

AFTER RECORDING RETURN TO:

Lane Powell PC
1420 Fifth Avenue, Suite 4200
P.O. Box 91302
Seattle, WA 98111-9402
Attention: Gregory R. Fox



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Skagit County Auditor

\$234.00

6/30/2014 Page

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Document Title: Deed of Trust, Assignment of Rents, and Security Agreement
Reference Number of Related Document:
Grantor(s): Division Street, L.L.C., a Washington limited liability company
Grantee(s): 1. Washington Federal, National Association, Beneficiary 2. LPSL Corporate Services, Inc., Trustee
Abbreviated Legal Description: Lots 1-4, SP MV-5-90; Ptn SW 1/4 of SW 1/4, 17-34-4 E W.M. See Page 2 for full legal description
Assessor's Property Tax Parcel/Account Number(s): 340417-0-027-0105 (P25559); 340417-0-027-0200 (P104679); 340417-0-027-0300 (P104680); 340417-0-027-0400 (P104681)

DEED OF TRUST, ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT ("Deed of Trust"), is made and entered into as of June 30, 2014, by and among Division Street, L.L.C., a Washington limited liability company, whose mailing address is 17146 Britt Road, Mount Vernon, Washington 98273, as Grantor; LPSL Corporate Services, Inc., whose mailing address is 1420 Fifth Avenue, Suite 4200, P.O. Box 91302, Seattle, Washington 98111-9402, as Trustee; and Washington Federal National Association, whose mailing address is 425 Pike Street, Seattle, Washington 98101, as Beneficiary.

WITNESSETH:

That Grantor hereby grants, assigns, conveys and confirms unto Trustee, in trust, with power of sale and right of entry and possession, the following real property in the County of Skagit, State of Washington:

LOTS 1 THROUGH 4, INCLUSIVE, SHORT PLAT NO. MV-5-90, APPROVED MAY 29, 1990 AND RECORDED AUGUST 10, 1990 IN VOLUME 9 OF SHORT PLATS, PAGE 252, UNDER AUDITOR'S FILE NO. 9008100069; BEING A PORTION OF TRACT B OF REVISED SHORT PLAT NO. MV-23-76, AND A PORTION OF THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 17, TOWNSHIP 34 NORTH, RANGE 4 EAST, W.M.

SITUATE IN THE CITY OF MOUNT VERNON, COUNTY OF SKAGIT, STATE OF WASHINGTON.

including, without limitation, all Intangible Property, buildings, improvements, and fixtures now or hereafter located thereon or relating thereto and including, without limitation, all furnishings, appurtenances, easements, reversions, remainders, water and water rights, pumps and pumping plants, pipes, flumes, and ditches thereunto appertaining, and all shares of stock evidencing the same; all machinery, equipment, materials, appliances, and fixtures for generating or distributing air, water, heat, electricity, light, fuel, refrigeration, or for ventilating, cooling, or sanitary purposes, or for the exclusion of vermin or insects, or for the removal of dust, refuse, or garbage; all wall-beds, wall-safes, built-in furniture and installations, shelving, lockers, partitions, door-stops, vaults, elevators, dumbwaiters, awnings, window shades, venetian blinds, light fixtures, fire hose and brackets and boxes for same, fire sprinklers, alarm systems, drapery rods and brackets, screens, linoleum, carpets and carpeting, plumbing, laundry tubs and trays, refrigerators, heating units, ranges, water heaters, dishwashers, laundries, garbage disposal units, incinerators, communication systems, and all installations for which any such building or improvements are specially designed; all of said items, whether now or hereafter installed or acquired, being hereby declared, and shall be construed, to be for all purposes of this Deed of Trust, a part of the realty; the specific enumerations herein not excluding the general. To the extent that any of the foregoing property may be subject to the provisions of the Uniform Commercial Code, this Deed of Trust is a Security Agreement, granting to Beneficiary, as secured party, a security interest in any such property. This Deed of Trust also grants



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to Beneficiary all the estate, interest, claim, or demand, including insurance and the proceeds of insurance insuring the collateral listed above, which Grantor now has or may hereafter acquire in and to the aforesaid property, all of the foregoing, whether real, personal, or intangible property being herein referred to as the "Property."

For the purposes of this Deed of Trust, "Intangible Property" shall mean the following:

- (a) All compensation, awards, damages, rights of action and proceeds (including insurance proceeds and any interest on any of the foregoing) arising out of or relating to a taking or damaging of the real estate described above by reason of any public or private improvement, condemnation proceeding (including change of grade), fire, earthquake or other casualty, injury or decrease in the value of the real estate described above.
- (b) All returned premiums or other payments on any insurance policies pertaining to the real estate described above and any refunds or rebates of taxes or assessments on the real estate described above.
- (c) All plans, specifications, contracts, agreements and purchase orders pertaining or incidental to the design or construction of any improvements on the real estate described above, Grantor's rights under any payment, performance, or other bond in connection with construction of improvements on the real estate described above, and all construction materials, supplies, and equipment delivered to the real estate described above, or intended to be used in connection with the construction of improvements on the real estate described above wherever actually located.
- (d) All contracts and agreements pertaining to or affecting the real estate described above including management, operating and franchise agreements and licenses.
- (e) All commitments or agreements with respect to the Property, now or hereafter in existence, which will provide Grantor with proceeds to satisfy the Note and the right to receive the proceeds due under such commitments or agreements including refundable deposits and fees.
- (f) All general intangibles relating primarily to the development or use of the real estate described above, including but not limited to (1) all assignable privately-created or governmentally-created development rights in and to the real estate described above, (2) all assignable rights, as a result of any governmental decision involving the real estate described above, to transfer "development rights" in the real estate described above to other real property, any "density transfer" entitlements, or similar land use entitlement related directly to the real estate described above, and (3) all assignable government permits relating to construction on the real estate described above;
- (g) All rights as declarant (including, but not limited to, any reservation of development rights by declarant) under any declaration of covenants, conditions



