

After Recording Return To:

Island Title Company
P. O. Box 670
Burlington WA 98233



200105300069

Skagit County Auditor

5/30/2001 Page 1 of 17 12:55:29PM

DEED OF TRUST, SECURITY AGREEMENT AND FINANCING STATEMENT

Island Title B17978 ✓

Escrow BE4943

Grantor(s):

1. Nord Northwest Corporation

Additional names on page ___ of document

Grantee(s):

1. Seaver, James M., Beneficiary
2. Seaver, Pamela L., Beneficiary
3. Russell, James A., Beneficiary
4. Russell, Vicki A., Beneficiary
5. Island Title Company, Trustee

Additional names on page ___ of document

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

Lot 5, Block M, MAP OF LA CONNER, Vol. 2, Pg. 49

Additional legal description is on page 16 of document

Assessor's Property Tax Parcel Account Number(s): 4123-013-005-0002

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

Reference numbers of additional documents on page ___ of document

WHEN RECORDED RETURN TO:

DEED OF TRUST, SECURITY AGREEMENT AND FINANCING STATEMENT

THIS DEED OF TRUST, SECURITY AGREEMENT AND FINANCING STATEMENT is made as of the 17th day of May, 2001 by Nord Northwest Corporation, a Washington corporation, as Grantor, whose address is P.O. Box 1437, LaConner, Washington 98257, to Island Title Company, a Washington corporation, as Trustee, whose address is 839 S. Burlington Blvd., P.O. Box 670, Burlington, Washington 98233, for the benefit of James M. Seaver and Pamela L. Seaver, husband and wife, and James A. Russell and Vicki A. Russell, husband and wife, as tenants in common, as Beneficiary, whose address is 7007 58th Drive N.E., Marysville, Washington 98270.

1. Obligations Secured. This Deed of Trust is given to secure the following (the "Obligations"):

1.1 Payment of the sum of ^{57,100} *Sixty Thousand Eight Hundred Seventy Six and 57,100 Dollars (\$60,876.57) with interest thereon, late charges and other amounts due according to the terms of a promissory note of even date herewith, payable to Beneficiary or order and made by Grantor and Richard G. and Dawn M. Nord, husband and wife ("Nord") (the "Note," which term shall include all notes evidencing the indebtedness secured by this Deed of Trust and all replacements, renewals, modifications or extensions thereof);

1.2 Payment of any costs and expenses incurred or advances made by Beneficiary pursuant to this Deed of Trust or any other documents executed by Grantor or Nord securing or relating to the Note and/or the Collateral, whether executed prior to, contemporaneously with or subsequent to this Deed of Trust (this Deed of Trust, the Note and such other documents are hereafter collectively referred to as the "Loan Documents") to protect the Collateral or fulfill Grantor's obligations under the Loan Documents, together with interest thereon from the time such costs and expenses are incurred or advances made, at the default interest rate under the Note; and

1.3 Performance of each agreement, term and condition set forth or incorporated by reference herein or in the other Loan Documents.

2. Grant. Grantor irrevocably grants, bargains, sells and conveys to Trustee, in trust, with power of sale and right of entry, all of Grantor's estate, right, title and interest, now owned or hereafter acquired, in and to the following property and rights:

2.1 The real property described in Exhibit A attached hereto and incorporated herein by this reference, now owned or hereafter acquired, including all easements, agreements, tenements, reversions, remainders, licenses, privileges, irrigation and water rights, water stock, timber, crops,



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oil and gas rights, royalties, minerals and mineral rights, development rights, or other rights belonging or in anywise appurtenant thereto (all of the foregoing hereinafter collectively referred to as the "Land"); and

2.2 All buildings, structures, improvements, equipment, and property now or hereafter built on or in, or affixed to, the Land (all of the foregoing hereinafter collectively referred to as the "Improvements"; the Land and Improvements are referred to collectively as the "Property"); all property mentioned in this subsection shall be deemed part of the realty and not severable wholly or in part without material injury to the Property.

3. Security Agreement. This Deed of Trust shall constitute a security agreement under the Uniform Commercial Code between Grantor as debtor and Beneficiary as secured party. Grantor grants a security interest to Beneficiary in any of the Property that is personal property and also grants a security interest to Beneficiary in the following property now owned or hereafter acquired by Grantor:

3.1 To the extent the same are not Improvements, all furniture, furnishings, appliances, machinery, equipment and other property of any kind now or hereafter located on the Property, used or intended to be used on the Property wherever actually located;

3.2 With respect to the property described in Sections 2 and 3.1, 3.3-3.8: all unearned premiums under insurance policies covering such property now or hereafter obtained by Grantor, all proceeds (including, without limitation, funds, accounts, deposits, instruments, general intangibles, notes or chattel paper) of the voluntary or involuntary conversion thereof into cash or other liquidated claims, including proceeds of hazard, title and other insurance and proceeds received pursuant to any sales or rental agreements; all refunds or rebates of taxes or assessments thereon; all rights of action in respect thereof;

3.3 All plans, specifications, contracts, agreements and purchase orders pertaining or incidental to the design or construction of any Improvements, Grantor's rights under any payment, performance or other bond in connection with construction of Improvements, and all construction materials, supplies and equipment delivered to the Property or intended to be used in connection with the construction of Improvements wherever actually located;

