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Kathy Hill, Skagit County Auditor  
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Return  
Name and Address:

Foothill Capital Corporation  
11111 Santa Monica Blvd., Suite 1500  
Los Angeles, California 90025-3333

Attention: Loan Security Department

ISLAND TITLE CO.  
SB-15375✓

Document  
Title:

Deed of Trust, Assignment of Rents, Security  
Agreement and Fixture Filing

NAME OF GRANTOR: 1. Leisure Time Resorts of America, Inc., a  
Washington corporation

NAME OF BENEFICIARY: 2. Foothill Capital Corporation  
11111 Santa Monica Blvd., Suite 1500  
Los Angeles, California 90025-3333

ABBREVIATED  
LEGAL DESCRIPTION:

PTN NE, SEC. 10, T35N, R7E W.M.

ASSESSOR'S  
PROPERTY TAX  
PARCEL ACCOUNT  
NUMBER(S):

350710-1-001-0007, 350710-1-004-0004,  
350710-0-011-0106, 350710-0-011-0205  
350710-1-003-0203

RECORDING REQUESTED BY AND  
WHEN RECORDED RETURN TO:

Foothill Capital Corporation  
11111 Santa Monica Blvd., Suite 1500  
Los Angeles, California 90025-3333  
Attention: Loan Security Department

DEED OF TRUST (REVOLVING CREDIT COMMERCIAL LOAN)

THIS DOCUMENT TO BE RECORDED BOTH AS  
A DEED OF TRUST AND FIXTURE FILING

THIS DOCUMENT SECURES OBLIGATIONS WHICH CONTAIN  
PROVISIONS FOR A VARIABLE RATE OF INTEREST

STATE OF WASHINGTON )

) ss.

COUNTY OF SKAGIT )

DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY  
AGREEMENT and FIXTURE FILING made this 10<sup>th</sup> day of December,  
1999, between LEISURE TIME RESORTS OF AMERICA, INC., a  
Washington corporation ("Grantor"), whose address is 2711 LBJ  
Freeway, Suite 200, Dallas, Texas 75234, as grantor, and  
CHICAGO TITLE INSURANCE COMPANY, a corporation, as trustee  
("Trustee") and FOOTHILL CAPITAL CORPORATION, a California  
corporation, having an office at 11111 Santa Monica Boulevard,  
Suite 1500, Los Angeles, California 90025-3333  
("Beneficiary"), Attn: Business Finance Department Manager.

WITNESSETH

THIS DEED OF TRUST CONSTITUTES A FIXTURE FILING  
UNDER SECTION 9-313 and 9-402 OF THE UNIFORM COMMERCIAL CODE  
AS ADOPTED BY THE STATE OF WASHINGTON. TO THE EXTENT THE  
GOODS ARE FIXTURES UNDER THE LAWS OF THE STATE OF WASHINGTON,  
THE FIXTURES ARE OR ARE TO BECOME FIXTURES ON THE REAL  
PROPERTY LOCATED IN THE COUNTY OF SKAGIT, STATE OF WASHINGTON,

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MORE PARTICULARLY DESCRIBED ON EXHIBIT A ATTACHED HERETO. THE NAME OF THE RECORD OWNER OF THE REAL PROPERTY IS LEISURE TIME RESORTS OF AMERICA, INC.

FOR THE PURPOSE OF SECURING (a) the payment and performance of all indebtedness and obligations of Grantor arising under that certain Term Note (hereinafter referred to as the "Note"), dated as of July 10, 1996, and made to the order of Foothill Capital Corporation (Foothill Capital Corporation and any subsequent holder of the Note being hereinafter referred to as "Beneficiary"), in the original principal amount of \$6,565,000 which Grantor is a party by means of Grantor's execution of the Loan Agreement, and all modifications, extensions and/or renewals thereof, (b) the payment under this Deed of Trust and other documents executed by Grantor in connection herewith, and (c) payment of any money advanced by Beneficiary to Grantor, or its successors, with interest thereon, evidenced by additional notes (indicating that they are so secured) or by endorsement of the original notes, executed by Grantor or its successor, and (d) the payment and performance of all indebtedness and obligations of Grantor arising under that certain Amended and Restated Loan and Security Agreement of even date herewith to which, inter alia, Beneficiary and Grantor are parties (the "Loan Agreement") including, without limitation, those contained in Section 11 therein (any initially capitalized terms which are not otherwise defined herein shall have the definition set forth in the Loan Agreement), and all modifications, extensions and/or renewals thereof, Grantor has granted, mortgaged, bargained, sold, alienated, enfeoffed, released, conveyed and confirmed, and by these presents does grant, mortgage, bargain, sell, alienate, enfeoff, release, convey and confirm unto the Trustee, in trust, WITH POWER OF SALE, all its estate, right, title and interest in, to and under any and all of the property located in the County of Skagit, State of Washington, and more particularly described in Exhibit A attached hereto and made a part hereof, including all easements, rights, privileges, tenements, hereditaments and appurtenances thereunto belonging or in anywise appertaining, and all of the estate, right, title, interest, claim, demand, reversion or remainder whatsoever of Grantor therein or thereto, either at law or in equity, in possession or expectancy, now or hereafter acquired, including, without limitation, all and singular the ways, waters, water courses, water rights and powers, liberties, privileges, sewers, pipes,

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conduits, wires and other facilities furnishing utility or other services to the property (collectively, the "Land");

TOGETHER with all of the right, title and interest of Grantor in and to all buildings, structures and improvements now or hereafter erected on the Land including those items defined as Equipment in the Loan Agreement (collectively, the "Improvements"; the Land and Improvements being hereinafter collectively referred to as the "Premises");

TOGETHER with all of the right, title and interest of Grantor in and to the land lying in the bed of any street, road, highway or avenue in front of or adjoining the Premises;

TOGETHER with any and all award and awards heretofore made or hereafter to be made by any governmental authorities to the present and all subsequent owners of the Premises which may be made with respect to the Premises as a result of the return of excess taxes paid on the Mortgaged Property, the exercise of the right of eminent domain, the alteration of the grade of any street or any other injury to or decrease of value of the Premises, which said award or awards are hereby assigned to Beneficiary and Beneficiary, at its option, is hereby authorized, directed and empowered to collect and receive the proceeds of any such award or awards from the authorities making the same and to give proper receipts and acquittances therefor, and to apply the same as hereinafter provided; and Grantor hereby covenants and agrees to and with Beneficiary, upon request by Beneficiary, to make, execute and deliver, at Grantor's expense, any and all assignments and other instruments sufficient for the purpose of assigning the aforesaid award or awards to Beneficiary free, clear and discharged of any and all encumbrances of any kind or nature whatsoever;

TOGETHER with all Collateral (as defined in the Loan Agreement) (other than personal property which is or at any time has become Hazardous Substances, as defined in the Loan Agreement), including any interest therein, now or at any time hereafter affixed to, attached to, or used in any way in connection with or to be incorporated at any time into the Premises, or placed on any part thereof but not attached or incorporated thereto, together with any and all replacements thereof, appertaining and adapted to the complete and



compatible use, enjoyment, occupancy, operation or improvement of the Premises (collectively, the "Chattels");

TOGETHER with leases of the Premises or the Chattels or any part thereof now or hereafter entered into and all right, title and interest of Grantor thereunder, including, without limitation, cash or securities deposited thereunder to secure performance by the lessees of their obligations thereunder (whether such cash or securities are to be held until the expiration of the terms of such leases or applied to one or more of the installments of rent coming due immediately prior to the expiration of such terms) and all rights to all insurance proceeds and unearned premiums arising from or relating to the Premises and all other rights and easements of Grantor now or hereafter existing pertaining to the use and enjoyment of the Premises and all right, title and interest of Grantor in and to all declarations of covenants, conditions and restrictions as may affect or otherwise relate to the Premises;

TOGETHER with all sales agreements, deposit receipts, escrow agreements and other ancillary documents and agreements entered into with respect to the sale to any purchasers of any part of the Premises, and all deposits and other proceeds thereof;

TOGETHER with, to the extent assignable, all permits, plans, licenses, specifications, subdivision rights, tentative tract maps, final tract maps, security interests, contracts, contract rights or other rights as may affect or otherwise relate to the Premises;

TOGETHER with all rights of Grantor in or to any fund, program or trust monies and any reimbursement therefrom directly or indirectly established, maintained or administered by any governmental authority or any other individual or entity which is designed to or has the effect of providing funds (whether directly or indirectly or as reimbursement) for the repair or replacement of storage tanks (whether above or below ground) located on the Premises or the remediation or cleanup of any spill, leakage or contamination from any such tank or resulting from the ownership, use or maintenance of any such tank or to compensate third parties for any personal injury or property damage;



TOGETHER with all rents, issues, profits, revenues, income and other benefits to which Grantor may now or hereafter be entitled from the Premises or the Chattels (which Premises, titles, interests, awards, Chattels, easements, rents, income, benefits, ways, waters, rights, powers, liberties, privileges, utilities, tenements, hereditaments, appurtenances, reversions, remainders, rents, issues, profits, estate, property, possession, claims and demands, are herein after collectively referred to as the "Mortgaged Property");

TO HAVE AND TO HOLD the Mortgaged Property unto the Trustee, its successors and assigns forever.