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and restrictions or condominium or planned unit development declaration (or similar instrument, whether recorded or unrecorded) which may now or hereafter encumber or purport to affect use of the real estate described above or the conduct of owners of any of the real estate described above with respect to said use;

- (h) All names under or by which the real estate described above or any of the improvements may at any time be operated or known and all rights to carry on business under any such names or any variant thereof, and all trademarks and good will in any way relating to the real estate described above;
- (i) All water stock relating to the real estate described above, all shares of stock or other evidence of ownership of any part of the real estate described above that is owned by the Grantor in common with others, all documents of membership in any owners' or members' association or similar group having responsibility for managing or operating any part of the real estate described above, and all rights as declarant under any such documents; and
- (j) All reserves, deferred payments, deposits, refunds, cost savings and payments of any kind relating to the construction of any improvements on the real estate described above.
- (k) All additions, accessions, replacements, substitutions, proceeds and products of the property described in this paragraph 3 and of any of the real estate described above which is personal property.

THIS DEED OF TRUST SECURES THE FOLLOWING:

A. Payment of the principal sum of TWO HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$250,000.00), with interest thereon, pursuant to the terms of that certain Secured Promissory Note of even date herewith, payable to Beneficiary or order, and made by Joseph D. Woodmansee, Kimberly A. Woodmansee, and Grantor (collectively, the "Borrower") (the "Note", which term shall include all notes evidencing the indebtedness secured by this Security Instrument, including all renewals, modifications or extensions thereof). This Deed of Trust, the Note, and all other documents executed or delivered in connection with the loans referenced in Recital A to Borrower are referred to herein collectively as the "Loan Documents."

B. Payment and performance of every obligation, covenant, promise, and agreement herein contained.

C. Payment of all attorneys' fees, costs, and expenses relating to the enforcement of this Deed of Trust, and any other sums due hereunder.

D. The obligations of Borrower and Grantor stated in Recitals A, B, and C above are hereinafter sometimes referred to as the "Loan."



UNRECORDED
ASSIGNMENT OF RENTS: Grantor presently and unconditionally transfers, assigns, and sets over to Trustee and Beneficiary (but subject to the rights to collect the same as hereinafter provided) the earnings, income, rents, issues, and profits from any and all of said Property, hereinafter collectively referred to as "income", including all rents reserved in present and future leases (each and all of such leases being hereby expressly assigned). This assignment is recorded in accordance with RCW 65.08.070; the lien created by this assignment is intended to be specific, perfected and choate upon the recording of this Deed of Trust and is junior and subordinate to any interest currently held by Peoples Bank, Grantor's senior lender, with respect to such rents.

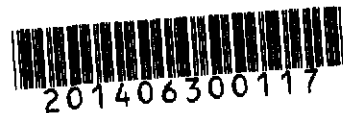
Grantor promises and agrees, until the Note and all sums payable hereunder are paid in full, to perform and abide by all of the following terms, covenants, and conditions.

1. Payment. Grantor shall keep and perform all covenants, conditions, and stipulations under this Deed of Trust and cause Borrower to comply with the terms of the Loan Documents. Time is of the essence and failure to pay the Note, or any note given in renewal or extension thereof or as evidence of interest on any extension of time of payment of the indebtedness hereby secured, when due, or failure to comply with any of the covenants, conditions, and stipulations under the Loan Documents shall cause the whole indebtedness hereby secured to become due and payable, at the option of Beneficiary, without notice, and this Deed of Trust may be foreclosed accordingly, as more fully provided hereafter in paragraph 16.

2. Reserves. Grantor represents that Grantor is paying reserves to the senior lienholder to pay the annual real estate taxes and any other assessments (general or specific) against the Property, and ground rents, if any, to permit payment of these obligations on or before the due date. In the event Grantor's senior lienholder discontinues such reserve arrangement, Grantor shall notify Beneficiary and shall pay such reserves to Beneficiary at Beneficiary's request.

3. Taxes and Assessments. Grantor shall pay, at least ten (10) days before delinquency, all taxes, assessments, ground rents, water charges, liens, and encumbrances affecting the Property if the payment thereof is not provided for pursuant to paragraph 2 hereof, and shall keep the Property free of liens and charges of any government, or political subdivision or agency thereof, except the liens for general real estate taxes and local improvement assessments payable in installments which are not yet due.

