Default, Agent may apply, in any amount and in any order as Agent shall determine in Agent's sole discretion, any Funds held by Agent at the time of application (i) to pay rents, taxes, assessments, insurance premiums and Other Impositions which are now or will hereafter become due, or (ii) as a credit against sums secured by this Deed of Trust. Upon payment in full of all sums secured by this Deed of Trust, Agent shall promptly refund to Grantor any Funds held by Agent.



4. **APPLICATION OF PAYMENTS.** Unless applicable law provides otherwise, all payments received by Agent from Grantor under the Loan Agreement or this Deed of Trust shall be applied by Agent as provided in the Loan Agreement.

5. **CHARGES; LIENS.** Unless otherwise permitted by the terms of the Loan Agreement, Grantor shall pay all rents, taxes, assessments, premiums, and Other Impositions attributable to the Property at Agent's option in the manner provided under Section 3 hereof or, if not paid in such manner, by Grantor making payment, when due, directly to the payee thereof, or in such other manner as Agent may designate in writing. Grantor shall promptly furnish to Agent all notices of amounts due under this Section 5, and in the event Grantor shall make payment directly, Grantor shall promptly furnish to Agent receipts evidencing such payments. Unless otherwise permitted by the terms of the Loan Agreement, Grantor shall promptly discharge any lien (other than Permitted Encumbrances), which has, or may have, priority over or equality with, the lien of this Deed of Trust, and Grantor shall pay, when due, the claims of all persons supplying labor or materials to or in connection with the Property. Without Agent's prior written permission, unless otherwise permitted by the Loan Agreement, Grantor shall not allow any lien (other than Permitted Encumbrances) inferior to this Deed of Trust to be perfected against the Property.

6. **HAZARD INSURANCE.** Grantor shall keep the improvements now existing or hereafter erected on the Property insured by carriers at all times satisfactory to Agent against loss by fire, hazards included within the term "extended coverage", rent loss and such other hazards, casualties, liabilities and contingencies as Agent shall require and in such amounts and for such periods as Agent shall require. Grantor shall purchase policies of insurance with respect to the Property with such insurers, in such amounts and covering such risks as shall be satisfactory to Agent, including, but not limited to, (i) personal injury and death; (ii) loss or damage by fire, lightning, hail, windstorm, explosion, hurricane (to the extent available), and such other hazards, casualties and contingencies as are normally and usually covered by extended coverage policies in effect where the Property is located and comprehensive general liability or commercial general liability insurance, including a broad form comprehensive general liability endorsement and coverage for broad form property damage, contractual damages, personal injuries (including death resulting therefrom) and a liquor liability endorsement if liquor is sold on the Property, containing minimum limits of liability of not less than \$1,000,000.00 for both injury to or death of a person and for property damage per occurrence and containing an "Ordinance or Law Coverage" or "Enforcement" endorsement if any of the improvements or the use of the Property shall at any time constitute legal nonconforming structures or uses; provided, that each policy shall provide by way of endorsement, rider or otherwise that no such insurance policy shall be cancelled, endorsed, altered, or reissued to effect a change in coverage unless such insurer shall have first given Agent thirty (30) days prior written notice thereof, such policy shall be on a replacement cost basis, with a waiver of depreciation, in an amount not less than that necessary to comply with any coinsurance percentage stipulated in the policy, but not less than one hundred percent (100%) of the insurable value (based upon replacement cost) of the Property and the deductible clause, if any, of the fire and extended coverage policy may



not exceed \$500,000.00; (iii) loss or damage by flood, if the Property is in an area designated by the Director of the Federal Emergency Management Agency as a zone having special flood hazards, described in 12 C.F.R. § 22.2, pursuant to the terms of the National Flood Insurance Act of 1968, or the Flood Disaster Protection Act of 1973, as same may have been amended to date, in an amount equal to \$5,000,000.00, subject to a \$250,000 deductible or the maximum amount available under said Act, and regulations issued pursuant thereto, as amended from time to time, whichever is less, in form complying with the "insurance purchase requirement" of that Act; and (iv) such other insurance and endorsements, if any, as Agent may require from time to time, or which is required by the Other Loan Documents, as hereinafter defined in Section 55 below. In addition, at least \$3,000,000.00 excess and/or umbrella liability insurance shall be obtained and maintained for any and all claims, including all legal liability imposed upon Grantor and all court costs and attorneys' fees incurred in connection with the ownership, operation and maintenance of the Property. Grantor shall cause all insurance (except general public liability insurance) carried in accordance with this Section 6 to be payable to Agent as a mortgagee and not as a coinsured, and, in the case of all policies of insurance carried by each lessee for the benefit of Grantor, if any, to cause all such policies to be payable to Agent as Agent's interest may appear. All premiums on insurance policies shall be paid, in the manner provided under Section 3 hereof, or in such other manner as Agent may designate in writing.

All insurance policies and renewals thereof shall be in a form acceptable to Agent and shall include a standard mortgagee clause in favor of and in form acceptable to Agent. Agent shall have the right to hold the policies, and Grantor shall promptly furnish to Agent all renewal notices and all receipts of paid premiums. At least five (5) days prior to the expiration date of a policy, Grantor shall deliver to Agent certificates of insurance evidencing a renewal policy in form satisfactory to Agent. If this Deed of Trust is on a leasehold, Grantor shall furnish Agent a duplicate of all policies, renewal notices, renewal policies and receipts of paid premiums if, by virtue of the ground lease, the originals thereof may not be supplied by Grantor to Agent.

In the event of any loss, Grantor shall give immediate written notice to the insurance carrier and to Agent. In the event of a loss that does not exceed \$150,000.00, Grantor may settle and adjust any such claim without the consent of Agent and agree with the insurance company or companies on the amount to be paid upon the loss; provided that such adjustment is carried out in a competent and timely manner. In such case, Grantor is hereby authorized to collect any such insurance proceeds. Notwithstanding the foregoing, in the event that any loss equals or exceeds the lesser of \$150,000.00 or twenty-five percent (25%) of the original loan amount secured by this Deed of Trust, Grantor hereby authorizes and empowers Agent as attorney-in-fact for Grantor to make proof of loss, to adjust and compromise any claim under insurance policies, to appear in and prosecute any action arising from such insurance policies, to collect and receive insurance proceeds, and to deduct therefrom Agent's expenses incurred in the collection of such proceeds; provided however, that nothing contained in this Section 6 shall require Agent to incur any expense or take any action hereunder. Grantor further authorizes Agent, at Agent's option, (a) to hold the balance of such proceeds to be used to reimburse Grantor for the cost of



reconstruction or repair of the Property or (b) subject to the immediately following paragraph, to apply such proceeds to the payment of the sums secured by this Deed of Trust whether or not then due, in the order of application set forth in Section 4 hereof (subject, however, to the rights of the lessor under the ground lease if this Deed of Trust is on a leasehold).

Agent shall not exercise Agent's option to apply insurance proceeds to the payment of the sums secured by this Deed of Trust if all of the following conditions are met: (1) Grantor is not in breach or default of any covenant or agreement of this Deed of Trust, the Loan Agreement or any Other Loan Document; (2) Agent determines that there will be sufficient funds to restore and repair the Property to the Pre-existing Condition (as hereinafter defined); (3) intentionally deleted; (4) Agent determines that restoration and repair of the Property to the Pre-existing Condition will be completed within one (1) year of the date of the loss or casualty to the Property, but in no event later than six (6) months prior to the Maturity Date (as defined in the Loan Agreement); (5) intentionally deleted; (6) intentionally deleted; and (7) Agent is reasonably satisfied that the Property can be restored and repaired as nearly as possible to the condition it was in immediately prior to such casualty and in compliance with all applicable zoning, building and other laws and codes (the "**Pre-existing Condition**"). If Agent elects to make the insurance proceeds available for the restoration and repair of the Property, Grantor agrees that, if at any time during the restoration and repair, the cost of completing such restoration and repair, as determined by Agent, exceeds the undisbursed insurance proceeds, Grantor shall, immediately upon demand by Agent, deposit the amount of such excess with Agent, and Agent shall first disburse such deposit to pay for the costs of such restoration and repair on the same terms and conditions as the insurance proceeds are disbursed.

If the insurance proceeds are held by Agent to reimburse Grantor for the cost of restoration and repair of the Property, the Property shall be restored to the equivalent of its original condition or such other condition as Agent may approve in writing. Agent may, at Agent's option, condition disbursement of said proceeds on Agent's approval of such plans and specifications of an architect satisfactory to Agent, contractor's cost estimates, architect's certificates, waivers of liens, sworn statements of mechanics and materialmen and such other evidence of costs, percentage completion of construction, application of payments; and satisfaction of liens as Agent may reasonably require. If the insurance proceeds are applied to the payment of the sums secured by this Deed of Trust, any such application of proceeds to principal shall not extend or postpone the due dates of the monthly installments referred to in Section 2 and 3 hereof or change the amounts of such installments. If the Property is sold pursuant to Section 28 hereof or if Agent acquires title to the Property, Agent shall have all of the right, title and interest of Grantor in and to any insurance policies and unearned premiums thereon and in and to the proceeds resulting from any damage to the Property prior to such sale or acquisition.

