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Skagit County Auditor, WA

After recording return to:

Columbia State Bank Loan Operations
Operations Center Annex - MS 6100
2228 South 78th Street
Tacoma, Washington 98409

CTI 222722-NCS
Title No. 620052154

**DEED OF TRUST, ASSIGNMENT OF LEASES AND RENT, SECURITY AGREEMENT,
AND FIXTURE FILING (Fee Estate and Leasehold)**

Grantor	Guemes Channel Holdings, LLC
Grantee 1 (Trustee)	Chicago Title Company of Washington
Grantee 2	Columbia State Bank
Abbreviated Legal	Ptn. Blocks 501, 601, 701, Northern Pacific Add: Ptn. Tract 2, Plate 7, Anacortes Tidelands Govt. Lot 2 (NW1/4 NE1/4), Section 23, Township 35 North, Range 1 East, W.M. Full legal description on Exhibit A attached hereto
APN/Reference No.	P31702 / 350123-0-002-1601, P31735 / 350123-0-018-0001, P31738 / 350123-0-021- 0006, P31739 / 350123-0-022-0005, P31740 / 350123-0-023-0004, P31741 / 350123-0- 024-0003, P58398 / 3809-501-009-0005, P58466 / 3809-601-005-0007, P58467 / 3809- 601-007-0005, and P58476 / 3809-701-004-0006 201404070099

After recording return to:

Columbia State Bank Loan Operations
Operations Center Annex - MS 6100
2228 South 78th Street
Tacoma, Washington 98409

Loan number 2286220

**DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT,
AND FIXTURE FILING (Fee Estate and Leasehold)**

Borrower/Grantor

Guemes Channel Holdings, LLC,
a Washington limited liability company
2629 NW 54th Street #201
Seattle, Washington 98107

Lender

Columbia State Bank
2nd & Columbia Branch
721 2nd Avenue
Seattle, Washington 98104

Trustee

Chicago Title Company of Washington
1142 Broadway #200
Tacoma, Washington 98402

THIS DEED OF TRUST, ASSIGNMENT OF LEASES AND RENT, SECURITY AGREEMENT, AND FIXTURE FILING ("*Deed of Trust*"), is made on February 15, 2023, by the grantor identified above ("*Grantor*") to the trustee identified above and its successors in trust and assigns ("*Trustee*") for the benefit of COLUMBIA STATE BANK, whose address is set forth above ("*Lender*" or "*Beneficiary*").

1. Granting Clause. For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in order to secure the Secured Obligations (as defined in Section 4 below), including without limitation payment of the indebtedness evidenced by the Note (defined below) with interest thereon, and any other sums payable thereunder and hereunder, and to secure the performance of the obligations contained herein, Grantor grants, bargains, sells, and conveys to Trustee and its successors in trust and assigns, forever, in trust, with power of sale, all of Grantor's estate, right, title, interest, claim and demand in and to the real property and leasehold interest located in Skagit County, Washington, described as follows, whether now existing or hereafter acquired (all of the property described in all parts of this Section 1 and all additional property, if any, described in Section 2 are herein collectively referred to herein as the "*Property*").

1.1 Land, Leasehold, and Appurtenances. The land and leasehold described on Exhibit A hereto and all tenements, hereditaments, rights of way, easements, appendages, and appurtenances thereto belonging or in any way appertaining, including without limitation all of the right, title, and interest of Grantor in and to any

avenues, streets, ways, alleys, vaults, strips or gores of land adjoining that land, and all claims or demands of Grantor either in law or in equity in possession or expectancy of, in, and to the foregoing.

1.2 Equipment, Inventory, Accounts, Improvements, and Fixtures. All equipment, inventory, accounts, general intangibles, and all buildings, structures, and other improvements now or hereafter erected on the property described in Section 1.1 above, and all facilities, fixtures, machinery, apparatus, installations, goods, furniture, and equipment, and other properties of whatsoever nature (including without limitation all heating, ventilating, air conditioning, plumbing and electrical equipment, all elevators and escalators, all sprinkler systems, all engines and motors, all lighting, laundry, cleaning, fire prevention and fire extinguishing equipment, all ducts and compressors, all refrigerators, stoves and other appliances, attached cabinets, partitions, rugs, carpets, blinds and draperies, all building materials and supplies, and all construction materials and equipment), now or hereafter located in or used or procured for use in connection with that property, it being the intention of the parties that all property of the character hereinabove described which is now owned or hereafter acquired by Grantor and which is affixed or attached to or used in connection with the property described in Section 1.1 above shall be, remain, and/or become a portion of that property and shall be covered by and subject to the lien of this Deed of Trust, together with all contracts, agreements, permits, plans, specifications, drawings, surveys, engineering reports, and other work products relating to the construction of the existing or any future improvements on the property described in Section 1.1, any and all rights of Grantor in, to, or under any architect's contracts or construction contracts relating to the construction of the existing or any future improvements on the property described in Section 1.1, and any performance and/or payment bonds issued in connection therewith together with any and all rights of Grantor, without limitation, to make claim for, collect, receive, and receipt for any and all rents, income, revenues, issues, royalties, profits, including mineral, oil, and gas rights and profits, insurance proceeds, condemnation awards and other moneys payable or receivable from or on account of any of the foregoing, including interest thereon, or to enforce all other provisions of any agreement (including those referred to above) affecting or relating to any of the foregoing.

1.3 Enforcement and Collection. Any and all rights of Grantor, without limitation, to make claim for, collect, receive and receipt for any and all rents, income, revenues, issues, royalties, and profits, including mineral, oil and gas rights and profits, insurance proceeds, condemnation awards and other moneys, payable or receivable from or on account of any of the property described in Sections 1.1 and 1.2, including interest thereon, or to enforce all other provisions of any other agreement (including those described in Section 1.2 above) affecting or relating to any of the property described in Sections 1.1 and 1.2, to bring any suit in equity, action at law or other proceeding for the collection of such moneys or for the specific or other enforcement of any such agreement, award or judgment, in the name of Grantor or otherwise, and to do any and all things which Grantor is or may be or become entitled to do with respect thereto, provided, however, that no obligation of Grantor under the provisions of any such agreements, awards or judgments shall be impaired or diminished by virtue hereof, nor shall any such obligation be imposed upon Trustee or Beneficiary.

1.4 Accounts and Income. Any and all rights of Grantor in any and all accounts, rights to payment, contract rights, chattel paper, documents, instruments, licenses, contracts, agreements and general intangibles relating to any of the property described in Sections 1.1, 1.2, and 1.3, including without limitation income and profits derived from the operation of any business on the property described in Sections 1.1 and 1.2 or attributable to services that occur or are provided on the property described in Sections 1.1 and 1.2 or generated from the use and operation of the property described in Sections 1.1 and 1.2.

1.5 Miscellaneous Income and Accounts Receivable. All other income, accounts, and accounts receivable of any nature whatsoever generated from any the foregoing including without limitation income from concessions, vending, laundry and other coin operated equipment, storage and parking income, and concession, ticket sales, and advertising income.

1.6 Leasehold Interest. All of the leasehold estate and interest of Grantor in the Property pursuant to an Aquatic Lands Lease (collectively and as amended from time to time, "*Grantor Lease*") executed by Washington State Department of Natural Resources as lessor on January 3, 2019, and Lovrie's Landing, LLC, as tenant on December 21, 2018, and recorded as document 201901230027 on January 23, 2019, in the land records of Skagit County, Washington, as amended from time to time and as assigned to Grantor by instrument dated February 15, 2023, and recorded as document **202302220043** on **February 22nd, 2023**, in the land records of Skagit County, Washington, and as further subject to a Consent to Assignment of Lease for Security Purposes by and between the Washington Department of Natural Resources, Grantor, and Beneficiary dated on or about the date of this instrument ("*DNR Consent*"). The leasehold interest conveyed under this instrument includes all rights of Grantor under the Grantor Lease as amended from time to time, the fee simple title or any other estate, interest, or rights of Grantor in or to any present or future improvements on the leasehold estate, and any and all other estates, interests, or rights that may at any time be acquired by Grantor in or to any part of the Property and the improvements, whether by renewal, modification, or extension of the Grantor Lease, by exercise of an option to purchase, by construction of improvements, by maturity of any bond financing, or otherwise, and all personal property, improvements, Tenant Leases (defined below), and rents.

1.7 Tenant Leases. All of Grantor's rights and interests as landlord in and to all existing and future leases, subleases, sub-subleases, concessions, licenses, rental agreements, franchises, and other occupancy agreements affecting all or any portion of the property described in Sections 1.1 and 1.2 or any part thereof and all amendments, modifications, extensions, renewals, or supplements thereto approved in writing by Beneficiary, whether written or oral and whether for a definite term or month to month, including without limitation any lease from Grantor to an affiliate of Grantor or otherwise for operations on the Property or any moorage leases affecting the Property (collectively "*Tenant Leases*"), including any and all rents, guaranties of the lessees' obligations (including any and all security thereunder), security and other deposits, and any other security received or receivable thereunder. In accepting this Deed of Trust neither Beneficiary nor Trustee assumes any liability for the performance of any such Tenant Leases.

1.8 Products and Proceeds. All products or proceeds of any of the foregoing described in this Section 1.

1.9 Books and Records. All books and records of Grantor in any form relating to the foregoing described in this Section 1.

1.10 Attachments. All attachments, accessions, tools, parts, supplies, increases, and additions to and all replacements of and substitutions for any property described herein.

1.11 Accounts. All accounts, contract rights, general intangibles, instruments, monies, payments, and all other rights, arising out of a sale, lease, or other disposition of any of the property described herein.

1.12 Certain Proceeds. All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described herein.

1.13 Certain Records. All records and data relating to any of the property described herein, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

2. Security Agreement. To the extent any of the property described in Section 1 is personal property, Grantor, as debtor, grants to Beneficiary, as secured party, a security interest therein together with a security interest in all other personal property of whatsoever nature that is located on or used or to be used in connection with any of

the property described in Section 1, and any products or proceeds of any thereof, pursuant to the Uniform Commercial Code ("UCC"), on the terms and conditions contained herein, except that where any provision hereof is in conflict with the UCC, the UCC shall control. Beneficiary hereby assigns such security interest to Trustee, in trust, for the benefit of Beneficiary to be dealt with as a portion of the "Property" except as otherwise specified herein. This Deed of Trust shall be deemed to be a security agreement and a fixture filing with respect to all property subject to the UCC. Information concerning this security interest can be obtained from Beneficiary at the address set forth above. Grantor authorizes Beneficiary to file and/or record such financing statements as Beneficiary deems necessary or advisable to perfect the security interests herein granted.

3. Assignment of Leases and Rents. The following terms apply to the assignment of leases and rents under this instrument.