3.4 All contracts, accounts, rights, causes or causes of action pertaining to or affecting the Property or the property described in Section 3.1 including, without limitation, management agreements, service agreements, deposits, bank accounts, general intangibles (including, without limitation, trademarks, trade names and symbols), permits, licenses, franchises, certificates and refunds or rebates of taxes or assessments thereon;

3.5 All commitments or agreements, now or hereafter in existence, intended by the obligor thereof to provide Grantor with proceeds to satisfy the Note or improve the Property and the right to receive all proceeds due under such commitments or agreements including refundable deposits and fees;

3.6 All books, records, surveys, reports and other documents related to the Property, or other items of collateral described in this Section 3 or related to the construction or operation of Improvements;

3.7 All additions, accessions, replacements, substitutions, proceeds and products of the property described in this Section 3; and



3.8 With respect to the Property, all judgments, damages, awards, settlements and compensation (including interest thereon) for any injury to or decrease in the value thereof for any reason, including, without limitation, the taking by eminent domain, condemnation or otherwise of all or any part thereof.

The Property and the property described in this Section 3 are collectively referred to herein as the "Collateral."

4. **Payment of Indebtedness; Performance of Obligations.** Grantor or Nord shall pay and perform all of the Obligations on or before the date such payment or performance is due.

5. **Grantor's Title.** Grantor has good, marketable and insurable title to, and the right to convey, an indefeasible fee simple estate in the Property, and good and marketable title to and the right to convey the other Collateral, subject to no liens, encumbrances, easements, assessments, security interests, claims or demands of any kind except those set forth in Exhibit A and those approved by Beneficiary in writing (collectively, the "Exceptions"), and real estate taxes and assessments for the current year. Grantor hereby warrants and agrees to defend title to the Collateral and will defend the validity and priority of the lien of this Deed of Trust and the security interest granted herein against any claims or demands.

6. **Statutory and Common Law Liens; Taxes and Other Changes.**

6.1 **Statutory and Common Law Liens.** Grantor will keep the Collateral free from statutory or common law liens of any kind, except the lien of taxes and assessments not yet due and payable, and pay all claims and demands of mechanics, materialmen, laborers and others which, if unpaid, might result in, or permit the creation of, a lien on the Property. Grantor shall pay or cause to be paid all rents, all amounts secured by the Exceptions, any further encumbrances permitted by Beneficiary, and any applicable interest, penalties or fees, including attorneys' fees, that may now or hereafter be levied, assessed or claimed in respect of the Collateral or any part thereof.

6.2 **Taxes and Other Charges on the Collateral.** Grantor will promptly pay before delinquency all taxes and assessments, water, sewer and other utility rates, permit, inspection and license fees, and other governmental and quasi-governmental fees or charges, general and special, ordinary and extraordinary, foreseen and unforeseen, heretofore or hereafter assessed, levied or otherwise imposed against or upon or with respect to, or which may become a lien upon, all or any part of the Collateral or arising in respect of the occupancy, use or possession thereof, together with all penalties and interest for late or nonpayment.

6.3 **Receipts.** On request by Beneficiary, Grantor shall furnish proof of payment satisfactory to Beneficiary at the time payment is made by Grantor of all liens, charges, taxes and assessments which Grantor is obligated to pay hereunder.

7. **Further Encumbrances.** This Deed of Trust is subordinate to a Deed of Trust in favor of Washington Federal further described herein (the "Prior Obligation"). Except for the Prior Obligation, securing a lien in the maximum principal amount of \$_____, Grantor shall not encumber the Collateral or any portion thereof for current or future debt without the prior consent of Beneficiary, which consent may be given or withheld in Beneficiary's sole discretion.



8. **Operation of the Property; Compliance With Laws.** Grantor has and will maintain, and shall deliver to Beneficiary on request copies of, all certificates, licenses, authorizations, registrations, permits and/or approvals required for the construction and operation of the Property and for the conduct of Grantor's business at the Property, all of which are as of the date hereof in full force and effect and not subject to any revocation, amendment, release, suspension or forfeiture. To the extent applicable to Grantor or the Property, Grantor will perform and comply promptly with, and cause the Property to be maintained, used and operated in accordance with, any and all (i) present and future laws, ordinances, rules, regulations and orders of every duly constituted governmental or quasi-governmental authority or agency including, without limitation, all federal, state and local laws pertaining to hazardous waste, waste disposal, and other environmental matters, all zoning and other land use matters, and utility availability, (ii) present and future orders, rules and regulations of any regulatory, licensing, accrediting, insurance underwriting or rating organization or other body exercising similar functions, (iii) duties or obligations of any kind imposed under any of the Exceptions or otherwise by law, covenant, condition, agreement or easement, public or private, and (iv) requirements for continued coverage under all policies of insurance at any time in force with respect to the Property. Grantor will promptly furnish to Beneficiary a copy of any notice received by Grantor that Grantor or the Property is in default under or is not in compliance with any of the foregoing, or that any proceeding under or with respect to any of the foregoing has been commenced.