Notwithstanding anything to the contrary contained herein or in any provision of applicable law, the proceeds of insurance policies coming into the possession of Agent shall not be deemed trust funds and Agent shall be entitled to dispose of such proceeds as



hereinafter provided. In the event of a foreclosure of the Property or transfer of the Property in lieu of foreclosure, or purchase or sale of the Property at a foreclosure, all of Grantor's interest in insurance policies then in force with respect to the Property shall inure to the benefit of and pass to the transferee or purchaser of the Property, as the case may be.

7. PRESERVATION AND MAINTENANCE OF PROPERTY. Grantor (a) shall not commit waste or permit impairment or deterioration of the Property, (b) shall not abandon the Property, (c) shall restore or repair promptly and in a good and workmanlike manner all or any part of the Property to the equivalent of its original condition, or such other condition as Agent may approve in writing, in the event of any damage, injury or loss thereto, whether or not insurance proceeds are available to cover in whole or in part the costs of such restoration or repair, (d) shall keep the Property, including improvements, fixtures, equipment, machinery and appliances thereon in good repair and shall replace fixtures, equipment, machinery and appliances on the Property when necessary to keep such items in good repair, (e) shall comply with all laws, ordinances, regulations and requirements of any governmental body applicable to the Property, and (f) shall give notice in writing to Agent of and, unless otherwise directed in writing by Agent, appear in and defend any action or proceeding purporting to affect the Property, the security of this Deed of Trust or the rights or powers of Agent. Neither Grantor nor any tenant or other person shall remove, demolish or alter any improvement now existing or hereafter erected on the Property or any fixture, equipment, machinery or appliance in or on the Property except when incident to the replacement of fixtures, equipment, machinery and appliances with items of like kind.

8. USE OF PROPERTY. Unless required by applicable law or unless Agent has otherwise agreed in writing or as otherwise permitted by the Loan Agreement, Grantor shall not allow changes in the use for which all or any part of the Property was used at the time this Deed of Trust was executed. Grantor shall not subdivide the Property or initiate or acquiesce in a change in the zoning classification of the Property without Agent's prior written consent.

9. PROTECTION OF AGENT'S SECURITY. If an Event of Default shall occur and be continuing, or if any action or proceeding is commenced which affects the Property or title thereto or the interest of Agent therein, including, but not limited to, eminent domain, insolvency, code or statutory enforcement, or arrangements or proceedings involving a bankrupt or decedent, then Agent at Agent's option may appear in, defend in any action or proceeding, in the name and on behalf of Grantor which Agent in its discretion, feels may adversely affect the Property or this Deed of Trust, disburse such sums and take such action as Agent deems necessary, in its sole discretion, to protect Agent's interest, including, but not limited to, (i) disbursement of attorney's fees, (ii) entry upon the Property to make repairs, (iii) procurement of satisfactory insurance as provided in Section 6 hereof, and (iv) the payment of any taxes and/or assessments levied against the Property and then due and payable.



Any amounts disbursed by Agent pursuant to this Section 9, with interest thereon, shall become additional indebtedness of Grantor secured by this Deed of Trust. Unless Grantor and Agent agree to other terms of payment, such amounts shall be immediately due and payable and shall bear interest from the date of disbursement at the default rate stated in the Loan Agreement unless collection from Grantor of interest at such rate would be contrary to applicable law, in which event such amounts shall bear interest at the highest rate which may be collected from Grantor under applicable law. Grantor hereby covenants and agrees that Agent shall be subrogated to the lien of any mortgage or other lien discharged, in whole or in part, by the Loan. Nothing contained in this Section 9 shall require Agent to incur any expense or take any action hereunder.

10. INSPECTION. Agent may make or cause to be made at Grantor's expense reasonable entries upon and inspections of the Property including, but not limited to, phase I and/or phase II environmental audits and inspections which will not unreasonably disturb Grantor's use of the Property.

11. INTENTIONALLY DELETED.

12. CONDEMNATION. Grantor shall promptly notify Agent of any action or proceeding relating to any condemnation or other taking, whether direct or indirect, of the Property, or part thereof, and Grantor shall appear in and prosecute any such action or proceeding unless otherwise directed by Agent in writing. Grantor authorizes Agent, at Agent's option, as attorney-in-fact for Grantor, to commence, appear in and prosecute, in Agent's or Grantor's name, any action or proceeding relating to any condemnation or other taking of the Property, whether direct or indirect, and to settle or compromise any claim in connection with such condemnation or other taking. The proceeds of any award, payment or claim for damages, direct or consequential, in connection with any condemnation or other taking, whether direct or indirect, of the Property, or part thereof, or for conveyances in lieu of condemnation, are hereby assigned to and shall be paid to Agent.

Grantor authorizes Agent to apply such awards, payments, proceeds or damages, after the deduction of Agent's expenses incurred in the collection of such amounts, at Agent's option, to restoration or repair of the Property or to payment of the sums secured by this Deed of Trust, whether or not then due, in the order of application set forth in Section 4 hereof, with the balance, if any, to Grantor. Unless Grantor and Agent otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly installments referred to in Section 2 and 3 hereof or change the amount of such installments. Grantor agrees to execute such further evidence of assignment of any awards, proceeds, damages or claims arising in connection with such condemnation or taking as Agent may require.

13. GRANTOR AND LIEN NOT RELEASED. From time to time, Agent may, at Agent's option, without giving notice to or obtaining the consent of Grantor, Grantor's successors or assigns or of any junior lienholder or guarantors, without liability on Agent's part and notwithstanding Grantor's breach of any covenant or agreement of Grantor in this



Deed of Trust, extend the time for payment of said indebtedness or any part thereof, reduce the payments thereon, release anyone liable on any of said indebtedness, amend and/or restate the Loan Agreement, modify the terms and time of payment of said indebtedness, release from the lien of this Deed of Trust any part of the Property, take or release other or additional security, reconvey any part of the Property, consent to any map or plan of the Property, consent to the granting of any easement, join in any extension or subordination agreement, and agree in writing with Grantor to modify the rate of interest or period of amortization of the Loan set forth in the Loan Agreement or change the amount of the monthly installments payable thereunder. Any actions taken by Agent pursuant to the terms of this Section 13 shall not affect the obligation of Grantor or Grantor's successors or assigns to pay the sums secured by this Deed of Trust and to observe the covenants of Grantor contained herein, shall not affect the guaranty of any person, corporation, partnership or other entity for payment of the Loan, and shall not affect the lien or priority of lien hereof on the Property. Grantor shall pay Agent a reasonable service charge, together with such title insurance premiums and attorney's fees as may be incurred at Agent's option, for any such action if taken at Grantor's request.

14. FORBEARANCE BY AGENT NOT A WAIVER. Any forbearance by Agent in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy. The acceptance by Agent of payment of any sum secured by this Deed of Trust after the due date of such payment shall not be a waiver of Agent's right to either require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment. The procurement of insurance or the payment of taxes or other liens or charges by Agent shall not be a waiver of Agent's right to accelerate the maturity of the indebtedness secured by this Deed of Trust, nor shall Agent's receipt of any awards, proceeds or damages under Sections 6 and 12 hereof operate to cure or waive Grantor's default in payment of sums secured by this Deed of Trust.

15. ESTOPPEL CERTIFICATES.

(a) Grantor shall within ten (10) days of a written request from Agent furnish Agent with a written statement, duly acknowledged, setting forth the sums secured by this Deed of Trust and any right of set-off, counterclaim or other defense which exists against such sums and the obligations of this Deed of Trust and attaching true, correct and complete copies of this Deed of Trust and any Other Loan Documents and any and all modifications, amendments and substitutions thereof.

(b) Upon receipt of a written request from Agent, Grantor shall use its best efforts to obtain tenant estoppel certificates from any or all of the tenants (as requested by Agent) at the Property in form and substance reasonably satisfactory to Agent.

16. UNIFORM COMMERCIAL CODE SECURITY AGREEMENT. This Deed of Trust is intended to be a security agreement pursuant to the Uniform Commercial Code for any of the items specified above as part of the Property which, under applicable law, may be



subject to a security interest pursuant to the Uniform Commercial Code, and Grantor hereby grants Agent a security interest in all of Grantor's right, title and interest in said items as security for the payment and performance of the Debt. Grantor's organizational identification number is **601814701**. Grantor agrees that Agent may file this Deed of Trust, or a reproduction thereof, in the real estate records or other appropriate index, as a financing statement for any of the items specified above as part of the Property. Any reproduction of this Deed of Trust or of any other security agreement or financing statement shall be sufficient as a financing statement. In addition, Grantor agrees to execute and deliver to Agent, upon Agent's request, any financing statements, as well as extensions, renewals and amendments thereof, and reproductions of this Deed of Trust in such form as Agent may require to perfect a security interest with respect to said items. Grantor hereby authorizes Agent to so file, all such documents and instruments, including, without limitation, financing statements, security agreements, assignments and documents and powers of attorney with respect to the Property, as Agent in its reasonable discretion may deem necessary or advisable from time to time in order to attach, continue, preserve, perfect, and protect the security interests created hereunder (including the filing at any time or times after the date hereof of financing statements under, and in the locations advisable pursuant to, the Uniform Commercial Code) Grantor shall pay all costs of filing such financing statements and any extensions, renewals, amendments and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements Agent may reasonably require. Without the prior written consent of Agent, Grantor shall not create or suffer to be created pursuant to the Uniform Commercial Code any other security interest in said items, including replacements and additions thereto. At all times while an Event of Default exists, Agent shall have the remedies of a secured party under the Uniform Commercial Code and, at Agent's option, may also invoke the remedies provided in Section 28 of this Deed of Trust as to such items. In exercising any of said remedies, Agent may proceed against the items of real property and any items of personal property specified above as part of the Property separately or together and in any order whatsoever, without in any way affecting the availability of Agent's remedies under the Uniform Commercial Code or of the remedies provided in Section 28 of this Deed of Trust. As used herein, "**Uniform Commercial Code**" shall mean the Uniform Commercial Code as in effect in the State of Washington on the date hereof and as amended from time to time except to the extent that the conflict of law rules of such Uniform Commercial Code shall apply the Uniform Commercial Code as in effect from time to time in any other state to specific property or other matters.