3.1 Assignment. For purposes of securing the Secured Obligations (as defined below), Grantor does hereby absolutely and unconditionally grant, transfer, convey, sell, set over, and assign to Beneficiary all of Grantor's right, title, and interest now existing and hereafter arising in and to the leases, subleases, concessions, licenses, rental agreements, franchises, or other agreements, either oral or written, now existing and hereafter arising that affect the Property, Grantor's interest therein, and any improvements located thereon, together with any and all security deposits, guaranties of the lessees' obligations (including any and all security thereunder), and other security under any such leases, subleases, concessions, licenses, franchises, or other agreements (all of the foregoing, and any and all extensions, modifications, and renewals thereof shall be collectively referred to herein as part of the Tenant Leases), and hereby gives to and confers upon Beneficiary the immediate and continuing right to collect all the income, receipts, rents, revenues, issues, profits, royalties, and proceeds from the Tenant Leases and any business conducted on the Property by Grantor and any and all prepaid rent and security deposits thereunder (collectively "Rents") now due or which may become due or to which Grantor may now or shall hereafter (including those Rents coming due during any redemption period) become entitled or may demand or claim, arising, or issuing from or out of the Tenant Leases or from or out of the Property or any part thereof, including without limitation minimum rents, additional rents, percentage rents, deficiency rents, and liquidated damages following default, and all proceeds payable under any policy of insurance covering loss of rents resulting from untenability caused by destruction or damage to the Property, together with any and all rights and claims of any kind that Grantor may have against any tenant under the Tenant Leases or any subtenants or occupants of the Property, EXCEPTING THEREFROM, any sums that by the express provisions of any of the Tenant Leases are payable directly to any governmental authority or to any other person, firm, or corporation other than the landlord under the Tenant Lease. Grantor irrevocably appoints Beneficiary its true and lawful attorney at the option of Beneficiary at any time to demand, receive, and enforce payment, to give receipts, releases and satisfactions, and to sue, either in the name of Grantor or in the name of Beneficiary, for all such Rents and apply the same to the Secured Obligations (as defined below).

3.2 Grantor's Representations and Warranties Regarding Tenant Leases and Rents. Grantor represents and warrants that:

- (a) Grantor has good title to the Tenant Leases and Rents hereby assigned and good right to assign the same, and that no other person, firm, or corporation has any right, title or interest therein;
- (b) Grantor has fully and punctually performed all the terms, covenants, conditions, and warranties of the Tenant Leases on Grantor's part to be kept, observed, and performed;
- (c) the Tenant Leases are valid and unmodified and in full force and effect;
- (d) Grantor has not previously sold, assigned, transferred, mortgaged, or pledged the Rents from the Property, whether now due or hereafter to become due;

(e) except as permitted by Section 3.4(a) below, any of the Rents due and issuing from the Property or from any part thereof for any period subsequent to the date hereof have not been collected and that payment of any of same has not otherwise been anticipated, waived, released, discounted, set off, or otherwise discharged or compromised;

(f) except as permitted by Section 3.4(a) below, Grantor has not received any funds or deposits from any tenant for which credit has not already been made on account of accrued Rents;

(g) to Grantor's knowledge, the tenants under the Tenant Leases are not in default of any of the terms thereof, nor is any event existing that would through passage of time, the giving of notice, or the expiration of a period of grace constitute such a default; and

(h) none of the Tenant Leases contains a purchase option or first right of refusal to purchase all or any portion of the Premises.

3.3 Grantor's Covenants of Performance Regarding Tenant Leases and Rents. Grantor covenants and agrees:

(a) to observe, perform, and discharge, duly and punctually, all obligations, terms, covenants, conditions, and warranties of the Note and Deed of Trust, of all existing and future Tenant Leases affecting the Property, on the part of Grantor to be kept, observed, and performed, and to give prompt notice to Beneficiary of (1) any failure on the part of Grantor to observe, perform, and discharge same and (2) any notice, demand, or other document received by Grantor from any tenant or subtenant under the Tenant Leases specifying any default claimed to have been made by the Grantor under the Tenant Leases;

(b) with respect to consumer mortgage leases, to promptly deposit and maintain all security deposits or other deposits received by Grantor from tenants in a segregated trust account in a federally insured bank or savings and loan association and to notify and direct in writing each and every present or future tenant or occupant of the Property or of any part thereof that any security deposit or other deposits heretofore delivered to Grantor have been retained by Grantor or assigned and delivered to Beneficiary as the case may be;

(c) to strictly enforce or secure, by all available means (upon notice to Beneficiary), the prompt and faithful performance of and compliance with each and every obligation, term, covenant, condition, and agreement in the Tenant Leases by any tenant to be performed and complied with by such tenants, and to notify Beneficiary of the occurrence of any default under the Tenant Leases;

(d) to appear in and defend any action or proceeding arising under, occurring out of, or in any manner connected with the Tenant Leases or the obligations, duties, or liabilities of Grantor and any tenant thereunder, and upon request by Beneficiary, to do so in the name and on behalf of Beneficiary, but in all cases at the sole expense of Grantor;

(e) to pay all costs and expenses of Beneficiary, including attorney fees in a reasonable sum, in any action or proceeding in which Beneficiary may appear in connection herewith; and

(f) to neither create nor permit any lien, charge, or encumbrance upon its interest as lessor of the Tenant Leases except the lien of this Deed of Trust or as permitted under this Deed of Trust.

3.4 Prior Approval For Actions Affecting or Relating to Tenant Leases. Grantor further covenants and agrees that it will not, without the prior written consent of Beneficiary (which consent may be withheld in Beneficiary's sole and absolute discretion except for consent under Section 3.4(f) which will not be unreasonably withheld or delayed):

(a) receive or collect any rents from any present or future tenant of the Property or any part thereof for a period of more than one month in advance of the date on which such payment is due, or collect a security deposit in excess of one month rent (whether in cash, by letter of credit, or by promissory note);

(b) pledge, transfer, mortgage, or otherwise encumber or assign future payments of Rents;

(c) except for moorage slip leases in the ordinary course of business, waive, excuse, condone, discount, set off, compromise, or in any manner release or discharge any tenant under any Tenant Leases of the Property, of and from any obligations, covenants, conditions, and agreements by the tenant to be kept, observed, and performed, including the obligation to pay the Rents thereunder in the manner and at the place and time specified therein;

(d) except for moorage slip leases in the ordinary course of business, cancel, terminate, or consent to any surrender of any of the Tenant Leases, permit any of the aforementioned (other than in connection with a default by the tenant), exercise any right of recapture provided in any Tenant Leases, modify, or in any way alter the terms thereof;

(e) except for moorage slip leases in the ordinary course of business, lease any part of the Property or amend, modify, renew, or extend the term of any existing Tenant Lease of the Property (unless an option therefor was originally so reserved by a tenant in its Tenant Lease for a fixed and definite rental); Grantor shall provide copies of all Tenant Leases upon request from Beneficiary;

(f) except for moorage slip leases in the ordinary course of business, relocate or expand the floor space of any tenant within the Property, consent to any modification of the express purposes for which the Property have been leased, or consent to any subletting of the Property or any part thereof or to any assignment of the Tenant Leases by any tenant thereunder or to any assignment or further subletting of any sublease. In connection with any new or modified Tenant Lease to which Beneficiary consents, Grantor shall obtain and deliver to Beneficiary an estoppel certificate and a subordination, nondisturbance, and attornment agreement from each tenant, both in form and substance acceptable to Beneficiary; and

(g) notwithstanding anything to the contrary, Grantor may enter into a lease agreement with Stabbert Marine & Industrial, LLC, dated on or about the date of this instrument, an unsigned copy of which has been provided to Beneficiary and a fully executed copy of which shall be provided to Beneficiary within thirty days after the date of this instrument.

3.5 Rejection of Tenant Leases. In the event any lessee under the Tenant Leases should be the subject of any proceeding under the Federal Bankruptcy Act or any other federal, state, or local statute that provides for the possible termination or rejection of the Tenant Leases assigned hereby, Grantor covenants and agrees that in the event any of the Tenant Leases is so rejected, no damages settlement shall be made without the prior written consent of Beneficiary and further that any check in payment of damages for rejection of any such Tenant Lease will be made payable both to Grantor and Beneficiary, and Grantor hereby assigns any such payment to Beneficiary and further covenants and agrees that upon request of Beneficiary it will duly endorse to the order of Beneficiary any such check, the proceeds of which will be applied to any portion of the indebtedness secured by this Deed of Trust as Beneficiary may elect in its sole discretion.

3.6 License to Collect Rents. So long as there shall exist no Event of Default under the Note or this Deed of Trust, Grantor shall have the right under a license granted hereby (but limited as provided in Section 3.7 below) to collect, but not prior to accrual, all of the Rents arising from or out of the Tenant Leases or any renewals, extensions, and replacements thereof or from or out of the Property or any part thereof, and Grantor

shall receive such Rents and shall hold them, as well as the right and license to receive them, as a trust fund to be applied, and Grantor hereby covenants to so apply them, as required by Beneficiary, first to the payment of taxes and assessments upon said Property before penalty or interest is due thereon, second to the cost of insurance, maintenance, and repairs required by the terms of this Deed of Trust, third to the satisfaction of all obligations specifically set forth in the Tenant Leases, and fourth to the payment of interest and principal becoming due on the Note and this Deed of Trust, before using any part of the same for any other purposes.

3.7 Termination of License. Upon an Event of Default under the Note or this Deed of Trust, Beneficiary, at its option and without notice, shall have the complete right, power, and authority hereunder to exercise and enforce any or all of the following rights and remedies at any time:

(a) to terminate the license granted to Grantor to collect the Rents without taking possession of the Property and to demand, collect, receive, sue for, attach, and levy against the Rents in Beneficiary's own name; to give proper receipts, releases and acquittance therefor; and after deducting all necessary and proper costs and expenses of operation and collection as determined by Beneficiary, including reasonable attorney fees, to apply the net proceeds thereof, together with any funds of Grantor deposited with Beneficiary, upon any indebtedness secured hereby and in such order as Beneficiary may determine;

(b) to declare all sums secured hereby immediately due and payable and, at its option, exercise all or any of the rights and remedies contained herein or in the Note;

(c) without regard to the adequacy of the security or the solvency of Grantor, with or without any action or proceeding through any person or by agent, or by the Trustee, or by a receiver to be appointed by a court, and without regard to Grantor's possession, to enter upon, take possession of, manage, and operate the Property or any part thereof; make, modify, enforce, cancel, or accept surrender of any Tenant Leases now or hereafter in effect on said Property or any part thereof; remove and evict any tenant; increase or decrease Rents; decorate, clean, and repair, and otherwise do any act or incur any costs or expenses as Beneficiary shall deem proper to protect the security hereof, as fully and to the same extent as Grantor could do if in possession; and in such event, to apply the Rents so collected in such order as Beneficiary shall deem proper to the operation and management of the Property, including the payment of reasonable management, brokerage, and attorney fees, payment of the indebtedness under the Note and this Deed of Trust, and payment to a reserve fund for replacements, which fund shall not bear interest; and

(d) require Grantor to transfer all security deposits to Beneficiary, together with all records evidencing such deposits.

Provided, however, that the acceptance by Beneficiary of this Deed of Trust, with all of the rights, powers, privileges and authority so created, shall not, prior to entry upon and taking possession of said Property by Beneficiary, be deemed or construed to constitute Beneficiary a "mortgagee in possession," nor thereafter or at any time or in any event obligate Beneficiary to appear in or defend any action or proceeding relating to the Tenant Leases or to the Property, or to take any action hereunder, or to expend any money or incur any expenses or perform or discharge any obligation, duty, or liability under the Tenant Leases, or to assume any obligation or responsibility for any security deposits or other deposits delivered to Grantor by any lessees thereunder and not assigned and delivered to Beneficiary; nor shall Beneficiary be liable in any way for any injury or damage to person or property sustained by any person or persons, firm, or corporation in or about the Property; and

Provided further, that the collection of the Rents and application as aforesaid and/or the entry upon and taking possession of the Property shall not cure or waive any default, waive, modify, or affect any notice of default required under the Note and Deed of Trust, or invalidate any act done pursuant to such notice. If the original default is cured and the exercise of any such right or remedy is discontinued, the same or any other right or remedy hereunder shall not be exhausted and may be reasserted at any time and from time to time following any subsequent

default. The rights and powers conferred on Beneficiary hereunder are cumulative of and not in lieu of any other rights and powers otherwise granted Beneficiary. A demand by Beneficiary of any tenant for payment of rents by reason of any default claimed by Beneficiary shall be sufficient direction to said tenant to make future payments of all rents to Beneficiary without the necessity for further consent by or notice to Grantor.

