

After Filing Return To:
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2600 Century Square
1501 Fourth Avenue
Seattle, Washington 98101-1688



200601250091

Skagit County Auditor

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CHICAGO TITLE IC36827

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

Grantor(s):

1. SYB Holding Co., Inc.

☐ Additional names on page ____ of document

Grantee(s):

1. Horizon Bank, Beneficiary
2. Westward Financial Services Corporation, Trustee

☐ Additional names on page ____ of document

SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

JAN 25 2006

Amount Paid \$
By Skagit Co. Treasurer Deputy

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

Ptn. SW, Section 29, T34N, R4EWM,

Skagit County, Washington

☐ Additional legal description is on page ____ of document

Assessor's Property Tax Parcel Account Number(s): 340429-3-020-0102
340429-3-020-0201

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

☐ Additional reference numbers on page ____ of document

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

THIS DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS AND SECURITY AGREEMENT AND FIXTURE FILING (this "Deed of Trust") is made as of the 13th day of January, 2006, by and among SYB HOLDING CO., INC., a Washington corporation, as grantor, whose address is 1440 Admiral Place, Ferndale, Washington 98248 ("Grantor"); WESTWARD FINANCIAL SERVICES CORPORATION, a Washington corporation, as trustee, whose address is 1500 Cornwall Avenue, Bellingham, WA 98225 ("Trustee"), and HORIZON BANK, a Washington chartered bank, as beneficiary, whose address is Whatcom Commercial Banking Center, 2211 Rimland Drive, Suite 203, Bellingham, Washington 98226 ("Beneficiary").

RECITALS

THIS DEED OF TRUST is given to secure:

A. The payment and performance of all obligations of Grantor under that certain note (the "Note") of even date herewith, executed and delivered by Grantor to Beneficiary in the original principal sum of One Million Four Hundred Sixty Thousand Dollars (\$1,460,000), wherein Grantor promises to pay to Beneficiary the sums specified therein, with interest thereon at the rates and times, in the manner and according to the terms and conditions specified in the Note; and

B. The payment of all sums advanced by Beneficiary under or pursuant hereto, with interest thereon at the Default Rate (as hereinafter defined; capitalized terms used herein without definition shall have the meanings set forth in Section 5.1 hereof) or the maximum rate of interest permitted to be charged to Grantor under applicable law from time to time, whichever shall be less; and

C. The payment and performance of the obligations and agreements of Grantor contained herein, in that certain Loan and Security Agreement, dated as of the date hereof executed by Grantor as Borrower, and Beneficiary, as Lender (the "Loan Agreement"), and any and all Loan Documents (as defined in the Loan Agreement), and in each agreement of Grantor incorporated by reference therein or herein, or contained therein or herein.

(All obligations described in Clauses A through C above are sometimes collectively referred to as the "Obligations.")

NOW, THEREFORE, with reference to the foregoing recitals, in reliance thereon and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor hereby irrevocably grants, transfers, conveys and assigns to Trustee, in trust, for the benefit and security of Beneficiary, under and subject to the terms and conditions hereinafter set forth, that certain leasehold estate and all of Grantor's right, title and interest in and to the Real



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Property described in Exhibit A attached hereto and made a part hereof, which Real Property is a tract or parcel of land located in the County of Skagit and State of Washington (the "Property");

TOGETHER WITH:

1. any and all buildings and improvements now or hereafter erected thereon, including, but not limited to, any and all fixtures, attachments, appliances, equipment, machinery and other articles owned by Grantor and attached to said buildings and improvements (the "Improvements");
2. all leasehold estate, right, title and interest of Grantor in and to all leases or subleases covering the Property, the Improvements or any portion thereof now or hereafter existing or entered into (collectively, the "Leases"), and all right, title and interest of Grantor thereunder, including, without limitation, all cash or security deposits, advance rentals and deposits or payments of similar nature;
3. all right, title and interest of Grantor in and to the Property or any portion thereof or interest therein, and any greater estate in the Property now owned or hereafter acquired by Grantor;
4. all rents, issues, profits, royalties, income and other benefits presently or in the future derived from any of the foregoing (collectively, the "Rents"), subject to the terms and provisions hereof, and subject to the right, power and authority hereinafter given to Grantor to collect and apply such Rents;
5. all interests, estate or other claims, both in law and in equity, which Grantor now has or may hereafter acquire in the Property;
6. all easements, rights-of-way and rights used in connection therewith or as a means of access thereto, and all tenements, hereditaments and appurtenances thereof and thereto, and all water rights and shares of stock evidencing the same;
7. all right, title and interest of Grantor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Property and any and all sidewalks, alleys and strips and gores of land adjacent to or used in connection with the Property;
8. all right, title and interest of Grantor in and to any and all tangible personal property owned by Grantor and now or at any time hereafter located on or at the Property or used in connection therewith (the "Personal Property"), including, but not limited to, all goods, machinery, tools, insurance proceeds, equipment (including fire sprinklers and alarm systems, office air conditioning, heating, refrigerating, electronic monitoring, entertainment, recreational, window or structural cleaning rigs, maintenance, exclusion of vermin or insects, removal of dust, refuse or garbage and all other equipment of every kind), lobby and all other indoor and outdoor furniture (including tables, chairs, planters, desks, sofas, shelves, lockers and cabinets) wall safes, furnishings, appliances (including refrigerators, fans, heaters, stoves, water heaters and



incinerators), inventory, rugs, paintings, carpets and other floor coverings, draperies and drapery rods and brackets, awnings, window shades, venetian blinds, curtains, lamps, chandeliers and other lighting fixtures and office maintenance and other supplies;

9. and subject to the terms and conditions hereinafter set forth, all the estate, interest, right, title, other claim or demand, including claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Grantor now has or may hereafter acquire in the Property, and any and all awards made for the taking by eminent domain or condemnation, or by any proceeding or purchase in lieu thereof, of the whole or any part of the Collateral, including without limitation, any awards resulting from a change of grade of streets and awards for severance damages;

10. any and all tradenames under which Grantor operates the Property or Improvements or under which the property or Improvements may be operated in the future;

11. the right in the name and on behalf of Grantor to appear and defend any action or proceeding with respect to the Collateral and to commence any action or proceeding to protect the interest of Beneficiary in the Collateral; and

12. all of Grantor's rights and remedies at any time arising under or pursuant to Section 365(h) of Title 11 of the United States Code entitled "Bankruptcy" as now or hereafter in effect or any successor thereto (the "Bankruptcy Code") including, without limitation, all of Grantor's rights to remain in possession of the Collateral thereunder.

The entire estate, property and interest hereby conveyed to Trustee may be referred to herein as the "Collateral."

TO HAVE AND TO HOLD as provided herein the above granted and described Collateral unto and to the proper use and benefit of Beneficiary, and the successors and assigns of Beneficiary, forever.

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, GRANTOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

ARTICLE 1.0 COVENANTS AND AGREEMENTS OF GRANTOR

1.1 Payment and Performance of Obligations. Grantor shall pay when due and without offset, counterclaim or defense all of the Obligations secured hereby. Grantor shall fully and faithfully observe and comply in all respects with the terms, provisions, conditions, covenants and agreements on the part of Grantor to be observed and performed under this Deed of Trust and the other Loan Documents.

1.2 Representations and Warranties. Grantor represents and warrants that: (a) it owns the fee interest in the Property, free and clear of any liens or encumbrances (except Permitted Encumbrances); (b) it has good and marketable fee simple title to the Improvements



and good and marketable title to the Personal Property, in each case free and clear of any liens and encumbrances (except Permitted Encumbrances); (c) this Deed of Trust is a valid first lien upon the Collateral and that it has not created any lien other than the lien of this Deed of Trust on the Collateral (except Permitted Encumbrances); (d) Beneficiary shall quietly enjoy and possess the Collateral; and (e) there are no defenses or offsets to this Deed of Trust or to the Obligations which it secures. Grantor shall not, directly or indirectly, create or suffer to be created, or to stand, any lien upon any portion of the Collateral (except Permitted Encumbrances). Grantor shall, subject to Permitted Encumbrances, preserve such title and the validity and priority of the lien hereof and shall forever warrant and defend the same to Beneficiary against the claims of all persons and parties whatsoever.