17. LEASES OF THE PROPERTY. Grantor shall comply with and observe Grantor's obligations as landlord under all leases of the Property or any part thereof. Grantor shall obtain Agent's consent for any lease at the Property. The request for approval of each such proposed lease shall be made to Agent in writing and Grantor shall furnish to Agent (and any loan servicer specified from time to time by Agent): (i) such biographical and financial information about the proposed tenant as Agent may require in conjunction with its review, (ii) a copy of the proposed form of lease, and (iii) a summary of the material terms of such proposed lease (including, without limitation, rental terms and the term of the proposed lease and any options).



Grantor, at Agent's request, shall furnish Agent with executed copies of all Leases hereafter made of all or any part of the Property, and all Leases hereafter entered into will be in form and substance subject to the approval of Agent. All Leases of the Property or a separate agreement in recordable form and substance satisfactory to Agent shall specifically provide that such Leases are subordinate to this Deed of Trust; that the tenant attorns to Agent, such attornment to be effective upon Agent's acquisition of title to the Property; that the tenant agrees to execute such further evidences of attornment as Agent may from time to time request; that the attornment of the tenant shall not be terminated by foreclosure; that in no event shall Agent, as holder of this Deed of Trust or as successor landlord, be liable to the tenant for any act or omission of any prior landlord or for any liability or obligation of any prior landlord occurring prior to the date that Agent or any subsequent owner acquire title to the Property, and that Agent may, at Agent's option, accept or reject such attornments. Except as otherwise provided in this Section 17, Grantor shall not, without Agent's written consent, execute, modify, surrender or terminate, either orally or in writing, any Lease now existing or hereafter made of all or any part of the Property, permit an assignment or sublease of a Lease without Agent's written consent, or request or consent to the subordination of any Lease of all or any part of the Property to any lien subordinate to this Deed of Trust. If Grantor becomes aware that any tenant proposes to do, or is doing, any act or thing which may give rise to any right of set-off against rent, Grantor shall (a) take such steps as shall be reasonably calculated to prevent the accrual of any right to a set-off against rent, (b) notify Agent thereof and of the amount of said set-offs, and (c) within ten (10) days after such accrual, reimburse the tenant who shall have acquired such right to set-off or take such other steps as shall effectively discharge such set-off and as shall assure that rents thereafter due shall continue to be payable without set-off or deduction.

Upon Agent's request, Grantor shall absolutely assign to Agent, by written instrument satisfactory to Agent, all Leases now existing or hereafter made of all or any part of the Property and all security deposits made by tenants in connection with such leases of the Property. Upon assignment by Grantor to Agent of any leases of the Property, Agent shall have all of the rights and powers possessed by Grantor prior to such assignment and Agent shall have the right to modify, extend or terminate such existing leases and to execute new leases, in Agent's sole discretion.

18. REMEDIES CUMULATIVE. Each remedy provided in this Deed of Trust is distinct and cumulative to all other rights or remedies under this Deed of Trust or afforded by law or equity, and may be exercised concurrently, independently, or successively, in any order whatsoever.

19. ACCELERATION IN CASE OF GRANTOR'S INSOLVENCY. If Grantor shall voluntarily file a petition under Title 11 of the U.S. Code (the "Act"), as such Act may from time to time be amended, or under any similar or successor federal statute relating to bankruptcy, insolvency, arrangements or reorganizations, or under any state bankruptcy or insolvency act, or file an answer in any involuntary proceeding admitting insolvency or inability to pay debts, or if Grantor shall fail to obtain a vacation or stay of involuntary proceedings brought for the reorganization, dissolution or liquidation of Grantor, within



sixty (60) days of the filing of such involuntary proceeding, or if Grantor shall be adjudged a bankrupt, or if a trustee or receiver shall be appointed for Grantor or Grantor's property, or if the Property shall become subject to the jurisdiction of a Federal bankruptcy court or similar state court, or if Grantor shall make an assignment for the benefit of Grantor's creditors, or if there is an attachment, execution or other judicial seizure of any portion of Grantor's assets and such seizure is not discharged within ten (10) days, then Agent may, at Agent's option, declare all of the sums secured by this Deed of Trust to be immediately due and payable without prior notice to Grantor, and Agent may invoke any remedies permitted by Section 28 of this Deed of Trust. Any attorney's fees and other expenses incurred by Agent in connection with Grantor's bankruptcy or any of the other aforesaid events shall be additional indebtedness of Grantor secured by this Deed of Trust pursuant to Section 9 hereof.

20. FIXTURE FILING. This Deed of Trust is both a real property deed of trust and a "security agreement" within the meaning of the Uniform Commercial Code. The Real Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Grantor in the Real Property. Grantor, by executing and delivering this Deed of Trust, has granted and hereby grants to Agent, as security for the Debt, a security interest in the Real Property to the full extent that the Real Property may be subject to the Uniform Commercial Code. Upon its recording, this Deed of Trust shall be effective as a financing statement filed or recorded as a fixture filing. For this purpose the following information is included: (i) Grantor is the "Debtor" with the address set forth on the first page hereof; (ii) Agent is the "Secured Party" with the address set forth on the first page hereof; (iii) this document and any security interest granted herein covers goods which are or are to become fixtures; and (iv) Grantor's organizational number is set forth in Section 16 hereof. The name of the record owner of fee title to the Real Property is Dahlstedt Family Properties LLC.

21. NOTICE. Except for any notice required under applicable law to be given in another manner, (a) any notice to Grantor provided for in this Deed of Trust or in the Loan Agreement shall be given by mailing such notice by certified mail or nationally recognized overnight delivery service addressed to Grantor at Grantor's address stated above or at such other address as Grantor may designate by notice to Agent as provided herein, and (b) any notice to Agent shall be given by certified mail, return receipt requested or nationally recognized overnight delivery service, to Agent's address stated herein or to such other address as Agent may designate by notice to Grantor as provided herein. Any notice provided for in this Deed of Trust or in the Loan Agreement shall be deemed to have been given to Grantor or Agent when given in the manner designated herein.

22. SUCCESSORS AND ASSIGNS BOUND; CAPTIONS. The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Agent and Grantor, subject to the provisions of Section 45 hereof. All covenants and agreements of Grantor shall be joint and several. In exercising any rights hereunder or taking any actions provided for herein, Agent may act through its employees, agents or independent contractors as authorized by Agent. The



captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or define the provisions hereof.

23. UNIFORM INSTRUMENT; GOVERNING LAW; SEVERABILITY. This form of instrument combines uniform covenants for national use and nonuniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property and related fixtures and personal property. This Deed of Trust shall be governed by the law of the jurisdiction in which the Property is located. In the event that any provision of this Deed of Trust or the Loan Agreement conflicts with applicable law, such conflict shall not affect other provisions of this Deed of Trust or the Loan Agreement which can be given effect without the conflicting provisions, and to this end the provisions of this Deed of Trust and the Loan Agreement are declared to be severable.

24. WAIVER OF STATUTE OF LIMITATIONS. To the extent not prohibited by applicable law, Grantor hereby waives the right to assert any statute of limitations as a bar to the enforcement of the lien of this Deed of Trust or to any action brought to enforce the Debt or any other obligation secured by this Deed of Trust.

25. WAIVER OF MARSHALLING. Notwithstanding the existence of any other security interest in the Property held by Agent or by any other party, to the extent not prohibited by applicable law, Agent shall have the right to determine the order in which any or all of the Property shall be subjected to the remedies provided herein. Agent shall have the right to determine the order in which any or all portions of the indebtedness secured hereby are satisfied from the proceeds realized upon the exercise of the remedies provided herein. Grantor, any party who consents to this Deed of Trust and any party who now or hereafter acquires a security interest in the Property and who has actual or constructive notice hereof hereby waives any and all right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein.