9. **Beneficiary's Action.** An action by Beneficiary to obtain specific performance or injunctive relief or to recover damages under this instrument may be brought as an independent action without foreclosing the lien of this Deed of Trust, and in any such action or appeal therefrom, Beneficiary may recover its costs of suit, disbursements of counsel, and reasonable attorneys' fees.

10. **Zoning; Title Matters.** Grantor will not, without the prior written consent of Beneficiary, which consent shall not be unreasonably withheld, (i) initiate or support any zoning reclassification of the Land or the Improvements, seek any variance under existing zoning ordinances applicable to the Land or the Improvements or use or permit the use of the Property in a manner that would result in such use becoming a nonconforming use under applicable zoning ordinances, (ii) modify, amend or supplement any of the Exceptions, (iii) impose any restrictive covenants or encumbrances upon the Property, (iv) execute or file any subdivision or parcel map affecting the Land or the Improvements, (v) consent to the annexation of the Land or the Improvements to any municipality, or (vi) permit or suffer the Property to be used by the public or any person in such manner as might make possible a claim of adverse usage or possession, prescriptive easement, or implied dedication.

11. **Insurance.** Grantor shall at all times maintain insurance with premiums prepaid on all of the Collateral in such amounts, for such period of time and insuring against such risks as may be required from time to time by Beneficiary, in form and with such deductible amounts as are satisfactory to Beneficiary, including but not limited to the following:

11.1 Insurance providing replacement cost coverage against damage or loss by fire and such other perils covered by the extended coverage endorsement, and the broadest special perils endorsement, excluding earthquake and flood, available from time to time, all in an amount not less than the Full Insurable Value (as defined below) of the property insured, with a deductible amount satisfactory to Beneficiary;

11.2 Commercial general liability insurance covering Grantor and Beneficiary as an additional insured against claims for bodily injury or death



or property damage occurring in, upon or about the Property, with a combined single limit of at least \$1,000,000 per occurrence and \$1,000,000 general aggregate; and

11.3 During the period of any alteration, renovation, expansion, addition to, construction or replacement of the Improvements, or any substantial portion thereof, a standard builder's risk policy with extended coverage, including earthquake, for an amount at least equal to the Full Insurable Value of the Improvements and, if required, worker's compensation, in statutory amounts.

During the making of any alterations or improvements to the Property, Grantor shall require all contractors to comply with applicable contractor registration, bonding and workmen's compensation requirements of the state in which the Property is located.

All insurance shall be issued by companies that are doing business in the state in which the Property is located and that are approved by Beneficiary. All policies shall be fully paid for, nonassessable and shall provide for at least thirty (30) days' prior written notice to Beneficiary of cancellation, material amendment (including without limitation any reduction in the scope and limits of coverage) or renewal. All property damage insurance shall (i) include a lender's loss payee endorsement, Form 438 BFU or an equivalent loss payable endorsement approved by Beneficiary; (ii) be written in amounts sufficient to prevent Grantor from becoming a co-insurer; and (iii) contain a waiver of subrogation endorsement. Grantor shall deliver certificates evidencing all such insurance to Beneficiary.

In the event of foreclosure of this Deed of Trust or other transfer of title to all or part of the Collateral in extinguishment of some or all of the indebtedness secured hereby, all interest of Grantor in any insurance policies and in any claims against the policies and in any unearned premiums or proceeds due under the policies, relating to the portion of the Collateral foreclosed upon or transferred, shall pass to the party acquiring title thereto.

The term "Full Insurable Value" shall mean the actual cost of replacing the property in question without allowance for depreciation, including without limitation interest expense, architectural and engineering costs, legal and accounting fees, and real estate taxes and assessments, as determined from time to time by the insurance company or companies issuing such insurance policies or, upon reasonable request by Beneficiary, by appraisal made by an appraiser, engineer, architect or contractor proposed by Grantor and approved by the company or companies and Beneficiary. The cost of such appraisal shall be paid by Grantor.

12. Beneficiary's Right to Protect Collateral. If Grantor or Nord fails to make any payment or do any act required under the Loan Documents, Beneficiary, without any obligation to do so, without notice to or demand upon Grantor or any other party, and without releasing Grantor, Nord or any other party from any obligation under the Loan Documents, may make the payment or cause the act to be performed in such manner and to such extent, and incur such expenses in connection therewith, as Beneficiary may deem necessary in its absolute discretion to protect the Collateral. Beneficiary is authorized to enter upon the Property for such purpose. Without limiting the foregoing, Beneficiary may commence, appear in or defend any action or proceeding which may affect the Collateral or the rights or powers of Beneficiary or Trustee, and may pay, purchase, contest or compromise any encumbrance, charge or lien other than an Exception which in its judgment appears to be prior or superior to the lien of this Deed of Trust.



Grantor shall appear in and defend any suit, action or proceeding involving the Collateral or Grantor that might affect the value of this Deed of Trust or the security provided hereby or the rights and powers of Beneficiary or Trustee; and should Beneficiary or Trustee elect also to appear in or defend any such action or proceeding, or be made a party to such by reason of this Deed of Trust, or elect to prosecute such action as appears necessary to preserve such value, Grantor will at all times indemnify against and reimburse Beneficiary or Trustee for any and all loss, damage, expense or cost, including cost of title reports, guaranty of title and attorneys' fees, arising out of or incurred in connection with any such suit, action, proceeding or appeal therefrom.