4. Insurance. Grantor shall maintain existing insurance policies currently in place and required by senior lienholder. Grantor shall cause the insurance policies to cite Beneficiary's interest as mortgagee in standard non-contributory mortgagee clauses acceptable to Beneficiary effective as of the date hereof, junior and subordinate to the interests of the senior lienholder. Such insurance policies shall be delivered to Beneficiary; be maintained throughout the term of the Loan without cost to Beneficiary; and provide that the coverage afforded thereby shall not expire, be canceled, or otherwise be terminated or materially amended without thirty (30) days' prior written notice to Beneficiary. In the event Grantor does not obtain and maintain the insurance policies required hereunder, Beneficiary may, but shall not be obligated to, obtain such insurance, the cost of which shall be paid or reimbursed by Grantor to Beneficiary, or otherwise added to the Loan, and shall be secured by the Loan Documents, together with interest at the applicable rate from the date of



disbursement by Beneficiary until repaid in full. Grantor shall obtain and maintain in good standing through the term of the Loan the following insurance:

a. Hazard Insurance. To the extent any improvements exist on the Property, prepaid fire and extended coverage insurance as currently in place and required by the senior lienholder. A certified copy of said policy shall be furnished together with a certificate indicating that Beneficiary is the loss payee and mortgagee under said policy. Grantor shall deliver to Beneficiary, at least thirty (30) days prior to the expiration of existing policies, a certificate of insurance evidencing such policies. All insurance proceeds may be applied to any debt secured hereby, or any installment thereof, or be released, at Beneficiary's option. Neither the application nor the release of any such proceeds shall cure or waive any default, or notice of default, hereunder or invalidate any act done pursuant to such notice. Unexpired insurance shall pass with any transfer of title to the Property, voluntary or involuntary, or pursuant to any foreclosure or Trustee's sale, and Beneficiary is hereby irrevocably authorized to assign, in Grantor's name, such insurance accordingly.

b. Liability Insurance. Public liability and property damage insurance covering Grantor, Trustee, and Beneficiary against claims for bodily injury, death, or property damage, as currently maintained and required by senior lienholder. Beneficiary shall be named as an additional insured thereunder.

c. Flood Insurance. Flood insurance if the Property is located in an area which is considered to be a flood risk by the U.S. Department of Housing and Urban Development.

d. Other Insurance. Grantor shall procure and maintain such other insurance as may be required by Beneficiary, in form, amount, and with companies acceptable to Beneficiary and its insurance consultant.

5. Actions Affecting the Property. Grantor shall appear in and defend any action or proceeding purporting to affect the Property, the security thereof, or the rights or powers of Beneficiary or Trustee and, if so requested by Trustee or Beneficiary, Grantor will commence and maintain actions and proceedings for the purpose of protecting the Property, or said rights and powers, all at the expense of Grantor. Should Trustee or Beneficiary appear in, defend, or commence and maintain any such actions or proceedings, or should suit or other proceeding be brought by Beneficiary to enforce this Deed of Trust or the Note, Grantor shall pay all costs and expenses thereof, including cost of evidence of title and attorneys' fees.

6. Trustee's Fees. Grantor shall pay all fees and expenses of Trustee in connection with this Deed of Trust, including the expenses of Trustee and Trustee's attorney's fees actually incurred, as provided herein or by statute.

7. Late Payments. In the event that any payment due under this Deed of Trust is not received by Beneficiary on or before the due date, Beneficiary shall have the option to charge Grantor a late payment fee of five percent (5%) of the monthly payment together with interest to accrue on



any unpaid installments from the due date to the date of actual payment. Throughout the term of the Note, the due date in this Deed of Trust and the Note will be as stated in the Note.

8. Modifications.

a. Modifications of Loan Documents. Beneficiary, or Trustee at the request of Beneficiary, without affecting the liability of any person with respect to any obligation secured hereby and without affecting the lien of this Deed of Trust upon any real property not thereby reconveyed, may from time to time, without notice, agree to the extension of the maturity, or alter the terms of payment of such obligations, release any person so liable, cause to be reconveyed any portion or all of the Property, take or release other security, make compositions or other arrangements with respect to such obligations, join in granting any easement on the Property or in creating or releasing any covenants restricting use thereof, or join in any agreement subordinating the lien hereof.

b. Modifications by Beneficiary. Without affecting the liability of any other person for the payment of any obligation stated herein, or secured hereby (including Grantor, upon conveyance of the Property), and without affecting the lien hereof upon any property not released, Beneficiary may, without notice, release any person so liable, extend the maturity or modify the terms of any such obligation, or grant other indulgences, or release or reconvey, or cause to be released or reconveyed, at any time, all or any part of the Property, take or release any other security, or make other arrangements with debtors. Beneficiary may also accept additional security, either concurrently herewith or thereafter, and sell same or otherwise realize thereon either before, concurrently with, or after sale hereunder.

9. Advances; Inspections. Beneficiary or Trustee, without demand or notice and without releasing Grantor from any obligation hereunder, may do any or all things required of Grantor by any of the provisions of this Deed of Trust which Grantor has failed to do, and may incur and pay expenses in connection therewith. Grantor shall pay to Beneficiary or Trustee, as applicable, on demand, all sums of money Beneficiary or Trustee shall expend pursuant to this paragraph, together with interest upon each of said amounts, until repaid, from the time of payment thereof, at the rate of five percent (5%) per annum in excess of the Note interest rate. Beneficiary or Trustee and their respective agents are authorized to enter upon any part of the Property at any time for the purpose of inspection, or to carry out Grantor's obligations hereunder. Except in the case of an emergency, Beneficiary or Trustee, as applicable, shall provide 3 days advance written notice of any physical inspection of the interior of any improvements on the Property.