3.8 Appointment of Attorney-in-Fact. Grantor hereby constitutes and appoints Beneficiary its true and lawful attorney-in-fact coupled with an interest of Grantor. In the name, place, and stead of Grantor, Beneficiary is authorized to subordinate at any time and from time to time any Tenant Leases affecting the Property or any part thereof to the lien of this Deed of Trust or any other deed of trust encumbering the Property or to any ground lease of the Property, and to request or require such subordination where such option or authority was reserved to Grantor under any such Tenant Leases, or in any case where Grantor otherwise would have the right, power, or privilege so to do. This appointment is to be irrevocable and continuing and these rights, powers, and privileges shall be exclusive in Beneficiary and its successors and assigns as long as any part of the indebtedness secured hereby shall remain unpaid. Grantor hereby warrants that it has not, at any time prior to the date hereof, exercised any right to subordinate any Tenant Lease to this Deed of Trust or to any other deed of trust or ground lease and further covenants not to exercise any such right.

3.9 Indemnification. Grantor hereby agrees to indemnify and hold harmless Beneficiary from any and all liability, loss, damage, or expense that Beneficiary may incur under or by reason or in defense of any and all claims and demands whatsoever that may be asserted against Beneficiary arising out of the Tenant Leases, including without limitation any claims by any tenants of credit for rental for any period under any Tenant Leases or for any security deposit paid to and received by Grantor but not delivered to Beneficiary. Should Beneficiary incur any such liability, loss, damage, or expense, the amount thereof (including reasonable attorney fees) with interest thereon at the Default Rate specified in the Note, shall be jointly and severally payable by Grantor immediately and without demand, and shall be secured as a lien by this Deed of Trust.

3.10 Records. Until the Secured Obligations shall have been paid in full, upon written request by Beneficiary Grantor shall deliver to Beneficiary executed copies of any and all renewals of existing Tenant Leases and all future Tenant Leases upon all or any part of the Property, and Grantor will transfer and assign such Tenant Leases to Beneficiary upon the same terms and conditions as herein contained; provided, however, that the foregoing shall not be construed as detracting from the validity of this instrument as a valid assignment of any and all existing and future Tenant Leases. Grantor hereby covenants and agrees to make, execute, and deliver unto Beneficiary upon demand and at any time any and all assignments and other records and instruments, including without limitation rent rolls and books of account sufficient for the purpose that Beneficiary may deem to be advisable for carrying out the purposes and intent of this Deed of Trust.

3.11 Merger. It is understood and agreed that (a) the fact the Tenant Leases or the leasehold estates created thereby may be held, directly or indirectly, by or for the account of any person or entity that shall have an interest in the fee estate of the Property or (b) any other event, shall not merge any Tenant Leases or the leasehold estates created thereby with the fee estate in the Property as long as any of the indebtedness secured hereby shall remain unpaid, unless Beneficiary shall consent in writing to such merger.

3.12 Grantor Lease. Grantor will pay all rents and will strictly observe and perform on a timely basis all other terms, covenants, and conditions of the Grantor Lease and any additional lease or other type of lease affecting the Property to the extent Grantor is responsible therefor. Grantor will indemnify and hold harmless Lender against all actions, proceedings, costs including attorney fees, demands, and damages whatsoever that may be incurred by reason of Grantor's failure to pay rents or strictly observe or perform under the Grantor Lease. Grantor further agrees that except with Lender's prior written consent, it will not (a) surrender, terminate, or cancel the Grantor Lease, (b) modify, change, supplement, alter, or amend the Grantor Lease, either orally or in writing, (c) subordinate the Grantor Lease or its interest in the Property to any mortgage, deed of trust, or other lien on the interest of the lessor under the Grantor Lease, or (d) except as otherwise provided herein, reject or assume the

Grantor Lease or assign its interest in the Grantor Lease and the Property pursuant to Section 365 of the United States Bankruptcy Code, 11 USC 101 *et seq.*, as amended from time to time. No estate in the Property, whether fee title, the leasehold estate, or any subleasehold estate, will merge without Lender's express written consent; rather, these estates will remain separate and distinct, even if there is a union of these estates in the landlord, Grantor, or a third party who purchases or otherwise acquires the estates. Grantor further agrees that, if Grantor acquires all or a portion of the fee simple title or any other leasehold or subleasehold title to the Property, that title will immediately become subject to the terms of this Deed of Trust, and Grantor will execute, deliver, and record all documents necessary or appropriate to assure that such title is secured by this Deed of Trust; provided, however, that Grantor shall not exercise any option or right of first refusal to purchase the Property without the prior written consent of Lender, which will not be unreasonably withheld. Grantor will promptly notify Lender in writing if (a) Grantor is in default in the performance or observance of any of the terms, covenants, or conditions that Grantor is to perform or observe under the Grantor Lease, (b) any event occurs that would constitute a default under the Grantor Lease, (c) any notice of default is given to Grantor by the landlord under the Grantor Lease, (d) pursuant to the Grantor Lease, any proceeds received for the Property are deposited with someone other than Lender, whether received from any insurance on the Property or from the taking of any or all of the Property by eminent domain; and (e) any arbitration or appraisal proceedings are requested or instituted pursuant to the Grantor Lease. Upon receipt by Lender of any written notice of default by Grantor under the Grantor Lease, Lender may, at Lender's option, cure such default, even if the existence of such default or the nature of the default is questioned or denied by Grantor or by any party on behalf of Grantor. Grantor expressly hereby grants to Lender the absolute and immediate right to enter upon the Property to such extent and as often as Lender in its sole discretion deems necessary or desirable in order to prevent or cure any such default by Grantor. **Lender hereby disclaims any interest or lien against the fee simple and reversionary interest in the aquatic leasehold Property and any Improvement thereon owned by the State of Washington. The State of Washington shall have no liability whatsoever in connection with this instrument or the instruments and obligation secured by this instrument. The Grantor Lease is subject to the DNR Consent.**

4. **Obligations Secured.** This Deed of Trust is given for the purpose of securing (collectively "**Secured Obligations**");

4.1 **Performance and Payment.** The performance of the obligations and payment of all amounts contained herein and in that certain Loan Agreement executed and delivered by Borrower concurrently herewith ("**Loan Agreement**"), and any extensions, modifications, supplements and consolidations thereof, and the payment of \$6,000,000 with interest thereon, according to the terms of a promissory note of even date herewith made by Borrower, payable to Beneficiary or order, and any and all extensions, renewals, modifications, or replacements thereof, whether the same be in greater or lesser amounts ("**Note**").

4.2 **Future Advances.** The repayment of any and all sums disbursed or advanced or expenditures made by Beneficiary subsequent to the execution of this Deed of Trust (a) for the maintenance or preservation of the Property (including without limitation payment of taxes, special assessments, utilities, and insurance on the Property) and (b) pursuant to any provision of this Deed of Trust and/or the Loan Agreement (including without limitation for the enforcement of the Note, this Deed of Trust, and Loan Agreement and any remedies hereunder), in each case, together with interest thereon.

5. **Unsecured Obligations.** Notwithstanding anything to the contrary set forth herein or in any other document that has been executed in connection with the loan secured hereby, this Deed of Trust shall not secure (a) the obligations of any guarantor (each a "**Guarantor**" and collectively "**Guarantors**") under those certain Unconditional Payment and Completion Guaranties executed in connection with the loan secured hereby (each a "**Guaranty**" and collectively "**Guaranties**"), (b) the obligations of Grantor and the Guarantors under those certain Certificate and Indemnity Agreements Regarding Hazardous Substances executed in connection with the loan secured hereby (collectively "**Environmental Indemnity Agreements**"), and (c) any provision of this Deed of Trust or any agreement secured by this Deed of Trust that would be considered the "substantial equivalent" of the obligations described in (a) or (b) above for purposes of state law. All of such obligations (and substantial

equivalents thereof) shall constitute the separate unsecured recourse obligations of Grantor and such other parties and shall not be deemed to be secured by this Deed of Trust.

6. Warranties and Covenants of Grantor. Grantor warrants, covenants, and agrees:

6.1 Warranties. Grantor warrants the following:

- (a) Grantor has full power and authority to grant the Property to Trustee.
- (b) Grantor has a good and marketable fee simple title in and to the Property consisting of the fee estate and a good and marketable leasehold interest in and to the Property consisting of the leasehold estate, subject only to those matters listed on Schedule B of that certain title insurance policy approved by and issued to Beneficiary in connection with this Deed of Trust and thereafter such other title exceptions as Beneficiary may elect, in its sole discretion, to approve in writing.
- (c) None of the Property is presently, or will during the term of this Deed of Trust be, used principally or at all for agricultural or farming purposes.
- (d) The Property is free from damage and no matter has come to Grantor's attention (including without limitation knowledge of any construction defects or nonconforming work) that would materially impair the value of the Property as security except for wear and tear in the ordinary course of business or as disclosed in written reports delivered to Beneficiary prior to the date of this instrument.
- (e) The loan evidenced by the Note and secured by this Deed of Trust and the proceeds thereof is exclusively for commercial, industrial, or business purposes and is not for personal, family, or household purposes.
- (f) Each Tenant Lease is in full force and effect in accordance with its terms.
- (g) Grantor has not waived, cancelled, or surrendered any of its rights under any Tenant Lease.
- (h) There is no existing default on the part of Grantor under any Tenant Lease and no event has occurred which, with the passage of time or the giving of notice or both, would constitute a default thereunder.
- (i) To the best of Grantor's knowledge, there is no default on the part of any tenant under any Tenant Lease.
- (j) The Grantor Lease is in full force and effect in accordance with its terms.
- (k) Grantor has not waived, cancelled, or surrendered any of its rights under the Grantor Lease.
- (l) There is no existing default on the part of Grantor under the Grantor Lease and no event has occurred which, with the passage of time or the giving of notice or both, would constitute a default thereunder.
- (m) To the best of Grantor's knowledge, there is no default on the part of the lessor under the Grantor Lease.

6.2 Preservation of Lien. Grantor will, at its sole cost and expense, preserve and protect the priority of this Deed of Trust as a first lien on the Property and all portions thereof and will take all actions, and execute and deliver to Beneficiary all documents, that Beneficiary may require in order to perfect the liens and security interests granted in this Deed of Trust or in any other Loan Document (defined below). Grantor shall promptly discharge any lien, encumbrance, or other charge, whether superior or inferior to this Deed of Trust, that may be claimed against the Property; provided that Grantor shall have the right to contest the amount or validity in whole or in part of any lien, encumbrance, or other charge against the Property by appropriate proceedings conducted in good faith and with due diligence, in which event Grantor, upon prior written notice to Beneficiary, may postpone or defer payment of such lien, encumbrance, or other charge so long as (a) such proceedings shall operate to prevent the collection of the lien, encumbrance, or other charge, (b) neither the Property nor any part thereof will, by reason of such postponement or deferment, be in danger of being forfeited or lost, and (c) Grantor, before the date such lien, encumbrance, or other charge becomes delinquent, gives such reasonable security as may be requested by Beneficiary to ensure payment thereof and prevent any forfeiture or loss of the Property or any part thereof.