This Deed of Trust does not secure any funded or unfunded commitment to any governmental agency to pay for the construction or maintenance of any sidewalks, roads, traffic controls, storm or sanitary sewer lines landscaping or other improvements to or in the vicinity of the Premises or any extension fees or other sums due in connection therewith if and to the extent such commitment is or becomes secured by a separate deed of trust.

#### ARTICLE I

And Grantor further covenants with the Trustee and Beneficiary as follows:

SECTION 1.01. Grantor has good and marketable title to an indefeasible fee estate in the Premises subject to no lien, charge, or encumbrance except for Permitted Liens and other liens approved by Beneficiary; that it owns the Chattels free and clear of liens and claims, except Permitted Liens; that this Deed of Trust is and will remain a valid and enforceable first and prior lien on the Mortgaged Property subject only to the exceptions referred to above; and that neither the entry nor the performance of and compliance with this Deed of Trust, the Note, or the Loan Agreement has resulted or will result in any violation of, or be in conflict with, or result in the creation of any deed of trust, lien, encumbrance or charge (other than those created by the execution and delivery of, or permitted by, this Deed of Trust, the Note or the Loan Agreement) upon any of the properties or assets of Grantor, or constitute a default under any deed of trust, indenture, contract, agreement, instrument, franchise,

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permit, judgment, decree, order, statute, rule or regulation applicable to Grantor. Grantor has full power and lawful authority to convey the Mortgaged Property in the manner and form herein done or intended hereafter to be done and will preserve such title, and will forever preserve, warrant and defend the same unto the Trustee and Beneficiary, and will forever preserve, warrant and defend the validity and priority of the lien hereof against the claims of all persons and parties whomsoever.

SECTION 1.02. Intentionally Deleted.

SECTION 1.03. Intentionally Deleted.

SECTION 1.04. Intentionally Deleted.

SECTION 1.05. All right, title and interest of Grantor in and to all extensions, improvements, betterments, renewals, substitutes and replacements of, and all additions and appurtenances to, the Mortgaged Property, hereafter acquired by, or released to, or constructed, assembled or placed by Grantor on the Premises, and all conversions of the security constituted thereby, immediately upon such acquisition, release, construction, assembling, placement or conversion, as the case may be, and in each such case, without any further grant, conveyance, assignment or other act by Grantor, shall become subject to the first and prior lien and security interest of this Deed of Trust as fully and completely, and with the same effect, as though now owned by Grantor and specifically described in the granting clause hereof, but at any and all times Grantor will execute and deliver to Beneficiary any and all such further assurances, deeds of trust, conveyances or assignments thereof with respect thereto as Beneficiary may reasonably require for the purpose of expressly and specifically subjecting the same to the lien and security interest of this Deed of Trust.

SECTION 1.06. Grantor will pay from time to time when the same shall become due, all lawful claims and demands of mechanics, materialmen, laborers, and others which, if unpaid, might result in, or permit the creation of, a lien on the Mortgaged Property or any part thereof, or on the revenues, rents, issues, income and profits arising therefrom, except as otherwise permitted by the Loan Agreement, and in



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general will do or cause to be done everything necessary so that the lien and security interest hereof shall be fully preserved, at the cost of Grantor, without expense to Beneficiary.

SECTION 1.07. In the event of the passage, after the date of this Deed of Trust, of any law of the State of Washington deducting from the value of the Mortgaged Property for the purpose of taxing the amount of any lien thereon, or changing in any way the laws now in force for the taxation of deeds of trust, or debts secured thereby, for state or local purposes, or the manner of operation of any such taxes so as to adversely affect the interest of Beneficiary, then and in such event, Grantor shall bear and pay the full amount of such taxes, provided that if for any reason payment by Grantor of any such new or additional taxes would be unlawful or if the payment thereof would constitute usury or render the Note, the Loan Agreement or the indebtedness secured hereby wholly or partially usurious under any of the terms or provisions of the Note, the Loan Agreement, or this Deed of Trust, or otherwise, Beneficiary may, at its option, upon thirty (30) days' written notice to Grantor, (i) pay that amount or portion of such taxes as renders the Note, the Loan Agreement, or the indebtedness secured hereby unlawful or usurious, in which event Grantor shall concurrently therewith pay the remaining lawful non-usurious portion or balance of said taxes or (ii) release any or all of the Mortgaged Property from the lien of the Deed of Trust at which time Beneficiary may decrease the advance rates set forth in the Loan Agreement in amounts to be determined by Beneficiary in its sole and absolute discretion.

SECTION 1.08. Except as permitted by the Loan Agreement, Grantor will not (i) further encumber, sell, convey or transfer any interest in, or any part of, the Mortgaged Property, or (ii) transfer the presently existing ownership interests in Grantor (including, without limitation, partnership or stock ownership interests, as the case may be) so as to effectively transfer control of Grantor named herein to any other person, firm, corporation or other entity, without the prior written consent of Beneficiary. Any such encumbrance, sale, conveyance or transfer made without Beneficiary's prior written consent shall be an Event of Default hereunder.





SECTION 1.09. Beneficiary and the Trustee shall have access to and the right to inspect the Premises and Chattels at all reasonable times.

SECTION 1.10. Intentionally Deleted.


SECTION 1.11. If Grantor shall fail to perform any of the covenants contained herein on its part to be performed, after reasonable prior notice to Grantor to the extent required under the Loan Agreement, Beneficiary may, but shall not be required to, make advances to perform the same, or cause the same to be performed, on Grantor's behalf, and all sums so advanced shall bear interest, from and after the date advanced until repaid, at the lower of (i) the maximum rate permitted by law or (ii) the default rate set forth in the Note, shall be a lien upon the Mortgaged Property and shall, at Beneficiary's option, be added to the indebtedness secured hereby. Grantor will repay on demand all sums so advanced on its behalf with interest at the rate herein set forth. This Section 1.11 shall not be construed as preventing any default by Grantor in the observance of any covenant contained in this Deed of Trust from constituting an Event of Default hereunder.

SECTION 1.12. Grantor will not commit any waste at or with respect to the Mortgaged Property nor will Grantor do or fail to do anything which will in any material way increase the risk of fire or other hazard to the Premises, Improvements or Chattels or to any part thereof. Grantor will, at all times, maintain the Improvements and Chattels in good order and condition (their current condition, reasonable wear and tear and damage by fire or other hazard excepted) and will promptly make, from time to time, all repairs, renewals, replacements, additions and improvements in connection therewith which are needful or desirable to such end. Improvements shall not be removed, demolished or materially altered, nor shall any Chattels be removed without the prior written consent of Beneficiary, except as permitted by the Loan Agreement, provided, however, that if there shall not have occurred an Event of Default, Grantor may make appropriate replacements of Chattels, free of superior title, liens and claims, except as permitted by the Loan Agreement, provided such replacements are immediately made and are of a value at least equal to the value of the Chattels removed.