1.3 Maintenance, Repair, Alterations, Etc. Until the occurrence of an Event of Default, or until Lender exercises its right to collect Rents as provided for herein, Grantor may (a) remain in possession and control of the Property, (b) use, operate or manage the Property, and (c) collect any Rents from the Property (this privilege is a license from Lender to Grantor automatically revoked upon default). The following provisions relate to the use of the Property or to other limitations on the Property. The Real Property is not used principally for agricultural purposes. Grantor shall maintain the Property in tenantable condition and promptly perform all repairs, replacements, and maintenance necessary to preserve its value.

1.4 Required Insurance. During the term of the Loan, Grantor shall, at its expense:

1.4.1 Maintenance of Insurance. Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement basis for the full insurable value covering all Improvements on the Real Property in an amount sufficient to avoid application of any coinsurance clause, and with a standard mortgagee clause in favor of Lender. Grantor shall also procure and maintain comprehensive general liability insurance in such coverage amounts as Lender may request with Trustee and Lender being named as additional insureds in such liability insurance policies. Additionally, Grantor shall maintain such other insurance, including but not limited to hazard, business interruption, and boiler insurance, as Lender may reasonably require. Policies shall be written in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days' prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. Should the Real Property at any time become located in an area designated by the Director of the Federal Emergency Management Agency as a special flood hazard area, Grantor agrees to obtain and maintain Federal Flood Insurance for the full unpaid principal balance of the loan, up to the maximum policy limits set under the National Flood Insurance Program, or as otherwise required by Lender, and to maintain such insurance for the term of the loan.

1.4.2 Unexpired Insurance at Sale. Any unexpired insurance shall inure to the benefit of, and pass to, the purchaser of the Property covered by this Deed of Trust at any



trustee's sale or other sale held under the provisions of this Deed of Trust, or at any foreclosure sale of such Property.

1.4.3 Grantor's Report on Insurance. Upon request of Lender, however not more than once a year, Grantor shall furnish to Lender a report on each existing policy of insurance showing: (a) the name of the insurer; (b) the risks insured; (c) the amount of the policy; (d) the property insured, the then current replacement value of such property, and the manner of determining that value; and (e) the expiration date of the policy. Grantor shall, upon request of Lender, have an independent appraiser satisfactory to Lender determine the cash value replacement cost of the Property. Grantor will, at its expense, at all times provide, maintain and keep in force the following policies of insurance.

1.5 Insurance Proceeds. Grantor shall promptly notify Lender of any loss or damage to the Property. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. Whether or not Lender's security is impaired, Lender may, at its election, receive and retain the proceeds of any insurance and apply the proceeds to the reduction of the Obligations, payment of any lien affecting the Property, or the restoration and repair of the Property. If Lender elects to apply the proceeds to restoration and repair, Grantor shall repair or replace the damaged or destroyed Improvements in a manner satisfactory to Lender. Lender shall, upon satisfactory proof of such expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration if Grantor is not in default under this Deed of Trust. Any proceeds which have not been disbursed within 180 days after their receipt and which Lender has not committed to the repair or restoration of the Property shall be used first to pay any amount owing to Lender under this Deed of Trust, then to pay accrued interest, and the remainder, if any, shall be applied to the principal balance of the Obligations. If Lender holds any proceeds after payment in full of the Obligations, such proceeds shall be paid without interest to Grantor as Grantor's interests may appear.

1.6 Indemnification; Subrogation; Waiver of Offset.

1.6.1 If Beneficiary is made a party defendant to any litigation concerning this Deed of Trust or the Collateral or any part thereof or interest therein, or the occupancy thereof by Grantor or persons claiming through Grantor, then Grantor shall indemnify, defend and hold Beneficiary harmless from all liability by reason of said litigation, including attorneys' fees and expenses incurred by Beneficiary in any such litigation, whether or not any such litigation is prosecuted to judgment; provided, however, that nothing herein shall be deemed to require Grantor to indemnify, defend and hold harmless Beneficiary with respect to Beneficiary's gross negligence or willful misconduct. If Beneficiary commences an action against Grantor to enforce any of the terms hereof or because of the breach by Grantor of any of the terms hereof or for the recovery of any sum secured hereby, Grantor shall pay to Beneficiary attorneys' fees and expenses, and the right to such attorneys' fees and expenses shall be deemed to have accrued on the commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment. If Grantor breaches any term of this Deed of Trust, Beneficiary may employ an attorney or attorneys to protect its rights hereunder, and, in the event of such employment following any breach by Grantor, Grantor shall pay Beneficiary reasonable



attorneys' fees and expenses incurred by Beneficiary, whether or not an action is actually commenced against Grantor by reason of such breach.

1.6.2 Grantor waives any and all right to claim or recover against Beneficiary, its officers, employees, agents and representatives, for loss or damage to Grantor, the Collateral, Grantor's property or the property of others under Grantor's control from any cause insured against or required to be insured against by the provisions of this Deed of Trust.

1.6.3 All sums payable by Grantor hereunder shall be paid without notice, demand, counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and the obligations and liabilities of Grantor hereunder shall in no way be released, discharged or otherwise affected (except as expressly provided herein) by reason of: (i) any damage to or destruction of or any condemnation or similar taking of the Collateral or any part thereof; (ii) any restriction of prevention of or interference with any use of the Collateral or any part thereof; (iii) any title defect or encumbrance or any eviction from the Property or the Improvements or any part thereof by title paramount or otherwise; (iv) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to Beneficiary or Grantor; (v) any claim which Grantor has or might have against Beneficiary; (vi) any default or failure on the part of Beneficiary to perform or comply with any of the terms hereof or of any other agreement with Grantor; or (vii) any other occurrence whatsoever, whether similar or dissimilar to the foregoing, whether or not Grantor shall have notice or knowledge of any of the foregoing. Except as expressly provided herein, Grantor waives all rights now or hereafter conferred by statute or otherwise to any abatement, suspension, deferment, diminution or reduction of any sum secured hereby and payable by Grantor.

1.7 Taxes and Impositions.

1.7.1 Grantor will pay, prior to delinquency, all real property taxes and assessments, general and special, and all other taxes and assessments of any kind or nature whatsoever, including, without limitation, nongovernmental levies or assessment such as maintenance charges, owner association dues or charges or fees, levies or charges resulting from covenants, conditions and restrictions affecting the Collateral, which are addressed or imposed upon any of the Collateral, or against Grantor or arising in respect of the occupancy, use or possession thereof, or upon any Personal Property, Equipment or facilities used in the operation or management thereof (all of which taxes, assessments and other governmental or nongovernmental charges of like or different nature are hereinafter referred to as "Impositions"); provided, however, that if, by law, any such Imposition is payable, or may at the option of the taxpayer be paid, in installments, Grantor may pay the same together with any accrued interest on the unpaid balance of such Imposition in installments as the same may become due and prior to the accrual of any interest or penalty thereon which does not relate to any discount for early payment.

1.7.2 If under the provisions of any law or ordinance now or hereafter in effect there shall be assessed or imposed: (i) a tax or assessment on the Collateral in lieu of or in addition to the Impositions payable by Grantor pursuant to subsection 1.7.1 hereof, or (ii) a



license fee, tax or assessment imposed on Beneficiary and measured by or based in whole or in part upon the amount of the outstanding Obligations secured hereby, then all such taxes, assessments or fees shall be deemed to be included within the term "Impositions" as defined in subsection 1.7.1 hereof, and Grantor shall pay and discharge or cause to be paid and discharged the same as herein provided with respect to the payment of Impositions or shall reimburse or otherwise compensate Beneficiary for the payment of any such tax. In the event any such tax hereafter enacted specifically provides that Grantor may not pay, reimburse or otherwise compensate Beneficiary with respect to such tax, then, at the option of Beneficiary, Beneficiary may declare all of the Obligations secured hereby to be immediately due and payable and thereafter exercise any of the remedies set forth in this Deed of Trust. Anything to the contrary herein notwithstanding, Grantor shall not have any obligation to pay any franchise, estate, inheritance, income, excess profits or similar taxes levied on Beneficiary or on the Obligations secured hereby.