6.3 Repair and Maintenance of Property. Grantor will (a) keep the Property in good condition and repair, which duty shall include without limitation continual cleaning, painting, landscaping, repairing, and refurbishing of the Property, (b) complete and not remove or demolish, alter, or make additions to any building or other improvement that is part of the Property or construct any new structure on the Property without the express written consent of Beneficiary, subject, however, to alterations to adapt the Property for Grantor's or its lessees' business purpose without diminution of the value or overall function of the Property, (c) underpin and support when necessary any such building or other improvement and protect and preserve the same, (d) complete or restore promptly and in good and workmanlike manner any such building or other improvement that may be damaged or destroyed and pay when due all claims for labor performed and materials furnished therefor, (e) not commit, suffer, or permit any act upon the Property in violation of law, and (f) do all other acts that from the character or use of the Property may be reasonably necessary for the continued operation of the Property in a safe and legal manner, the specific enumerations herein not excluding the general.

6.4 Insurance. Grantor agrees to the following insurance provisions.

(a) Coverages Required. Grantor will keep the following insurance coverages in effect with respect to the Property by an insurance company chosen by Grantor, subject to Beneficiary's approval of the insurance company, which approval will not be unreasonably withheld:

(1) Insurance against loss by fire, vandalism, malicious mischief, and such other hazards as may now or hereafter be embraced by the standard "all risk" or "special form" policy of insurance, in an amount equal at all times to the current replacement value of all improvements then located on the Property. All such insurance coverage shall (A) contain a "replacement cost endorsement" without deduction for depreciation, (B) if Beneficiary deems applicable, "law and ordinance" coverage, and (C) if Beneficiary deems applicable, equipment breakdown coverage. All such insurance coverage and endorsements shall contain a deductible of not more than \$50,000 per occurrence.

(2) Flood risk insurance in the maximum amount of insurance coverage available or the full replacement cost of all improvements on the Property, whichever is less, if the Property is now or hereafter designated as being located within a special flood hazard area under the Flood Disaster Protection Act of 1973, as previously or hereafter amended, and if flood insurance is available.

(3) Loss of rental value insurance and/or business interruption insurance, as follows: If all or any portion of the Property is rented or leased, loss of rental value insurance in an amount equal to [six months] aggregate gross rents from the Property as is so occupied. If all or any portion of the Property is occupied by Grantor, business interruption insurance in an amount equal to six months net income from such portion

of the Property as is so occupied. The amount(s) of such coverage(s) shall be subject to adjustment, from time to time at Beneficiary's request, to reflect changes in the rental and/or income levels during the term of the Loan.

(4) Commercial general public liability insurance against claims for bodily injury, death, or property damage occurring on, in, or about the Property (including coverage for elevators and escalators, if any, on the Property), with the coverage being in an amount of not less than \$2,000,000 combined single-limit liability coverage per occurrence, or in such greater amount(s) as Beneficiary may reasonably require. All such insurance coverage shall contain a deductible of not more than \$50,000 per occurrence.

(5) Insurance (excluding, however, earthquake insurance, if permitted to be excluded in Beneficiary's sole discretion) against such similar or other hazards, casualties, liabilities, and contingencies, in such forms and amounts as Beneficiary may from time to time reasonably require.

(b) **Policies.** Each insurance policy will be in form and content reasonably acceptable to Beneficiary and will be issued by a company reasonably acceptable to Beneficiary, which company shall, among other things, be (1) duly authorized to provide such insurance in the state in which the Property is located, and (2) rated "A" or better with a size rating of "VIII" or larger by A.M. Best Company in its most recent publication of ratings (provided, however, that if A.M. Best Company changes its designations, the basis for its ratings or ceases to provide ratings, Beneficiary shall be entitled to select replacement ratings in the exercise of its reasonable business judgment). Each hazard insurance policy will include a Form 438BFU or equivalent mortgagee endorsement in favor of and in form acceptable to Beneficiary, and which endorsement provides that the policy to which it relates will survive foreclosure of this Deed of Trust. Each liability insurance policy will name Beneficiary as an additional assured. An "agreed amount endorsement" will be included in any policy containing a co-insurance clause, and Grantor agrees that any and all co-insurance clauses and "agreed amount endorsements" must be satisfactory to Beneficiary. If any required property insurance coverage is furnished as part of a "blanket policy," either the blanket policy will include an "agreed value endorsement" or "agreed amount endorsement," or Grantor will furnish to Beneficiary a copy of the insurer's "statement of value" for the Property. All required policies will provide for at least thirty days written notice to Beneficiary prior to the effective date of any cancellation or material amendment, which term shall include any reduction in the scope or limits of coverage. Grantor shall furnish to Beneficiary (x) the complete original of each required insurance policy, (y) a certified copy thereof (including all declaration pages, policy forms, and endorsements), which shall include an original signature of an authorized officer or agent of the insurer, or (z) an uncertified memorandum copy thereof (including all declaration pages, policy forms, and endorsements), together with an original evidence of insurance or certificate of insurance setting forth the coverage, the limits of liability, the carrier, the policy number, and the expiration date. As security for the indebtedness secured by this Deed of Trust, Grantor hereby assigns to Beneficiary all required insurance policies, together with all monies and proceeds thereof, rights thereto, and all unearned premiums returnable upon cancellation (all such assigned items constituting part of the "Property" for purposes of this Deed of Trust).

(c) **Payment; Renewals.** Grantor shall promptly furnish to Beneficiary all renewal notices relating to insurance policies. Except as the same may otherwise be paid under Section 6.15 below, Grantor will pay all premiums on insurance policies directly to the carrier. At least thirty days prior to the expiration date of each such policy, Grantor shall furnish to Beneficiary a renewal policy in a form acceptable to Beneficiary, together with evidence that the renewal premium has been paid.

(d) **Insurance Proceeds.** Grantor agrees to the following additional insurance provisions.

(1) In the event of any loss, Grantor will give prompt written notice thereof to the insurance carrier and Beneficiary. Grantor hereby grants Beneficiary a power of attorney, which power of attorney is coupled with an interest and is irrevocable, to make proof of loss, to adjust and compromise any claim in excess of \$250,000, to commence, appear in, and prosecute in Beneficiary's or Grantor's name any action relating to

any claim, and to collect and receive insurance proceeds; provided, however, that Beneficiary shall have no obligation to do so. If no Event of Default has occurred and is continuing, the immediately preceding sentence shall apply except that Beneficiary shall not be entitled to act as Grantor's attorney-in-fact and Grantor shall be entitled to participate jointly with Beneficiary in adjusting and compromising any claim, and appearing in any proceeding.

(2) Beneficiary shall apply any insurance proceeds received hereunder first to the payment of the costs and expenses incurred in the collection of the proceeds and shall then apply the balance ("*Net Proceeds*") in its absolute discretion and without regard to the adequacy of its security to:

(A) The payment of indebtedness secured hereby, whether then due and payable or not. Any such application of proceeds to principal on the Note shall be without the imposition of any prepayment fee otherwise payable under the Note, but shall not extend or postpone the due dates of the installment payments under the Note or change the amounts thereof; or

(B) The reimbursement of Grantor, under Beneficiary's prescribed disbursement control procedures, for the cost of restoration or repair of the Property. No insurance proceeds at any time assigned to or held by Beneficiary shall be deemed to be held in trust, and Beneficiary may commingle such proceeds with its general assets and shall not be liable for the payment of any interest thereof. Beneficiary shall in no case be obligated to see to the proper application of any amount paid over to Grantor. Beneficiary may, at its option, condition the reimbursement on Beneficiary's approval of the plans and specifications of the reconstruction, contractor's cost estimates, construction budgets and schedules, architects' 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 Beneficiary may reasonably require.

(3) Notwithstanding the provisions of Section 6.4(d)(2) above, Beneficiary agrees that the Net Proceeds from a loss described in this Section 6.4(d) will be made available under Section 6.4(d)(2)(B) above to reimburse Grantor for the cost of restoration or repair of the Property, provided that each of the following conditions is satisfied:

(A) No Event of Default has occurred and is continuing at the time the proceeds are received;

(B) The Net Proceeds are less than the indebtedness then secured by this Deed of Trust;

(C) The proceeds are received more than one year prior to the maturity date of the Note, including any acceleration of the maturity date by Beneficiary;

(D) Grantor gives Beneficiary written notice within thirty days after the proceeds are received that it intends to restore or repair the Property and requests that the Net Proceeds be made available therefor, and Grantor thereafter promptly commences the restoration or repair and completes the same with reasonable diligence in accordance with plans and specifications approved by Beneficiary, which approval shall not be unreasonably withheld;

(E) The Net Proceeds are sufficient, in Beneficiary's reasonable business judgment, to restore or repair the Property substantially to its condition prior to the damage or destruction or, if in Beneficiary's reasonable business judgment they are not, Grantor deposits with Beneficiary funds in an amount equal to the deficiency, which funds Beneficiary may, at its option, require be expended prior to use of the Net Proceeds; and

(F) Beneficiary receives evidence reasonably satisfactory to Beneficiary that the Property can lawfully be restored or repaired to its condition prior to the damage or destruction and that, upon completion of the restoration or repair, the Property can be operated substantially as it was before and will produce substantially as much income from tenant leases and all other sources as it did before the damage or destruction.

(4) Except to the extent, if any, that insurance proceeds are applied to payment of the indebtedness secured hereby, nothing herein contained shall be deemed to excuse Grantor from restoring, repairing, or maintaining the Property as provided in Section 6.3, regardless of whether there are insurance proceeds available or whether any such proceeds are sufficient in amount. Grantor shall be responsible for any uninsured losses and any deductibles.

6.5 Right of Inspection. Grantor shall permit Beneficiary or its agents or independent contractors (including without limitation accountants, appraisers, property inspectors, and environmental consultants), at all reasonable times, to enter upon and inspect, examine, and audit the Property and the books and records for the Property.

6.6 Preservation of Licenses and Permits. Grantor shall observe and comply with all requirements necessary to the continued existence and validity of all rights, licenses, permits, privileges, franchises, and concessions relating to any existing or presently contemplated use of the Property, including without limitation any zoning variances, special exceptions, and nonconforming use permits.

6.7 Further Assurances. Grantor will, at its expense, from time to time execute and deliver any and all such instruments of further assurance and other instruments and do any and all such acts, or cause the same to be done, as Trustee or Beneficiary deems necessary or advisable to grant to Trustee the Property or to carry out more effectively the purposes of this Deed of Trust.

6.8 Legal Actions. Grantor will appear in and defend any action or proceeding before any court or administrative body purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and Grantor will pay all costs and expenses (repayment thereof shall be secured hereby), including without limitation costs of evidence of title and any attorney fees incurred by Beneficiary and Trustee, in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear and in any suit brought by Beneficiary or Trustee to foreclose this Deed of Trust.

6.9 Taxes, Assessments, and Other Liens. Grantor will pay not later than when due all taxes, assessments, encumbrances, charges, and liens with interest on the Property or any part thereof, which at any time appear to be or are alleged to be prior and superior hereto, including without limitation any tax on or measured by rents of the Property, the Note, this Deed of Trust, or any obligation or part thereof secured hereby. Grantor acknowledges that Beneficiary may retain a tax registration service in order to monitor the payment of all real estate taxes and assessments, and Grantor shall pay a one-time fee to Beneficiary for the cost of such service.

6.10 Trust Expenses. Grantor will pay all costs, fees, and expenses incurred by Beneficiary in connection with this Deed of Trust including all such costs, fees and expenses incident to any default hereunder, including attorney fees (and the repayment thereof shall be secured hereby).