Grantor shall pay within ten (10) days after written demand from Beneficiary all sums advanced by Beneficiary and all costs and expenses incurred by Beneficiary in taking any actions pursuant to the Loan Documents including attorneys' fees and disbursements, accountants' fees, appraisal and inspection fees and the costs for title reports and guaranties, together with interest thereon at the rate applicable under the Note after an Event of Default from the date such costs were advanced or incurred. All such costs and expenses incurred by Beneficiary, and advances made, shall constitute advances under this Deed of Trust to protect the Collateral and shall be secured by and have the same priority as the lien of this Deed of Trust. If Grantor fails to pay any such advances, costs and expenses and interest thereon, Beneficiary may, without foreclosing the lien of this Deed of Trust, at its option commence an independent action against Grantor for the recovery of the costs, expenses and/or advances, with interest, together with costs of suit, costs of title reports and guaranty of title, disbursements of counsel and reasonable attorneys' fees incurred therein or in any appeal therefrom.

13. **Indemnity.** Grantor agrees to indemnify and hold Beneficiary harmless from and against any and all liabilities, obligations, claims, damages, demands, penalties, causes of action, costs and expenses, including, without limitation reasonable attorneys' fees and expenses (collectively, "Damages"), arising or resulting from (a) Grantor's development of the Property, (b) the actions or negligence of Grantor or any of Grantor's contractors, subcontractors, consultants, officers, invitees, agents or employees; provided, however, that if such Damages indemnified by Grantor under this Deed of Trust were caused by the concurrent negligence of Grantor and Beneficiary, then Beneficiary shall be entitled to such indemnification only to the extent of Grantor's negligence; and provided further that if such Damages were caused by Beneficiary's sole negligence, Grantor shall have no obligation to indemnify Beneficiary in connection therewith. All of Grantor's obligations and liabilities under this section are secured hereby.

14. **Use of the Property.** The Property is not used principally for agricultural or farming purposes.

15. **Condemnation; Casualty Loss.** Grantor shall give immediate notice to Beneficiary of any condemnation proceeding, or loss or damage to the Collateral or any right therein. Grantor authorizes Beneficiary, at Beneficiary's option, to make a claim for and to enter into a compromise or a settlement with respect to any proceeds payable as a result of condemnation, loss or damage, and Grantor shall execute such further documents as Beneficiary shall require in connection therewith. All proceeds payable to Grantor as a result of condemnation, loss or damage to the Collateral shall be paid to Beneficiary. On receipt of any proceeds, Beneficiary shall, at its option, and in its sole discretion, after deducting its expenses including attorneys' fees, either (i) apply all or part of the proceeds against the sums owed under the Loan Documents whether or not the sums are actually due or the Collateral is impaired, and without affecting the due dates or amount of payments thereafter due under the Note, or (ii) release all or any part of the



proceeds to Grantor, or (iii) permit all or any part of the proceeds to be used for repair and restoration of the Property on such conditions as Beneficiary may impose including evidence of sufficient funds to complete the work, approval of the plans and specifications and periodic disbursement of the proceeds during the course of repair and restoration.

16. Waivers by Grantor. To the full extent Grantor may do so under applicable law, Grantor agrees with Beneficiary as follows:

16.1 Grantor hereby waives and releases all rights to a marshalling of the assets of Grantor, including the Collateral, or to a sale in inverse order of alienation, in the event of foreclosure of the liens and security interests created hereunder.

16.2 Grantor shall not be relieved of its obligation to pay the Obligations at the time and in the manner provided herein and in the other Loan Documents, nor shall the lien or priority of this Deed of Trust or any other Loan Documents be impaired by any of the following actions, nonactions or indulgences by Trustee or Beneficiary:

16.2.1 any failure or refusal by Trustee or Beneficiary to comply with any request by Grantor (A) to consent to any action by Grantor or (B) to take any action to foreclose this Deed of Trust or otherwise enforce any of the provisions hereof or of the other Loan Documents;

16.2.2 any release, regardless of consideration, of the whole or any part of the Collateral or any other security for the Obligations, or any person liable for payment of the Obligations;

16.2.3 Beneficiary's waiver of compliance, or consent to or acquiescence in any noncompliance with any other provision of this Deed of Trust or the other Loan Documents by Grantor or any guarantor of the Obligations; or

16.2.4 any agreement or stipulation between Trustee or Beneficiary and Grantor, or, with or without Grantor's consent, between Trustee or Beneficiary and any subsequent owner or owners of the Collateral or any other security for the Obligations, renewing, extending or modifying the time of payment or the terms of this Deed of Trust or any of the other Loan Documents (including a modification of any interest rate), and in any such event Grantor shall continue to be obligated to pay the Obligations at the time and in the manner provided herein and in the other Loan Documents, as so renewed, extended or modified unless expressly released and discharged by Beneficiary.