26. INTENTIONALLY DELETED.

27. ASSIGNMENT OF RENTS; APPOINTMENT OF RECEIVER. (i) Grantor hereby assigns to Agent, as further security for the payment of the Debt, its interest in the rents, issues and profits of the Property, together with its interest in all Leases and other documents evidencing such rents, issues and profits now or hereafter in effect and its interest in any and all deposits held as security under said Leases, and shall, upon demand, deliver to Agent an executed counterpart of each Lease or other document to which it is a party and which affects the Property. Nothing contained in the foregoing sentence shall be construed to bind Agent to the performance of any of the covenants, conditions or provisions contained in any such lease or other document or otherwise to impose any obligation on Agent (including, without limitation, any liability under the covenant of quiet enjoyment contained in any lease or in any law of the State in which the Property is located in the event that any tenant shall have been joined as a party defendant in any action to foreclose this Deed of Trust and shall have been barred and foreclosed thereby of all right, title and



interest and equity of redemption in the Property), except that Agent shall be accountable for any money actually received pursuant to such assignment. Grantor hereby further grants to Agent the right (a) to enter upon and take possession of the Property for the purpose of collecting the said rents, issues and profits, (b) to dispossess by the usual summary proceedings (or any other proceedings of Agent's selection) any tenant defaulting in the payment thereof to Agent, (c) to let the Property, or any part thereof, and (d) to apply said rents, issues and profits, after payment of all necessary charges and expenses on account of said Debt. Such assignment and grant shall continue in effect until the Debt is paid, the execution of this Deed of Trust constituting and evidencing the irrevocable consent of Grantor to the entry upon and taking possession of the Property by Agent pursuant to such grant, whether foreclosure has been instituted or not and without applying for a receiver. Until the occurrence and continuance of an Event of Default, Grantor shall have a revocable license to receive said rents, issues and profits and otherwise manage the Property. Grantor agrees to hold said rents, issues and profits in trust and to use the same first, in payment of the cost of the improvement; second, in payment of the Debt to the extent the same is then due and owing, and third, in such manner as Agent may elect. Such license of Grantor to collect and receive said rents, issues and profits may be revoked by Agent upon the occurrence and during the continuance of an Event of Default by giving not less than five (5) days' written notice of such revocation, served personally upon or sent by registered mail to the record owner of the Property. Grantor hereby appoints Agent as its attorney-in-fact, coupled with an interest, to receive and collect all rent, additional rent and other sums due under the terms of each Lease to which Grantor is a party and to direct any such tenant, by written notice or otherwise, to forward such rent, additional rent or other sums by mail or in person to Agent.

(ii) After the occurrence and during the continuance of an Event of Default, to the extent permitted by applicable law, Agent is authorized at any time, without notice, in its sole discretion, to enter upon and take possession of the Property or any part thereof, and to perform any acts Agent deems necessary or proper to conserve the security. With or without taking possession or having a receiver appointed, Agent is entitled to collect and receive all rents and profits, including those past due as well as those accruing. Agent shall be entitled to have a receiver appointed with or without notice by a court. Said receiver shall be authorized, without notice, to enter upon and take possession of the Property and take any act it deems necessary or proper to conserve the security. With or without taking possession said receiver shall be entitled to collect the rents and profits and apply the same as the court may direct. Agent or the receiver may also take possession of, and for these purposes use, any and all personal property used by Grantor in the rental or leasing of the Property or any part thereof. The expense (including receiver's fees, reasonable counsel fees, costs and agent's compensation) incurred pursuant to the powers herein contained shall be secured hereby. Agent shall (after payment of all costs and expenses incurred) apply such rents and profits received by it to the mortgage debt and obligations secured hereunder in such order as Agent determines; and Grantor agrees that exercise of such rights and disposition of such funds shall not constitute a waiver of any foreclosure once commenced nor preclude the later commencement of foreclosure for breach hereof. The right to enter and take possession of the Property, the right to manage and operate the same,



and the right to collect the rents and profits, in each case whether by a receiver or otherwise, shall be cumulative to any other right or remedy hereunder or afforded by law, and may be exercised concurrently therewith or independently thereof. Agent shall be liable to account only for such rents and profits actually received by Agent.

28. ACCELERATION; REMEDIES. Upon the occurrence of any of the following (i) Grantor's breach of any representation, covenant or agreement of Grantor in this Deed of Trust, (ii) any representation of Grantor in this Deed of Trust is false in any material respect on the date made, or (iii) the occurrence of an Event of Default (as defined in the Loan Agreement) (each of the foregoing, an "Event of Default"), Agent, at Agent's option, may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand, and may invoke the power of sale and any other remedies permitted by applicable law or provided herein. Grantor acknowledges that the power of sale herein granted may be exercised by Agent without prior judicial hearing. Grantor has the right to bring an action to assert the nonexistence of a breach or any other defense of Grantor to acceleration and sale. Agent shall be entitled to collect all costs and expenses incurred in pursuing such remedies, including, but not limited to, attorney's fees and costs of documentary evidence, abstracts and title reports.

Notwithstanding the foregoing, unless otherwise permitted pursuant to the Loan Agreement, Agent shall not invoke any remedy provided hereunder, under the Other Loan Documents, at law or in equity upon Grantor's breach of a nonmonetary representation, covenant, or agreement of Grantor in this Deed of Trust, the Loan Agreement or the Other Loan Document, other than a breach of Sections 33(k), or 33(l) of this Deed of Trust, provided Grantor shall have, on or before the date that is thirty (30) days after Grantor's receipt of notice thereof, cured such default or, if such default cannot be cured within such thirty (30) day period, Grantor shall have commenced to cure within such thirty (30) day period and is taking all actions required to diligently cure such default and such default is cured on or before the date that is forty-five (45) days after Grantor's receipt of a notice to cure such default. Notwithstanding the foregoing, Agent shall not invoke any remedy provided hereunder, under the Other Loan Documents, at law or in equity upon Grantor's breach of Section 6 of this Deed of Trust if Grantor cures such breach within five (5) days after Grantor's receipt of notice thereof.

Upon the occurrence and during the continuance of an Event of Default, Agent and/or Trustee may, without notice, demand, presentment, notice of nonpayment or nonperformance, protest, notice of protest, notice of intent to accelerate, notice of acceleration or any other notice or any other action, all of which are hereby waived by Grantor and all other parties obligated in any manner whatsoever on the Debt, declare the entire unpaid balance of the Debt immediately due and payable, and upon such declaration, the entire unpaid balance of the Debt immediately shall be due and payable. The failure to exercise any remedy available to Agent and/or Trustee shall not be deemed to be a waiver of any rights or remedies of Agent and/or Trustee under this Deed of Trust or the Other Loan Documents, at law or in equity.



29. **RELEASE.** Upon payment of all sums secured by this Deed of Trust, Agent shall cause the release of this Deed of Trust. Grantor shall pay for the costs charged by the Trustee to reconvey the Deed of Trust.

30. **ATTORNEY'S FEES.** As used in this Deed of Trust and in the Loan Agreement, "attorney's fees" shall include all attorney's fees, if any, including, without limitation, any attorney's fees which may be awarded by a court of competent jurisdiction.

31. Intentionally deleted.

32. **REPRESENTATIONS OF GRANTOR.** The Grantor hereby represents and warrants to Agent the following:

(a) Intentionally Omitted.

(b) There are no Leases affecting the Property and there are no persons or entities occupying space in the Property as tenants.

(c) Except as specifically listed in the schedule of exceptions to coverage in the title policy insuring Agent's interest in the Property: Grantor is now in possession of the Property; Grantor's possession of the Property is peaceable and undisturbed; Grantor does not know any facts by reason of which any claim to the Property, or any part thereof, might arise or be set up adverse to Grantor; and, unless otherwise permitted by the terms of the Loan Agreement, the Property is free and clear of (i) any lien for taxes (except real property taxes not yet due and payable for the calendar year in which this Deed of Trust is being executed), and (ii) any easements, rights-of-way, restrictions, encumbrances, liens or other exceptions to title by mortgage, decree, judgment, agreement, instrument, or, to the knowledge of Grantor, proceeding in any court.

(d) All charges for labor, materials or other work of any kind furnished in connection with the construction, improvement, renovation or rehabilitation of the Property or any portion thereof have been paid in full, and no unreleased affidavit claiming a lien against the Property, or any portion thereof, for the supplying of labor, materials or services for the construction of improvements on the Property has been executed or recorded in the mechanic's lien or other appropriate records in the county or other locality in which the Property is located.

(e) The Property and the current and contemplated uses of the Property are in compliance with all applicable federal, state, county and municipal laws, rules, regulations and ordinances, applicable restrictions, zoning ordinances, building codes and regulations, building lines and easements, including, without limitation, federal and state environmental protection law and the Americans with Disabilities Act of 1990, all state and local laws or ordinances related to handicapped access, and any statute, rule, regulation, ordinance, or order of governmental bodies or regulatory agencies, or any order or decree of any court adopted or enacted with respect thereto (collectively, "**Applicable Laws**") and the Property is not relied upon by, and does not rely upon, any



building or improvement not part of the Property to fulfill any Applicable Law except to the extent of any valid and existing reciprocal easement agreements specifically listed in the title policy insuring Agent's interest in the Property; no governmental authority having jurisdiction over any aspect of the Property has made a claim or determination that there is any such violation; the Property is not located in an area identified by the Director of the Federal Emergency Management Agency as a zone having special flood hazards, described in 12 C.F.R. § 22.2, pursuant to the terms of the National Flood Insurance Act of 1968, or the Flood Disaster Protection Act of 1973, as same may have been amended to date; and all permits, licenses and the like which are necessary for the operation of the Property have been issued and are in full force and effect.

(f) Intentionally Deleted.

(g) Intentionally Deleted.

(h) There is no claim, litigation or condemnation proceeding pending, or, to the knowledge of the Grantor, threatened, against the Property or Grantor, which would affect the Property or Grantor's ability to perform its obligations in the connection with the Loan.

(i) Intentionally Deleted.

(j) No proceedings in bankruptcy or insolvency has ever been instituted by or against Grantor or any affiliate thereof, and no such proceeding is now pending or contemplated.

(k) Grantor is, and if there are any general partners or members of Grantor, such partners or members are, solvent pursuant to the laws of the United States, as reflected by the entries in Grantor's books and records and as reflected by the actual facts.