6.11 Repayment of Expenditures. Grantor will pay immediately and without demand all sums expended hereunder by Beneficiary or Trustee with interest from date of expenditure at the Default Rate of interest specified in the Note (repayment thereof shall be secured hereby).

6.12 Sale, Transfer, or Encumbrance. Grantor will not, without the prior written consent of Beneficiary, which consent may be given or denied in Beneficiary's sole discretion, sell, transfer, or otherwise

convey the Property or any interest therein, further encumber the Property or any interest therein, cause or permit any change in the entity, ownership, or control of Grantor (each a "**Sale or Encumbrance**") or agree to do any Sale or Encumbrance without first repaying in full the Note and all other sums secured hereby. In connection with any Sale or Encumbrance to which Beneficiary is asked to consent, Grantor agrees to pay to Beneficiary, all costs and expenses incurred by Beneficiary in reviewing and evaluating such matter, whether or not such consent is granted, including without limitation (a) a non-refundable fee of \$1,500, which amount shall be paid by Grantor to Beneficiary upon delivery of Grantor's request for Beneficiary's consent and (b) Beneficiary's reasonable in-house and outside counsel attorney fees incurred in reviewing and evaluating such matter. In addition to any other conditions required by Beneficiary to granting its consent to a Sale or Encumbrance, Beneficiary shall require any person or entity that will, after such Sale or Encumbrance, directly or indirectly hold 20% or more of the ownership interests in Grantor to, jointly and severally, unconditionally guarantee the full repayment of the loan secured by this Deed of Trust and provide an environmental indemnity, each in form and substance acceptable to Beneficiary. Consent to any one such occurrence shall not be deemed a waiver of the right to require consent to any future occurrences. If any Sale or Encumbrance occurs without the prior written consent of Beneficiary, or Grantor agrees to any Sale or Encumbrance without the prior written consent of Beneficiary, the Note shall, at the option of the Beneficiary, be immediately due and payable, and an Event of Default shall be deemed to have occurred under this Deed of Trust and the Note. Notwithstanding the foregoing, transfers of direct or indirect membership interests in Grantor among the existing members of Grantor or to the spouse or children of Dan W. Stabbert, Daniel T. Stabbert, or Lindsay A. Skorohod shall be permitted so long as (a) such transfers in the aggregate do not create in any one individual, directly or indirectly, an equity interest of 20% or more in Grantor, (b) such transfers do not cause a change in voting control of Grantor or any entity members or managers of Grantor, and (c) Grantor provides written notice thereof to Beneficiary prior to implementing any such transfer.

6.13 **Additional Information.** Grantor agrees to furnish such information and confirmations as may be required from time to time by Beneficiary (including in connection with any potential loan participations or assignments). Grantor agrees to make adjustments in this Deed of Trust, the Note, and the other documents evidencing or securing the loan secured hereby to accommodate any loan participant's requirements, provided that such requirements do not substantially vary the economic terms of the loan secured hereby.

6.14 **Grantor Existence.** As Beneficiary is making this loan in reliance on Grantor's continued existence, ownership, and control in its existing entity form, Grantor will not alter entity structure or, except as expressly permitted under Section 6.12 above, the existing ownership or control of Grantor, in each case, without the prior written consent of Beneficiary, and Grantor will do all things necessary to preserve and maintain such entity existence and to insure its continuous right to carry on its business, including without limitation filing within the prescribed time all tax returns and reports and paying when due all taxes applicable to Grantor. Without limiting the generality of the foregoing, without the prior written consent of Beneficiary, which consent may be given or denied in Beneficiary's sole discretion, no principal equity owner of Grantor will withdraw or be removed as an owner of Grantor.

6.15 **Tax and Insurance Reserves.** In addition to the payments required by the Note, Grantor agrees to pay Beneficiary, on the same date as payments of principal and/or interest are due under the Note or otherwise at Beneficiary's request, such sums as Beneficiary may from time to time estimate will be required to pay, at least thirty days before due, the next due taxes, assessments, insurance premiums, and similar charges affecting the Property, less all sums already paid therefor divided by the number of months to elapse before one month prior to the date when such taxes, assessments, and premiums will become delinquent, such sums to be held by Beneficiary without interest or other income to Grantor to pay such taxes, assessments, and premiums. Should the estimate as to taxes, assessments, and premiums prove insufficient, Grantor upon demand agrees to pay Beneficiary such additional sums as may be required to pay them before they become delinquent. If the total of the foregoing payments in any one year shall exceed the amounts actually paid by Beneficiary for taxes, assessments, and premiums, such excess may be credited by Beneficiary on subsequent payments under this section. If there shall be an Event of Default hereunder for which Beneficiary elects to realize upon this Deed of Trust, then at the time of the

Trustee's sale or final decree of foreclosure, Beneficiary shall apply any balance of funds it may hold pursuant to this section first to interest on and then to the principal of the Note. If Beneficiary acquires the Property in lieu of realizing on this Deed of Trust, the balance of funds it holds shall become the property of Beneficiary. Notwithstanding the foregoing, Beneficiary will not require Grantor to pay Beneficiary with each payment required by the Note, for any reserves for payment of real estate taxes, assessments, insurance premiums, and similar charges as long as (a) no Event of Default has occurred hereunder or under the Note and (b) Grantor pays in full and in a timely manner all such real estate taxes, assessments, insurance premiums, and similar charges and provides evidence satisfactory to Beneficiary that such payments were made prior to such amounts becoming delinquent. Any transfer in fee of all or a part of the Property shall automatically transfer to the grantee all or a proportionate part of Grantor's rights and interest in the fund accumulated hereunder.

6.16 Management. The Property shall at all times be managed by Grantor or a third-party manager experienced with properties similar to the Property and acceptable to Beneficiary in its sole discretion.

6.17 Hazardous Substances. The following provisions on hazardous substances are part of this instrument.

(a) For purposes of this Deed of Trust, "*Hazardous Substance*" means any hazardous or toxic substances, materials or wastes, including, but not limited to, those substances, materials, and wastes listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 302) and amendments thereto, or such substances, materials, and wastes that are or become regulated under any applicable local, state or federal law including without limitation any material, waste, or substance that is (1) petroleum, (2) asbestos, (3) mold, (4) polychlorinated biphenyls, (5) defined as a "hazardous waste", "extremely hazardous waste", "restricted hazardous waste," or "hazardous substance" under state or federal law or any other similar terms under any applicable state or federal law, (6) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 USC §1251 et seq. (33 USC §1321) or listed pursuant to Section 307 of the Clean Water Act (33 USC §1317), (7) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 USC §6903), or (8) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 USC §9601, et seq. (42 USC §9601), all as amended, replaced, or succeeded, and any other substance or matter defined as a toxic or hazardous substance or material or pollutant or contaminant under any other federal, state, or local laws, ordinances, or regulations or under any reported decision of a state or federal court, or any substance or matter imposing liability for clean-up costs or expenses on any person or entity under any statutory or common law theory.

(b) Grantor represents and warrants to Beneficiary that (1) to the best of Grantor's knowledge and except as otherwise disclosed in written reports delivered to Beneficiary prior to the date of this instrument, 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, (2) except as otherwise disclosed in written reports delivered to Beneficiary prior to the date of this instrument, no Hazardous Substance is currently being generated, manufactured, refined, transported, treated, stored, handled or disposed of, transferred, produced, or processed on, under or about the Property, except in compliance with all applicable federal, state, and local statutes, ordinances, rules, regulations, and other laws, (3) except as otherwise disclosed in written reports delivered to Beneficiary prior to the date of this instrument, neither Grantor nor, to the best of Grantor's knowledge, any other person or entity has ever caused or permitted any Hazardous Substance to be generated, manufactured, refined, transported, treated, stored, handled or disposed of, transferred, produced, or processed on, under, or about the Property, except in compliance with all applicable federal, state, and local statutes, ordinances, rules, regulations, and other laws, (4) except as otherwise disclosed in written reports delivered to Beneficiary prior to the date of this instrument, Grantor has not received any notice of, nor is Grantor 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, and (5) neither Grantor nor the Property is subject to any governmental or judicial claim, order,

judgment, or lien with respect to the clean-up of Hazardous Substances at or with respect to the Property. Grantor further represents and warrants to Beneficiary that the foregoing representations and warranties contained in this section are made after and are based upon inspection of the Property by Grantor and due inquiry by Grantor as to the prior uses of the Property.

(c) Grantor will not cause or permit the Property to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce, or process any Hazardous Substance, except in compliance with all applicable federal, state, and local statutes, ordinances, rules, regulations, and other laws, nor shall Grantor cause or permit, as a result of any intentional or unintentional act or omission on the part of Grantor or any tenant, subtenant, or other user or occupier of the Property, a releasing, spilling, leaking, pumping, pouring, emitting, emptying, or dumping of any Hazardous Substance onto the Property or any other property or into any waters, except in compliance with all such laws. Notwithstanding the foregoing, Grantor intends to lease the Property to Grantor's affiliate and such affiliate will use and store substances such as paints, lubricants and fuels in the ordinary course of business and such use and storage will not constitute a violation or default under this Deed of Trust or any Loan Document provided such use and storage is in such quantities, containers, and labelling in compliance with applicable law.

(d) Grantor will immediately notify Beneficiary if Grantor becomes aware of (1) any Hazardous Substance problem or liability with respect to the Property creating an actual or imminent violation of applicable law, (2) 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, or (3) any lien or action with respect to any of the foregoing. Grantor will, at its sole expense, take all actions as may be necessary or advisable for the clean-up of Hazardous Substances on or with respect to the Property, including without limitation all removal, containment, and remedial actions in accordance with all applicable laws and in all events in a manner satisfactory to Beneficiary, and Grantor shall further pay or cause to be paid all clean-up, administrative, and enforcement costs of governmental agencies with respect to Hazardous Substances on or with respect to the Property if obligated to do so by contract or by law.

(e) For the purposes of inspecting the Property to ascertain the accuracy of all representations and warranties in this Deed of Trust relating to Hazardous Substances, and the observance of all covenants contained in this Section 6.17, (1) Beneficiary is hereby authorized to enter and inspect the Property, including the interior of any structures, at reasonable times and after reasonable notice and (2) if and at any time Hazardous Substances are being handled on the Property, Grantor shall furnish Beneficiary with such information and documents as may be reasonably requested by Beneficiary to confirm that such Hazardous Substances are being handled in compliance with all applicable federal, state, and local statutes, ordinances, rules, regulations, and other laws. Grantor shall reimburse Beneficiary upon demand for all costs and expenses, including without limitation attorney fees, incurred by Beneficiary in connection with any such entry and inspection and the obtaining of such information and documents.

(f) All of the representations, warranties, covenants, rights, and remedies in this Section 6.17 shall be in addition to and not limit any representations, warranties, covenants, rights, and/or remedies in the Environmental Indemnity Agreement.

(g) Notwithstanding anything to the contrary set forth herein or in any other document that has been executed in connection with the loan secured hereby, (1) this Deed of Trust does not secure the obligations and liabilities of Grantor under this Section 6.17 and (2) the representations, warranties, covenants, rights, and remedies in this Section 6.17 shall survive the repayment of the Note and satisfaction and reconveyance of the lien of this Deed of Trust and shall not be affected by Beneficiary's acquisition of any interest in the Property, whether by foreclosure or otherwise.

6.18 Financial Statements: Books and Records. Grantor shall keep accurate books and records of account of the Property and its own financial affairs sufficient to permit the preparation of financial statements therefrom in accordance with general accepted accounting principles (GAAP) or otherwise in compliance with the Loan Documents. Beneficiary and its duly authorized representatives and independent contractors shall have the right to examine, copy, and audit Grantor's records and books of account at all reasonable times. So long as this Deed of Trust continues in effect, Grantor shall provide to Beneficiary, in addition to any other financial statements required hereunder or under the Loan Agreement, all financial statements and other information regarding the Property.