SECTION 1.13. Grantor will immediately notify Beneficiary of the institution of any proceeding for the condemnation or taking by eminent domain of any portion of the Mortgaged Property. The Trustee and Beneficiary may participate in any such proceeding and Grantor from time to time will deliver to Beneficiary all instruments requested by it to permit such participation. In the event of any such condemnation proceedings, or a conveyance in lieu of such taking, the award or compensation payable is hereby assigned to and shall be paid to Beneficiary. Beneficiary shall be under no obligation to question the amount of any such award or compensation and may accept the same in the amount in which the same shall be paid, but shall have no right to bind Grantor or to make settlement of its claim, except to the extent of the interest of the Trustee and Beneficiary. In any such condemnation proceedings the Trustee and Beneficiary may be represented by counsel selected by Beneficiary. The proceeds of any award or compensation so received after reimbursement of any expenses incurred by Beneficiary in connection with such proceedings, shall, at the option of Beneficiary, be applied, without premium, to the repayment of the Note and/or the sums due under the Loan Agreement in such order as Beneficiary may in its sole discretion elect (regardless of interest payable on the award by the condemning authority), or to the cost of restoration of the Improvement or Chattel so taken and other terms as shall be satisfactory to Beneficiary.

SECTION 1.14. The assignment of rents, income and other benefits (collectively, "rents") contained in the granting clause of this Deed of Trust shall be fully operative without any further action on the part of Grantor or Beneficiary and specifically Beneficiary shall be entitled, at its option, to the maximum extent permitted by applicable law, to all rents from the Mortgaged Property, for application as provided for in the Loan Agreement, whether or not Beneficiary takes possession of the Mortgaged Property. Grantor hereby further grants to Beneficiary to the maximum extent permitted by applicable law, the right (i) to enter upon and take possession of the Mortgaged Property for the purpose of collecting the rents, (ii) to dispossess by the usual summary proceedings any tenant defaulting in the payment thereof to Beneficiary, (iii) to let the Mortgaged Property or any part thereof, and (iv) to apply the rents, after payment of all necessary charges and expenses, on account of the indebtedness

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and other sums secured hereby. Such assignment and grant shall continue in effect until the indebtedness and other sums secured hereby are paid, the execution of this Deed of Trust constituting and evidencing the irrevocable consent of Grantor to the entry upon and taking possession of the Mortgaged Property by Beneficiary pursuant to such grant, whether or not sale or foreclosure has been instituted. Neither the exercise of any rights under this Section by Beneficiary nor the application of the rents to the indebtedness and other sums secured hereby, shall cure or waive any Event of Default, or notice of default hereunder or invalidate any act done pursuant hereto, but shall be cumulative of all other rights and remedies.

The foregoing provisions hereof shall constitute an absolute and present assignment of the rents from the Mortgaged Property, subject, however, to the conditional permission given to Grantor to collect and use the rents until the occurrence of an Event of Default at which time such conditional permission shall automatically terminate; and the existence or exercise of such right of Grantor shall not operate to subordinate this assignment, in whole or in part, to any subsequent assignment by Grantor permitted under the provisions of this Deed of Trust, and any such subsequent assignment by Grantor shall be subject to the rights of the Trustee and Beneficiary hereunder.

SECTION 1.15. (a) Grantor will not (i) execute an assignment of the rents or any part thereof from the Mortgaged Property unless such assignment shall provide that it is subject and subordinate to the assignment contained in this Deed of Trust, and any additional or subsequent assignment executed pursuant hereto, or (ii) except that Grantor may transact business with members, customers and other users which are not Affiliates of Borrower of its campground facilities in the ordinary course of business, (A) except where the lessee is in default thereunder, terminate or consent to the cancellation or surrender of any lease of the Mortgaged Property or of any part thereof, now existing or hereafter to be made or (B) modify any such lease or give consent to any assignment or subletting without Beneficiary's prior written consent, or (C) accept prepayments of any installments of rent or additional rent to become due under such leases, except prepayments in the nature of security for the performance of the lessee's obligations thereunder, or

(iii) in any other manner impair in any respect, except for de minimis impairments to the Mortgaged Property and except for sale or other dispositions permitted by the Loan Agreement, the value of the Mortgaged Property or the security of the Trustee or Beneficiary for the payment of the indebtedness secured hereby, or (iv) enter into any lease prohibited under the provisions of the Loan Agreement.

(b) Grantor will not execute any lease of all or a substantial portion of the Mortgaged Property except for actual occupancy by the lessee thereunder, and will at all times promptly and faithfully perform, or cause to be performed, all of the material covenants, conditions and agreements contained in all such leases of the Mortgaged Property now or hereafter existing, on the part of the lessor thereunder to be kept and performed. If any such lease provides for the giving by the lessee of certificates with respect to the status of such leases, Grantor shall exercise its right to request such certificates within five (5) days of any demand therefor by Beneficiary.

(c) Grantor shall furnish to Beneficiary, within fifteen (15) days after a request by Beneficiary to do so, a written statement containing the names of all lessees for the Mortgaged Property, the terms of their respective leases, the spaces occupied, the rentals paid and any security therefor.

(d) Grantor shall, from time to time upon request of Beneficiary, specifically assign to Beneficiary as additional security hereunder, by an instrument in writing in such form as may be approved by Beneficiary, all right, title and interest of Grantor in and to any and all leases now or hereafter on or affecting the Mortgaged Property, together with all security therefor and all monies payable thereunder, subject to the conditional permission hereinabove given to Grantor to collect the rentals under any such lease. Grantor shall also execute and deliver to Beneficiary any notification, financing statement or other document reasonably required by Beneficiary to perfect the foregoing assignment as to any such lease.

SECTION 1.16. Each lease of the Mortgaged Property referred to in Section 1.15(b) hereof entered into after the date hereof shall provide that, in the event of the



enforcement by the Trustee or Beneficiary of the remedies provided for by law or by this Deed of Trust, any person succeeding to the interest of Grantor as a result of such enforcement shall not be bound by any payment of rent or additional rent for more than one (1) month in advance, provided, however, that nothing herein set forth shall affect or impair the rights of Beneficiary to terminate any one or more of such leases in connection with the exercise of its or the Trustee's remedies hereunder to the fullest extent permitted by applicable law.

SECTION 1.17. Intentionally Deleted.

ARTICLE II

EVENTS OF DEFAULT AND REMEDIES

SECTION 2.01. The occurrence of any one or more of the following events shall constitute an event of default ("Event of Default") hereunder:

(a) If Grantor shall default in the payment of (i) any regular installment of interest and/or principal on the Note as and when the same shall have become due and payable, (ii) any other payment of interest and/or principal due on the Note when the same shall become due and payable, whether at any stated maturity or by acceleration or otherwise, or (iii) any other sums required to be paid by Grantor pursuant to the Note or this Deed of Trust on the date that such payments are therein or herein required to be made; or

(b) If Grantor and/or Guarantor, if any, shall breach, or be in default of, any of the covenants or provisions contained in the Note or this Deed of Trust, or of any chattel mortgage, other deed of trust, security agreement or other document issued thereunder or in connection therewith or herewith; or

(c) If there shall be an "Event of Default" under the Loan Agreement.