(l) No approval, consent, order or authorization of any governmental authority and no designation, registration, declaration or filing with any governmental authority is required in connection with the execution and delivery of this Deed of Trust, except for the recording of this Deed of Trust with the Skagit County Clerk.

(m) Intentionally Deleted.

(n) No part of the Property is all or a part of Grantor's homestead.

(o) The Property is served by all utilities required for the current or contemplated use thereof. All utility service is provided by public utilities and the Property has accepted or is equipped to accept such utility service.

(p) All public roads and streets necessary for service of and access to the Property for the current or contemplated use thereof have been completed, are serviceable and all-weather and are physically and legally open for use by the public.



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(q) Intentionally Deleted.

(r) The Property is free from damage caused by fire or other casualty.

(s) All liquid and solid waste disposal, septic and sewer systems located on the Property are in a good and safe condition and repair and in compliance with all Applicable Laws.

(t) All service and maintenance agreements affecting the Property may be terminated upon the giving of thirty (30) days or less prior written notice.

(u) The Loan is for business and commercial use and is not for personal, family or household purposes.

(v) Notwithstanding anything to the contrary contained in Section 28 or this Section 32, Grantor's breach of a representation or warranty contained in clauses (c), (d), (e), (g), (q), (r), or (s) of this Section 32 shall not be deemed an Event of Default unless such breach would have a Material Adverse Effect.

33. GRANTOR'S ADDITIONAL COVENANTS. Grantor hereby covenants, agrees and undertakes to:

(a) fulfill and perform all of Grantor's obligations as landlord or lessor under any Lease; promptly send Agent copies of any notices of default received from the tenant under any Lease; and enforce (short of terminating such Lease) the performance by the tenant of the tenant's obligations under any Lease;

(b) not make, enter into, execute, cancel, amend or modify any Lease without the prior written consent of Agent;

(c) not approve any assignment of a Lease, of any sublease or underlease, without the prior written consent of Agent;

(d) not cancel or modify any guaranty of a Lease, or release any security deposit or letter of credit constituting security under a Lease, without the prior written consent of Agent;

(e) not accept prepayment of any installment of rent from any tenants of the Property for a period of more than one (1) month in advance;

(f) not further assign in whole or in part the Leases or the rents;

(g) not undertake or commence any alterations of any improvements on the Property the cost of which is in excess of five percent (5%) of the then original principal amount of the Loan Agreement, without the prior written consent of Agent;



(h) unless otherwise permitted by the terms of the Loan Agreement, continuously maintain Grantor's existence in the State of Washington and right to do business in the state in which the Property is located;

(i) at any time any law shall be enacted imposing or authorizing the imposition of any tax upon this Deed of Trust, or upon any rights, titles, liens or security interests created hereby, or upon the obligations secured hereby or any part thereof, immediately pay all such taxes; provided that, if such law as enacted makes it unlawful for Grantor to pay such tax, Grantor shall not pay nor be obligated to pay such tax, and in the alternative, Grantor may, in the event of the enactment of such a law, and must, if it is unlawful for Grantor to pay such taxes, prepay the obligations secured hereby in full within sixty (60) days after demand therefor by Agent;

(j) not execute or deliver any deed of trust, mortgage or pledge of any type covering all or any portion of the Property;

(k) not permit any drilling or exploration for or extraction, removal or production of any mineral, natural element, compound or substance from the surface or subsurface of the Property regardless of the depth thereof or the method of mining or extraction thereof;

(l) unless otherwise permitted by the terms of the Loan Agreement, not change its name, identity, structure or employer identification number during the term of the Loan;

(m) pay on demand all reasonable and bona fide out-of-pocket costs, fees and expenses and other expenditures, including, but not limited to, reasonable attorneys' fees and expenses, paid or incurred by Agent incident to this Deed of Trust or any Other Loan Document (including, but not limited to, reasonable attorneys' fees and expenses in connection with the negotiation, preparation and execution hereof and of any Other Loan Document and any amendment hereto or thereto, any release hereof, any consent, approval or waiver hereunder or under any Other Loan Document, the making of any advance under the Loan Agreement, and any suit to which Agent is a party involving this Deed of Trust or the Property) or incident to the enforcement of the obligations secured hereby or the exercise of any right or remedy of Agent under any Loan Document; and

(n) maintain and keep the Property in compliance with all Applicable Laws.

(o) Notwithstanding anything to the contrary contained in Section 28 or this Section 33, Grantor's breach of a covenant contained in clauses (a) or (n) of this Section 33 shall not be deemed an Event of Default unless such breach would have a Material Adverse Effect.

34. Intentionally deleted.



35. REMEDIES.

(a) Upon the occurrence and during the continuance of any Event of Default, Agent may take such action, without notice or demand, as it deems advisable to protect and enforce its rights against Grantor and in and to the Property by Agent itself or otherwise, including, without limitation, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Agent may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of Agent:

- (i) declare the entire Debt to be immediately due and payable;
- (ii) institute a proceeding or proceedings, judicial or nonjudicial, by advertisement or otherwise, for the complete foreclosure of this Deed of Trust in which case the Property or any interest therein may be sold for cash or upon credit in one or more parcels or in several interests or portions and in any order or manner;
- (iii) with or without entry, to the extent permitted and pursuant to the procedures provided by applicable law, institute proceedings for the partial foreclosure of this Deed of Trust for the portion of the Debt then due and payable, subject to the continuing lien of this Deed of Trust for the balance of the Debt not then due;
- (iv) sell for cash or upon credit the Property or any part thereof and all estate, claim, demand, right, title and interest of Grantor therein and rights of redemption thereof, pursuant to the power of sale contained herein or otherwise, at one or more sales, as an entirety or in parcels, at such time and place, upon such terms and after such notice thereof as may be required or permitted by law;
- (v) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained herein, or in any of the Other Loan Documents;
- (vi) recover judgment on the Debt either before, during or after any proceedings for the enforcement of this Deed of Trust;
- (vii) apply for the appointment of a trustee, receiver, liquidator or conservator of the Property, without notice and without regard for the adequacy of the security for the Debt and without regard for the solvency of the Grantor, any guarantor or of any person, firm or other entity liable for the payment of the Debt;
- (viii) enforce Agent's interest in the Leases and Rents and enter into or upon the Property, either personally or by its agents, nominees or attorneys and dispossess Grantor and its agents and servants therefrom, and thereupon Agent may (A) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Property and conduct the business thereat; (B) complete any construction on the Property in such manner and form as Agent deems advisable; (C) make alterations,



additions, renewals, replacements and improvements to or on the Property; (D) exercise all rights and powers of Grantor with respect to the Property, whether in the name of Grantor or otherwise, including, without limitation, the right to make, cancel, enforce or modify Leases, obtain and evict tenants, and demand, sue for, collect and receive all Rents; and (E) apply the receipts from the Property to the payment of Debt, after deducting therefrom all expenses (including reasonable attorneys' fees and disbursements) incurred in connection with the aforesaid operations and all amounts necessary to pay the taxes, assessments insurance and other charges in connection with the Property, as well as just and reasonable compensation for the services of Agent, its counsel, agents and employees;

(ix) require Grantor to pay monthly in advance to Agent, or any receiver appointed to collect the Rents, the fair and reasonable rental value for the use and occupation of any portion of the Property occupied by Grantor and require Grantor to vacate and surrender possession to Agent of the Property or to such receiver and, in default thereof, evict Grantor by summary proceedings or otherwise;

(x) pursue such other rights and remedies as may be available at law or in equity or under the Uniform Commercial Code including without limitation the right to receive and/or establish a lock box for all Rents and any other receivables or rights to payments of Grantor relating to the Property; and

(xi) take such steps to protect and enforce its rights in aid of the execution and power herein granted, or for any foreclosure hereunder, or for the enforcement of any other appropriate legal or equitable remedy or otherwise as Agent shall elect.

In the event of a sale, by foreclosure or otherwise, of less than all of the Property, this Deed of Trust shall continue as a lien on the remaining portion of the Property.

(b) The proceeds of any sale made under or by virtue of this Section 35, together with any other sums which then may be held by Agent under this Deed of Trust, whether under the provisions of this paragraph or otherwise, shall be applied by Agent to the payment of the Debt in accordance with Section 8.7 of the Loan Agreement.

(c) Agent may postpone from time to time any sale by it to be made under or by virtue of this Deed of Trust by announcement at the time and place appointed for such sale or for such postponed sale or sales; and, except as otherwise provided by any applicable provision of law, Agent, without further notice or publication, may make such sale at the time and place to which the same shall be so postponed.

(d) Upon the completion of any sale or sales pursuant hereto, Agent, Trustee, or an officer of any court empowered to do so, as applicable, shall execute and deliver to the accepted purchaser or purchasers a good and sufficient instrument, or good and sufficient instruments, conveying, assigning and transferring all estate, right, title and interest in and to the property and rights sold but without any covenant or warranty, express or implied. Agent is hereby irrevocably appointed the true and lawful attorney of Grantor, in its name and stead, to make all necessary conveyances, assignments,



transfers and deliveries of the Property and rights so sold and for that purpose Agent may execute all necessary instruments of conveyance, assignment and transfer, and may substitute one or more persons with like power, Grantor hereby ratifying and confirming all that its said attorney or such substitute or substitutes shall lawfully do by virtue hereof. Nevertheless, Grantor, if so requested by Agent, shall ratify and confirm any such sale or sales by executing and delivering to Agent or to such purchaser or purchasers all such instruments as may be advisable, in the judgment of Agent or Agent, for that purpose, and as may be designated in such request. Any sale or sales made under or by virtue of this paragraph, whether made under the power of sale herein granted or under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, shall operate to divest all the estate, right, title, interest, claim and demand whatsoever, whether at law or in equity, of Grantor in and to the properties and rights so sold, and shall be a perpetual bar both at law and in equity against Grantor and against any and all persons claiming or who may claim the same, or any part thereof from, through or under Grantor.