1.7.3 Subject to the provisions of subsection 1.7.4 hereof, Grantor covenants to furnish Beneficiary, within 30 days after the date upon which any such Imposition is due and payable by Grantor, official receipts of the appropriate taxing or other authority, or other proof satisfactory to Beneficiary, evidencing the payments thereof.

1.7.4 Grantor covenants and agrees that to the fullest extent permitted by law, it will not suffer, permit or initiate the joint assessment of the Property and the Personal Property, or any other procedure whereby the lien of any taxes assessed against the Property and the lien of any taxes assessed against the Personal Property shall be assessed, levied or charged to the Collateral as a single lien.

1.7.6 Grantor shall cause to be furnished to Beneficiary a tax reporting service covering the Collateral, of the type, duration and with a company satisfactory to Beneficiary.

1.7.7 If any of Grantor or any successor or grantee of Grantor is or shall be or become a corporation or a limited or general partnership, it shall keep in effect its existence and rights as such corporation or partnership under the laws of the state of its incorporation or formation and its right to own property and transact business in the state wherein the Property is located during the entire time that it has any ownership or other interest in the Collateral. For all periods during which the title to the Collateral or any part thereof shall be held by a corporation or other entity subject to corporate taxes or taxes similar to corporate taxes, Grantor shall file or cause to be filed returns for such taxes with the property authorities, bureaus or departments and shall cause to be paid, when due and before interest or penalties are due thereon, all taxes payable by such corporation or other entity to the United States, to such state of incorporation or formation and to the State of Washington and any political subdivision thereof, and shall produce to Beneficiary receipts showing payment of any and all such taxes, charges or assessments prior to the last dates upon which such taxes, charges or assessments are payable without interest or penalty charges; provided, however, that Grantor shall have the right before any delinquency occurs to contest or object to the amount or validity of any such taxes, charges or assessments in good faith and by appropriate legal proceedings, but this shall not be deemed or construed in any way as relieving, modifying or extending Grantor's obligation to pay any such taxes, charges or



assessments at the time such contest, objection and legal proceedings have been terminated or discontinued adversely to Grantor. Within ten days of receipt thereof, Grantor shall produce to Beneficiary all settlements, notices of deficiency or over-assessment and any other notices pertaining to Grantor's tax liability, which may be issued by the United States, such state of incorporation, the state wherein the Property is located and any political subdivision thereof. If at any time the United States or any department or bureau thereof shall required Internal Revenue stamps on the Note or any of the other Obligations secured hereby, Grantor on demand shall pay for them with any interest or penalties payable thereon.

1.7.8 Grantor will pay all taxes, charges, filing, registration and recording fees, excises and levies imposed in connection with the recordation of this Deed of Trust or any other Loan Document or imposed upon Beneficiary by reason of its ownership of the Note or this Deed of Trust or any deed of trust supplemental hereto, and any security instrument with respect to any Personal Property and any instrument of further assurance, other than income franchise and doing business taxes, and shall pay any and all stamp taxes and other taxes required to be paid on the Note. If Grantor fails to make any such payment within five days after written notice thereof from Beneficiary, then Beneficiary shall have the right, but shall not be obligated to pay the amount due and Grantor shall, on demand, reimburse Beneficiary for said amount. If any such amount shall not be reimbursed by Grantor within five days after demand by Beneficiary, such amount shall be added to the Obligations secured hereby.

1.8 Utilities. Grantor shall pay, not later than ten days after such payments became due, all utility charges which are incurred by Grantor for the benefit of the Collateral or which may become a charge or lien against the Collateral for gas, electricity, steam, water or sewer services furnished to the Collateral and all other assessments or charges of a similar nature, whether public or private, affecting the Collateral whether or not such taxes, assessments or charges are liens thereon.

1.9 Actions Affecting Collateral. Grantor will appear in and contest any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary hereunder; and Grantor will pay all costs and expenses, including cost of evidence of title and reasonable attorneys' fees, in any such action or proceeding in which Beneficiary may appear.

1.10 Actions by Beneficiary to Preserve Collateral. Should Grantor fail to pay or perform any of the Obligations secured hereby, Beneficiary, in its own discretion, without obligation to do so and without notice to or demand upon Grantor and without releasing Grantor from any obligation, may pay or perform the same in such manner and to such extent as it may deem necessary to protect the security hereof. In connection therewith, without limiting its general powers, Beneficiary shall have and is hereby given the right, but not the obligation: (a) to enter upon and take possession of the Collateral; (b) to make additions, alterations, repair and improvements to the Collateral which it may consider necessary or proper to keep the Collateral in good condition and repair; (c) to appear and participate in any action or proceeding affecting or which may affect the security hereof or the rights or powers of Beneficiary; (d) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt which in the judgment of Beneficiary may or appears to affect the security of this Deed of Trust or be prior or



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superior hereto; and (e) in exercising such powers, to pay all necessary expenses, including the fees and expenses of counsel or other necessary or desirable consultants. Grantor shall, immediately upon demand therefor by Beneficiary, pay or reimburse all costs and expenses incurred by Beneficiary in connection with the exercise by Beneficiary of the foregoing rights, including, without limitation, cost of evidence of title, court costs, appraisals, surveys and reasonable attorneys' fees. If this Deed of Trust is placed in the hands of an attorney for the collection of any sum secured hereby, Grantor agree to pay on demand all costs of collection, including attorneys' fees, incurred by Beneficiary, either with or without the institution of any action or proceeding, and in addition to all costs, disbursements and allowances provided by law. All such costs so incurred shall be deemed to be secured by this Deed of Trust.

1.11 Survival of Warranties. All representations, warranties and covenants of Grantor contained herein or in any of the other Loan Documents or incorporated by reference herein or therein shall survive the execution and delivery hereof and thereof.

1.12 Eminent Domain. Should the Collateral, or any part thereof or interest therein, be taken or damaged by reason of any public improvements or condemnation proceeding or in any other similar manner ("Condemnation"), or should Grantor receive any notice or other information regarding such proceeding, Grantor shall give prompt written notice thereof to Beneficiary.

1.12.1 If all or any part of the Property is condemned by eminent domain proceedings or by any proceeding or purchase in lieu of condemnation, Lender may at its election require that all or any portion of the net proceeds of the award be applied to the Obligations or the repair or restoration of the Property. The net proceeds of the award shall mean the award after payment of all reasonable costs, expenses, and attorneys' fees incurred by Trustee or Lender in connection with the condemnation.

1.12.2 If any proceeding in condemnation is filed, Grantor shall promptly notify Lender in writing, and Grantor shall promptly take such steps as may be necessary to defend the action and obtain the award. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of its own choice all at Grantor's expense, and Grantor will deliver or cause to be delivered to Lender such instruments as may be requested by it from time to time to permit such participation.

1.13 Additional Security. If Beneficiary at any time holds additional security for any of the Obligations secured hereby, it may enforce the sale thereof or otherwise realize upon the same, at its option, either before or concurrently herewith or after enforcing its remedies hereunder or under any of the other Loan Documents.

1.14 Successors and Assigns. This Deed of Trust applies to, inures to the benefit of and binds all parties hereto and their respective successors and assigns. If the ownership of the Collateral becomes vested in a person other than Grantor, Beneficiary may, without notice to Grantor, deal with such successor or successors in interest with reference to this Deed of Trust and the Obligations hereby secured in the same manner as with Grantor and may alter the



interest rate and/or alter or extend the terms of payment of any of the Obligations secured hereby without notice to Grantor and such action shall not in any way affect the liability of Grantor hereunder or under the Note or the other Loan Documents or the lien or priority of this Deed of Trust with respect to any part of the Collateral covered hereby.

1.15 Appointment of Successor Trustee. Beneficiary may, from time to time, by a written instrument executed and acknowledged by Beneficiary, mailed to Grantor and recorded in the county and state wherein the Property is located, and by otherwise complying with the provisions of the applicable law of the state wherein the Property is located, substitute a successor or successors to Trustee named herein or acting hereunder.