Upon the occurrence of an Event of Default, and in every such case:

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I. During the continuance of any Event of Default, Beneficiary personally, or by its agents or attorneys may enter into and upon all or any part of the Mortgaged Property, and each and every part thereof, and may exclude the party owning the beneficial interest in same, its agents and servants wholly therefrom; and having and holding the same, may use, operate, manage and control the Mortgaged Property for any lawful purpose and conduct the business thereof, either personally or by its superintendents, managers, agents, servants, attorneys or receivers; and upon every such entry, Beneficiary, at the expense of Grantor, from time to time, either by purchase, repairs or construction, may maintain and restore the Mortgaged Property, whereof it shall become possessed as aforesaid, may complete the construction of the Improvements and in the course of such completion may make such changes in the contemplated Improvements as it may deem desirable; may insure or reinsure the same as provided in the Loan Agreement, and likewise, from time to time, at the expense of Grantor, Beneficiary may make all necessary or proper repairs, renewals, replacements, alterations, additions, betterments and improvements to the Mortgaged Property or any part thereof and thereon as it may deem advisable; and in every such case Beneficiary shall have the right to manage and operate the Mortgaged Property, possessed as aforesaid, and to carry on the business thereof and exercise all rights and powers of the party owning such property with respect thereto either in the name of such party or otherwise as it shall deem best; and Beneficiary shall be entitled to collect and receive all earnings, revenues, rents, issues, profits and income of the Mortgaged Property and every part thereof; and after deducting the expenses of conducting the business thereof and of all maintenance, repairs, replacements, alterations, additions, betterments and improvements and all payments which may be made for taxes, assessments, insurance, in payment of any prior deed of trust and prior or other proper charges upon the Mortgaged Property or any part thereof, as well as just and reasonable compensation of Beneficiary for the services of Beneficiary and for all attorneys, counsel, agents, clerks, servants and other employees by it properly engaged and employed, Beneficiary shall apply the moneys arising as aforesaid, first, to the payment of any sums, other than interest and principal on the Note or due pursuant to the Loan Agreement required to be paid by Grantor under this Deed of Trust, second, to the payment of interest on the Note or due pursuant

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to the Loan Agreement, and third, to the payment of the principal of the Note or due pursuant to the terms of the Loan Agreement when and as the same shall become payable (whether by acceleration or otherwise).

II. Beneficiary, at its option, may declare the entire unpaid balance of the indebtedness secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and written notice of default and of election to cause the Mortgaged Property to be sold, which notice Trustee shall cause to be duly filed for record. Beneficiary shall also deposit with the Trustee this Deed of Trust, the Note and all documents evidencing the expenditures secured hereby.

III. Upon written request of Beneficiary, Trustee shall sell the Mortgaged Property, in accordance with the Deed of Trust Act of the State of Washington (RCW Chapter 61.24 as existing now, or hereafter amended) and the Uniform Commercial Code of the State of Washington where applicable, at public auction to the highest bidder for cash at such time and at such place as are statutorily prescribed. Grantor acknowledges that there is no right to an extension of the trustee's sale on "equitable" or other grounds, and that Beneficiary's remedies under this Deed of Trust shall not be affected or impaired by the exercise of any right of setoff or to collect and apply rents, profits, insurance proceeds or condemnation awards. Any person except Trustee may bid at a Trustee's sale. The Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Grantor, Trustee or Beneficiary shall be a party, unless such action or proceeding is brought by the Trustee. If the Mortgaged Property consists of several known lots or parcels, Beneficiary may designate the order in which such parcels shall be sold or offered for sale.

IV. Trustee may postpone sale of all or any portion of the Mortgaged Property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement.

V. On and after the occurrence of an Event of Default, Grantor shall pay all rents, issues and profits

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thereafter received by Grantor from the Mortgaged Property to Beneficiary and to the extent not paid shall hold such amounts as trust funds for the benefit of Beneficiary and such rents, issues and profits shall be deemed "cash collateral" of Beneficiary under 11 U.S.C., as amended.

SECTION 2.02. (a) Trustee, after making such sale, and upon receipt of the purchase price, shall make, execute and deliver to the purchaser or purchasers its deed or deeds conveying the Mortgaged Property so sold, but without any covenant or warranty, express or implied, and without any representation, express or implied, as to the existence, or lack thereof, of Hazardous Substances on the Mortgaged Property, and shall apply the proceeds of sale thereof to payment, FIRSTLY, of the expenses of such sale, together with the reasonable expenses of this Trust, including Trustee's fees and cost of evidence of title in connection with sale and revenue stamps on Trustee's deed; SECONDLY, of all moneys paid, advanced or expended by Beneficiary under the terms hereof, not then repaid, together with the interest thereon as herein provided; THIRDLY, of the amount of the principal and interest on the Note or under the Loan Agreement then remaining unpaid together with an amount which would have been equal to the Early Paydown Premium which would have been paid by Grantor if Grantor had voluntarily prepaid the Note or the Loan Agreement; FOURTHLY, in an amount sufficient, as determined in the sole and absolute discretion of Beneficiary, acting in good faith, to satisfy actual or contingent sums owing pursuant to Section 11 of the Loan Agreement ("Impound Sum"), and, if not actually incurred, to be held by Beneficiary (not in trust, without the accrual of interest thereon and without the obligation to segregate such funds) for a period of seven (7) years from the date of foreclosure, thereafter to be returned to the person or persons legally entitled thereto, upon satisfactory proof of such right; and LASTLY, the balance or surplus, if any, of such proceeds of sale shall be distributed in accordance with the Deed of Trust Act of the State of Washington to the person or persons legally entitled thereto, upon satisfactory proof of such right.

(b) In the event of a sale of the Mortgaged Property, or any part thereof, and the execution of a deed or deeds therefor under these trusts, the recitals therein shall recite the facts showing that the sale was conducted in

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compliance with all requirements of law and this Deed of Trust and such recitals and all other recitals contained therein regarding any matters or facts shall be conclusive proof of the truthfulness thereof and of the fact that said sale was regularly and validly made in accordance with all requirements of the laws of the State of Washington and of this Deed of Trust; and any such deed or deeds, with such recitals therein, shall be effectual and conclusive against Grantor and all other persons; and the receipt for the purchase money recited or contained in any deed executed to the purchaser as aforesaid shall be sufficient discharge to such purchaser from all obligations to see to the proper application of the purchase money according to the trusts aforesaid.

SECTION 2.03. Beneficiary shall have the right to judicially foreclose this Deed of Trust as a mortgage. If this Deed of Trust is foreclosed by judicial procedure, Beneficiary will be entitled to a judgment which will provide that if the foreclosure sale proceeds are insufficient to satisfy the judgment, execution may issue for any amount by which the unpaid balance of the obligations secured by this Deed of Trust exceeds the net sale proceeds payable to Beneficiary. In the event Grantor remains in possession of the Premises after the Premises are sold as provided above or Beneficiary otherwise becomes entitled to possession of the Premises upon default of Grantor, Grantor shall become a tenant at will of Beneficiary or the purchaser of the Premises and shall pay a reasonable rental for use of the Mortgaged Property while in Grantor's possession. The purchaser at any foreclosure sale may (but shall be under no obligation to), during any redemption period, make such repairs and alterations to the improvements as may be appropriate for the proper operation, care, preservation, and protection thereof; pay any taxes and assessments due during such period; insure the improvements on the Mortgaged Property against loss by casualty and itself against liability arising from its ownership and use of the Mortgaged Property; and pay liens not extinguished by the foreclosure and any other amounts relating to the Mortgaged Property to the extent due during such redemption period, and all of such expenses and payments, together with interest thereon from the date so paid to reimbursement at the rate provided for any other redemption amounts, shall be included in the amount required to be paid by any person to redeem the Mortgaged Property.



SECTION 2.04. After the happening of an Event of Default by Grantor under this Deed of Trust and immediately upon the commencement of any action, suit or other legal proceeding by Beneficiary to obtain judgment for the principal of, or interest on, the Note or due pursuant to the Loan Agreement and other sums required to be paid by Grantor pursuant to any provisions of this Deed of Trust, or of any other nature in aid of the enforcement of the Note, the Loan Agreement, or of this Deed of Trust, Grantor will waive the issuance and service of process and enter its voluntary appearance in such action, suit or proceeding. Further, upon an Event of Default, Grantor hereby consents to the appointment of a receiver or receivers of the Mortgaged Property and of all the earnings, revenues, rents, issues, profits and income thereof. After the happening of any such Event of Default or upon the commencement of any proceedings to foreclose this Deed of Trust or to enforce the specific performance hereof or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Trustee or Beneficiary hereunder, Beneficiary shall be entitled, as a matter of right, if it shall so elect, without the giving of notice to any other party and without regard to the adequacy or inadequacy of any security for the Deed of Trust indebtedness, forthwith either before or after declaring all sums evidenced by the Note or due pursuant to the Loan Agreement to be due and payable, to the appointment of such a receiver or receivers. The receiver may serve without bond if permitted by law. Beneficiary's right to the appointment of a receiver shall exist whether or not apparent value of the Mortgaged Property exceeds the indebtedness secured hereby by a substantial amount. Employment by Beneficiary shall not disqualify a person from serving as a receiver.