10. Hazardous Substances.

a. Grantor's Representations and Warranties. Except as disclosed to Beneficiary in writing before the date of this Deed of Trust, to the best of Grantor's knowledge: (a) no asbestos has ever been used in the construction, repair, or maintenance of any building, structure, or improvement now or heretofore located on the Property, and there is not now, nor has there ever been, any underground storage tank or tanks located on the Property; (b) no Hazardous Substance (as defined below) is currently being generated, processed, stored, transported, handled, or disposed of on, under, in, or from the Property or the groundwater of the Property, except in the



normal course of business conducted on the Property, in a quantity, concentration, and manner permitted by applicable local, state, and federal laws; (c) neither Grantor nor any other person or entity has ever caused or permitted any Hazardous Substance to be generated, processed, stored, transported, handled, or disposed of on, under, in, or from the Property or the groundwater of the Property except in the normal course of business conducted on the Property, in a quantity, concentration, and manner permitted by applicable local, state, and federal laws; (d) Grantor has not received any notice of, nor is Grantor aware of, any actual or alleged violation with respect to the Property or the groundwater of the Property, of any federal, state, or local statute, ordinance, rule, regulation, or other law pertaining to Hazardous Substances; (e) there is no action or proceeding pending or threatened before, or appealable from, any court, quasi-judicial body or administrative agency relating to Hazardous Substances affecting or alleged to be affecting the Property or the groundwater of the Property; (f) Grantor will not itself, and will not suffer or permit, the generation, processing, storage, transportation, handling, or disposal of, on, under, in, or from the Property or the groundwater of the Property of any Hazardous Substance, except in the normal course of business conducted on the Real Property, in a quantity, concentration, and manner permitted by applicable local, state, and federal laws; and (g) Grantor will at all times take all necessary action to insure that the Property and the groundwater of the Property comply with all federal, state, and local environmental laws and regulations (including, without limitation, those pertaining to underground storage tanks and to asbestos).

b. Notification. Grantor shall immediately notify Beneficiary should Grantor (a) become aware of the existence of any Hazardous Substance on the Property or in the groundwaters of the Property, except in the normal course of business conducted on the Property, used in a quantity, concentration, and manner permitted by applicable local, state, and federal laws, (b) receive any notice of, or become aware of, any actual or alleged violation with respect to the Property of any federal, state, or local statute, ordinance, rule, regulation, or other law pertaining to Hazardous Substances, (c) become aware of any lien or action with respect to any of the foregoing. Grantor shall deliver to Beneficiary, promptly upon receipt, (i) copies of any documents received from the United States Environmental Protection Agency ("EPA") and/or any state, county, or municipal environmental or health agency concerning Grantor's ownership, use, or operations upon or in connection with the Property; and (ii) copies of any documents submitted by Grantor to the EPA and/or any state, county, or municipal environmental or health agency concerning the Property.

c. Inspection and Remedial Action. Beneficiary is hereby authorized to enter the Property, including the interior of any structures, at reasonable times, and after reasonable notice, for the purpose of inspecting the Property, to ascertain the accuracy of all representations and warranties, and the compliance with all covenants, made in this Paragraph 10. Upon Beneficiary's written request (a) Grantor, through professional engineers approved by Beneficiary and at Grantor's cost, shall thoroughly investigate suspected Hazardous Substances contamination of the Property or the ground water of the Property, and (b) Grantor shall forthwith take such remedial action as may be necessary to ensure that there is no Hazardous Substance present on the Property or in the groundwater of the Property in quantities or concentrations that exceed amounts allowed by applicable law, and that the Property and activities conducted thereon otherwise comply with all federal, state, and local environmental laws and regulations (including, without limitation, those pertaining to underground storage tanks and to asbestos), in either case, whether



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or not Grantor was responsible for the existence of the Hazardous Substance on or in the Property or the groundwater of the Property, or for such noncompliance. Grantor's obligations under this Paragraph shall arise upon Beneficiary's demand as provided herein, regardless of whether the EPA or any other federal, state, or local agency or governmental authority has taken or threatened any action in connection with the presence of any Hazardous Substance on, or release of any Hazardous Substance from, the Property or the groundwater of the Property. If Grantor shall fail promptly to discharge its obligations under this Paragraph 10, Beneficiary may, at its election, but without the obligation to do so, cause such investigation to be made or remedial action to be taken and/or take any and all other actions that Beneficiary may deem necessary or advisable to protect its security for the Loan or to avoid or minimize its liability for the existence of Hazardous Substances on the Property, or in the groundwater of the Property, or for a release thereof from the Property or the groundwater of the Property. All amounts expended by Beneficiary under this Paragraph 10 shall be payable by Grantor to Beneficiary upon demand, and shall accrue interest at the rate specified in the Note.