16.3 Without affecting the liability of Grantor or any other person for the payment or performance of any of the Obligations and without affecting the lien hereof upon any portion of the Collateral not released, Beneficiary may, regardless of consideration, without notice to any person, release any person at any time liable for payment or performance of the Obligations, extend the maturity or modify the terms of any Obligation or grant other indulgences, release or reconvey or cause to be released or reconveyed at any time all or part of the Collateral and take or release any other security or make compositions or other arrangements with debtors. Beneficiary may resort for the payment of the Obligations to any other security held by Beneficiary as security for the payment of the Obligations in such order and manner as Beneficiary in its sole discretion, may elect. Beneficiary may take or cause to be taken action to recover the Obligations, or any portion thereof, or to enforce any provision hereof or of the other Loan Documents without prejudice to the right of Beneficiary thereafter to foreclose or cause to be foreclosed this Deed of Trust. Beneficiary shall not



or any portion thereof, or to enforce any provision hereof or of the other Loan Documents without prejudice to the right of Beneficiary thereafter to foreclose or cause to be foreclosed this Deed of Trust. Beneficiary shall not be limited exclusively to the rights and remedies herein stated but shall be entitled to every additional right and remedy now or hereafter afforded by law or equity. The rights of Trustee and Beneficiary under this Deed of Trust shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of Trustee and/or Beneficiary shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision.

17. **Actions by Trustee; Reconveyance.** At any time upon written request of Beneficiary, without affecting the liability of any person for the payment of indebtedness, Trustee may: (i) consent to the making of any map or plat of said Property; (ii) join in granting any easement or creating any restriction thereon; (iii) join in any subordination or other agreement affecting this Deed of Trust or the lien or charge hereof; and (iv) reconvey, without warranty, all or any part of the Collateral. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto." Grantor agrees to pay a reasonable Trustee's fee for full or partial reconveyance plus any recording fees.

18. **Events of Default.** Time is of the essence of the Loan Documents. All sums secured hereby shall become immediately due and payable, at the option of Beneficiary, without further demand or notice, after any of the following occur, each of which shall be an "Event of Default":

18.1 Failure by Grantor or Nord to make any payment (whether of principal, interest, expenses, fees or otherwise) required to be made under the Note, this Deed of Trust, or any other Loan Document, when due, by acceleration or otherwise; or

18.2 Failure by Grantor or Nord to observe or perform any other covenant, condition or agreement contained herein or in the Loan Documents when such observance or performance is due; or

18.3 Any representation or warranty made by Grantor contained herein or in any other Loan Document shall be untrue in any material respect; or

18.4 The occurrence of any of the following with respect to Grantor, or the then owner of the Collateral (each referred to as "such person"), or with respect to the Collateral:

18.4.1 Any assignment made by any such person for the benefit of creditors or the calling of a meeting of the creditors representing a significant portion of the liabilities of any such person, and an agreement by such creditors to effect a moratorium, extension or composition of debt or any of the foregoing; or

18.4.2 The filing of any involuntary petition or any other petition against any such person under any section or chapter of the Bankruptcy Code, or any similar law, whether state, federal or otherwise, relating to insolvency, reorganization or liquidation, or the relief of debtors, by the creditors of such person; or

18.4.3 The appointment by any court of a receiver, trustee, liquidator or similar official to take possession of the Property (or any portion thereof) or any property or any asset or assets of any such person; or



of any such person, such attachment, execution or other seizure remaining undismisssed or undischarged; or

18.4.5 The admission in writing by any such person of its inability to pay its debts or perform its obligation as they become due or the filing of a petition in bankruptcy by any such person; or

18.4.6 If the Obligations secured hereby or any part thereof are made for the purpose of financing construction of improvements on the Property, the commencement of any suit, action or proceeding before any court or governmental authority to enjoin or otherwise prevent construction of any such improvements; or

18.4.7 A material adverse change in the financial condition of any such person occurs and continues for a period of thirty (30) days; or

18.5 Grantor abandons the Property or ceases to do business or terminates its business as it relates to the Property for any reason whatsoever;

18.6 A Transfer of the Property occurs, whether voluntary, involuntary or by operation of law, and whether or not Beneficiary has waived or failed to assert its rights in connection with any previous Transfer. The term "Transfer" as used herein means any sale, mortgage, encumbrance, conveyance, or other transfer of any present or future interest in all or any part of the Collateral or any contract or agreement therefor. The term "Transfer" shall also include any lease of the Property containing an option to purchase; if Grantor or any general partner in Grantor is a corporation other than one whose stock is publicly traded, any change in the ownership of voting control of the corporation; and if Grantor is a partnership, any change in the ownership of voting control of the partnership whether through the withdrawal and/or admission of partners or amendment of the partnership agreement. In the event of a Transfer, Beneficiary may, without notice to Grantor, deal with the transferee with respect to this Deed of Trust, the Obligations and the other Loan Documents, as if the transferee were Grantor, and such dealing shall neither satisfy nor discharge Grantor's liability for the Obligations or under the Loan Documents, nor constitute Beneficiary's consent to the Transfer; or

18.7 The commencement of any action or proceeding that would result in forfeiture of the Property to any governmental authority or agency.