(e) Upon any sale made under or by virtue of this Section 35, whether made under a power of sale or under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, Agent may bid for and acquire the Property or any part thereof and in lieu of paying cash therefor may make settlement for the purchase price by crediting upon the Debt the net sales price after deducting therefrom the expenses of the sale and costs of the action and any other sums which Agent or Trustee is authorized to deduct under this Deed of Trust.

(f) No recovery of any judgment by Agent and no levy of an execution under any judgment upon the Property or upon any other property of Grantor shall affect in any manner or to any extent the lien of this Deed of Trust upon the Property or any part thereof, or any liens, rights, powers or remedies of Agent hereunder, but such liens, rights, powers and remedies of Agent shall continue unimpaired as before.

(g) Agent may terminate or rescind any proceeding or other action brought in connection with its exercise of the remedies provided in this Section 35 at any time before the conclusion thereof, as determined in Agent's sole discretion and without prejudice to Agent.

(h) Agent may resort to any remedies and the security given by the Loan Agreement, this Deed of Trust or the Other Loan Documents in whole or in part, and in such portions and in such order as determined by Agent's sole discretion. No such action shall in any way be considered a waiver of any rights, benefits or remedies evidenced or provided by the Loan Agreement, this Deed of Trust or any of the Other Loan Documents. The failure of Agent to exercise any right, remedy or option provided in the Loan Agreement, this Deed of Trust or any of the Other Loan Documents shall not be deemed a waiver of such right, remedy or option or of any covenant or obligation secured by the Loan Agreement, this Deed of Trust or the Other Loan Documents. No acceptance by Agent of any payment after the occurrence and during the continuance of



any Event of Default and no payment by Agent of any obligation for which Grantor is liable hereunder shall be deemed to waive or cure any event of default with respect to Grantor, or Grantor's liability to pay such obligation. No sale of all or any portion of the Property, no forbearance on the part of Agent, and no extension of time for the payment of the whole or any portion of the Debt or any other indulgence given by Agent to Grantor, shall operate to release or in any manner affect the interest of Agent in the remaining Property or the liability of Grantor to pay the Debt. No waiver by Agent shall be effective unless it is in writing and then only to the extent specifically stated. All costs and expenses of Agent in exercising the rights and remedies under this Section 35 (including reasonable attorneys' fees and disbursements to the extent permitted by law), shall be paid by Grantor immediately upon notice from Agent, with interest at the default rate specified in the Loan Agreement for the period after notice from Agent and such costs and expenses shall constitute a portion of the Debt and shall be secured by this Deed of Trust.

(i) The interests and rights of Agent under the Loan Agreement, this Deed of Trust or in any of the Other Loan Documents shall not be impaired by any indulgence, including (i) any renewal, extension or modification which Agent may grant with respect to any of the Debt, (ii) any surrender, compromise, release, renewal, extension, exchange or substitution which Agent may grant with respect to the Property or any portion thereof; or (iii) any release or indulgence granted to any maker, endorser, guarantor or surety of any of the Debt.

(j) With respect to any notices required or permitted under the Uniform Commercial Code, Grantor agrees that ten (10) days' prior written notice shall be deemed commercially reasonable. At any such sale by virtue of any judicial proceedings, power of sale, or any other legal right, remedy or recourse, the title to and right of possession of any such property shall pass to the purchaser thereof, and to the fullest extent permitted by law, Grantor shall be completely and irrevocably divested of all of its right, title, interest, claim, equity, equity or rights of redemption, and demand whatsoever, either at law or in equity, in and to the property sold, including, without limitation, the Real Property, and such sale shall be a perpetual bar both at law and in equity against Grantor, and against all other persons claiming or to claim the property sold or any part thereof, by, through or under Grantor.

36. INTENTIONALLY DELETED.

37. WAIVER OF JURY TRIAL. GRANTOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT THE GRANTOR MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONJUNCTION WITH THE LOAN AGREEMENT, THIS DEED OF TRUST, ANY OTHER LOAN DOCUMENT, ANY OTHER AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONNECTION HERewith, OR ANY COURSE OF CONDUCT, COURSE OF



DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY.

38. FURTHER ASSURANCES; TRANSFER OF LOAN. Grantor will, at the cost of Grantor, and without expense to Agent, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignment, Uniform Commercial Code financing statements or continuation statements, transfers and assurances as Agent shall, from time to time, require, for the better assuring, conveying, assigning, transferring, and confirming unto Agent the property and rights hereby mortgaged, given, granted, bargained, sold, alienated, conveyed, confirmed, pledged, assigned and hypothecated or intended now or hereafter so to be, or which Grantor may be or may hereafter become bound to convey or assign to Agent, or for carrying out the intention or facilitating the performance of the terms of this Deed of Trust or for filing, registering or recording this Deed of Trust or for facilitating the sale of the Loan and the Other Loan Documents. Grantor, on demand, will execute and deliver and hereby authorizes Agent to execute in the name of Grantor or without the signature of Grantor to the extent Agent may lawfully do so, one or more financing statements, chattel mortgages or other instruments, to evidence more effectively the security interest of Agent in the Property. Upon foreclosure, the appointment of a receiver or any other relevant action, Grantor will, at the cost of Grantor and without expense to Agent, cooperate fully and completely to effect the assignment or transfer of any license, permit, agreement or any other right necessary or useful to the operation of the Property. Grantor grants to Agent an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Agent at law and in equity, including, without limitation, such rights and remedies available to Agent pursuant to this paragraph.

39. FUTURE ADVANCES. This Deed of Trust shall also secure payment of all Future Advances, with interest thereon, made by Agent to any Borrower.

40. INTENTIONALLY DELETED.

41. AMENDMENTS AND WAIVERS.

(a) THIS DEED OF TRUST AND THE OTHER LOAN DOCUMENTS EMBODY THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS, AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO. THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES HERETO.

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(b) No amendment, modification, termination or waiver of any provision of this Deed of Trust, the Loan Agreement or any Other Loan Documents, or consent to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by Agent and any other party to be charged. Each amendment, modification, termination or waiver shall be effective only in the specific instance and for the specific purpose for which it was given. No notice to or demand on Grantor in any case shall entitle Grantor to any other or further notice or demand in similar or other circumstances.

42. INTENTIONALLY DELETED.

43. TAX ON MORTGAGE. In the event of the passage of any state, federal, municipal or other governmental law, order, rule or regulation (prior to or subsequent to the date hereof), in any manner changing or modifying the laws now in force governing the taxation of deeds of trust or debts secured by deeds of trust or the manner of collecting taxes so as to affect adversely Agent, the entire balance of the Debt shall without notice become due and payable forthwith at the option of Agent, without prepayment premium. Notwithstanding the foregoing, if Grantor is permitted by law to pay any such tax or imposition (and provided such payment will not make the Loan usurious), then and so long as Grantor does in fact pay and continue to pay same to Agent's satisfaction, Agent agrees not to exercise its option under this Section 43 to accelerate the Debt.

44. FILING AND RECORDING FEES. Grantor will pay all filing, registration or recording fees, and all expenses incident to the execution and acknowledgment of this Deed of Trust and federal, state, county and municipal taxes, and other taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of the Deed of Trust, the Loan Agreement and the Other Loan Documents.

45. ASSIGNMENTS. In lieu of applying monies as a full repayment of the Debt, along with a release of the lien of this Deed of Trust and the Other Loan Documents, Agent agrees that it shall, in consideration of an amount equal to that necessary for a full repayment of the Debt in accordance with the terms of the Other Loan Documents, assign this Deed of Trust and the Other Loan Documents (if the same is so requested), without representation or warranty by or recourse to Agent, to an agent designated by Grantor, and Agent shall execute and deliver to Grantor or such agent such instruments and other documents as prepared and reasonably requested by Grantor and as shall be reasonably necessary or appropriate, in compliance with all applicable laws, to evidence any such assignment of this Deed of Trust and the Loan, and Grantor shall reimburse Agent for all of its reasonable out-of-pocket costs, including, but not limited to, reasonable legal costs and expenses incurred in connection therewith. Concurrently with such release and/or assignment of the lien of this Deed of Trust and the Other Loan Documents, Agent will return to Grantor any part of the collateral that may be in its possession and, on the written request and at the expense of Grantor, will execute and deliver such instruments of release (including appropriate UCC-3 termination statements) prepared by Grantor and as may reasonably be requested by Grantor to evidence such release. Any document to be executed



and delivered by Agent hereunder shall be without representation or warranty by, or recourse to, Agent and shall be reasonably acceptable to Agent

46. COUNTERPARTS. This Deed of Trust may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original.

47. OTHER REPRESENTATIONS. All of the representations and warranties of Grantor contained in the Loan Agreement or Other Loan Documents are hereby incorporated herein by reference to the same extent and with the same force as if fully set forth herein.