7. Default. The following default terms are part of this instrument.

7.1 Definition. Subject to any applicable cure period under this Deed of Trust, the Note, or the other Loan Documents, any of the following shall constitute an "*Event of Default*" under this Deed of Trust, the Note, and the other Loan Documents:

- (a) An occurrence of any Event of Default (defined in the Note);
- (b) Any representation or warranty made by or for the benefit of Grantor herein or elsewhere in connection with the loan secured hereby, including without limitation any representations in connection with the security therefor, shall prove to have been incorrect or misleading in any material respect;
- (c) Grantor or any other person or entity liable therefor shall fail to pay when due any indebtedness secured hereby;
- (d) Grantor or any other signatory thereto shall default in the performance of any other covenant or agreement contained in this Deed of Trust, the Note, the Loan Agreement, or any other agreement securing or evidencing the indebtedness secured hereby;
- (e) Grantor or any other person or entity liable for the repayment of the indebtedness secured hereby shall become unable or admit in writing its inability to pay its debts as they mature, or file, or have filed against it, a voluntary or involuntary petition in bankruptcy, or make a general assignment for the benefit of creditors, or be adjudicated bankrupt or insolvent;
- (f) Any termination of the Grantor Lease for any reason or any uncured event of default or actual default under the Grantor Lease or any failure of Grantor or any other party thereto to pay, perform, or comply with any term, condition, or obligation of the Grantor Lease or any other lease or sublease, beyond any period for notice and opportunity to cure;
- (g) A tax, charge, or lien shall be placed upon or measured by the Note, this Deed of Trust, or any obligation secured hereby that Grantor does not or may not legally pay in addition to the payment of all principal and interest as provided in the Note; or
- (h) There shall occur a default under any of the Environmental Indemnity Agreements.

7.2 Beneficiary's and Trustee's Right to Perform. Upon the occurrence of any Event of Default, Beneficiary or Trustee, but without the obligation so to do and without notice to or demand upon Grantor and without releasing Grantor from any obligations hereunder, may (a) make any payments or do any acts required of Grantor hereunder in such manner and to such extent as either may deem necessary to protect the security hereof (including without limitation obtaining insurance and/or paying any premiums or charges for insurance required to be carried under this Deed of Trust), Beneficiary or Trustee being authorized to enter upon the Property for such

purposes; commence, appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, (b) pay, purchase, contest, or compromise any encumbrance, charge, or lien in accordance with the following paragraph, and (c) in exercising any such powers, pay necessary expenses, employ counsel, and pay the reasonable expenses therefor. All sums so expended shall be payable on demand by Grantor, and be secured hereby (except that advances made under this section to cure any default under the Environmental Indemnity Agreements or any guaranties of the loan shall not be secured by this Deed of Trust), and bear interest at the Default Rate specified in the Note from the date advanced or expended until repaid. For clarification, if Beneficiary makes any advances pursuant to this section to cure any default under the Environmental Indemnity Agreements or any guaranties of the loan, any such advances are made on an unsecured basis under the Environmental Indemnity Agreements or guaranties of the loan.

Beneficiary or Trustee in making any payment herein and hereby authorized, in the place and stead of Grantor, in the case of a payment of taxes, assessments, water rates, sewer rentals and other governmental or municipal charges, fines, impositions, or liens asserted against the Property, may make such payment in reliance on any bill, statement, or estimate procured from the appropriate public office without inquiry into the accuracy of the bill, statement, or estimate or into the validity of any tax, assessment, sale, forfeiture, tax lien, or title or claim thereof; in the case of any apparent or threatened adverse claim of title, lien, statement of lien, encumbrance, deed of trust, claim, or charge Beneficiary or Trustee, as the case may be, shall be the sole judge of the legality or validity of same, and in the case of a payment for any other purpose herein and hereby authorized but not enumerated in this paragraph, such payment may be made whenever, in the sole judgment and discretion of Trustee or Beneficiary, as the case may be, such advance or advances shall seem necessary or desirable to protect the full security intended to be created by this instrument; provided that in connection with any such advance Beneficiary at its option may and is hereby authorized to obtain a continuation report of title prepared by a title insurance company, the cost and expenses of which shall be repayable by Grantor without demand and shall be secured hereby.

Without restricting the generality of the foregoing and for the purposes aforesaid in this section, Grantor hereby appoints and constitutes Beneficiary as Grantor's true and lawful attorney-in-fact with full power of substitution to perform, without notice to Grantor, any and all of the foregoing acts in this section on Grantor's behalf, if and at the times when Beneficiary in its sole discretion may so choose, it being understood and agreed that this power of attorney shall be a power coupled with an interest and cannot be revoked and will not be affected by any disability of Grantor.

The above notwithstanding, Beneficiary may not make advances secured by this Deed of Trust to cure defaults under the Environmental Indemnity Agreements or any guaranties executed in connection with the loan secured hereby.

7.3 Remedies on Default. Upon the occurrence of any Event of Default all sums secured hereby shall become immediately due and payable, without notice or demand, at the option of Beneficiary and Beneficiary may:

- (a) Have a receiver appointed as a matter of right, without regard to the sufficiency of the Property or any other security for the indebtedness secured hereby;
- (b) Foreclose this Deed of Trust as a mortgage or otherwise realize upon the Property;
- (c) Cause Trustee to exercise the power of sale granted to Trustee under this Deed of Trust;
- (d) Sue on the Note according to law;

(e) To the extent permitted by applicable law, seek and obtain a deficiency judgment following the completion of a judicial foreclosure or a trustee's sale of all or a portion of the security for the obligations secured by this Deed of Trust; and/or

(f) Exercise any other remedy permitted by this Deed of Trust, the Note, the other Loan Documents and/or applicable law.

7.4 No Waiver. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured or to declare an Event of Default for failure to do so.

8. Condemnation. Grantor will promptly notify Beneficiary of any action or proceeding relating to any condemnation, eminent domain, or other taking (including without limitation any change in the grade of the Property), whether direct or indirect, of the Property or part thereof or interest therein, and Grantor shall appear in and prosecute any such action or proceeding unless otherwise directed by Beneficiary in writing. Grantor grants Beneficiary a power of attorney, which power of attorney is coupled with an interest and is irrevocable, to commence, appear in, and prosecute, in Beneficiary's or Grantor's name, any action or proceeding relating to any such condemnation or other taking, and to settle or compromise any claim in connection with such condemnation or other taking; provided however, that Beneficiary shall have no obligation to do so. All awards, payments, damages (direct, consequential, and otherwise), claims, and proceeds thereof, in connection with any past or future condemnation or other taking, or for conveyances in lieu of condemnation, are hereby assigned to Beneficiary (all such assigned items constituting part of the "Property" for purposes of this Deed of Trust), and all proceeds of any such awards, payments, damages or claims shall be paid to Beneficiary. Beneficiary shall apply any such proceeds in the manner and upon the terms and conditions set forth in Section 6.4(d)(2) relating to the application of insurance proceeds without regard to the provisions of Section 6.4(d)(3). No condemnation award at any time assigned to or held by Beneficiary shall be deemed to be held in trust, and Beneficiary may commingle such award with its general assets and shall not be liable for the payment of any interest thereon.

9. Trustee. The following additional terms apply to the Trustee.

9.1 General Powers and Duties of Trustee. At any time or from time to time, without liability therefor and without notice and without affecting the liability of any person for the payment of the indebtedness secured hereby, upon written request of Beneficiary, payment of its own fees and presentation of this Deed of Trust and the Note for endorsement (in case of full reconveyance, for cancellation or retention), Trustee may:

- (a) Consent to the making of any map or plat of the Property;
- (b) Join in granting any easement or creating any restriction thereon;
- (c) Join in any subordination or other agreement affecting this Deed of Trust or the lien or charge thereof; or
- (d) Reconvey, without warranty, all or any part of the Property.

9.2 Reconveyance. 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 reconvey, without warranty, the Property then held hereunder. The recitals in any reconveyance executed under this Deed of Trust of any matters of fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto." In the event Trustee shall properly reconvey the Property under this section, the assignment of Tenant Leases and Rents hereunder shall be void and of no effect.

9.3 Powers and Duties on Default. Upon written request therefor by Beneficiary specifying the nature of the default, or the nature of the several defaults, and the amount or amounts due and owing, Trustee shall execute a written notice of breach and of its election to cause the Property to be sold to satisfy the obligation secured hereby, and shall cause such notice to be recorded and otherwise given according to law.

Notice of sale having been given as then required by law and not less than the time then required by law having elapsed after recordation of such notice of sale, Trustee, without demand on Grantor, shall sell the Property at the time and place of sale specified in the notice, all as provided by applicable law, either as a whole or in separate parcels and in such order as it may determine, at public auction to the highest and best bidder for cash in lawful money of the United States, payable at time of sale. Grantor agrees that such a sale (or a sheriff's sale pursuant to judicial foreclosure) of all the Property as real estate constitutes a commercially reasonable disposition thereof, but that with respect to all or any part of the Property that may be personal property Trustee shall have and exercise, at Beneficiary's sole election, all the rights and remedies of a secured party under the UCC. Whenever notice is permitted or required hereunder or under the UCC, ten days advanced notice of any sale shall be deemed reasonable notice. Trustee may postpone sale of all or any portion of the Property and from time to time thereafter may postpone such sale, as provided by applicable law. Trustee shall deliver to the purchaser its deed and bill of sale conveying the Property so sold, but without any covenant or warranty, express or implied. The recital in such deed and bill of sale (if applicable) of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person or entity other than Trustee, including Grantor or Beneficiary, may purchase at such sale, except if prohibited by applicable law.

After deducting all costs, fees and expenses of Trustee and of this trust, including the cost of evidence of title search and reasonable counsel fees in connection with the sale, Trustee shall apply the proceeds of sale to payment of (a) all sums expended by Beneficiary and/or Trustee under the terms hereof not then repaid, with accrued interest at the Default Rate specified in the Note, (b) all other sums then secured hereby, (c) and the remainder, if any, in the manner provided by applicable law.

9.4 Reassignment of Security Interest. At the request of Beneficiary, to the extent required by applicable law, Trustee shall reassign to Beneficiary the security interest created hereby and after such reassignment Beneficiary shall have the right, upon the occurrence or continuance of any Event of Default, to realize upon the personal property subject to this Deed of Trust, independent of any action of Trustee, pursuant to the UCC. In that regard, Beneficiary shall have the right to collect all accounts and accounts receivable that are encumbered by this Deed of Trust directly from the obligors at any time after the occurrence of an Event of Default hereunder.

9.5 Acceptance of Trust. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto except Beneficiary of pending sale under any other deed of trust or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party unless brought by Trustee.

9.6 Reliance. Trustee, upon presentation to it of an affidavit signed by Beneficiary setting forth facts showing a default by Grantor under this Deed of Trust, is authorized to accept as true and conclusive all facts and statements therein, and to act thereon hereunder.

9.7 Replacement of Trustee. Beneficiary may, from time to time, as provided by statute, appoint another trustee in place and stead of Trustee herein named, and thereupon Trustee herein named shall be discharged and the trustee so appointed shall be substituted as Trustee hereunder, with the same effect as if originally named Trustee herein.