1.16 Liens. Grantor will pay and promptly discharge, at Grantor's cost and expense, all liens, encumbrances and charges (other than Permitted Encumbrances) upon the Collateral or any part thereof or interest therein within 30 days after the same are filed. If Grantor shall fail to discharge any such lien, encumbrance or charge within such 30 day period, then, in addition to any other right or remedy of Beneficiary, Beneficiary may, but shall not be obligated to, discharge the same, either by paying the amount claimed to be due, or by procuring the discharge of such lien by depositing in court a bond or the amount claimed or otherwise giving security for such claim, or in such manner as is or may be prescribed by law; and all funds advanced by Beneficiary to pay such obligations, liabilities, costs and expenses (together with interest thereon at the Default Rate) shall be reimbursed by Grantor upon demand by Beneficiary; and all such advances with interest thereon as aforesaid shall be secured by this Deed of Trust and the other Loan Documents.

1.17 Trustee's Powers. That Trustee may, at any time, or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed of Trust for endorsement, and without affecting the personal liability of any person for payment of the Obligations secured hereby or the effect of this Deed of Trust upon the remainder of said Collateral: (a) reconvey any part of said Collateral, (b) consent in writing to the making of any map or plat thereof, (c) join in granting any easement thereon, or (d) join in any extension agreement or any agreement subordinating the lien or charge hereof.

1.18 Beneficiary's Powers. Without affecting the liability of any other person liable for the payment of any obligation herein mentioned, and without affecting the lien or charge of this Deed of Trust upon any portion of the Collateral not then or theretofore released as security for the full amount of all of the Obligations, Beneficiary may, from time to time and without notice: (a) release any person so liable; (b) extend the maturity or alter any of the terms of any such obligation; (c) grant other indulgences; (d) release or reconvey or cause to be released or reconveyed at any time at Beneficiary's option any parcel, portion or all of the Collateral; (e) take or release any other or additional security for any obligation herein mentioned; (f) while an Event of Default is continuing, make compositions or other arrangements with debtors or other mortgagors in relation to this Deed of Trust; (g) advance additional funds to protect the security hereof if necessary while an Event of Default is continuing; or (h) while an Event of Default is continuing, pay or discharge the Obligations of Grantor hereunder; and, in any case

referred to in clauses (g) or (h), all amounts so advanced, with interest thereon at the Default Rate, shall be secured hereby.

1.19 Tradenames; Fictitious Name Registration. At the request of Beneficiary, Grantor shall execute a certificate in form satisfactory to Beneficiary listing the tradename under which Grantor intends to operate the Collateral, and representing and warranting that Grantor do business under no other tradenames with respect to the Collateral. Grantor shall immediately notify Beneficiary in writing of any change in said tradename, and will, upon request of Beneficiary, execute any additional UCC financing statements and other instruments revised to reflect the change in tradename. Grantor shall make all filings and take all other steps required in order to comply with applicable fictitious name statutes, and shall provide evidence of such compliance to Beneficiary.

1.20 Transfers and Encumbrances. Grantor shall not, without Beneficiary's prior written consent in each instance (i) transfer or otherwise dispose of legal or equitable title to the Collateral, or any portion thereof, (ii) transfer or otherwise dispose of any legal or beneficial interest in Grantor or permit any owner, directly or indirectly, of a beneficial interest in Grantor, to transfer such interest, directly or indirectly, whether by transfer of partnership interest, stock or other beneficial interest in any entity or otherwise, (iii) encumber or grant a security interest in the Collateral or any portion thereof, (iv) pledge, assign, encumber or grant a security interest in any direct or indirect legal or beneficial interest in Grantor, or (v) modify, amend or alter the composition, or form of business association of Grantor, or any owner, directly or indirectly, of a beneficial interest in Grantor.

1.21 Permitted Contests. Anything to the contrary contained herein notwithstanding, Grantor at its expense may contest (after prior written notice to Beneficiary), by appropriate legal, administrative or other proceedings conducted in good faith and with due diligence, the amount or validity or application, in whole or in part, of any Imposition or lien therefor or any Law or the application of any instrument of record affecting the Collateral or any part thereof or any claims of mechanics, materialmen, suppliers or vendors or lien therefor, or any utility charges or lien therefor, and may withhold payment of the same pending such proceedings if permitted by law; provided that (a) in the case of any Impositions or lien therefor or any claims of mechanics, materialmen, suppliers or vendors or lien therefor, such proceedings shall suspend the collection thereof from Grantor, Beneficiary and the Collateral, (b) neither the Collateral nor any part thereof or interest therein will be sold, forfeited or lost if Grantor pays the amount or satisfy the condition being contested, and Grantor would have the opportunity to do so in the event of Grantor's failure to prevail in the contest, (c) Beneficiary shall not, by virtue of such permitted consent, be in any danger of any criminal liability, or any civil liability for which Grantor has not furnished security as provided in clause (d) below, and neither the Collateral nor any interest therein would be subject to the imposition of any lien which could possible have priority over the lien of this Deed of Trust for which Grantor has not furnished security as provided in clause (d) below as a result of the failure to comply with such Law or of such proceeding, and (d) Grantor shall have furnished to Beneficiary a good and sufficient bond or surety as requested by and reasonably satisfactory to Beneficiary if so required pursuant to



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clause (c) above or if the failure to comply with such Imposition or Law will result in a lien or charge against the Collateral in excess of \$10,000.

1.22 Continued Occupancy. If at any time the then existing use or occupancy of any part of the Collateral shall, pursuant to any zoning or other law, ordinance or regulation, be permitted only so long as such use or occupancy shall continue, Grantor will not cause or permit such use or occupancy to be discontinued without the prior written consent of Beneficiary.

1.23 Inspections. Grantor hereby authorizes Beneficiary, its agents, representatives or workmen, to enter at any time upon or in any part of Collateral for the purpose of inspecting the same, and for the purpose of performing any of the acts it is authorized to perform under the terms of this Deed of Trust or any of the other Loan Documents.

ARTICLE 2.0 ASSIGNMENT OF LEASES AND RENTS

2.1 Assignment of Leases and Rents. Grantor hereby assigns and transfers to Beneficiary all of the Leases and Rents of the Collateral, now or hereafter existing, and hereby gives to and confers upon Beneficiary the right, power and authority to collect such Rents. Grantor irrevocably appoints Beneficiary its true and lawful attorney-in-fact, at the option of Beneficiary at any time and from time to time, to demand, receive and enforce payment, to give receipts, releases and satisfactions and to sue, in the name of Grantor or Beneficiary, for all such Rents, and to apply such Rents to the Obligations secured first to pay any amount owing to Lender under this Deed of Trust, then to pay accrued interest, and the remainder shall be applied to the principal balance of the Obligations secured hereby; provided, however, that absent the occurrence of an Event of Default hereunder, Grantor shall have the right to collect, use and enjoy such Rents, but not more than one (1) month in advance unless otherwise approved by Beneficiary. The assignment of the Leases and Rents of the Collateral in this Article 2 is intended to be an absolute assignment from Grantor to Beneficiary and not merely the passing of a security interest. The Leases and Rents are hereby assigned absolutely by Grantor to Beneficiary contingent only upon the occurrence of an Event of Default under this Deed of Trust.

2.2 Collection Upon Default. If an Event of Default occurs hereunder, Beneficiary may, at any time and from time to time without notice, either in person, by agent or by a receiver appointed by a court, and without regard to the adequacy of any security for the Obligations hereby secured, enter upon and take possession of the Collateral, or any part thereof, in its own name and sue for or otherwise collect such Rents, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including attorneys' fees, to the Obligations secured hereby first to pay any amount owing to Lender under this Deed of Trust, then to pay accrued interest, and the remainder shall be applied to the principal balance of the Obligations secured hereby. The collection of such Rents or the entering upon and taking possession of the Collateral or the application thereof as aforesaid, shall not, by itself, cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to such notice of default.



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2.3 Assignment of Leases. Grantor agrees to assign and transfer to Beneficiary as additional security for the payment of the Obligations secured hereby all present and future Leases upon all or any part of the Collateral and further agrees to execute and deliver, at the request of Beneficiary, all such further assurances and assignments of Leases with respect to the Collateral as Beneficiary shall from time to time require.