48. PERFORMANCE OF OTHER AGREEMENTS. Grantor shall observe, comply with and perform each and every term, covenant and provisions to be observed, complied with or performed by Grantor pursuant to the Loan Agreement, or any Other Loan Document and any other agreement or instrument affecting or pertaining to the Property and any amendments, modifications or changes thereto.

49. OTHER COVENANTS. All covenants, conditions and agreements of Grantor contained in the Loan Agreement, the Loan Agreement and the Other Loan Documents, are hereby incorporated herein by reference to the same extent and with the same force as if fully set forth herein.

50. PAYMENT OF INDEBTEDNESS AFTER DEFAULT. Upon the occurrence of any Event of Default and the acceleration of the maturity hereof, if, at any time prior to foreclosure sale, Grantor or any other person tenders payment of the amount necessary to satisfy the Debt, the same shall constitute an evasion of the payment terms hereof and/or of the Loan Agreement and shall be deemed to be a voluntary prepayment hereunder, in which case (but only if permitted by applicable law) such payment must include the premium and/or fee required under the prepayment provision, if any, contained herein or in the Loan Agreement. This provision shall be of no force or effect if at the time that such tender of payment is made, Grantor has the right under this Deed of Trust or the Loan Agreement to prepay the Debt without penalty or premium.

51. POSSESSION OF THE PROPERTY. Upon the occurrence of any Event of Default hereunder, it is agreed that Grantor, if it is the occupant of the Property or any part thereof, and any party claiming by, through or under Grantor shall immediately surrender possession of the Property so occupied to Agent and Trustee, and if Grantor is permitted to remain in possession, the possession shall be as a tenant at will of Agent and, on demand, Grantor shall pay to Agent monthly, in advance, a reasonable rental for the space so occupied and in default thereof Grantor may be dispossessed by the usual summary proceedings. The covenants herein contained may be enforced, if at all, only by a properly appointed receiver of the Property or any part thereof. Nothing in this Section 51 shall be deemed to be a waiver of the provisions of this Deed of Trust prohibiting the sale or other disposition of the Property without Agent's or Trustee's prior written consent.



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52. GRANTOR'S ACTIONS AFTER DEFAULT. After the happening of any Event of Default and immediately upon the commencement of any action, suit or other legal proceedings by Agent to obtain judgment for the Debt, or of any other nature in aid of the enforcement of the Loan Agreement or of this Deed of Trust, GRANTOR WILL (i) WAIVE THE ISSUANCE AND SERVICE OF PROCESS AND ENTER ITS VOLUNTARY APPEARANCE IN SUCH ACTION, SUIT OR PROCEEDING, (ii) WAIVE THE RIGHT TO TRIAL BY JURY AND (iii) IF REQUIRED BY AGENT, CONSENT TO THE APPOINTMENT OF A RECEIVER OR RECEIVERS OF THE PROPERTY AND OF ALL THE EARNINGS, REVENUES, RENTS, ISSUES, PROFITS AND INCOME THEREOF.

53. CONTROL BY AGENT AFTER DEFAULT. Notwithstanding the appointment of any receiver, liquidator or trustee of Grantor, or of any of its property, or of the Property or any part thereof, Agent, to the extent permitted by applicable law, shall be entitled to retain possession and control of all property now and hereafter covered by this Deed of Trust.

54. MAXIMUM RATE. Nothing in this Deed of Trust or in any other agreement between Grantor and Agent shall require Grantor to pay, or the Agent to accept, interest in an amount which would render this Deed of Trust usurious or unenforceable, in whole or in part or which would subject Agent to any penalty or forfeiture under applicable law. In the event that the payment of any charges, fees or other sums due hereunder or any such other agreement which are or could be held to be in the nature of interest and which would subject Agent to any penalty or forfeiture under applicable law, then ipso facto the obligations of Grantor to make such payment shall be reduced to the highest rate authorized under applicable law. Should Agent receive any payment which is or would be in excess of the highest rate authorized under law, such payment shall have been, and shall be deemed to have been, made in error and shall automatically be held by Agent as additional cash collateral for the Debt.

55. OTHER LOAN DOCUMENTS. Grantor acknowledges that this Deed of Trust is one of a number of other security instruments and documents which secure and evidence the Debt in whole or in part, including, without limitation, the Loan Agreement, and the other documents delivered in connection therewith, (the Loan Agreement and such Other Loan Documents which were executed or delivered in connection therewith are herein referred to as the "**Other Loan Documents**"). Grantor agrees that the lien of this Deed of Trust shall be absolute and unconditional and shall not in any manner be affected or impaired by any acts or omissions whatsoever of Agent and, without limiting the generality of the foregoing, the lien hereof shall not be impaired by any acceptance by Agent of any security for or guarantors upon any of the Debt or by any failure, neglect or omission on the part of Agent to realize upon or protect any of the Debt or any collateral security therefor including the Other Loan Documents. The lien hereof shall not in any manner be impaired or affected by any release (except as to the property released), sale, pledge, surrender, compromise, settlement, renewal, extension, indulgence, alteration, changing, modification or any disposition of any of the Debt or of any of the collateral security therefor, including



the Other Loan Documents or any guarantee thereof. In connection with the foregoing, without affecting the lien of this Deed of Trust, Agent may at any time and from time to time, either before or after the Termination Date of the Loan Agreement and without notice or consent (i) release any person liable for payment or performance of any obligation or Debt secured by this Deed of Trust or any Other Loan Document; (ii) make any agreement extending the time or otherwise altering the terms of payment of all or any part of the Debt, or waiving any Debt, or subordinating, modifying or otherwise dealing with the lien or charge hereof; (iii) exercise or refrain from exercising or waive any right Agent may have under this Deed of Trust or Other Loan Documents; (iv) accept additional security of any kind; or (v) release or otherwise deal with any property, real or personal, securing the Debt, including all or any part of the Property or any other collateral under the Other Loan Documents. Agent may, at its discretion, foreclose, exercise any power of sale or exercise any other remedy available to it under any or all of the Other Loan Documents without first exercising or enforcing any of its rights and remedies hereunder, or may foreclose, exercise any power of sale, or exercise any other right available under this Deed of Trust without first exercising or enforcing any of its rights and remedies under any or all of the Other Loan Documents. Such exercise of Agent's rights and remedies under any or all of the Other Loan Documents shall not in any manner impair the Debt or lien of the Deed of Trust, and any exercise of the rights or remedies of Agent hereunder shall not impair the lien of any of the Other Loan Documents or any of Agent's rights and remedies thereunder. Grantor specifically consents and agrees that Agent may exercise its rights and remedies hereunder and under the Other Loan Documents separately or concurrently and in any order that Agent may deem appropriate.

56. VARIABLE RATE. Under the terms and provisions of the Loan Agreement and under the terms of the Loan Agreement, the interest rate payable thereunder may be variable. THE PURPOSE OF THIS PARAGRAPH IS TO PROVIDE RECORD NOTICE OF THE RIGHT OF AGENT, ITS SUCCESSORS AND ASSIGNS, TO INCREASE OR DECREASE THE INTEREST RATE ON ANY OF THE INDEBTEDNESS WHERE THE TERMS AND PROVISIONS OF THE LOAN AGREEMENT OR THE LOAN AGREEMENT PROVIDE FOR A VARIABLE INTEREST RATE.

57. GOVERNING LAW. The creation of this Deed of Trust, the perfection of the lien or security interest in the Property, and the rights and remedies of Agent with respect to the Property, as provided herein and by the laws of the State in which the Property is located, shall be governed by and construed in accordance with the internal laws of the State in which the Property are located without regard to principles of conflict of law. Otherwise, to the extent permitted by applicable law, (i) this Deed of Trust and the Loan Agreement (including the liability of Grantor for any deficiency following a foreclosure of all or any part of the Property) shall be governed by and construed in accordance with the internal laws of the State of New York without regard to principles of conflict of law, (ii) Grantor agrees that any judicial proceeding against Grantor with respect to this Deed of Trust and/or any Other Loan Document may be brought in any federal or state court of competent jurisdiction located in the State of New York, (iii) Grantor accepts the non-



exclusive jurisdiction of the aforesaid courts and irrevocably agrees to be bound by any judgment rendered thereby, (iv) Grantor shall have no right of removal from the court where the action has commenced, WITHOUT LIMITATION ON THE ABILITY OF THE AGENT, ITS SUCCESSORS AND ASSIGNS, TO INITIATE AND PROSECUTE IN ANY APPLICABLE JURISDICTION ACTIONS RELATED TO THE REPAYMENT AND COLLECTION OF THE OBLIGATIONS AND THE EXERCISE OF ALL OF THE AGENT'S RIGHTS AGAINST GRANTOR WITH RESPECT THERETO AND ANY SECURITY OR PROPERTY OF GRANTOR, INCLUDING DISPOSITIONS OF THE COLLATERAL, and that service of process in any such proceeding shall be effective if made in any manner permitted by law and delivered to Grantor in accordance with the applicable provisions of the Loan Agreement. THE AGENT AND GRANTOR HEREBY WAIVE THE RIGHT TO TRIAL BY JURY OF ANY MATTERS ARISING OUT OF THIS DEED OF TRUST OR THE TRANSACTIONS CONTEMPLATED HEREBY OR ANY OF THE OTHER LOAN DOCUMENTS.