SECTION 2.05. During the continuance of an Event of Default, Beneficiary shall have the following rights and remedies:

(i) Beneficiary or its employees, acting by themselves or through a court-appointed receiver, may enter upon, possess, manage, operate, dispose of, and contract to dispose of the Mortgaged Property or any part thereof; take custody of all accounts; negotiate with governmental authorities with respect to the Mortgaged Property's environmental compliance and remedial measures; take any action necessary to enforce compliance with any Act, including but not limited to

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spending rents to abate the problem; make, terminate, enforce or modify leases of the Mortgaged Property upon such terms and conditions as Beneficiary deems proper; contract for goods and services, hire agents, employees, and counsel, make repairs, alterations, and improvements to the Mortgaged Property necessary, in Beneficiary's judgment, to protect or enhance the security hereof; incur the risks and obligations ordinarily incurred by owners of property (without any personal obligation on the part of the receiver); and/or take any and all other actions which may be necessary or desirable to comply with Grantor's obligations hereunder and under the Loan Agreement. All sums realized by Beneficiary under this subparagraph, less all costs and expenses incurred by it under this subparagraph, including attorneys' fees, and less such sums as Beneficiary deems appropriate as a reserve to meet future expenses under the subparagraph, shall be applied on any indebtedness secured hereby in such order as Beneficiary shall determine. Neither application of said sums to said indebtedness, nor any other action taken by Beneficiary under this subparagraph shall cure or waive any Event of Default or notice of default hereunder, or nullify the effect of any such notice of default. Beneficiary, or any employee or agent of Beneficiary, or a receiver appointed by a court, may take any action or proceeding hereunder without regard to (a) the adequacy of the security for the indebtedness secured hereunder, (b) the existence of a declaration that the indebtedness secured hereby has been declared immediately due and payable, or (c) the filing of a notice of default.

(ii) With or without notice, and without releasing Grantor from any obligation hereunder, to cure any default of Grantor and, in connection therewith, Beneficiary or its agents, acting by themselves or through a court appointed receiver, may enter upon the Mortgaged Property or any part thereof and perform such acts and things as Beneficiary deems necessary or desirable to inspect, investigate, assess, and protect the security hereof, including without limitation of any of its other rights: (a) to obtain a court order to enforce Beneficiary's right to enter and inspect the Mortgaged Property, to which the decision of Beneficiary as to whether there exists a release or threatened release of a Hazardous Substances onto the Mortgaged Property shall be deemed reasonable and conclusive as between the parties hereto; and (b) to have a receiver appointed to enforce Beneficiary's right to enter and inspect the Mortgaged

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Property for Hazardous Substances. All costs and expenses incurred by Beneficiary with respect to the audits, tests, inspections, and examinations which Beneficiary or its agents or employees may conduct, including the fees of the engineers, laboratories, contractors, consultants, and attorneys, shall be paid by Grantor. All costs and expenses incurred by Trustee and Beneficiary pursuant to this subparagraph (including without limitation court costs, consultant fees and reasonable attorneys' fees, whether incurred in litigation or not and whether before or after judgment) shall bear interest at the Default Rate set forth in the Note or Loan Agreement from the date they are incurred until said sums have been paid.

(iii) To seek a judgment that Grantor has breached its covenants, representations and/or warranties with respect to the environmental matters set forth in the Loan Agreement, by commencing and maintaining an action or actions in any court of competent jurisdiction for breach of contract, whether commenced prior to or after foreclosure of the Mortgaged Property, and to seek the recovery of any and all costs, damages, expenses, fees, penalties, fines, judgments, indemnification payments to third parties, and other out-of-pocket costs or expenses actually incurred by Beneficiary (collectively, the "Environmental Costs") incurred or advanced by Beneficiary relating to the cleanup, remediation or other response action required by any Act or to which Beneficiary reasonably believes necessary to protect the Mortgaged Property, it being conclusively presumed between Beneficiary and Grantor that all such Environmental Costs incurred or advanced by Beneficiary relating to the cleanup, remediation, or other response action of or to the Mortgaged Property were made by Beneficiary in good faith. All Environmental Costs incurred by Beneficiary under this subparagraph (including without limitation court costs, consultant fees and attorneys' fees, including, without limitation, fees incurred pursuant to 11 U.S.C., whether incurred in litigation or not and whether before or after judgment) shall bear interest at the Default Rate from the date of expenditure until said sums have been paid. Beneficiary shall be entitled to bid, at the sale of the Mortgaged Property, the amount of said costs, expenses and interest in addition to the amount of the other obligations hereby secured as a credit bid, the equivalent of cash.



Grantor acknowledges and agrees that notwithstanding any term or provision contained herein or in the other Loan Documents (as defined in the Loan Agreement), the Environmental Costs shall be exceptions to any nonrecourse or exculpatory provision of the Loan Documents, and Grantor shall be fully and personally liable for the Environmental Costs hereunder, and such liability shall not be limited to the original principal amount of the obligations secured by this Deed of Trust, and Grantor's obligations shall survive the foreclosure, deed in lieu of foreclosure, release, reconveyance, or any other transfer of the Mortgaged Property or this Deed of Trust. For the purposes of any action brought under this subparagraph, Grantor hereby waives the defense of laches and any applicable statute of limitations.

(iv) To waive its lien against the Mortgaged Property or any portion thereof, whether fixtures or personal property, to the extent such property is found to be environmentally impaired and to exercise any and all rights and remedies of an unsecured creditor against Grantor and all of Grantor's assets and property for the recovery of any deficiency and Environmental Costs, including, but not limited to, seeking an attachment order. As between Beneficiary and Grantor, Grantor shall have the burden of proving that Grantor or any related party (or any affiliate or agent of Grantor or any related party) was not in any way negligent in permitting the release or threatened release of the Hazardous Substances. Grantor acknowledges and agrees that notwithstanding any term or provision contained herein or in the Note or Loan Agreement, all judgments and awards entered against Grantor shall be exceptions to any nonrecourse or exculpatory provision of the Loan Documents, and Grantor shall be fully and personally liable for all judgments and awards entered against Grantor hereunder and such liability shall not be limited to the original principal amount of the obligations secured by this Deed of Trust and Grantor's obligations shall survive the foreclosure, deed in lieu of foreclosure, release, reconveyance, or any other transfer of the Mortgaged Property or this Deed of Trust. For the purposes of any action brought under this subparagraph, Grantor hereby waives the defense of laches and any applicable statute of limitations.

(v) Nothing contained herein shall be construed to limit any and all rights that Beneficiary has at law or pursuant hereto.

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SECTION 2.06. No remedy herein conferred upon or reserved to the Trustee or Beneficiary is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. No delay or omission of the Trustee or Beneficiary to exercise any right or power occurring upon the Event of Default shall impair any such right or power or shall be construed to be a waiver thereof or an acquiescence therein; and every power and remedy given by this Deed of Trust to the Trustee or Beneficiary may be exercised from time to time and as often as may be deemed expedient by the Trustee or Beneficiary. Nothing in this Deed of Trust or in the Note or Loan Agreement shall affect the obligation of Grantor to pay the principal of and interest on, and Early Paydown Premium payable pursuant to, the Note and Loan Agreement and all sums due under the Loan Agreement in the manner and at the time and place therein respectively expressed.

SECTION 2.07. To the maximum extent permitted by law: Grantor will not at any time insist upon, or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension or moratorium law, any exemption from execution or sale of the Mortgaged Property or any part thereof, wherever enacted, now or at any time hereafter in force, which may affect the covenants and terms of performance of this Deed of Trust; nor claim, take or insist upon any benefit or advantage of any law now or hereafter in force providing for the marshalling of the Mortgaged Property or on the valuation or appraisal of the Mortgaged Property, or any part thereof, prior or subsequent to any sale or sales thereof which may be made pursuant to any provision herein, or pursuant to the decree, judgment or order of any court of competent jurisdiction; nor, after any such final sale or sales, claim or exercise any right under any statute or otherwise, to redeem the property so sold or any part thereof; and Grantor hereby expressly waives all benefit or advantage of any such law or laws, and covenants not to hinder, delay or impede the execution of any power herein granted or delegated to the Trustee or Beneficiary, but to suffer and permit the execution of every power as though no such law or laws had been made or enacted. Grantor hereby waives the right to require any sale to be made in parcels, or the right to select parcels to be so sold, and there shall be no requirement for

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marshalling of assets. Grantor hereby further waives, to the maximum extent permitted by applicable law, any rights it may have under applicable law relating to the prohibition of the obtaining of a deficiency judgment by Beneficiary against Grantor.