d. Definition of Hazardous Substance(s). The term "Hazardous Substance" shall mean: (a) "Hazardous substances," as defined by 40 CFR Part 302; (b) "Extremely hazardous substance," as defined by 40 CFR Part 355; (c) "Toxic chemicals," as defined by 40 CFR Part 372; (d) "Hazardous chemical," as defined by 29 CFR 1910.120, to the extent it is included in the employer's written Hazard Communication Program or in Material Safety Data Sheets that are located on site; (e) "Hazardous waste", "hazardous materials" or "hazardous substances," as defined under Washington law, rules and regulations; (f) Petroleum, including crude oil and any fraction thereof; (g) Any material that contains more than one percent (1%) of asbestos; and (h) Radon.

e. Grantor's Personal Liability; Indemnity. Beneficiary has agreed to advance sums under and pursuant to the Note in reliance upon Grantor's representations, warranties, and covenants set forth in this Paragraph 10. Notwithstanding any other provision of this Deed of Trust, the Loan Documents or applicable law to the contrary, including any such provision purporting to limit Grantor's personal liability thereunder to Grantor's interest in the Property, Grantor, jointly and severally, shall be personally liable for, and shall defend, indemnify, and hold Beneficiary harmless from and against, any and all claims, demands, penalties, fees, liens, damages, losses, expenses, or liabilities (including, without limitation, all reasonable attorney's and expert fees and costs incurred by Beneficiary in connection with any of the foregoing, whether incurred before any action is filed, at trial, or on any appeal or petition for review therefrom) (a) resulting from any breach of the representations, warranties, or covenants contained in this Paragraph 10, or (b) incurred or payable by Beneficiary in connection with the removal of or remedial action concerning any Hazardous Substance on the Property or in the groundwater or the Property, or the release thereof from the Property or the groundwater of the Property (including any such removal or remedial action performed by any governmental authority). Without limiting the generality of the foregoing, the provisions of this Paragraph 10 shall apply to any such claim, demand, penalty, fee, lien, damage, loss, expense, or liability incurred in connection with or arising from (a) the existence of any Hazardous Substance on the Property, and (b) the existence on any other property of any Hazardous Substance attributable to activities or contamination on the Property. Grantor's obligations and liability under this



Paragraph 10 shall survive repayment of this Note and shall extend to sums in excess of the amount advanced pursuant to the Note.

f. Survival. Grantor's representations, warranties, indemnity and covenants set forth at this Paragraph 10 shall survive any foreclosure or deed of trust sale, the repayment of the Note, and/or the release of the lien of this Deed of Trust from the Property and the Grantor's transfer of any or all right, title, and interest in and to the Property to any party.

g. [Intentionally Omitted].

11. Rents. All of the rents, issues, and profits of the Property have been assigned, subordinate to senior lienholder's interest in such rents, issues, and profits, to Beneficiary as consideration for the Loan. As of this date, except as provided in the leases, no rents have been paid in advance and in the future no rents will be accepted in advance on the Property. Until default be made in payment of any sums secured hereby, or in performance of any of Grantor's agreements herein contained or in the Loan Documents, Grantor may collect and retain such rents, issues, and profits as they become due. Upon any such default, Beneficiary may at any time, subject to the rights of the senior lienholder in all cases, without notice, either by its agents, attorneys, employees, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for any debt hereby secured, enter upon and take possession of the Property, do any acts Beneficiary may deem necessary or proper to conserve the value thereof, rent, lease, and operate the same in its own name, and collect and receive all rents, issues, and profits thereof, including those past due and unpaid, applying the same, less costs and expenses of operation and collection, to any indebtedness secured hereby. Neither the taking of possession nor the collecting of rents, issues, and profits or the application thereof, as aforesaid, shall cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

12. Judgments, Awards, and Settlements. Subject to the interests of the senior lienholder and after full satisfaction of the same, all net and remaining amounts from judgments, awards of damages, and settlements hereafter made as a result or in lieu of any condemnation or other proceeding for public use of, or for any damage to, the Property or the improvements thereon are hereby assigned and shall be paid to Beneficiary to the extent of Beneficiary's outstanding indebtedness including, but not limited to, accrued but unpaid interest and additional advances (if any) made under the Note. Grantor agrees to execute such further assignments of any such compensation, award, judgment, or settlement which may be received by Grantor. Beneficiary may apply any or all of such proceeds on any debt or any installment thereof secured hereby or it may release all or any part thereof. Neither the application nor the release of such proceeds shall cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

13. Default: Certain Remedies.

a. Acceleration. Notwithstanding the terms of any Note evidencing the same, at the option of Beneficiary, and without demand or notice, all sums secured hereby shall immediately become due and payable, upon the occurrence of any one or more of the following (each, an "Event of Default"):



- (1) Upon default in payment of any sums secured hereby; or
- (2) Upon Grantor's conveying, selling (subject to the release provisions contained herein), or encumbering the Property (other than with respect to the already existing secured obligations and liens in favor of the senior lienholder), or any part thereof or any interest therein, without the prior written consent of Beneficiary, or upon Grantor's being divested of title, or any interest therein, in any manner, voluntary or involuntary; or
- (3) Upon default by Grantor or Borrower in the performance of any covenant, term, or condition herein or in any of the Loan Documents, or in any agreement secured by a senior lien on the Property.

