



201101240103

Skagit County Auditor

1/24/2011 Page 1 of 9 12:02PM

Return Address

PACIFIC MARINE LOGISTICS, INC.
Attn.: Michele Barry
275 Veronica Lane, Suite 202
Jackson, WY 83001

Document Title(s) (or transactions contained therein):

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

Reference Number(s) of Documents assigned or released:

(on page ___ of document)

Grantor(s) (Last name first, then first name and initials):

1. Westport Shipyard, Inc.
637 Marine Drive
Port Angeles, WA 98363-2231

Grantee(s) (Last name first, then first name and initials):

1. Pacific Marine Logistics, Inc.
275 Veronica Lane, Suite 202
Jackson, WY 83001

Trustee(s) (Last name first, then first name and initials):

1. First American Title Insurance Company
818 Stewart Street, Suite 800
Seattle, WA 98101

Legal description (abbreviated: i.e. lot, block, plat or section, township, range)

Ptn. Gov. Lot 5, 5-34-2 E.W.M. aka Lot 2 SP. 93-023

See pages 8 - 10 for full legal descriptions

Assessor's Property Tax Parcel/Account Number(s)

P103559 and P103560

THIS INSTRUMENT IS INTENDED AS A REAL ESTATE DEED OF TRUST AND AS A
FIXTURE FILING UNDER THE WASHINGTON UNIFORM COMMERCIAL CODE.
THIS INSTRUMENT IS TO BE FILED AND INDEXED AS
BOTH A DEED OF TRUST AND AS A FIXTURE FILING

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

This Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing ("Deed of Trust") is made by Westport Shipyard, Inc., whose mailing address is 637 Marine Drive, Port Angeles, Washington 98363-2231 ("Grantor"), to First American Title Insurance Company, whose mailing address is 818 Stewart St., Suite 800, Seattle, Washington 98101 ("Trustee"), for the benefit of Pacific Marine Logistics, Inc., whose address is 275 Veronica Lane, Suite 202, Jackson, Wyoming 83001 ("Beneficiary").

Unless separately defined in this Deed of Trust, capitalized terms that are used in this Deed of Trust shall have the meanings specified in the Amended and Restated Financing Agreement dated as the date of this Deed of Trust, between Grantor as Borrower and Beneficiary as Lender ("Financing Agreement").

For valuable consideration, the receipt and adequacy of which are hereby acknowledged, Grantor hereby irrevocably transfers, conveys and assigns to Trustee, IN TRUST WITH POWER OF SALE, for the benefit and security of Beneficiary all of Grantor's right, title and interest in and to the real property that is legally described on attached Exhibit A, together with all rents, easements, appurtenances, hereditaments, interests in adjoining roads, improvements and tenements of any kind now or hereafter situated thereon ("Property"), which Property is not used principally for agricultural or farming purposes.

This Deed of Trust is granted for the purpose of securing payment and performance of the Grantor's obligations under this Deed of Trust, the Financing Agreement, and the Promissory Note dated December 31, 2009, from Grantor to Beneficiary in a principal amount up to One Hundred Million Dollars (\$100,000,000), plus interest ("Promissory Note" and, together with this Deed of Trust and the Financing Agreement, the "Loan Documents"), and all renewals, modifications and extensions thereof, and such further sums as may be advanced or loaned by Beneficiary to or for the benefit of Grantor, or any successors or assigns of Grantor, together with interest thereon at the rate or rates specified in the Loan Documents (collectively, the "Secured Obligations").

To protect the security of this Deed of Trust, Grantor covenants and agrees as follows:

1. **Payment of Indebtedness.** Grantor shall pay when due all installments of principal and interest evidenced by the Note, and all charges, fees and other sums required under any of the Loan Documents.



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2. **Payment of Taxes.** Grantor shall pay, and shall defend, indemnify and hold Trustee and Beneficiary harmless from, all taxes and special assessments of every kind, now or hereafter levied and assessed against the Property or upon this Deed of Trust or the indebtedness secured hereby, before delinquency, without notice or demand, and shall, upon request from Trustee or Beneficiary, provide evidence of such tax payment.