SECTION 2.08. Intentionally Deleted.

SECTION 2.09. Without affecting the personal liability of any person, firm, corporation or other entity, including Grantor (other than any person released pursuant hereto), for the payment of the indebtedness secured hereby, and without affecting the lien of this Deed of Trust for the full amount of the indebtedness remaining unpaid upon any property not reconveyed pursuant hereto, Beneficiary and Trustee are respectively authorized and empowered as follows: Beneficiary may, at any time and from time to time, either before or after the maturity of the Note or the expiration of the Loan Agreement, and without notice: (a) release any person liable for the payment of any of the indebtedness, (b) make any agreement extending the time or otherwise altering the terms of payment of any of the indebtedness, (c) accept additional security therefor of any kind, (d) release any property, real or personal, securing the indebtedness. Trustee may, without liability therefor and without notice, at any time and from time to time so long as the lien or charge hereof shall subsist, but only upon the written request of Beneficiary and presentation of this Deed of Trust and the Note for endorsement: (a) consent to the making of any map or plat of the Land, (b) join in granting any easement thereon or in creating any covenants restricting use or occupancy thereof, (c) reconvey, without warranty, any part of the Mortgaged Property, (d) join in any extension agreement or in any agreement subordinating the lien or charge hereof.

SECTION 2.10. This Deed of Trust constitutes a Security Agreement under the laws of the State of Washington, so that Beneficiary shall have and may endorse a security interest in any or all of the Mortgaged Property which may or might now or hereafter be or be deemed to be personal property, fixtures or property other than real estate (collectively, "Personal Property") and Grantor agrees to execute, as debtor, such financing statement or statements as Beneficiary may now or hereafter reasonably request in order that such

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security interest or interests may be perfected pursuant to such laws. This Deed of Trust further constitutes a fixture filing under Sections 62A.9-313 and 62A.9-402(6) of the Washington Uniform Commercial Code, as amended or recodified from time to time; provided, however that the execution and/or filing hereof does not imply that the items of Personal Property included in the Mortgaged Property are or are to become fixtures. The filing hereof as a fixture filing is intended to protect the parties from unwarranted assertions by third parties.

Notwithstanding any release of any or all of the property included in the Premises which is deemed "real property", any proceedings to foreclose this Deed of Trust, or its satisfaction of record, the terms hereof shall survive as a security agreement with respect to the security interest created hereby and referred to above until the repayment or satisfaction in full of the obligations of Grantor as are now or hereafter evidenced by the Note and Loan Agreement.

SECTION 2.11. During the continuance of any Event of Default, Beneficiary shall have all of the rights and remedies of a secured party under the Uniform Commercial Code (the "Code") of the State of Washington, and specifically the right to direct notice and collections of any obligation owing to Grantor by any lessee. In addition to its rights to foreclose this Deed of Trust, Beneficiary shall have the right to sell the Personal Property or any part thereof, or any further, or additional, or substituted Personal Property, at one or more times, and from time to time, at public sale or sales or at private sale or sales, on such terms as to cash or credit, or partly for cash and partly on credit, as Beneficiary may deem proper. Beneficiary shall have the right to become the purchaser at any such public sale or sales, free and clear of any and all claims, rights of equity of redemption in Grantor, all of which are hereby waived and released. Grantor shall not be credited with the amount of any part of such purchase price, unless, until and only to the extent that such payment is actually received in cash. If any notification of disposition of all or any portion of the collateral is required by law, such notification shall be deemed reasonably and properly given if mailed at least ten (10) days prior to such disposition. The net proceeds of any sale of the Personal Property which may remain after the deduction of all costs, fees and expenses incurred in connection therewith,

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including, but not limited to, all advertising expenses, broker's or brokerage commissions, documentary stamps, recording fees, foreclosure costs, stamp taxes and counsel fees, shall be credited by Beneficiary against the liabilities, obligations and indebtedness of Grantor to Beneficiary secured by this Deed of Trust and evidenced by the Note or the Loan Agreement. Any portion of the Personal Property which may remain unsold after the full payment, satisfaction and discharge of all of the liabilities, obligations and indebtedness of Grantor to Beneficiary shall be returned to the respective parties which delivered the same to Beneficiary. If at any time Grantor or any other party shall become entitled to the return of any of the Personal Property hereunder, any transfer or assignment thereof by Beneficiary shall be, and shall recite that the same is, made wholly without representation or warranty whatsoever by, or recourse whatsoever against Beneficiary.

SECTION 2.12. Beneficiary may specifically enforce any covenant in this Deed of Trust or the Grantor's compliance with its warranties herein and may restrain and enjoin the breach or prospective breach of any such covenant or the noncompliance with any condition, and Grantor waives any requirement of the posting of any bond in connection therewith.

SECTION 2.13. All rights, remedies and powers provided by Sections 2.01-2.12 hereof may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the jurisdiction in which the Premises are located, and all such provisions are intended to be subject to all applicable provisions of law which may be controlling in such jurisdiction and to be limited to the extent necessary so that they will not render this Deed of Trust invalid, illegal or unenforceable under the provisions of any applicable law.

### ARTICLE III

#### MISCELLANEOUS

SECTION 3.01. In the event any one or more of the provisions contained in this Deed of Trust shall for any reason be held to be invalid, illegal or unenforceable in any

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respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Deed of Trust, but this Deed of Trust shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

SECTION 3.02. All notices or demands by any party relating to this Deed of Trust or any other agreement entered into in connection herewith shall be in the form set forth in the Loan Agreement.

SECTION 3.03. Whenever in this Deed of Trust the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person or persons entitled to receive such notice.

SECTION 3.04. All of the grants, covenants, terms, obligations, provisions and conditions herein contained shall run with the land and shall apply to, bind and inure to the benefit of, the successors and assigns of Grantor and Beneficiary and to the successors of the Trustee.

SECTION 3.05. Intentionally Deleted.

SECTION 3.06. It shall be lawful for the Trustee, or Beneficiary, at its election, upon the occurrence of an Event of Default, to sue out forthwith a complaint in foreclosure upon this Deed of Trust and to proceed thereon to judgment and execution for the recovery of all sums payable by Grantor pursuant to the terms of this Deed of Trust without further stay, any law, usage or custom to the contrary notwithstanding.

SECTION 3.07. Notwithstanding the appointment of any receiver, liquidator or trustee of Grantor, or of any of its property, or of the Mortgaged Property, or any part thereof in accordance with the provisions of this Deed of Trust, the Trustee shall be entitled to retain possession and control of all property now or hereafter held under this Deed of Trust.

SECTION 3.08. If Grantor shall default in the payment of any sums due pursuant to the terms of the Note, the Loan Agreement or this Deed of Trust such default shall be, and be deemed to be, an attempt by Grantor to avoid the Early Paydown Premium payable by Grantor pursuant to the terms of



the Note and Loan Agreement and consequently, upon a foreclosure of this Deed of Trust by Beneficiary or the acceptance of a deed in lieu of foreclosure, Beneficiary shall be entitled to collect such Early Paydown Premium from Grantor with the same effect as if Grantor had voluntarily elected to prepay the principal sum evidenced by the Note and Loan Agreement.

SECTION 3.09. Grantor hereby waives and relinquishes unto, and in favor of Beneficiary, all benefit under all laws, now in effect or hereafter passed, to relieve Grantor in any manner from the obligations assumed and the obligation for which this Deed of Trust is security or to reduce the amount of the said obligation to any greater extent than the amount actually paid for the Mortgaged Property, in any judicial proceedings upon the said obligation, or upon this Deed of Trust.