2.4 Covenants as to Leases. Grantor may execute as landlord Leases of the Collateral or any part thereof, subject to the following provisions:

2.4.1 Grantor shall perform all of the obligations on its part to be performed and enforce all of the obligations on the part of the tenants to be performed under all Leases;

2.4.2 Grantor shall deliver to Beneficiary, within 30 days after execution, a copy of any new Lease or amendment, whether or not Beneficiary's consent to any such lease is required; and

2.4.3 All Leases hereafter entered into by Grantor with respect to the Collateral or any part thereof shall be subordinate to the lien of this Deed of Trust unless expressly made superior to this Deed of Trust in the manner hereinafter provided. At any time or times Beneficiary may execute and record in county and state wherein the Property is located, a notice of subordination reciting that the Lease therein described shall be superior to the lien of this Deed of Trust. From and after the recordation of such notice of subordination, the Lease therein described shall be superior to the lien of this Deed of Trust and shall not be extinguished by any foreclosure sale hereunder. Notwithstanding anything to the contrary contained herein or in any Lease, in the event of any foreclosure sale hereunder, if any tenant under any existing or future Lease shall not then be in default in the payment of any rent or additional rent thereunder for which a proceeding is then pending brought by Grantor, as lessor under such Lease, such Lease will not be barred, terminated, cut off or foreclosed nor will said tenant be named a defendant in such foreclosure action or proceeding nor will the rights and possession of said tenant thereunder be disturbed.

2.5 Application of Income Received by Beneficiary. Beneficiary, in the exercise of the rights and powers herein conferred upon it by Section 2.1 and Section 4.5 hereof shall have full power to use and apply the Rents to the payment of or on account of any or all of the following, in such order as Beneficiary may determine:

2.5.1 To the payment of the operating expenses of the Property and Improvements, including cost of management and leasing thereof (which shall include reasonable compensation to Beneficiary and its agent or agents, if management be delegated to an agent or agents, and shall also include lease commissions and other compensation and expenses of seeking and procuring tenants and entering into leases), established claims for damages, if any, and premiums on insurance hereinabove authorized;

2.5.2 To the payment of taxes and special assessments now due or which may hereafter become due on the Collateral;

2.5.3 To the payment of all repairs, decorations, renewals, replacements, alterations, additions, betterments and improvements of the Collateral, including the cost from time to time of placing the Collateral in such condition as will, in the judgment of Beneficiary, make it readily rentable; and

2.5.4 To the payment of any of the Obligations secured hereby.

ARTICLE 3.0 SECURITY AGREEMENT

3.1 Creation of Security Interest. Grantor hereby grants to Beneficiary a security interest in all of the Personal Property, the Accounts, all other personal property, now or hereafter owned by Grantor and located in, on or at the Property or the Improvements and the proceeds thereof, for the purpose of securing all Obligations of Grantor secured hereby.

3.2 Warranties, Representations and Covenants of Grantor. Grantor hereby warrants, represents and covenants as follows:

3.2.1 Except for the security interest granted hereby, (i) Grantor is, and as to all Personal Property and Accounts to be acquired after the date hereof will be, the sole owner of any Personal Property and Accounts, and (ii) Grantor is, and as to all Personal Property to be leased after the date hereof will be, the holder of valid leasehold interests in all personal property which is leases, in each case free from any lien, security interest, encumbrance or claims thereon of any kind whatsoever (other than Permitted Encumbrances). Grantor may lease or finance items of the Personal Property in the ordinary course of their business so long as such items are not building system components or otherwise necessary for the use or operation of the Improvements. Grantor will notify Beneficiary of, and will defend the Personal Property and Accounts against, all claims and demands of all persons at any time claiming the Personal Property, the Accounts or any interest therein other than such interests as are permitted herein.

3.2.2 Except as otherwise provided in subsections 3.2.1 or 3.2.4 of this Section 3.2, Grantor will not assign, pledge, encumber, lease, sell, convey or in any manner transfer any item of Personal Property, without the prior written consent of Beneficiary.

3.2.3 The Personal Property is not used or bought for personal, family or household purposes.

3.2.4 The Personal Property will be kept on or at the Property and Grantor will not remove any portion or item of Personal Property affixed or attached to the Property without the prior written consent of Beneficiary, except such portions or items of Personal Property which are consumed or worn out in ordinary usage or removed in the ordinary course of business, and promptly replaced by Grantor with new items of equal or greater quality.

3.2.5 Grantor maintains a place of business in the state wherein the Property is located and Grantor will immediately notify Beneficiary in writing of any change in its place of business.

3.2.6 At the request of Beneficiary, Grantor will join Beneficiary in executing one or more financing statements and renewals, continuation statements and amendments thereof pursuant to the Uniform Commercial Code of the state wherein the Property is located in form satisfactory to Beneficiary, and will pay the cost of filing the same in all public offices wherever filing is deemed by Beneficiary to be necessary or desirable. Without limiting the foregoing, Grantor hereby irrevocably appoints Beneficiary its attorney-in-fact to execute, deliver and file such instruments for or on behalf of Grantor, and Grantor will pay the cost of any such filing.

3.2.7 All covenants and obligations of Grantor contained herein relating to the Collateral shall be deemed to apply to the Personal Property and the Accounts whether or not expressly referred to herein.

3.2.8 This Deed of Trust constitutes a Security Agreement as that term is used in the Uniform Commercial Code of the state wherein the Property is located.

3.3 Financing Statements. Grantor hereby authorizes Beneficiary to authenticate and file all financing statements, amendments and continuation statements and other instruments with respect to the Personal Property and the Accounts and cause to be kept recorded, filed or registered in such manner and in such places as may be required by law fully to evidence, perfect and secure the interests of Beneficiary in the Personal Property and the Accounts, and shall pay all filing fees in connection therewith.

3.4 Multiple Remedies. Upon the occurrence of an Event of Default, Beneficiary, shall have the option of proceeding as to both real and personal property in accordance with its rights and remedies in respect of the real property as an alternative to proceeding in accordance with the default provisions of the Washington Uniform Commercial Code of the state where the Property is located.

3.5 Survival of Security Agreement. Notwithstanding any release of any or all of that property included in the Collateral, 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.

ARTICLE 4.0 REMEDIES UPON DEFAULT

4.1 Events of Default. The occurrence of any of the following events shall be deemed to be an Event of Default hereunder:

4.1.1 The failure of Grantor to pay any installment of principal or interest under the Note when due; or

4.1.2 Grantor shall commence a voluntary case concerning it under the Bankruptcy Code or any similar law of any other jurisdictions; or



4.1.3 An involuntary case is commenced against Grantor under the Bankruptcy Code and relief is ordered against Grantor or the petition is controverted but is not dismissed within 60 days after the commencement of the case; or

4.1.4 A custodian (as defined in Bankruptcy Code) is appointed for, or takes charge of all or substantially all of the property or assets of Grantor; or

4.1.5 Grantor commences any other proceeding under any reorganizational, arrangement, readjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to Grantor, or there is commenced against Grantor any such proceeding which remains undismissed for a period of 60 days; or

4.1.6 Grantor is adjudicated insolvent or bankrupt; or

4.1.7 Grantor fails to controvert in a timely manner any such case under the Bankruptcy Code or any such proceeding, or any order for relief or other order approving any such case or proceeding is entered; or

4.1.8 Grantor by any act or failure to act, indicates it consent to, approval of, or acquiescence in any such case or proceeding or in the appointment of any custodian, or the like, for its or any substantial part of its property or assets, or suffers any such appointment to continue undischarged or unstayed for a period of 60 days; or

4.1.9 Grantor makes a general assignment for the benefit of creditors; or

4.1.10 Any action is taken by Grantor for the purpose of effecting anything described in subsections 4.1.4 through 4.1.9 above; or

4.1.11 A receiver or trustee or other officer or representative of a court or of creditors, or any court, governmental officer or agency, shall under color of legal authority, take and hold possession of any substantial part of the property or assets of Grantor for a period in excess of 60 days; or

4.1.12 Any representation or warranty made or deemed to be made herein or in any other Loan Document or in any document, statement or certificate delivered pursuant hereto, shall prove to have been incorrect in any material respect when made; or

4.1.13 If Grantor shall fail to perform any covenant contained in this Deed of Trust.

4.2 Acceleration Upon Default, Additional Remedies. Upon the occurrence of any Event of Default, Beneficiary may declare all of the Obligations secured hereby to be due and payable without any presentment, demand, protest or notice of any kind. Thereafter, Beneficiary may:



4.2.1 Either in person or by agent with or without bringing any action or proceedings, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Collateral, or any part thereof, in its own name or in the name of trustee, and do or cause to be done any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Collateral, or any part thereof or interest therein, increase the income therefrom or protect the security hereof and, with or without taking possession of the Collateral, sue for or otherwise collect the Rents thereof, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, first to pay any amount owing to Lender under this Deed of Trust, then to pay accrued interest, and the remainder shall be applied to the principal balance of the Obligations secured hereby. The entering upon and taking possession of the Collateral, the collection of such Rents and the application thereof as aforesaid, shall not, by itself, cure or waive any Event of Default or notice of default hereunder or invalidate any act done in response to such Event of Default or pursuant to such notice of default and, notwithstanding the continuance in possession of the Collateral or the collection, receipt and application of Rents, Beneficiary shall be entitled to exercise every right provided for herein or in any other Loan Document or by law upon the occurrence of any Event of Default including the right to exercise the power of sale set forth herein;

4.2.2 Commence and maintain one or more actions at law or in equity or by any other appropriate remedy (i) to protect and enforce Beneficiary's rights, whether for the specific performance of any covenant or agreement herein contained (which covenants and agreements each of Grantor agrees shall be specifically enforceable by injunctive or other appropriate equitable remedy), or (ii) to collect any sum then due hereunder, or (iii) to aid the execution of any power herein granted, or (iv) to foreclose this Deed of Trust, or (v) to sell the Collateral, without regard to whether or not any sum secured by this Deed of Trust is then due and payable and without prejudice to the right of any subsequent beneficiary thereafter to pursue and enforce any other appropriate remedy against Grantor, whether such remedy is provided for hereunder or by any applicable law for any Event of Default which may have occurred at the time at which any such earlier action was commenced;

4.2.3 Exercise any or all of the remedies available to a secured party under the Uniform Commercial Codes of the state wherein the Property is located, including, but not limited to:

4.2.3.1 Either personally or by means of a court appointed receiver, take possession of all or any of the Personal Property and exclude therefrom Grantor and all others claiming under Grantor, and thereafter hold, store, use, operate, manage, maintain and control, make repairs, replacements, alterations, additions and improvements to and exercise all rights and powers of Grantor with respect to the Personal Property or any part thereof. If Beneficiary demands or attempts to take possession of the Personal Property in the exercise of any rights under any Loan Document, Grantor promises and agrees to promptly turn over and deliver complete possession thereof to Beneficiary;



4.2.3.2 Without notice to or demand upon Grantor, make such payments and do such acts as Beneficiary may deem necessary to protect its security interest in the Personal Property, including, without limitation, paying, purchasing, contesting or compromising any encumbrance, charge or lien which is prior to or superior to the security interest granted hereunder, and, in exercising any such powers or authority, pay all expenses incurred in connection therewith;

4.2.3.3 Require Grantor to assemble the Personal Property or any portion thereof, at a place designated by Beneficiary and reasonably convenient to both parties, and promptly to deliver such Personal Property to Beneficiary, or an agent or representative designated by it. Beneficiary and its agents and representatives shall have the right to enter upon any or all of Grantor's premises and property to exercise Beneficiary's rights hereunder;

4.2.3.4 Sell, lease or otherwise dispose of the Personal Property at public sale, with or without having the Personal Property at the place of sale, and upon such terms and in such manner as Beneficiary may determine. Beneficiary may be a purchaser at any such sale.

Unless the Personal Property is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Beneficiary shall give Grantor at least ten days' prior written notice of the time and place of any public sale of the Personal Property or other intended disposition thereof. Such notice may be mailed to Grantor at the address set forth in Section 5.6.

4.2.4 Deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to cause Grantor's interest in the Collateral to be sold, which notice of Trustee or Beneficiary shall cause to be duly filed for record in the official records of the county wherein the Property is located.

4.3 Foreclosure Sale.

4.3.1 Upon the occurrence of any Event of Default and upon written request of Beneficiary, Trustee shall sell the Property in accordance with the deed of trust act and the Uniform Commercial Code of the state wherein the Property is located, wherein the Property is located where applicable, at public auction to the highest bidder. Grantor agrees that such a sale (or a sheriff's sale pursuant to judicial foreclosure) of all the Collateral as real estate constitutes a commercially reasonable disposition thereof, but that with respect to all or any part of the Collateral which may be Personal Property Trustee shall have and exercise, at Beneficiary's sole election, all the rights, remedies and recourse available to a secured party under the Uniform Commercial Code including the right to proceed under the provisions of the Uniform Commercial Code governing default as to any Personal Property which may be included in the Collateral or which may be deemed nonrealty in a foreclosure of this Deed of Trust or to proceed as to such Personal Property in accordance with the procedures and remedies available pursuant to a foreclosure of real estate. Whenever notice is permitted or required hereunder or under the Uniform Commercial Code, ten days shall be deemed reasonable. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (i) to the



expenses of sale, including a reasonable Trustee's fee and attorneys' fee; (ii) to pay any amount owing to Lender under this Deed of Trust, then to pay accrued interest, and the remainder shall be applied to the principal balance of the Obligations secured hereby; (iii) the surplus, if any, shall be distributed in accordance with said Deed of Trust Act. Trustee shall deliver to the purchaser at the sale its deed and bill of sale, 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. Trustee's deed and bill of sale shall recite the facts showing that the sale was conducted in compliance with all the requirements of the law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrances for value. The power of sale conferred by this Deed of Trust and by the deed of trust act of the state wherein the Property is located is not an exclusive remedy, and when not exercised Beneficiary may foreclose this Deed of Trust as a mortgage. Grantor further understands that under the Constitution of the United States and the constitution of the state wherein the Property is located and the Uniform Commercial Code of Washington it may have the right to notice and hearing before the Property may be sold. GRANTOR HEREBY EXPRESSLY CONSENTS AND AGREES THAT THE PERSONAL PROPERTY MAY BE DISPOSED OF PURSUANT TO THE UNIFORM COMMERCIAL CODE, ALL AS DESCRIBED ABOVE. GRANTOR ACKNOWLEDGES THAT IT IS REPRESENTED BY LEGAL COUNSEL; THAT BEFORE SIGNING THIS DOCUMENT. THIS SECTION AND ITS CONSTITUTIONAL RIGHTS WERE FULLY EXPLAINED BY SUCH COUNSEL AND THAT IT UNDERSTANDS THE NATURE AND EXTENT OF THE RIGHTS WAIVED HEREBY AND THE EFFECT OF SUCH WAIVER.

4.3.2 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 Trustee.

4.3.3 At the request of Beneficiary, Trustee shall reassign to Beneficiary the security interest created hereby and after such reassignment Beneficiary shall have the right, upon the occurrence or continuance of any Event of Default, to realize upon the personal property subject to this Deed of Trust, independent of any action of Trustee, pursuant to the UCC.

4.4 Discontinuance of Proceedings. Beneficiary, from time to time before Trustee's sale pursuant to Section 4.3 may rescind any notice of default or notice of sale by executing and delivering to Trustee a written notice of discontinuance of Trustee's sale, which notice, when recorded, shall also constitute a cancellation of any prior notice of default and notice of sale. If Beneficiary shall have proceeded to invoke any right, remedy or recourse permitted under this Deed of Trust and shall thereafter elect to discontinue or abandon the same for any reason, Beneficiary shall have the unqualified right to do so and in such event Grantor and Beneficiary shall be restored to their former positions with respect to the Obligations secured hereby, and this Deed of Trust, the Collateral and all rights, remedies and recourse of Beneficiary shall continue as if the same had not been invoked. The exercise by Beneficiary of such right of rescission shall not constitute a waiver of any breach, default an Event of Default then existing or



subsequently occurring, or impair the right of Beneficiary to execute and deliver to Trustee, as above provided, other notices of default and notices of sale, nor otherwise affect any provision, covenant or condition of the Note and/or of this Deed of Trust or any of the rights, obligations or remedies of the parties thereunder or hereunder.