There shall be no additional financing during the term of the Loan and no subordinate debt instrument of any kind or other lien or encumbrance against the Property will be allowed without Beneficiary's prior written approval, which approval is in its sole and absolute discretion.

b. Sale or Transfer of Property. Beneficiary is forbearing with respect to its remedies under the Note in reliance, in part, on the ability and desire of Grantor to fulfill all of its obligations hereunder, and in reliance upon the responsibility of Grantor to preserve the Property from waste or depreciation. In the event Grantor, or its successors and assigns, sells or transfers, directly or indirectly, all or any of the Grantor's interest in the Property, or in the event the controlling interest in Grantor materially changes, both as determined by Beneficiary in its sole discretion, without the prior written consent of Beneficiary (including advance consent provided for in this Deed of Trust), Beneficiary, or its successors or assigns, may declare the entire balance of the Note secured by this Deed of Trust immediately due and payable, including all accrued interest; provided, however, Beneficiary shall consent to a sale of the Property on the following condition: Beneficiary agrees to cause the partial reconveyance of the lien of its Deed of Trust against any of the individual lots 1-4 in connection with a sale or refinance of such lot upon Beneficiary's receipt of the greater per lot of: (i) \$80,000, or (ii) all net sale proceeds after the payoff of the senior lienholder, Peoples Bank loan or refinance secured by such lot, less customary costs of sale approved by Beneficiary in its reasonable discretion for each lot.

For the purposes of the above paragraph, the terms "sale, transfer, or change in controlling interest" shall include, in addition to the common and ordinary meaning of those terms and without limiting their generality, transfers made to subsidiary or affiliate entities, transfers made to a reconstituted partnership or other entity (general, limited, or limited liability), transfers by any partnership (general, limited, or limited liability) to the partners or vice versa, transfers by any partner, shareholder, member, or trustee to other partners, shareholders, members, or trustees or to third parties, transfers by any corporation or limited liability company to its shareholders or members or vice versa, any merger or consolidation, any assignment of beneficial interests in a land trust, any sale by land contract or other title retaining contract, any subordinate lien or other encumbrance placed on or permitted against the Property, or any contract or agreement to do any of the foregoing. No permitted sale or transfer of any ownership interest in the Property or Grantor shall release the selling or transferring person or entity from its obligations under the Loan Documents unless otherwise agreed in writing.



c. Beneficiary's Action on Behalf of Grantor. Should Grantor or Borrower fail or refuse to make any payment or do any act which it is obligated hereunder or under the Loan Documents to make or do, at the time and in the manner herein provided, then Trustee and/or Beneficiary, each in his or its sole discretion, may, without notice to or demand upon Grantor and without releasing Grantor from any obligation hereof:

(1) Make or do the same in such manner and to such extent as may be deemed necessary to protect the security of this Deed of Trust, the Trustee and/or Beneficiary being authorized to enter upon and take possession of said Property for such purposes;

(2) Commence, appear in, or defend any action or proceeding affecting or purporting to affect the security of this Deed of Trust, the interests of Beneficiary, or the rights, powers, and duties of Trustee hereunder, whether brought by or against Grantor, Trustee, or Beneficiary; or

(3) Pay, purchase, contest or compromise any prior claim, debt, lien, charge, or encumbrance which, in the judgment of either, may affect or appear to affect the security of this Deed of Trust, the interests of Beneficiary, or the rights, powers, and duties of Trustee hereunder.

Provided, however, neither Trustee nor Beneficiary shall be under any obligation to make any of the payments or do any of the acts above mentioned but, upon election of either or both so to do, employment of an attorney or attorneys is authorized and payment of such attorneys' fees is hereby secured. Any sums paid or advanced by either Trustee or Beneficiary pursuant to this paragraph shall be repaid and shall bear interest in accordance with paragraph 9 of this Deed of Trust.

d. [Intentionally Omitted].

e. Default. A default under the terms of the Note, or any other instrument securing the Note or executed by Grantor in connection therewith, shall constitute an Event of Default under this Deed of Trust.

f. Receiver. Upon any Event of Default, Beneficiary shall have the right to have a receiver appointed to take possession of all or any part of the Property, with the power to protect and preserve the Property, to operate the Property preceding or pending foreclosure or sale, and to collect the rents from the Property and apply the proceeds, over and above the cost of the receivership, against the obligations secured hereby. The receiver may serve without bond if permitted by law. Beneficiary's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Beneficiary shall not disqualify a person from serving as a receiver.

14. Notices. All notices given pursuant to this Deed of Trust must be in writing and will be effectively given when personally delivered or mailed postage prepaid, certified or registered mail, or by overnight air courier, return receipt requested, to the address of the parties on page 1 of this Deed of Trust, or to such other address as a party may hereafter designate in writing.