SECTION 3.10. Neither Grantor nor any other person now or hereafter obligated for payment for all or any part of the indebtedness secured hereby shall be relieved of such obligation by reason of the failure of Beneficiary to comply with any request of Grantor or of any other person so obligated to take action to foreclose on this Deed of Trust or otherwise enforce any provisions hereof or of the Note or under the Loan Agreement or by reason of the release, regardless of consideration, of all or any part of the security held for the indebtedness secured hereby, or by reason of any agreement of stipulation between any subsequent owner of the Mortgaged Property and Beneficiary extending the time of payment or modifying the terms hereof without first having obtained the consent of Grantor or such other person; and in the latter event Grantor and all other such persons shall continue to be liable to make payment according to the terms of any such extension or modification agreement, unless expressly released and discharged in writing by Beneficiary.

SECTION 3.11. By accepting or approving anything required to be observed, performed or fulfilled or to be given to Beneficiary pursuant to this Deed of Trust, including (but not limited to) any certificate, balance sheet, statement of profit and loss or other financial statement, survey, appraisal or insurance policy, Beneficiary shall not be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term,



provision or condition thereof, and such acceptance or approval thereof shall not be or constitute any warranty or representation with respect thereto by Beneficiary.

SECTION 3.12. Grantor covenants and warrants that the Mortgaged Property is not used principally or primarily for agricultural or farming purposes.

SECTION 3.13. Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law.

SECTION 3.14. Grantor acknowledges and warrants that the proceeds of the loan evidenced by the Note are intended to be and shall be, used exclusively for commercial and business purposes, and not for personal, family or household purposes. It is the specific intent of Grantor and Beneficiary that the Note bear a lawful rate of interest. If any court of competent jurisdiction should determine that the rate therein provided for exceeds that which is statutorily permitted for the type of transaction evidenced thereby, the interest rate shall be reduced to the highest rate permitted by applicable law, with any excess interest theretofore collected being applied against the Note principal or, if such principal has been fully repaid, returned to Grantor on demand.

SECTION 3.15. Beneficiary may from time to time, without notice to Grantor or to the Trustee, and with or without cause and with or without the resignation of the Trustee substitute a successor or successors to the Trustee named herein or acting hereunder to execute this trust. Upon such appointment and without conveyance to the successor Trustee, the latter shall be vested with all title, powers and duties conferred upon the Trustee herein named or acting hereunder. Each such appointment and substitution shall be made by written document executed by Beneficiary, containing reference to this Deed of Trust and its place of record, which when duly filed for record in the proper office, shall be conclusive proof of proper appointment of the successor Trustee. The procedure herein provided for substitution of the Trustee shall be conclusive of all other provisions for substitution, statutory or otherwise and shall be valid and sufficient without proof of any action by the Trustee or any officer of Beneficiary.

SECTION 3.16. Upon written request of Beneficiary, stating that all sums secured hereby have been paid, and upon surrender of this Deed and said Note to Trustee for cancellation and retention, and upon payment of its fees, Trustee shall reconvey, without warranty, the Mortgaged Property then held hereunder. The recitals in any reconveyance executed under this Deed of Trust of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto." By executing this Deed of Trust, the Grantor specifically acknowledges that the Beneficiary shall be under no obligation to provide a request for reconveyance until such time as both (a) all of the obligations, debts and duties of the Grantor under the Note and this Deed of Trust have been paid and discharged, and (b) the Grantor has provided the Beneficiary with a written release of the governmental agency of any commitment of Beneficiary to provide additional funds to or for the benefit of such agency in connection with any improvements, landscaping or other amenities on or related to the Mortgaged Property and, to the extent not otherwise secured by a separate deed of trust on the Mortgaged Property granted to Beneficiary, any funds so advanced by Beneficiary and all interest thereon have been repaid.

SECTION 3.17. Intentionally Deleted.

SECTION 3.18. Intentionally Deleted.

SECTION 3.19. Intentionally Deleted.

SECTION 3.20. EXCEPT AS OTHERWISE PROVIDED HEREIN, THE CREATION, PERFECTION AND ENFORCEMENT OF THE LIENS GRANTED BY THIS DEED OF TRUST SHALL BE GOVERNED BY THE LAWS OF THE STATE OF WASHINGTON AND IN ALL OTHER RESPECTS THIS DEED OF TRUST SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 3.21. Simultaneously with and prior to, the execution of this Deed of Trust, Grantor, and/or related or affiliated entities of Grantor, has executed and delivered as security for the Note and Loan Agreement one or more mortgages or deeds of trust on parcels of property which may or may not be outside the boundaries of this county. Grantor agrees that the occurrence of an Event of Default hereunder,



or under any of such other mortgages or deeds of trust, shall be an Event of Default under each and every one of such mortgages and deeds of trust, including this Deed of Trust, permitting Beneficiary to proceed against any or all of the property comprising the Mortgaged Property or against any other security for the Note and the Loan Agreement in such order as Beneficiary, in its sole and absolute discretion may determine. Grantor hereby waives, to the extent permitted by applicable law, the benefit of any statute or decision relating to the marshalling of assets which is contrary to the foregoing. Beneficiary shall not be compelled to release or be prevented from foreclosing this instrument or any other instrument securing the Note and/or the Loan Agreement unless all indebtedness evidenced by the Note and/or the Loan Agreement (except for unliquidated, unasserted liabilities arising pursuant to Section 11 of the Loan Agreement) and all items hereby secured shall have been paid in full and Beneficiary shall not be required to accept any part or parts of any property securing the Note and the Loan Agreement as distinguished from the entire whole thereof, as payment of or upon the Note and/or the Loan Agreement to the extent of the value of such part or parts, and shall not be compelled to accept or allow any apportionment of the indebtedness evidenced by the Note and/or the Loan Agreement to or among any separate parts of said property.

**SECTION 3.22. ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

**SECTION 3.23.** (a) With respect to non-Affiliates only:

(i) Notwithstanding anything in this Deed of Trust to the contrary, Beneficiary hereby covenants and agrees that:

(A) Its rights in the Resort shall be subordinate to the rights of Purchasers from and after the recording of this instrument;

(B) In the event Beneficiary or its successors and assigns acquires the Resort through foreclosure, trustee's sale or by deed in lieu of foreclosure of

this Deed of Trust, it shall take the Resort subject to the use rights of Purchasers; and

(C) In the event Beneficiary or its successors and assigns acquires the Resort through foreclosure, trustee's sale or by deed in lieu of foreclosure of this Deed of Trust, it shall not discontinue use of the Resort or cause or permit the Resort to be used in a manner which would prevent or materially prevent or interfere with Purchasers from using or occupying the Resort in the manner contemplated by the Purchasers' Camping Resort Contracts. However, Beneficiary and its successors and assigns shall have no obligation or liability to assume the responsibilities or obligations of Grantor under the Camping Resort Contracts.

(ii) In the event Beneficiary obtains title to or possession of or causes a change in the title to or possession of the Resort by foreclosure or otherwise and does not continue to operate the Resort upon conditions no less favorable to Purchasers than existed prior to the change of title or possession, Beneficiary hereby agrees to either:

(A) Offer the title to or possession of the Resort to an association of Purchasers to operate the Resort; or

(B) Obtain a commitment from another entity (which obtains title or possession to the Resort) to undertake the responsibility of operating the Resort.

(iii) The covenants contained herein may be enforced by each Purchaser of a Camping Resort Contract from Grantor or any of its present or future Affiliates, provided that the Purchaser is not in default under the terms of the Purchaser's Camping Resort Contract. Provided an Event of Default has not occurred under this Deed of Trust or the other Loan Documents, the covenants contained herein may be enforced by Grantor.

(iv) The covenants contained herein shall be effective as between each Purchaser and Beneficiary despite any rejection or cancellation of the Purchaser's Camping Resort Contract during any bankruptcy proceedings of Grantor.



(v) The covenants and Agreements contained herein shall inure to the benefit of and be binding upon the successors and assigns of Grantor and Beneficiary, including any person who acquires the Resort through foreclosure or by deed in lieu of foreclosure of this Deed of Trust.