4.5 Repairs After Foreclosure. If this Deed of Trust is foreclosed as a mortgage and the Collateral sold at a foreclosure sale, the purchaser may, during the statutory redemption period, make such repairs or alterations on the Collateral as may be reasonable necessary for the proper operation, care, preservation, protection and insuring thereof. Any sum so paid, together with interest thereon from time of such expenditure at the Default Rate shall be added to and become a part of the amount required to be paid for redemption from such sale.

4.6 Right of Foreclosure. Beneficiary shall have the right, at its option, to foreclose this Deed of Trust subject to the rights of any tenant or tenants, subtenant or subtenants of the Collateral, and the failure to make any such tenant or tenants, subtenant or subtenants a party defendant to any such suit or action or to foreclose their rights will not be asserted by Grantor as a defense in any action or suit instituted to collect the indebtedness secured hereby or any part thereof or any deficiency remaining unpaid after foreclosure and sale of the Collateral, any statute or rule of law at any time existing to the contrary notwithstanding.

4.7 Sale of Property Pursuant to a Foreclosure. In case of a sale pursuant to a foreclosure of this Deed of Trust, the Collateral, real, personal or mixed, may be sold as an entirety or in parcels, by one sale or by several sales held at one time or at different times, all as Trustee, in its unrestricted discretion, may elect, and Grantor, for and on behalf of itself and all persons claiming by, through or under Grantor, waives any and all right to have the property and estates comprising the property marshalled upon any foreclosure sale.

4.8 Appointment of Receiver. If an Event of Default shall have occurred, Beneficiary as a matter of right and without notice to Grantor or anyone claiming under Grantor, and without regard to the then value of the Collateral or the interest of Grantor therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Collateral, and Grantor hereby irrevocably consents to such appointment and waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers and duties of Beneficiary in case of entry as provided in subsection 4.2.1 and shall continue as such and exercise all such powers until the date of confirmation of sale of the Collateral unless such receivership is sooner terminated.

4.9 Remedies Not Exclusive. Except as expressly provided to the contrary herein or in any other Loan Document, Trustee and Beneficiary, and each of them, shall be entitled to enforce payment and performance of any indebtedness or obligations secured hereby and to exercise all rights and powers under this Deed of Trust or under any other Loan Document or other agreement or any laws now or hereafter in force, notwithstanding that some or all of the said indebtedness or obligations of Grantor secured hereby may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance of this Deed of Trust nor its enforcement, whether by court action or pursuant to the



power of sale or other powers herein contained, shall prejudice or in any manner affect Trustee's or Beneficiary's right to realize upon or enforce any other security now or hereafter held by Trustee or Beneficiary, it being agreed that Trustee and Beneficiary, and each of them, shall be entitled to enforce this Deed of Trust and any other security now or hereafter held by Beneficiary or Trustee in such order and manner as they or either of them may in their absolute discretion determine. No remedy herein conferred upon or reserved to Trustee or Beneficiary is intended to be exclusive of any other remedy herein or by law provided or permitted, but each 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. Except as expressly provided herein or in any other Loan Document, every power of remedy given by any Loan Document to Trustee or Beneficiary, or to which either of them may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by Trustee or Beneficiary, and either of them may pursue inconsistent remedies.

4.10 Waiver of Redemption, Notice, Marshalling, Etc. Grantor hereby waives and releases: (a) all benefit that might accrue to it by virtue of any present or future law exempting the Collateral, or any part of the proceeds arising from any sale thereof, from attachment, levy or sale on execution, or providing for any appraisal, valuation, stay of execution, exemption from civil process, redemption or extension of time for payment, and (b) unless specifically required herein, all notices of Grantor's default or of Beneficiary's election to exercise, or Beneficiary's actual exercise, of any option or remedy under this Deed of Trust or any other Loan Document and (c) any right to have the Collateral marshalled.

ARTICLE 5.0 MISCELLANEOUS

5.1 Definitions. As used in this Deed of Trust, the following terms have the following respective meanings:

Business Day: Any day excluding Saturday, Sunday and any day which shall be in the City of Seattle a legal holiday or a day on which banking institutions are authorized or required by law or other governmental actions to close.

Default Rate: A rate per annum equal to 12%.

Loan Documents: The Note, this Deed of Trust and all other documents evidencing or securing the Obligations.

Operating Expenses: For any period, all expenses of Grantor incurred during such period in connection with the operation of the Property and the Improvements.

Operating Income: For any period, all income earned by Grantor or any entity related to or affiliated with Grantor during such period in connection with the operation of the Property and the Improvements.



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Permitted Encumbrances: The liens and encumbrances described in Exhibit B attached hereto.

Permitted Investments: Obligations of the United States Government or any agency thereof supported by the full faith and credit of the United States, corporate obligations rated AA or better, time and certificates of deposit of Beneficiary or banking corporations organized under, or branches of foreign branches licensed under, the law of the United States or any state thereof rated AA or better, repurchase obligations guaranteed by any of the foregoing and money market accounts of Beneficiary.

Person: Any individual, corporation, partnership, joint venture, association, joint stock company, trust, or other enterprise or any government or any agency or political subdivision, department or instrumentality thereof.

5.2 Governing Law. This Deed of Trust and any action to enforce the provisions hereof or to foreclose the lien created hereby shall be governed by and construed in accordance with the laws of the state wherein the Property is located. In the event that any provision or clause of this Deed of Trust conflicts with applicable laws, such conflicts shall not affect other provisions of this Deed of Trust which can be given effect without the conflicting provision, and to this end the provisions of this Deed of Trust are declared to be severable. This Deed of Trust cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge or termination is sought.

5.3 Limitation of Interest. It is the intent of Grantor and Beneficiary in the execution of this Deed of Trust and all other instruments securing the Obligations to contract in strict compliance with the relevant usury laws. In furtherance thereof, Beneficiary and Grantor stipulate and agree that none of the terms and provisions contained in the Loan Documents shall ever be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate in excess of the maximum interest rate permitted to be charged by relevant law. Grantor or any guarantor, endorser or other party now or hereafter becoming liable for the payment of any of the Obligations shall never be liable for unearned interest thereon and shall never be required to pay interest at a rate in excess of the maximum interest that may be lawfully charged under relevant law and the provisions of this Section shall control over all other provisions of any instrument executed in connection herewith which may be in apparent conflict herewith. If it is determined that any holder of any of the Obligations has collected monies which are deemed to constitute interest and are deemed to increase the effective interest rate on the Obligations to a rate in excess of that permitted to be charged by relevant law, all such sums deemed to constitute interest in excess of such legal rate shall be retained by Beneficiary as additional cash collateral for the performance of the Obligations.

5.4 Statements by Grantor. Grantor, within ten days after being given notice by mail, will furnish to Beneficiary a written statement stating the unpaid amount of all obligations then owing under the Note or this Deed of Trust and stating whether any offset or defense exists against the payment of such amounts.



5.5 Reconveyance by Trustee. Upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust to Trustee for cancellation and retention and upon payment by Grantor of Trustee's fees, Trustee shall reconvey to Grantor, or the person or persons legally entitled thereto, without warranty, any portion of the Collateral then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in any reconveyance may be described as "the person or persons legally entitled thereto."

5.6 Notices. Whenever Grantor, Trustee or Beneficiary shall desire to give or serve any notice, demand, request or other communication with respect to this Deed of Trust, each such notice, demand, request or other communication shall be in writing and shall be effective only if the same is delivered by person service (including telex, telecopier, express or courier service) or mailed by first class mail, postage prepaid, addressed as follows:

If to Beneficiary: Horizon Bank
Commercial Banking Center
2211 Rimland Drive, Suite 230
Bellingham, Washington 98226

If to Grantor: SYB Holding Co., Inc.
1440 Admiral Place
Ferndale, Washington 98248

If to Trustee: Westward Financial Services Corporation
1500 Cornwall Avenue
Bellingham, WA 98225

The failure of any person to receive wires or notices as provided herein shall not affect the validity of the notice to the primary addressee. Any party may at any time change its address for such notices by delivering or mailing to the other parties hereto, as aforesaid, a notice of such change. Any notice so addressed and delivered by personal service, telecopy or telex shall be deemed to be given when delivered. Any notice so addressed and mailed by registered or certified mail, postage prepaid, return receipt requested, shall be deemed to be given when so mailed.

5.7 Captions. The captions or headings at the beginning of each Section hereof are for the convenience of the parties and are not a part of this Deed of Trust.