19. Remedies. On the occurrence of any one or more Events of Default, Beneficiary may (but shall not be obligated to), in addition to any rights or remedies available to it hereunder or under the Note or other Loan Documents, take such of the following actions personally or by its agents, servants or attorneys, or through Trustee or a court-appointed receiver, with or without entry, and without notice, demand, presentment or protest, as Beneficiary deems necessary or advisable to protect and enforce its rights and remedies against Grantor and in and to the Collateral, each of which may be pursued concurrently or otherwise, at such time and in such order as Beneficiary may determine, in its sole discretion, without impairing or otherwise affecting its other rights or remedies:

19.1 declare the entire balance of the Obligations (including the entire principal balance thereof, all accrued and unpaid interest, and all other such sums secured hereby) to be immediately due and payable and upon any such declaration the entire unpaid balance of the Obligations shall become and be immediately due and payable without presentment, demand, protest or further notice of any kind; or



19.2 institute a proceeding or proceedings, judicial or otherwise, for the complete foreclosure of this Deed of Trust under any applicable provision of law; or

19.3 cause any or all of the Collateral to be sold under the power of sale granted by this Deed of Trust or any of the other Loan Documents in any manner permitted by applicable law; or

19.4 institute an action, suit or proceeding in equity for the specific performance of any of the provisions contained in the Loan Documents or for injunctive relief; or

19.5 enter upon the Property and exclude Grantor and its agents and servants wholly therefrom, without liability for trespass, damages or otherwise, and take possession of all books, records and accounts relating thereto and all other Collateral, and Grantor agrees to surrender possession of the Collateral and of such books, records and accounts to Beneficiary on demand after the happening of any Event of Default; and use, operate, manage, preserve, control and otherwise deal therewith and conduct the business thereof, without interference from Grantor; and upon each such entry and from time to time thereafter, at the expense of Grantor and the Collateral, without interference by Grantor and as Beneficiary may deem advisable, (i) either by purchase, repair or construction, maintain and restore the Property, (ii) insure or reinsure the same, (iii) make all necessary or proper repairs, renewals, replacements, alterations, additions, betterments and improvements thereto and thereon, and (iv) complete the construction of the Improvements and, in the course of such completion, make such changes in the contemplated or completed Improvements as it may deem advisable.

19.6 take all actions permitted under the Uniform Commercial Code of the State in which the Collateral is located; or

19.7 take any other action or pursue any other right or remedy as Beneficiary may have under applicable law and Grantor does hereby grant said rights and remedies to Beneficiary.

On the occurrence of an Event of Default, acceleration and written request of Beneficiary, Trustee shall sell the Property in accordance with the applicable law of the state in which the Property is located, at public auction to the highest bidder. The Collateral may be sold separately or as a whole, at the option of Beneficiary. If noncontiguous portions of the Property are situated in different counties, Grantor agrees that a sale by Trustee of all or any part of the Property may be held in a single county provided all notices required to be posted are posted on the Property in each county and that all notices required to be published are published in each county. Any person permitted by law may bid at the Trustee's sale. If Beneficiary is the purchaser at a foreclosure sale, Beneficiary shall be entitled to a credit against the purchase price in an amount equal to the lesser of (i) the full amount secured by this Deed of Trust as of the date of the sale, or (ii) the purchase price. Trustee shall apply the proceeds of any sale, first, to the expenses of sale, including the cost of guaranty of title and a reasonable Trustee's fee and Trustee's attorneys' fees and, second, to the Obligations and any other indebtedness (including without limitation attorneys' fees) secured by this Deed of Trust; and the surplus, if any, shall be distributed in accordance with applicable law. Trustee shall deliver to the purchaser at the sale of the Property its deed, without warranty, which shall convey to the purchaser the interest in the Property which Grantor had or had the power to convey at the time of its execution of this Deed of Trust, and such as it may have acquired thereafter. The Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and this Deed of Trust, which recital shall be prima facie



evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrancers for value.

At the request of Beneficiary, Trustee shall sell the personal property Collateral at a public sale at the same time and place as the sale of the Property; or Beneficiary may sell the personal property Collateral at one or more other public or private sales in accordance with the applicable Uniform Commercial Code. The personal property shall not be required to be exhibited, presented or displayed at any sale. In the event of a Trustee's sale of all the Collateral, Beneficiary hereby assigns its security interest in the personal property Collateral to Trustee. Grantor agrees that a sale by Trustee and the notices required under the deed of trust laws are commercially reasonable and adequate under the Uniform Commercial Code.

The power of sale conferred by this Deed of Trust and by applicable law is not an exclusive remedy, and when not being exercised, Beneficiary may foreclose this Deed of Trust as a mortgage and Grantor shall pay all costs incurred by Beneficiary in any suit, or appeal therefrom, brought by Beneficiary to foreclose this Deed of Trust, including without limitation costs of guaranty of title and reasonable attorneys' fees. Trustee is not obligated to notify any party hereto of a pending sale under any other deed of trust or of any action or proceeding in which Grantor, Trustee or Beneficiary shall be a party, unless such action or proceeding is brought by Trustee.