58. LOAN AGREEMENT PARAMOUNT. If and to the extent that any of the provisions of this Deed of Trust conflict or are otherwise inconsistent with any provisions of the Loan Agreement, the provisions of the Loan Agreement shall prevail.

59. RECEIPT OF COPY. The Grantor acknowledges that it has received a true copy of this Deed of Trust, provided without charge.

60. INTENTIONALLY DELETED.

61. INDEMNITY. In addition to, and not in limitation of, any indemnity rights of Agent under the Loan Agreement or the Other Loan Documents, Grantor agrees that it shall indemnify, defend and hold harmless Agent, and their respective directors, officers, shareholders, partners, employees, agents, servants, representative, affiliates subsidiaries, participants, successors and assigns of any and all of the foregoing (collectively, the "Indemnitees") from and against all loss, liability, obligation, claim, damage, penalty, cause or action, cost and expense, including without limitation any assessments, levies, impositions, judgments, reasonable attorneys' fees and disbursements, cost of appeal bonds and printing costs, imposed upon or incurred by or asserted against the Indemnitees by reason of (i) ownership of this Deed of Trust; (ii) any accident, injury to or death of persons or loss of or damage to property occurring on or about the Property; (iii) any use, non-use or condition of the Property; (iv) any failure on the part of Grantor to perform or comply with any of the terms of this Deed of Trust; (v) performance of any labor or services or the furnishing of any materials or other property in respect of the Property or any part for maintenance or otherwise; (vi) the imposition of any mortgage, real estate or governmental tax incurred as a result of this Deed of Trust or the Loan Agreement, other than income tax payable by, or other taxes personal to, Agent; or (vii) any violation or alleged violation by Grantor of any law. Any amounts payable under this Section shall be due and payable on demand and until paid shall bear interest at the Default Rate. If any action is brought against any of the Indemnitees by reason off any of the foregoing occurrences, Grantor will,



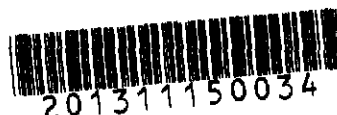
upon Agent's request, defend and resist such action, suit or proceeding, at Grantor's sole cost and expense by counsel approved by Agent, provided that Grantor shall not have any obligation to an Indemnitee hereunder with respect to any liabilities arising from the gross negligence or willful misconduct of that Indemnitee as determined by a final non-appealable judgment by a court of competent jurisdiction.

62. DEED OF TRUST PROVISIONS.

(a) Trustee shall be under no duty to take any action hereunder except as expressly required hereunder or by law or to perform any act which would involve Trustee in any expense or liability or to institute or defend any suit in respect hereof, unless properly indemnified to Trustee's reasonable satisfaction. Trustee, by acceptance of this Deed of Trust, covenants to perform and fulfill the trusts herein created. Trustee shall not be answerable or accountable hereunder except for its own willful misconduct or gross negligence, and Grantor agrees to indemnify, defend and hold Trustee harmless from and against any cost, loss, damage, liability or expense (including, without limitation, reasonable attorney's fees and disbursements) which Trustee may incur or sustain in the exercise or performance of its powers and duties hereunder; provided that Grantor shall not have any obligation to Trustee hereunder with respect to any liabilities arising from the gross negligence or willful misconduct of Trustee as determined by a final non-appealable judgment by a court of competent jurisdiction. Trustee hereby waives any statutory fee and agrees to accept reasonable compensation, in lieu thereof, for any services rendered by Trustee in accordance with the terms hereof. Trustee may resign at any time upon giving at least thirty (30) days' notice to Grantor and Agent. In the event of the death, removal, resignation, refusal or inability to act of Trustee, or in its sole discretion for any reason whatsoever, Agent may, without notice and without specifying any reason therefor and without applying to any court, select and appoint a successor trustee, by an instrument recorded wherever this Deed of Trust is recorded, and all powers, rights, duties and authority of Trustee, as aforesaid, shall thereupon become vested in such successor. Such substitute trustee shall not be required to give bond for the faithful performance of the duties of Trustee hereunder unless required by Agent. The procedure provided for in this paragraph for substitution of Trustee shall be in addition to and not in exclusion of any other provisions for substitution, by law or otherwise.

(b) Grantor shall pay all reasonable costs, fees and expenses incurred by Trustee and Trustee's agents and counsel in connection with the performance by Trustee of Trustee's duties hereunder, and all such costs, fees and expenses shall be secured by this Deed of Trust.

(c) Trustee shall not be personally liable in case of entry by Trustee, or anyone entering by virtue of the powers herein granted to Trustee, upon the Property for debts contracted for or liability or damages incurred in the management or operation of the Property. Trustee shall have the right to rely on any instrument, document, or signature



authorizing or supporting an action taken or proposed to be taken by Trustee hereunder, which is believed by Trustee in good faith to be genuine.

(d) All moneys received by Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by applicable law), and Trustee shall be under no liability for interest on any moneys received by Trustee hereunder.

(e) Should any deed, conveyance or other instrument of any nature be required from Grantor by Trustee or any substitute trustee to more fully and certainly vest in and confirm to Trustee or such substitute trustee the estates rights, powers, and duties conferred hereunder unto Trustee, then, upon request by Trustee or such substitute trustee, any and all such deeds, conveyances and instruments shall be made, executed, acknowledged, and delivered and shall be caused to be recorded and/or filed by Grantor at its sole expense.

(f) Any substitute trustee appointed pursuant to any of the provisions hereof shall, without any further act, deed or conveyance, become vested with all the estates, properties, rights, powers, and trusts of its predecessor in the rights hereunder with like effect as if originally named as Trustee herein; but nevertheless, upon the written request of Agent or of the substitute trustee, the predecessor trustee ceasing to act shall execute and deliver any instrument transferring to such substitute trustee, upon the trusts herein expressed, all of the estates, properties, rights, powers and trusts of such predecessor trustee so ceasing to act, and shall duly assign, transfer and deliver any of the property and moneys held by such trustee to such substitute trustee.

(g) Upon receipt by Trustee of written notice from Agent that the Debt has been fully paid pursuant to the terms hereof, the Loan Agreement and the Other Loan Documents, Trustee shall reconvey the Property, without warranty, to Grantor or such Person or Persons lawfully entitled thereto.

63. WASHINGTON STATE SPECIFIC PROVISIONS.

(a) The Borrower represents and warrants that the real property conveyed hereby is not used principally for agricultural purposes. The Borrower acknowledges that it has received a true copy of this Deed of Trust provided without charge.

(b) The assignment of Leases and Rents set forth in the granting clause (b) and Section 27 is intended as security for the Debt pursuant to RCW 7.28.230 and, upon recording of this Deed of Trust, shall immediately perfect the security interest in such Leases and Rents in Beneficiary and shall not require any further action by Beneficiary to be perfect as to any subsequent purchaser, mortgagee, or assignee of any interest in the Property. The lien on the Leases and Rents created by this assignment shall, when recorded, be deemed specific, perfected and choate.

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

64. MISCELLANEOUS.

(a) The information set forth on the cover and the recitals hereof are hereby incorporated herein.

(b) For purposes of this Deed of Trust, whenever the circumstances or the context of this Deed of Trust so requires, the singular shall be construed as the plural, the masculine shall be construed as the feminine and/or the neuter and vice versa.

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IN WITNESS WHEREOF, Grantor has executed this Deed of Trust or has caused the same to be executed by its representatives thereunto duly authorized.

GRANTOR:

WASHINGTON ALDER LLC,
a Washington limited liability company

By: Paula Norman [SEAL]
Name: Paula Norman
Title: Controller/Treasurer

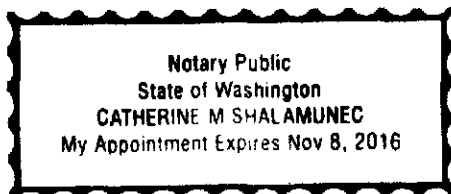
STATE OF WASHINGTON

COUNTY OF Skagit

) ss.

On this 13th day of November, 2013, before me, a Notary Public in and for the State of Washington, personally appeared Paula Norman, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that he/she was authorized to execute the instrument, and acknowledged it as the Controller, Treasurer of WASHINGTON ALDER, LLC to be the free and voluntary act and deed of said limited liability company for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.



Catherine M. Shalamunec
NOTARY PUBLIC in and for the State of
Washington, residing at Anacortes, WA
My appointment expires 11-8-16
Print Name Catherine M. Shalamunec



EXHIBIT A

Property Description

The South 966.00 feet of Lot 3 of SKAGIT COUNTY SHORT PLAT NO. 7-89, approved March 1, 1989 and recorded March 2, 1989 in Volume 8 of Short Plats, pages 112 and 113, records of Skagit County, Washington, being a portion of the Southwest Quarter of the Northwest Quarter of Section 9, Township 34 North, Range 3 East of the Willamette Meridian;

EXCEPT the East 210.00 feet thereof;

AND EXCEPT any portion thereof lying Northeasterly of a line drawn parallel with and 25 feet Southwesterly of the Southwesterly bank of the existing drainage ditch maintained by Drainage District No. 19, running along the toe of the hill.

ALSO EXCEPT that portion conveyed for right of way in deed recorded June 17, 1999, under Auditor's File No. 9906170004, records of Skagit County, Washington.

Situated in Skagit County, Washington.

Exhibit "A" – Page 1



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\$328.00

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