(b) When used in this Section, each of the following terms shall be defined as set forth below:

(i) "Purchaser" shall mean a person who enters into a Camping Resort Contract with Grantor or any of its present or future Affiliates, whether before or after the date hereof and thereby obtains title to, an estate or interest in, or license or the right to use the Resort.

(ii) "Camping Resort Contract" shall mean an agreement between Grantor or any of its present or future Affiliates, and a Purchaser evidencing the Purchaser's title to, estate or interest in, or right or license to use the Resort for more than 14 days in a year.

(iii) "Resort" means the campground located on or forming a part of the Premises.

(c) The covenant of non-disturbance contained herein is made for the benefit of Grantor and Beneficiary and each Purchaser and shall be binding upon and inure to the benefit of Grantor and Beneficiary and their respective successors and assigns and shall inure to the benefit of each Purchaser and his or her respective successors and assigns. The covenant of non-disturbance contained herein shall be deemed to be a covenant which runs with the Land.



IN WITNESS WHEREOF, the Grantor caused these presents to be duly executed on the day and year first above written.

"GRANTOR"

LEISURE TIME RESORTS OF AMERICA, INC.  
a Washington corporation

By: WBL

Walter B. Jaccard,  
Vice President

BENEFICIARY COVENANTS AND AGREES TO  
COMPLY WITH SECTION 3.23 ABOVE.

FOOTHILL CAPITAL CORPORATION,  
a California corporation

By: Katy J. Brooks

Name: Katy Brooks  
Title: Vice President



STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF LOS ANGELES )

On this 10<sup>th</sup> day of December, 1999, before me personally, appeared Walter B. Jaccard, to me personally known to be the Vice President of LEISURE TIME RESORTS OF AMERICA, INC., the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that (s)he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

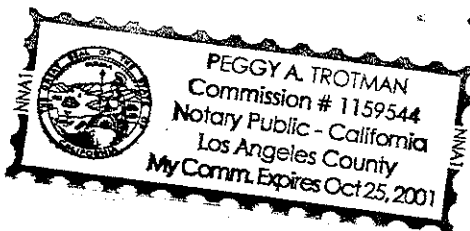
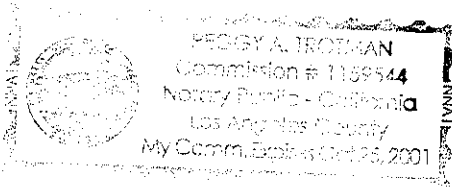
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

[Seal or Stamp]

Peggy A. Trotman  
Notary Public in and for the State  
of California, residing at  
Los Angeles

Printed Name: Peggy A. Trotman

My appointment expires: 10/25/01



STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF LOS ANGELES )

On this 10<sup>th</sup> day of December, 1999, before me personally, appeared Katy Brooks, to me personally known to be the Vice President of FOOTHILL CAPITAL CORPORATION, the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that (s)he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

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

[Seal or Stamp]

Tammy Long  
Notary Public in and for the State  
of California, residing at  
Los Angeles

Printed Name: Tammy Long  
My appointment expires: 1/16/02

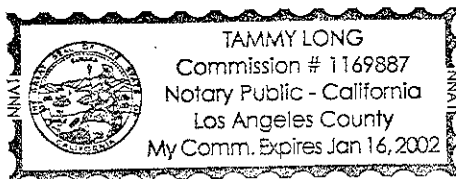


EXHIBIT A

All those plots, pieces or parcels of land situate, lying and being in the County of Skagit, State of Washington, more particularly described as follows:

SB-15375

PARCEL A:

That portion of the Northwest Quarter of the Northeast Quarter of Section 10, Township 35 North, Range 7 East of the Willamette Meridian, lying Easterly of that certain 110 foot strip conveyed to Skagit County by deed recorded September 20, 1971, under Auditor's File No. 758244, records of Skagit County, Washington.

PARCEL B:

The Northeast Quarter of the Northeast Quarter EXCEPT the East 30 feet thereof;

The North Half of the South Half of the Northeast Quarter EXCEPT the East 30 feet thereof in Section 10, Township 35 North, Range 7 East of the Willamette Meridian:

EXCEPT the following described portion:

That portion of the North Half of the Southwest Quarter of the Northeast Quarter of Section 10, Township 35 North, Range 7 East of the Willamette Meridian, lying West of a line which commences 360 feet West of the Northeast corner of the above described subdivision and extends South 24° East to the intersection with the South line of the above described subdivision;

ALSO EXCEPT that portion of the North Half of the Southeast Quarter of the Northeast Quarter of said Section 10, Township 35 North, Range 7 East of the Willamette Meridian, described as follows:



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Kathy Hill, Skagit County Auditor

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Commencing at the Northeast corner of said subdivision;  
thence South along the East line of said subdivision a  
distance of 224 feet;

thence South 78° West a distance of 700 feet to the true  
point of beginning;

thence North 78° East a distance of 700 feet to the East  
line of said subdivision;

thence North along the East line of said subdivision a  
distance of 224 feet to the Northeast corner of said  
subdivision;

thence West along the North line of said subdivision a  
distance of 500 feet;

thence South 45° West a distance of 400 feet; thence  
Southeasterly to the true point of beginning;

AND ALSO EXCEPT that portion lying Northwesterly of the  
Southeasterly line of that certain tract of land conveyed  
to Skagit County for road purposes by deed recorded  
April 25, 1966, under Auditor's File No. 681944, records  
of Skagit County, Washington.

PARCEL C:

All that portion of the North Half of the Southwest Quarter of  
the Northeast Quarter of Section 10, Township 35 North,  
Range 7 East of the Willamette Meridian, lying East of the  
following described line:

Beginning at the Southeast corner of the above described  
subdivision;

thence North 83°08'37" West along the South line of said  
subdivision a distance of 344.16 feet to the true point of  
beginning;

thence North 08°07'45" East a distance of 232.89 feet to the  
P.C. of a 17° curve to the right;



thence following said 17° curve to the right a distance of 252.81 feet to a point on the West line of that certain tract of land conveyed to Jack Graham by deed dated January 15, 1965 and recorded under Auditor's File No. 661227, records of Skagit county Washington.

EXCEPT from said Parcel "C" any portion lying within the boundaries of Parcel "B" hereinabove described.

PARCEL D:

That portion of the South Half of the South Half of the Northeast Quarter of Section 10, Township 35 North, Range 7 East of the Willamette Meridian, lying Northerly of that certain tract conveyed to Theodore Mathis and Nora Mathis by deed dated June 21, 1949 and recorded October 26, 1949, under Auditor's File No. 437354, records of Skagit County, Washington, and Easterly of Tract "A" of SHORT PLAT NO. 24-79, approved April 27, 1979, and recorded April 27, 1979, under Auditor's File No. 7904270045, records of Skagit County, Washington, and Westerly of that certain tract conveyed to Skagit County for road purposes by deed dated July 30, 1945, and recorded August 13, 1945, under Auditor's File No. 382539, records of Skagit County, Washington; also being a portion of Tract B of Lot B, SKAGIT COUNTY SHORT PLAT NO. 24-79, approved April 21, 1979, and recorded April 27, 1979, in Volume 3 of Short Plats, page 104, under Auditor's File No. 7904270045, records of Skagit County, Washington; being a portion of the Northeast Quarter of Section 10, Township 35 North, Range 7 East of the Willamette Meridian.

PARCEL E:

That portion of the North Half of the Southeast Quarter of the Northeast Quarter of said Section 10, Township 35 North, Range 7 East of the Willamette Meridian, described as follows:

Commencing at the Northeast corner of said subdivision; thence South along the East line of said subdivision a distance of 224 feet;

thence South 78° West a distance of 700 feet to the true point of beginning;



thence North 78° East a distance of 700 feet to the East line of said subdivision;

thence North along the East line of said subdivision a distance of 224 feet to the Northeast corner of said subdivision;

thence West along the North line of said subdivision a distance of 500 feet;

thence South 45° West a distance of 400 feet;

thence Southeasterly to the true point of beginning;

EXCEPT the East 30 feet as deeded to Skagit County for road, under Auditor's File No. 382539, records of Skagit County, Washington.

ALL Situated in Skagit County, Washington.