Beneficiary may at any time discharge Trustee and appoint a successor Trustee, who shall have all of the powers of the original Trustee.

20. Repairs and Advances During Redemption Period. In the event of a judicial foreclosure, the purchaser during any redemption period may make such repairs and alterations to the Property as may be reasonably necessary for the proper operation, care, preservation, protection and insuring of the Property and may pay any taxes or indebtedness secured by liens on the Property which become due and payable during the redemption period. Any sums so paid, together with interest from the date of payment at the rate provided in the judgment, shall be added to the amount required to be paid for redemption of the Property.

21. Right of Subrogation. Beneficiary shall be subrogated to the lien and rights, whether legal or equitable, of all beneficiaries, mortgagees, lienholders, vendors and owners directly or indirectly paid off or satisfied in whole or in part by any proceeds advanced by Beneficiary under the Loan Documents, which lien and rights shall not be thereby extinguished, regardless of whether these parties assigned or released of record their rights or liens upon payment. In consideration of such payment by Beneficiary, effective upon such payment, Grantor shall and hereby does waive and release all demands, defenses and causes of action for offsets and payments with respect to the same.

22. Additional Security Instruments. Within ten (10) days after request by Beneficiary, Grantor shall execute, acknowledge and deliver to Beneficiary such additional security agreements or similar security instruments, in form and substance satisfactory to Beneficiary, covering all property of any kind described herein in which Grantor owns any interest. Within ten (10) days after request by Beneficiary, Grantor also shall execute, acknowledge and deliver to Beneficiary any financing statement, renewal, affidavit, certificate, continuation statement or other document as Beneficiary may request in order to perfect, preserve, continue, extend or maintain the security interest created hereunder or under any other security instrument and the priority of such security interest; and Grantor hereby appoints Beneficiary its attorney-in-fact for the purpose of executing such



documents on its behalf if it fails to do so, such power of attorney being coupled with an interest and irrevocable.

When recorded, this Deed of Trust shall constitute a fixture filing under the Uniform Commercial Code. Grantor shall give Beneficiary at least fifteen (15) days' prior written notice of any proposed change in Grantor's name, identity or structure, or the adoption or change of any trade names under which Grantor operates or intends to operate the Property, and will execute and deliver to Beneficiary, prior to or concurrently with the occurrence of any such change or the adoption or change of any such trade name, all additional financing statements that Beneficiary may request to establish and maintain the perfection and priority of Beneficiary's security interest in the Collateral.

23. **Modification; Waiver.** This Deed of Trust cannot be modified except in writing signed by all parties hereto except Trustee, with the signatures of all grantors acknowledged before a Notary Public. No waiver of any right or remedy of Beneficiary or obligation of Grantor hereunder shall be effective unless in writing signed by Beneficiary. No waiver of any right or remedy shall operate to waive any other or subsequently arising right or remedy.

24. **Joint and Several Liability; Cumulative Remedies.** If there is more than one grantor hereunder, their obligations shall be joint and several. All Beneficiary's rights and remedies hereunder are cumulative and not in substitution for any right or remedy otherwise available. Without waiving its rights against Grantor or in the Collateral, Beneficiary may resort for the payment of the indebtedness secured hereby to any other security or guaranty therefor held by Beneficiary, in such order and manner as Beneficiary may elect. The enforcement or commencement of proceedings to enforce a particular remedy shall not preclude the discontinuance thereof and the subsequent enforcement or commencement of proceedings to enforce the same or a different remedy.

25. **Successors and Assigns.** This Deed of Trust applies to, inures to the benefit of and binds all parties hereto and their heirs, devisees, legatees, administrators, executors, distributees, successors and assigns.

26. **Invalidity.** The invalidity or unenforceability of any term or provision hereof shall not affect the validity or enforceability of any other term or provision hereof.

27. **Usury.** If performance of any obligation or payment of any amount under the Loan Documents when such performance or payment is due shall constitute a violation of any applicable usury laws, then the obligation to be performed or the payment to be made shall be reduced so that in no event shall any exaction be possible under the Loan Documents that would constitute a violation of such usury laws; but the obligations shall be performed and the payments shall be made to the full extent possible without constituting a violation of such usury laws.

28. **Notices.** Any demand or notice made or to be given hereunder by Trustee or Beneficiary, or both, to Grantor shall be effective on the earlier of (a) three (3) days after being mailed by registered or certified mail, return receipt requested, or dispatched by public or private courier service, to the address of Grantor as set forth above or to the address at which Beneficiary customarily or last communicated with Grantor or (b) when delivered personally to Grantor or Grantor's agent for receipt of such notices.

29. **Appointment of Trustee and Beneficiary.** If Grantor is obligated to execute any document or instrument hereunder and fails or refuses to do so within ten (10) days after written demand by Beneficiary, Grantor hereby appoints each of Trustee and Beneficiary, severally its attorney-in-fact, which appointment is irrevocable and shall be deemed to be coupled with an interest, with respect to the execution, acknowledgment, delivery and filing or recording for and in the name of Grantor of any of such documents or instruments.

30. **Controlling Document.** In the event of any conflict or inconsistency between the terms and provisions contained in this Deed of Trust and those contained in any of the other Loan Documents, the terms and provisions of this Deed of Trust shall control.