15. Covenants Regarding the Property. Grantor further agrees:

- a. To protect, preserve, and defend the Property and title thereto;
- b. To keep all buildings or improvements now or hereafter on the Property free of termites, dry rot, fungus, beetles, and other wood-boring, wood-eating, or harmful or destructive insects and in all respects properly to care for and keep all of said buildings, structures, and improvements in good condition and repair;
- c. To keep the trees, vines, shrubbery, plants, lawns, and crops thereon in good condition;
- d. To comply with all laws, ordinances, and regulations now or hereafter enacted affecting the Property or requiring any alterations or improvements thereto including, without limitation, the Americans with Disabilities Act of 1990 (the "ADA"), and all regulations promulgated thereunder, to the extent the ADA applies thereto;
- e. To deliver to Beneficiary any additional permits or approvals or disapprovals affecting the Property, within ten (10) days of Grantor's receipt thereof;
- f. To the extent that insurance proceeds are made available to Grantor, to complete or restore promptly and in good workmanlike manner any building or improvements which may be constructed, damaged, or destroyed thereon and to pay when due all costs incurred therefore, and if the Note secured hereby, or any part thereof, is being obtained for the purpose of financing construction or improvements on said Property (1) to commence construction promptly and in any event within thirty (30) days from the date of this instrument and to complete the same in accordance with any agreements relating to construction and plans and specifications satisfactory to Beneficiary; (2) to allow Beneficiary to inspect said Property at all times during construction; (3) to replace any work or materials unsatisfactory to Beneficiary within fifteen (15) calendar days after written notice to Grantor of such fact; and (4) that work shall not cease on the construction of such improvements for any reason whatsoever for a period of fifteen (15) consecutive days or for an aggregate time of fifteen (15) days or more during any sixty (60) day period;
- g. To permit no waste or deterioration of or on the Property; and
- h. Not to remove, substantially alter, or demolish any building or improvement thereof or thereon except as required by subparagraph (f) of this paragraph.

16. Foreclosure. Should default be made by Borrower or Grantor in the payment of any indebtedness or obligations secured hereby, or in performance of any obligation, covenant, promise, or agreement herein, Beneficiary may declare all sums secured hereby immediately due and payable and execute and deliver to Trustee a written declaration of default, a demand for sale, and written notice of default, and shall surrender to Trustee this instrument, the Note and all evidence of expenditures hereunder. Thereafter Trustee shall cause such notice of default to be sent or delivered in accordance with the Deed of Trust Act of the State of Washington.



After the lapse of such time as may then be required by law following the mailing of the notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Grantor, shall sell said Property as permitted by applicable law at the time and place fixed by it in the notice of sale at public auction. Trustee may postpone sale of all or any portion of said Property by public announcement at such time and place, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Without further notice, Trustee may make such sale at the time to which same shall be so postponed. Any person, including Beneficiary but excepting Trustee, may purchase at such sale.

a. Proceeds of Foreclosure Sale. Trustee shall apply the proceeds of any sale to payment of:

(1) All costs, fees, charges, and expenses of Trustee acting under this Deed of Trust, fees of any attorneys employed by Trustee or Beneficiary pursuant to the provisions hereof, Trustee's fees in connection with sale, and all expenses of sale, including cost of procuring title policy, guarantee, or other evidence of title in connection with sale proceedings, as required by Beneficiary;

(2) All other sums then secured hereby, including indebtedness described herein, all sums advanced or expended under the terms hereof and not then repaid, the interest on each of the foregoing items, all in such manner and order of priority or preference as Beneficiary may, in its sole and absolute discretion, determine;

(3) The remainder, if any, shall be dealt with in accordance with then applicable Washington laws.

b. Trustee's Deed. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser the interest in the Property which Grantor had, or had the power to convey, at the time of its execution of this Deed of Trust, and such as Grantor may have acquired thereafter. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers for value.

c. Nonexclusive Remedies. The power of sale conferred by this Deed of Trust and by the Deed of Trust Act of the State of Washington is not an exclusive remedy and when not exercised, Beneficiary may foreclose this Deed of Trust as a mortgage.

d. Beneficiary's Remedies. If any debt secured hereby is now or hereafter secured by mortgages, pledges, guarantees, other deeds of trust, or other security agreements, Beneficiary may, at its option, enforce its rights with respect to any one or more of said security arrangements, either concurrently or independently and in such order as it may determine without affecting its rights hereunder and without waiving any default hereunder.

17. Trustee. Trustee accepts these trusts when this Deed of Trust is made a public record, and Trustee shall be entitled to reasonable compensation for all services, including fees of its counsel.

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employed in connection herewith, and also reimbursement for all of its reasonable expenses, and Grantor agrees to pay the same.

a. Substitute Trustee. Beneficiary may at any time nominate and appoint by written notice another Trustee in the place and stead of the Trustee named herein or any successor Trustee, and the original shall be recorded in the records of the county in which the Deed of Trust is recorded. The title herein conveyed to said Trustee shall be vested in said successor, which appointment shall be in writing.

b. Reconveyance by Trustee. Upon written request of Beneficiary stating that all sums secured hereby have been paid and upon surrender of this Deed of Trust and the Note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall convey, without warranty, the Property then held hereunder. The Grantee in such reconveyance may be described by Trustee either as Grantor or "the person or persons legally entitled thereto." Ten (10) years after issuance of such full reconveyance, Trustee may destroy said Note and this Deed of Trust, unless directed in such request to retain them.

18. [Intentionally Omitted].