9.8 No Impairment of Right to Pursue Unsecured Obligations. The foreclosure of this Deed of Trust or sale by Trustee of the Property through the exercise of its power of sale granted hereunder shall not

preclude or impair any action to collect or enforce any obligation of Grantor or any guarantor or other party liable for any of the obligations secured by this Deed of Trust or the substantial equivalent of such obligation, which obligation is not secured by this Deed of Trust including without limitation the obligations of the parties under the Environmental Indemnity Agreements and the obligations of each such guarantor under its guaranty. All of such obligations (and all substantial equivalents of such obligations) shall constitute separate recourse obligations of Grantor and each such guarantor or other party and shall not be deemed to be evidenced by the Note or secured by this Deed of Trust.

10. Notices. Any notice, demand, request, or other communication to Trustee and any notice, demand, request, or other communication to Grantor (including any notice of default or notice of sale) or Beneficiary shall be sent in writing to the address set forth above for the party so designated, or to such other address as may be filed in writing by Grantor or Beneficiary with Trustee and the other party in accordance with this section. Any notice, demand, request or other communication that any party hereto may be required or may desire to give hereunder shall be in writing addressed as set forth above and shall be deemed to have been properly given (a) if hand delivered, when delivered or rejected by the intended recipient, (b) if mailed by United States certified mail (postage prepaid, return receipt requested), when delivered or rejected by the intended recipient, (c) if by Federal Express or other reliable overnight courier service, when delivered or rejected by the intended recipient, or (d) if by facsimile transmission, upon actual receipt of a complete, legible facsimile transmission, except that if a facsimile transmission is received after business hours or on a weekend or holiday, then the notice shall be deemed given on the next business day following the receipt of the facsimile transmission. The giving of notice may be waived in writing by the person or persons entitled to receive such notice, either before or after the time established for the giving of such notice.

11. Modifications. Upon written request of any party then liable for any sum secured hereby, Beneficiary reserves the right to extend the term or otherwise modify the terms hereof or of the Note as Beneficiary and such person may from time to time deem appropriate and any such change shall not operate to release in any manner the liability of the original Grantor or Grantor's successors in interest.

12. Successors and Assigns. The terms, covenants, conditions, and warranties contained herein and the powers granted hereby shall run with the land and shall inure to the benefit of and bind all parties hereto and their respective heirs, successors, and assigns, all tenants and their subtenants and assigns, and all subsequent owners of the Property and subsequent holders of all or any portion of the Note.

13. Governing Law; Severability. This instrument shall be governed by, construed, and enforced in accordance with the laws of Washington to the extent of procedural matters related to the perfection and enforcement by Lender of its rights and remedies against the Property. The loan transaction evidenced by this Note and this instrument (which secures the Note) has been applied for, considered, approved, and made in Washington. EXCEPT AS NECESSARY FOR ENFORCEMENT OF LENDER'S RIGHTS IN WASHINGTON UNDER THIS INSTRUMENT, IF THERE IS A LAWSUIT GRANTOR AND BORROWER AGREE UPON LENDER'S REQUEST TO SUBMIT TO THE JURISDICTION OF THE COURTS OF PIERCE COUNTY, WASHINGTON. EXCEPT AS SET FORTH ABOVE IN THIS SECTION, THIS INSTRUMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF WASHINGTON. This Deed of Trust was negotiated in Washington and made by Grantor and accepted by Beneficiary in Washington, and the proceeds of the Note secured hereby were disbursed from Washington, which state the parties agree has a substantial relationship to the underlying transaction embodied hereby, and in all respects, including without limitation matters of construction, validity, and performance, this Deed of Trust and the obligations arising hereunder shall be governed by, and construed in accordance with, the laws of Washington applicable to contracts made and performed in such state (without regard to principles of conflicts of laws) and any applicable law of the United States of America, except that at all times the provisions for the creation, perfection and enforcement of the liens and security interests created pursuant hereto and pursuant to the other Loan Documents other than with respect to liens and security interests in property whose perfection and priority is covered by Article 9 of the UCC (including without limitation the

accounts, which shall be governed by the law of the jurisdiction applicable thereto in accordance with Article 9 of the UCC) shall be governed by and construed according to the law of the state in which the Property is located, except to the extent that the law of Borrower's or Grantor's state of organization may apply under Article 9 of the UCC, it being understood that, to the fullest extent permitted by the law of such state, the laws of Washington shall govern the construction, validity and enforceability of all Loan Documents, including without limitation the enforcement of any guaranty or environmental indemnity following foreclosure of this Deed of Trust, and all of the obligations hereunder or thereunder. In the event that any provision or clause of this Deed of Trust or the Note conflicts with applicable law, the conflict shall not affect other provisions of this Deed of Trust or the Note that can be given effect without the conflicting provision, and to this end the provisions of this Deed of Trust and the Note are declared to be severable.

14. Grantor's Right to Possession. Grantor may be and remain in possession of the Property for so long as it is not in default hereunder or under the terms of the Note and Grantor may, while it is entitled to possession of the Property, use the same.

15. Attorney Fees. In the event any action or proceeding is brought to enforce or interpret the provisions of this Deed of Trust, the prevailing party shall be entitled to recover, as a part of the prevailing party's costs, reasonable attorney fees at trial, in bankruptcy proceedings, and on appeal, the amount of which shall be fixed by the court and made a part of any judgment rendered.

16. Prepayment Provisions. Reference is made to the prepayment provisions of the Note that limit prepayment thereof and provides for payment of certain premiums for prepayment, including involuntary prepayment by virtue of a default and acceleration of the indebtedness secured hereby, and/or application of insurance or condemnation proceeds received by Beneficiary toward repayment of the indebtedness secured hereby.

17. Time of Essence. Time is of the essence under this Deed of Trust and in the performance of every term, covenant, and obligation contained herein.

18. Construction. Whenever used herein whenever the context so requires, the singular number shall include the plural, the plural the singular, the impersonal includes the personal, and the use of any gender shall include all genders. All obligations of each Grantor hereunder shall be joint and several.

19. Miscellaneous. The following miscellaneous provisions are part of this instrument.

19.1 The headings to the various sections have been inserted for convenient reference only and shall not modify, define, limit, or expand the express provisions of this Deed of Trust.

19.2 This Deed of Trust, the Note, the Loan Agreement, and the other documents, instruments, and agreements entered into by Grantor and Beneficiary in connection therewith (collectively "**Loan Documents**") constitute the final expression of the entire agreement of the parties with respect to the transactions set forth therein. No party is relying upon any oral agreement or other understanding not expressly set forth in the Loan Documents. The Loan Documents may not be amended or modified except by means of a written document executed by the party sought to be charged with such amendment or modification.

20. Waiver of Jury Trial. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, GRANTOR AND BENEFICIARY EACH (A) AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THE LOAN, THIS INSTRUMENT, THE OTHER LOAN DOCUMENTS, OR THE RELATIONSHIP BETWEEN THE PARTIES AS LENDER AND BORROWER THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF

RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

21. **Lender's Right to Force-Place Insurance Coverage.** The following notice supplements but does not supersede the provisions of Section 7.2.

WARNING

UNLESS YOU PROVIDE BENEFICIARY WITH EVIDENCE OF THE INSURANCE COVERAGE AS REQUIRED BY THIS DEED OF TRUST OR THE LOAN AGREEMENT, BENEFICIARY MAY PURCHASE INSURANCE AT YOUR EXPENSE TO PROTECT BENEFICIARY'S INTEREST. THIS INSURANCE MAY, BUT NEED NOT, ALSO PROTECT YOUR INTEREST. IF THE COLLATERAL BECOMES DAMAGED, THE COVERAGE BENEFICIARY PURCHASES MAY NOT PAY ANY CLAIM YOU MAKE OR ANY CLAIM MADE AGAINST YOU. YOU MAY LATER CANCEL THIS COVERAGE BY PROVIDING EVIDENCE THAT YOU HAVE OBTAINED PROPERTY COVERAGE ELSEWHERE.

YOU ARE RESPONSIBLE FOR THE COST OF ANY INSURANCE PURCHASED BY BENEFICIARY. THE COST OF THIS INSURANCE MAY BE ADDED TO LOAN BALANCE AND SECURED BY THIS INSTRUMENT. IF THE COST IS ADDED TO THE LOAN BALANCE, THE INTEREST RATE ON THE LOAN WILL APPLY TO THIS ADDED AMOUNT. THE EFFECTIVE DATE OF COVERAGE MAY BE THE DATE YOUR PRIOR COVERAGE LAPSED OR THE DATE YOU FAILED TO PROVIDE PROOF OF COVERAGE.

THE COVERAGE BENEFICIARY PURCHASES MAY BE CONSIDERABLY MORE EXPENSIVE THAN INSURANCE YOU CAN OBTAIN ON YOUR OWN AND MAY NOT SATISFY ANY NEED FOR PROPERTY DAMAGE COVERAGE OR ANY MANDATORY LIABILITY INSURANCE REQUIREMENTS IMPOSED BY APPLICABLE LAW.

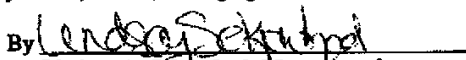
ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

Borrower/Grantor

Guemes Channel Holdings, LLC

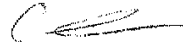
By Stabbert Yacht and Ship Holding, LLC, Sole Member

By Thetis, L.L.C., Managing Member

By 
Lindsay A. Sekorohod, Manager and
Authorized Representative

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that Lindsay A. Skorohod, the manager and authorized representative of Thetis, L.L.C., a Washington limited liability company, the managing member of Stabbert Yacht and Ship Holding, LLC, a Washington limited liability company, the sole member of Guemes Channel Holdings, LLC, a Washington limited liability company, is the person who appeared before me and acknowledged that the company signed this instrument on February 16, 2023, and on oath stated that the company executed the instrument for the uses and purposes mentioned in the instrument.



Notary Public for Washington

My commission expires 05/26/2024

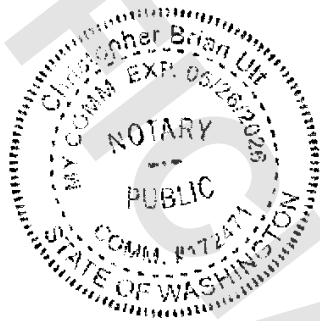


Exhibit A
Legal Description

Parcel "A":

Lots 4 to 9, inclusive, Block 501, and Lots 1 to 5, inclusive, Block 601, "Northern Pacific Addition to Anacortes," as per Plat recorded in Volume 2 of Plats, Page 9, records of Skagit County, Washington.

Situate in the City of Anacortes, County of Skagit, State of Washington.

Parcel "B":

That portion of Tract 2, Section 23, Township 35 North, Range 1 East, W.M., "Plate #7 Anacortes Tide and Shorelands" according to the Plat thereof on file in the office of the board of State land commissioners at Olympia, Washington, lying Westerly of the following described line:

BEGINNING at a point on the meander line of said Tract 2, Plate #1 at a point 437.07 feet South and 609.80 feet West of the initial point of said Tract 2;
Thence South 58° 55' West, 148.2 feet;
Thence South 56° 30' West, 11.8 feet to the true point of beginning of this description;
Thence from said true point of beginning North 22° West, 191.3 feet, more or less, to the Inner Harbor Line, and the terminal point of said line,

EXCEPT THEREFROM any portion of the above described premises lying South of the North line of the railroad right of way as Deed to the Seattle & Montana Railroad Company, by Deed dated May 29, 1907 and recorded July 16, 1907, under Auditor's file No. 63000,

Also except that portion lying West of a line running due North and South, 409 feet West of the Easterly boundary thereof measured along the meander line,

And also except that portion, if any, lying Easterly of the Westerly line of those premises conveyed to J. E. Trafton by Deed dated October 5, 1956, filed October 8, 1956, under Auditor's File No. 542605 and recorded in Volume 281 of Deeds, Page 770.