5.8 Invalidity of Certain Provisions. If the lien of this Deed of Trust is invalid or unenforceable as to any part of the Obligations secured hereby, or if the lien is invalid or unenforceable as to any part of the Collateral, the unsecured or partially secured portion of such obligation shall be completely paid prior to the payment of the remaining and secured or partially secured portion of the obligation, and all payments made on the obligation, whether voluntary or under foreclosure, power of sale or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of the obligation which is



not secured or not fully secured by the lien of this Deed of Trust. If any provisions of this Deed of Trust shall be deemed void or unenforceable, it shall not affect the validity of the remaining provisions hereof which shall be considered severable.

5.9 Subrogation. To the extent Beneficiary advances any funds under this Deed of Trust to pay any outstanding prior lien, charge or encumbrance against the Collateral, such proceeds or advances have been or will be advanced by Beneficiary at Grantor's request and Beneficiary shall be subrogated to any and all rights and liens held by any owner or holder of such outstanding prior liens, charges and encumbrances, irrespective of whether said liens, charges or encumbrances are released.

5.10 Nonwaiver. Except as expressly provided to the contrary herein, acceptance by Beneficiary of any sum after the same is due shall not constitute a waiver of the right either to require prompt payment when due, of all other sums hereby secured or to declare an Event of Default as herein provided. The acceptance by Beneficiary of any sum in an amount less than the sum then due shall be deemed an acceptance on account only and upon condition that it shall not constitute a waiver of the obligation of Grantor to pay the entire sum then due, and Grantor's failure to pay said entire sum then due shall be and continue to be an Event of Default notwithstanding such acceptance of such amount on account, as aforesaid, and Beneficiary shall be at all times thereafter and until the entire sum then due shall have been paid, and notwithstanding the acceptance by Beneficiary thereafter of further sums on account, or otherwise, entitled to exercise all rights in this Deed of Trust conferred upon them, or either of them, upon the occurrence of an Event of Default and the right to proceed with a sale under any notice of default and election to sell shall in no way be impaired, whether any of such amounts are received prior or subsequent to such notice. Consent by Beneficiary to any transaction or action of Grantor which is subject to consent or approval of Beneficiary hereunder shall not be deemed a waiver of the right to require such consent or approval to future or successive transactions or actions. No failure by Beneficiary to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof shall constitute a waiver of any such term or of any such breach. No waiver of any breach shall affect or alter this Deed of Trust, which shall continue in full force and effect, or the rights of Beneficiary with respect to any other then existing or subsequent breach.

5.11 Counterpart Execution. This Deed of Trust may be executed in any number of counterparts, each of which shall be an original and all of which shall be deemed to be one and the same instrument with the same effect as if all of the parties hereto had signed the same signature page. Any signature page of this Deed of Trust may be detached from any counterpart of this Deed of Trust identical in form hereto but having attached to it one or more additional signature pages.

5.12 Further Assurances. Grantor, at its own expense, will execute, acknowledge and deliver all such instruments and take all such action as Beneficiary from time to time may reasonably request for the better assuring to Beneficiary of the properties and rights now or hereafter subject to the lien hereof or intended so to be.


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5.13 Additional Security. Without notice to or consent of Grantor and without impairment of the lien and rights created by this Deed of Trust, Beneficiary may accept (but Grantor shall not be obligated to furnish) from Grantor or from any other Person or Persons, additional security for the Obligations. Neither the giving of this Deed of Trust nor the acceptance of any such additional security shall prevent Beneficiary from restoring, first, to such additional security, and second, to the security created by this Deed of Trust without affecting Beneficiary's lien and rights under this Deed of Trust.

5.14 Purchase Money Deed of Trust. This Deed of Trust constitutes a purchase money deed of trust.

5.15 Time Is of the Essence. Time is of the essence hereof with respect to all Obligations secured hereby.

5.16 Nonagricultural Use. The Property which is the subject of this Deed of Trust is not used principally or primarily for agricultural or farming purposes.

[Signature page follows]



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IN WITNESS WHEREOF, Grantor has caused this Deed of Trust to be duly executed and delivered as of the day and year first above written.

GRANTOR:

SYB HOLDING CO., INC.

By Mahmoud B. Boulos 1/23/06
Mahmoud B. Boulos
President

By Yanolla G. Boulos 1-23-06
Yanolla G. Boulos
Secretary

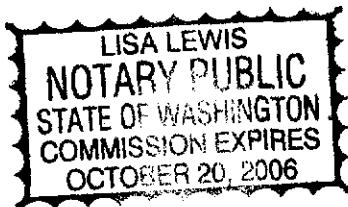
STATE OF WASHINGTON

COUNTY OF WHATCOM

ss.

On this 23rd day of January, 2006, before me, a Notary Public in and for the State of Washington, personally appeared Mahmoud B. Boulos and Yanolla G. Boulos personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed this instrument, on oath stated that they were authorized to execute the instrument, and acknowledged it as the President and Secretary, respectively, of SYB HOLDING CO., INC., 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.



Lisa Lewis
NOTARY PUBLIC in and for the State of
Washington, residing at Marysville
My appointment expires 10-20-2006
Print Name Lisa Lewis

ATTACHMENTS:

Exhibit A - Legal Description of Property
Exhibit B - Permitted Encumbrances



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EXHIBIT A

Legal Description

PARCEL A:

That portion of the Southwest Quarter of Section 29, Township 34 North, Range 4 East of the Willamette Meridian, described as follows:

Beginning at a point 50 feet Southeasterly (when measured radially) from Highway Engineer's Station F 9 2+00, as shown on Washington State Highway Department right of way map SR 5 MP222.08 to MP225.62, Johnson Road to Blackburn Street, Sheet 9 of 23 sheets, latest revision date September 10, 1971, said point being on a 250 foot radius curve concave to the Southeast, a radial at said point bearing South 74°58'06" East;
Thence Northerly along said curve 132.00 feet;
Thence South 45°07'01" East, 145.49 feet to a point on the Northwesternly margin of the DL Ramp, as shown on said map;
Thence South 24°15'30" West, 96.00 feet to a point 110 feet Northerly from (when measured at right angles to) Highway Engineer's Station A16+00;
Thence South 84°40'07" West, 100.50 feet to a point 100 feet Northerly from (when measured at right angles to) Highway Engineer's Station 15+00;
Thence North 18°34'00" West, 91.47 feet to the point of beginning.

Situated in Skagit County, Washington

PARCEL B:

That portion of the Southwest Quarter of Section 29, Township 34 North, Range 4 East of the Willamette Meridian, described as follows:

Commencing at a point 50 feet Southeasterly (when measured radially) from Highway Engineer's Station F9 2+00, as shown on Washington State Highway Department right-of-way Map SR5 MP222.08 to MP225.62, Johnson Road to Blackburn Street, Sheet 9 of 23 sheets, latest revision date, September 10, 1971, said point being on a 250 foot radius curve concave to the Southeast, a radial at said point bearing South 74°58'06" East;
Thence Northerly along said curve, 132.00 feet to the true point of beginning;
Thence South 45°07'01" East, 145.49 feet to a point on the Northwesternly margin of the DL Ramp, as shown on said map;
Thence North 24°15'30" East along said Northwesternly margin, 256.63 feet to a point 250 feet Westerly (when measured radially) from Station 67+00 on the centerline of said SR5;
Thence North 20°02'30" East, 125.54 feet to a point 50 feet Southeasterly (when measured radially) from Station F9 7+50, as shown on said map, said point being on a 500 foot radius curve concave to the Northwest, a radial at said point bearing North 58°44'02" West;

Exhibit /

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Thence Southerly along said curve, 158.07 feet to a point 50 feet Southeasterly (when measured at right angles) from Station F9 PC5+57.74;

Thence South 49°22'45" West, 179.90 feet to a point 50 feet Southeasterly from Station F9 PT3+79.85, said point being the point of curvature of a 250 foot radius curve to the left;

Thence Southerly along said curve 17.87 feet to the true point of beginning.

Situated in Skagit County, Washington

- END OF EXHIBIT "A" -

MRB YGB



EXHIBIT B

**[Permitted Encumbrances]
[insert from Order No. 5302188]**

Exhibit B

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