19. Usury. Grantor shall not be liable for the payment of any charges or interest provided in this Deed of Trust to the extent such charges exceed the maximum amount permitted under the laws of the State of Washington, it being fully agreed and understood that it is the intention of Beneficiary that this Deed of Trust shall in all respects conform to the laws of the State of Washington and this Deed of Trust shall not be affected thereby.

20. [Intentionally Omitted].

21. Nonexclusive Remedies/No Waiver. The rights and remedies of Trustee and Beneficiary hereunder are not exclusive but shall be concurrent and cumulative with all other rights and remedies given by law to trustees and beneficiaries under deeds of trust and to the holders of the notes secured thereby. Any failure on the part of Beneficiary promptly to exercise any right, remedy, or option herein given or reserved shall not prevent the exercise thereof at any time thereafter. Nothing in this Deed of Trust shall be construed to prevent Beneficiary from enforcing payment of the Note without first foreclosing this Deed of Trust.

22. No Agricultural Use. The Property hereby conveyed is not used principally for agricultural purposes.

23. Additional Documentation. At all times, and from time to time, upon the request of Beneficiary, Grantor agrees to execute and deliver to Beneficiary a Security Agreement and UCC Financing Statements in the appropriate form for all personal property owned by Grantor pertaining to the operation of the Property, and all such assurances of title and additional papers and instruments as Beneficiary may request. During the term of the Note any additional permits and approvals or disapprovals issued with regard to the project and/or the Property are to be delivered to Beneficiary within ten (10) days of Grantor's receipt.



24. Financial Statements. Throughout the term of the Note or this Deed of Trust, Grantor shall furnish to Beneficiary upon request, a certified statement of Net Operating Income received from the Property during Grantor's previous fiscal year and in such form and detail as Beneficiary shall require. "Net Operating Income" shall mean all cash receipts from the Property less all cash expenditures made in connection with the operation of the Property.

25. [Intentionally Omitted].

26. Miscellaneous.

a. Representations of Grantor. Grantor represents, warrants and covenants as follows: (i) Grantor holds merchantable fee simple title to the Property, free of all encumbrances other than those disclosed in writing to Beneficiary as of the date hereof, which includes senior obligations, encumbrances, and liens to Peoples Bank, and has the ability to encumber the Property without any additional third party approval or consent whatsoever; and (ii) Grantor will forever defend the title against the lawful claims of all persons; and (iii) if any action or proceeding is commenced that questions Grantor's title or the interest of Beneficiary under this Deed of Trust, Grantor shall defend the action at its expense; and (iv) Grantor acknowledges and agrees that Beneficiary would not extend the maturity date of the Note or make further advances under any of the Note without Grantor agreeing to enter into this Deed of Trust to provide additional collateral for the Note, and the Grantor, as an affiliate of one or more of the borrowers under the Note receives direct benefit from such maturity date extension and further advances under the Note.

b. Severability. The invalidity of any one or more covenants, phrases, clauses, sentences, or paragraphs of this Deed of Trust shall not affect the remaining portions hereof and this Deed of Trust shall be construed as if such invalid covenants, phrases, clauses, sentences, or paragraphs, if any, had not been included herein.

c. Construction of Terms. This Deed of Trust shall be so construed that wherever applicable, the use of the singular number shall include the plural number, the use of the plural number shall include the singular number, the use of any gender shall be applicable to all genders and shall likewise be so construed as applicable to and including a corporation or a partnership. The word "Note" shall include all notes evidencing the indebtedness secured hereby. The term "Beneficiary" shall mean the owner and holder of the Note whether or not named as Beneficiary herein. Captions are for convenience only and have no legal effect in the interpretation of the Loan Documents.

d. Joint and Several Liability; Heirs and Assigns. All obligations of each Grantor hereunder are joint and several and this Deed of Trust shall inure to the benefit of and bind the heirs, devisees, legatees, administrators, executors, successors, and assigns of the parties hereto.

e. Amendments. This Deed of Trust may only be amended in writing signed by Grantor and Beneficiary.



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

EXECUTED as of the date first written above.

GRANTOR:

DIVISION STREET, L.L.C.,
a Washington limited liability company

By Joseph D. Woodmansee
Name: Joseph D. Woodmansee
Title: Manager

By Kimberly A. Woodmansee
Name: Kimberly A. Woodmansee
Title: Manager



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STATE OF WASHINGTON)
) ss.
COUNTY OF Skagit)

I certify that I know or have satisfactory evidence that Joseph D. Woodmansee is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he is authorized to execute the instrument and acknowledged it as Manager of DIVISION STREET, L.L.C. to be his free and voluntary act for the uses and purposes mentioned in this instrument.

DATED: June 25, 2014 Kami K Albright



Print Name: Kami K Albright
NOTARY PUBLIC for the State of
Washington, residing at
Skagit

My appointment expires:
June 26, 2017

STATE OF WASHINGTON)
) ss.
COUNTY OF Skagit)

I certify that I know or have satisfactory evidence that Kimberly A. Woodmansee is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he is authorized to execute the instrument and acknowledged it as Manager of DIVISION STREET, L.L.C. to be his free and voluntary act for the uses and purposes mentioned in this instrument.

DATED: June 25, 2014 Kami K Albright



Print Name: Kami K Albright
NOTARY PUBLIC for the State of
Washington, residing at
Skagit

My appointment expires:
June 26, 2017