31. **Beneficiary's Consent.** Except when expressly subject to Beneficiary's sole discretion, whenever Beneficiary's consent, approval or satisfaction is required herein, Beneficiary shall not unreasonably withhold its consent, approval or determination of satisfaction.

32. **Governing Law.** This Deed of Trust shall be construed in accordance with the laws of the state in which the Property is located.

33. **Attorneys' Fees.** In the event suit or action is instituted to foreclose this Deed of Trust, or to enforce or interpret any of the terms hereof, the prevailing party shall be entitled to recover all expenses reasonably incurred at, before and after trial and on appeal whether or not taxable as costs, or in any bankruptcy proceeding including, without limitation, attorneys' fees, witness fees (expert and otherwise), deposition costs, copying charges and other expenses. Whether or not any court action is involved, all reasonable expenses, including but not limited to the costs of searching records, obtaining title reports, surveyor reports, title insurance, trustee fees, and attorneys' and other professional fees, incurred by Beneficiary that are necessary at any time in Beneficiary's opinion for the protection of its interest or enforcement of its rights shall become a part of the Obligations, payable on demand, and shall bear interest from the date of expenditure until repaid at the interest rate as provided in the Note.

34. **Construction of Improvements.** The Obligations secured hereby will be used for acquisition of the Land in order to construct the Improvements. Grantor shall:

34.1 Commence construction of the Improvements promptly and in any event within thirty (30) days after the date of this Deed of Trust and to complete construction on or before the date that the Note is due;

34.2 Allow Beneficiary or its agent to inspect the Property at reasonable times during construction;

34.3 Not cease work on the construction of the Improvements, except where caused by strikes and other unavoidable delays, for any period longer than five (5) consecutive days; and

34.4 Require all contractors to comply with applicable contractor registration, bonding and worker's compensation requirements of the state in which the Property is located.

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



35. **Business Purpose.** Grantor represents and warrants that the loan evidenced by the Note is a business loan transacted solely for the purpose of carrying on or acquiring Grantor's business and that no portion of the proceeds of the loan will be used for personal, family or household purposes.

36. **Prior Obligations.** Notwithstanding any other provision hereof or of the Loan Documents, this Deed of Trust is subject and subordinate to the lien (the "Prior Obligation") of that certain Deed of Trust dated MAY 29th 2001, and recorded in the records of Skagit County, Washington on MAY 30th 2001, under Recording No. 200105300069, by and among Nord Northwest, as Grantor and Washington Federal, as Beneficiary. Grantor agrees to pay and perform in accordance with its terms and conditions the Prior Obligation, and Grantor's failure to do so shall constitute an Event of Default under this Deed of Trust. Any Event of Default under this Deed of Trust shall entitle Beneficiary at its option to purchase, discharge, compromise or settle the Prior Obligation or any other lien or encumbrance, including liens for taxes and assessments, in addition to any other remedies set forth in this Deed of Trust. Grantor agrees that, to the extent Beneficiary pays any installment of principal or interest or any other sum due any holder of a Prior Obligation, in addition to such payment being secured hereby, Beneficiary shall (i) become entitled to a lien on the Collateral but equal in rank and priority to the Prior Obligation so paid; and (ii) become subrogated to, receive and enjoy all of the rights of the holder of the Prior Obligation so paid. Grantor agrees to send promptly to Beneficiary copies of any notices of default and any other notices received by it from any holder of a Prior Obligation.

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.

EXECUTED by Grantor as of the day and year first above written.

GRANTOR:

NORD NORTHWEST CORPORATION, a Washington corporation


By Richard G. Nord, Sr.
Its President

EXHIBIT:

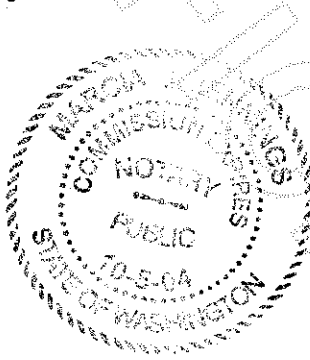
A Legal Description



STATE OF WASHINGTON)
)
COUNTY OF SKAGIT) ss.

On this 21st day of May, 2001, before me, a Notary Public in and for the State of Washington, personally appeared Richard G. Nord, Sr., personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that he was authorized to execute the instrument, and acknowledged it as the President of NORD NORTHWEST CORPORATION, to be the free and voluntary act and deed of said corporation for the uses and purposes mentioned in the instrument.

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



Marcia J. Jennings

Marcia J. Jennings

(Print Name)

NOTARY PUBLIC in and for the State of
Washington, residing at Sedro Woolley
My appointment expires 10/5/2004



EXHIBIT A

LEGAL DESCRIPTION

That certain real property located in Skagit County, Washington, and legally described as follows:

Lot 5, Block M, MAP OF LA CONNER, according to the plat thereof, recorded in Volume 2 of Plats, page 49, records of Skagit County, Washington;

TOGETHER WITH that portion of adjacent vacated alley through said block, which would revert by operation of law.

Situated in Skagit County, Washington.

- END OF EXHIBIT "A" -