Situate in the city of Anacortes, County of Skagit, State of Washington.

Parcel "C":

That portion of Tract 2, of Plate No. 7, "Anacortes Tide Lands", as per Plat thereof, on file in the office of the board of State land commissioners at Olympia, Washington, lying within the following described Tract:

BEGINNING at a point 97.3 feet South and 203.3 feet West of the initial point of said Tract 2;
Thence North 22° West, 71 feet;
Thence South 70° 44' West, 209 feet to the true point of beginning;
Thence South 70° 44' West, 111 feet;
Thence South 19° 16' East, 100 feet;
Thence South 70° 44' West, 173 feet;
Thence South 22° East, 158 feet;
Thence North 58° 55' East, 82 feet;
Thence North 52° 10' East, 165 feet;
Thence North 46° 20' East, 64.3 feet, more or less, to a point that is South 27° 30' East, 165 feet from the true point of beginning;
Thence North 27° 30' West, 165 feet to the true point of beginning.

Situate in the City of Anacortes, County of Skagit, State of Washington.

Parcel "D":

That portion of Tract 2, of Plate No. 7, "Tide and Shorelands", as per Plat thereof, on file in the office of the board of State land commissioners at Olympia, Washington, described Tract:

BEGINNING at a point on the inner line of said Tract 2, 437.07 feet South and 609.80 feet West of the initial point thereof;

Thence North 22° West, 158 feet, to the outer line of said Tract 2;

Thence South 70° 44' West along the outer line of said Tract 2, 97.88 feet;

Thence South 22° East, 178.9 feet to the inner line of said Tract 2;

Thence North 58° 55' East along said inner Tract line 100 feet to the point of beginning,

Except that portion thereof, if any, lying South of the North line of the railroad right of way as Deeded to the Seattle and Montana Railroad Company by Deed dated May 29, 1907 and recorded under Auditor's File No. 63000 in Volume 62 of Deeds, Page 462.

Situate in the City of Anacortes, County of Skagit, State of Washington.

Parcel "E":

That portion of Tract 2, of Plate No. 7, "Tide and Shorelands", as per Plat thereof, on file in the office of the board of State land commissioners at Olympia, Washington, described Tract:

BEGINNING at a point on the Southerly line of said Tract 2, 488.7 feet South and 695.44 feet West of the initial point of said Tract 2;

Thence South 58° 55' West, 48.2 feet;

Thence South 56° 30' West, 11.8 feet;

Thence North 22° 00' West, 191.3 feet to the inner harbor line;

Thence North 70° 44' East along said inner harbor line, 59.24 feet, more or less, to the Northwest corner of a Tract Deeded to J. E. Trafton by Deed dated December 31, 1946 and recorded under Auditor's File No. 401254;

Thence South 22° 00' East along the West line of the above Tract Deeded to J. E. Trafton, 178.9 feet to the point of beginning,

Except that portion thereof, if any, lying South of the North line of the railroad right of way as Deeded to the Seattle and Montana Railroad Company by Deed dated May 29, 1907 and recorded under Auditor's File No. 63000 in volume 62 of Deeds, Page 462.

Situate in the city of Anacortes, County of Skagit, State of Washington.

Parcel "F":

Lots 6 and 7, Block 601, "Northern Pacific Addition to Anacortes," as per Plat recorded in Volume 2 of Plats, Page 9, records of Skagit County, Washington.

Situate in the City of Anacortes, County of Skagit, State of Washington.

Parcel "G":

27 – DEED OF TRUST, ASSIGNMENT OF LEASES AND RENT, SECURITY AGREEMENT, AND FIXTURE FILING
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That portion of the following described tidelands lying West of a line running due North and South, 409 feet West of the Easterly boundary thereof measured along the meander line, said tidelands being described as follows:

That portion of Tract 2, Section 23, Township 35 North, Range 1 East, W.M., "Plate #7 Anacortes Tide and Shorelands", according to the Plat thereof on file in the office of the board of State land commissioners at Olympia, Washington, lying Westerly of the following described line:

BEGINNING at a point on the meander line of said Tract 2, Plate 7, at a point 437.07 feet South and 609.80 feet West of the initial point of said Tract 2;

Thence South 58° 55' West, 148.2 feet;

Thence South 56° 30' West, 11.8 feet to the true point of beginning of this description;

Thence from said true point of beginning North 22° West, 191.3 feet, more or less, to the inner harbor line, except therefrom any portion of the above described premises lying South of the North line of the railroad right of way, as Deeded to the Seattle and Montana Railroad Company by Deed dated May 29, 1907, and recorded July 16, 1907, under Auditor's File No. 63000.

Situate in the city of Anacortes, County of Skagit, State of Washington.

Parcel "H":

Lots 1, 2 and 3, Block 701, "Northern Pacific Addition to Anacortes," as per Plat recorded in Volume 2 of Plats, Page 9, records of Skagit County, Washington, Situate in the City of Anacortes, County of Skagit, State of Washington.

Parcel "I":

That portion of the Burlington Northern railroad right of way designated as Northern Pacific Railroad on the Plat Map of "Northern Pacific Addition to Anacortes," as per Plat recorded in Volume 2 of Plats, Page 9, records of Skagit County, Washington, being more particularly described as follows:

BEGINNING at the Southeast corner of Block 901, "Northern Pacific Addition to Anacortes,";

Thence North 21° 36' 44" West along the Westerly right of way of Illinois Avenue, a distance of 185.00 feet to the true point of beginning;

Thence North 21° 36' 44" West, a distance of 73.05 feet;

Thence North 73° 40' 00" East, a distance of 98.74 feet;

Thence North 67° 41' 20" East, a distance of 270.04 feet;

Thence North 73° 40' 00" East, a distance of 250.00 feet;

Thence East a distance of 100.00 feet;

Thence North 73° 40' 00" East, a distance of 5.24 feet;

Thence South 14° 38' 00" East, a distance of 7.00 feet to an Intersection with a curve having a radius point bearing North 11° 56' 47" West, a radial distance of 684.80 feet;

Thence Easterly along the arc of said curve to the left through a central angle of 2° 51' 28", an arc distance of 34.16 feet to the Intersection with a curve having a radius point bearing North 14° 48' 15" West, a radial distance of 1,878.10 feet;

Thence Easterly along the arc of said curve to the left through a central angle of 21° 22' 57", an arc distance of 700.90 feet;

Thence South 22° 00' 00" East, a distance of 27.44 feet;

Thence North 58° 55' 00" East, a distance of 79.03 feet;

Thence North 52° 10' 00" East, a distance of 165.00 feet;

Thence North 46° 20' 00" East, a distance of 72.98 feet;

Thence South 27° 30' 00" East, a distance of 133.25 feet;

Thence South 54° 53' 24" West, a distance of 166.32 feet to the Northwestern corner of Block 401 of said Plat;
 Thence South 50° 23' 01" West, a distance of 84.12 feet to the Northeasterly corner of Block 501 of said Plat;
 Thence South 54° 31' 45" West, a distance of 308.94 feet to the Northwestern corner of said Block 501;
 Thence South 65° 01' 13" West, a distance of 170.24 feet to the Southeast corner of Block 601 of said Plat;
 Thence North 21° 36' 44" West along the Easterly line of said Block 601, a distance of 93.00 feet to the Northeasterly corner of said Block 601;
 Thence South 71° 37' 52" West, a distance of 210.34 feet to the Northwestern corner of said Block 601;
 Thence South 73° 27' 34" West, a distance of 80.31 feet to the Northeasterly corner of Block 701 of said Plat;
 Thence South 73° 43' 15" West, a distance of 301.25 feet to the Northwestern corner of said Block 701;
 Thence South 74° 05' 54" West, a distance of 80.40 feet to a point on the Easterly line of Block 801 of said Plat;
 Thence North 21° 36' 44" West along the Easterly line of said Block 801, a distance of 50.38 feet to the Northeasterly corner of said Block 801;
 Thence South 68° 05' 05" West, a distance of 299.96 feet to the Northwestern corner of said Block 801;
 Thence South 21° 36' 44" East along the Westerly line of said Block 801, a distance of 18.80 feet;
 Thence South 73° 23' 18" West, a distance of 80.31 feet to the Northeasterly corner of Block 901 of said Plat;
 Thence North 21° 36' 44" West along the Northwestern projection of Illinois Avenue right of way, a distance of 73.05 feet to the true point of beginning.

Except that portion quieted in that certain "Stipulation and order of Settlement" entered July 9, 1991 in Skagit County Superior Court Cause No. 89-2-00399-2, more particularly described as follows:

BEGINNING at the Northwest corner of Lot 3 in Block 501, "Northern Pacific Addition to Anacortes," as per Plat recorded in Volume 2 of Plats, Page 9, records of Skagit County, Washington;

Thence Northerly a distance of 30 feet along an extension of the West line of Lot 3, Block 501;
 Thence Northeasterly to a point along an extension of the West line of Lot 10 in Block 401, 5 feet beyond the Northwest corner of Lot 10, in Block 401, "Northern Pacific Addition to Anacortes,";
 Thence Southerly a distance of 5 feet to the Northwest corner of the said Lot 10, Block 401;

Thence Southwesterly to the point of beginning.

TOGETHER WITH a non-exclusive easement for ingress, egress and utilities and matters incidental thereto over, under and across the existing roadway as depicted on that certain record of survey recorded March 21, 1989, under Auditor's File No. 8903210032, as conveyed by instrument recorded March 21, 1989, under Auditor's File No. 8903210033.

Also TOGETHER WITH a non-exclusive easement to provide sufficient space for passenger vehicles to turn around to access Oakes avenue over and across an existing driveway located on the following described property:

The West 1/2 of Lot 3, Block 501, "Northern Pacific Addition to Anacortes," as per Plat recorded in Volume 2 of Plats, Page 9, records of Skagit County, Washington, this easement shall be for the benefit of Lot 4, Block 501, "Northern Pacific Addition to Anacortes," as per Plat recorded in Volume 2 of Plats, Page 9, records of Skagit County, Washington.

Situate in the city of Anacortes, County of Skagit, State of Washington.

Parcel "J":

That portion of Georgia Avenue, lying Northerly of the North line of Oakes Avenue, and abutting upon Blocks 601 and 701, "Northern Pacific Addition to Anacortes," as per Plat recorded in Volume 2 of Plats, Page 9, records of

Skagit County, Washington, as vacated Under Ordinance No. 2191, recorded July 5, 1991, under Auditor's File No. 9107050103, records of Skagit County, Washington.

Situate in the City of Anacortes, County of Skagit, State of Washington.

Parcel "K" (Leasehold):

That portion of the harbor area in front of Tract 2, Plate 7, Anacortes Tide Lands, described as follows:

Beginning at a point on the inner harbor line, which is South 71°56'58" West 449.71 feet from the Northeast corner of said Tract 2;

Continuing thence along said inner harbor line South 71°56'58" West 114.50 feet;

Thence South 18°03'02" East 99.95 feet;

Thence South 71°56'58" West 852.40 feet;

Thence North 18°03'02" West, across the harbor area, for a distance of 599.95 feet to the outer harbor line;

Thence North 71°56'58" East along said out harbor line for a distance of 966.90 feet;

Thence South 18°03'02" East, across the harbor area, for a distance of 500.00 feet to the inner harbor line and the Point of Beginning.

Situate in the City of Anacortes, County of Skagit, State of Washington.