3. **Property Insurance.** Grantor shall keep all buildings now or hereafter erected on the Property continuously insured against loss by fire or other hazards in an amount not less than their full replacement cost. All policies shall be held by the Beneficiary, and be in such companies as the Beneficiary may approve and have loss payable first to the Beneficiary, as its interests may appear, and then to the Grantor. The amount collected under any insurance policy may, in the sole discretion of Beneficiary, be applied upon any indebtedness hereby secured in such order as the Beneficiary shall determine or toward payment for repair and restoration of the Property. If the Beneficiary elects to allow such proceeds to be used for the repair or reconstruction of the Property, Beneficiary may attach such conditions upon the use and disbursement of such proceeds as Beneficiary deems appropriate.

4. **Property Maintenance and Compliance with Law.** Grantor shall keep the Property in good condition and repair, permit no waste thereof; complete any building, structure or improvement being built or about to be built thereon, restore promptly any building, structure or improvement thereon that is damaged or destroyed, and comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the Property.

5. **Actions Affecting the Property.** Grantor shall defend any action or proceeding purporting to affect the security of this Deed of Trust or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including but not limited to the costs of title search, appraisal fees and attorneys' fees in a reasonable amount in any such action or proceeding and in any suit brought by Beneficiary to foreclose this Deed of Trust.

6. **Eminent Domain.** If any portion of the Property is taken or damaged in an eminent domain proceeding, Grantor shall give prompt written notice thereof to Beneficiary, and the entire amount of the award or such lesser portion as is necessary to fully satisfy the obligation secured hereby, shall be paid to Beneficiary to be applied to said obligation. All such compensation, awards, damages, rights of action and proceeds awarded to Grantor (not exceeding the amount then due to Beneficiary pursuant to the Note) (the "Proceeds") are hereby assigned to Beneficiary and Grantor shall execute such further assignments of the Proceeds as Beneficiary or Trustee may require.

7. **Property Inspections.** Beneficiary, or its agents, representatives or workmen, are authorized to enter at any reasonable time upon or in any part of the Property 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 the Loan Documents.



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8. **Assignment of Rents.** Grantor assigns and transfers to Beneficiary, and grants a security interest to Beneficiary in, all of the present, future or after-arising rents and revenues of the Property due by virtue of any leases, licenses, or agreements for the occupancy or use of all or any part of the Property. Grantor authorizes Beneficiary to collect all rents and revenues and hereby directs each tenant of the Property to pay rents directly to Beneficiary; provided, however, that prior to the occurrence of an Event of Default under this instrument, Grantor shall have a license to collect and receive all rents and revenues of the Property and to enjoy the use thereof. It is the intent of Grantor and Beneficiary that this assignment of rents constitutes a present, absolute and unconditional assignment and not an assignment for additional security only. After the occurrence of an Event of Default under this instrument and so long as such Event of Default shall be continuing, and without the necessity of Beneficiary entering upon and taking full control of the Property, in person, by agent or by a court-appointed receiver, Beneficiary shall immediately be entitled to possession of all rents and revenues of the Property both past due and unpaid and as they become due and payable. After the occurrence of an Event of Default under this Deed of Trust and so long as such Event of Default shall be continuing, all such rents held, or thereafter received, by Grantor shall be held as trustee for the benefit of Beneficiary only. After the occurrence of an Event of Default under this instrument and so long as such Event of Default shall be continuing, Grantor agrees that each tenant of the Property shall be entitled to pay rents directly to Beneficiary on Beneficiary's written demand to each tenant delivered to each tenant personally or by mail, without any obligation on the part of any tenant to inquire as to the existence of a default by Grantor.

9. **Security Agreement.** This Deed of Trust is both a real property deed of trust and a "security agreement" within the meaning of the Uniform Commercial Code in the State of Washington (the "UCC"). The Property includes both real and personal property and all other rights and interest, whether tangible or intangible in nature, of Grantor in the Property. GRANTOR HEREBY GRANTS TO BENEFICIARY, AS SECURITY FOR THE SECURED OBLIGATIONS, A SECURITY INTEREST IN THE PROPERTY TO THE FULL EXTENT THAT THE PROPERTY MAY BE SUBJECT TO THE UCC (which portion of the Property so subject to the UCC shall hereinafter be referred to as the "Collateral"). If an Event of Default shall occur and be continuing, Beneficiary, in addition to any other rights and remedies which it may have, shall have and may exercise immediately and without demand, any and all rights and remedies granted to a secured party upon default under the UCC, including, but not limited to the right to take possession of the Collateral or any part thereof, and to take such other measures as Beneficiary may deem reasonably necessary or advisable for the care, protection and preservation of the Collateral. Grantor shall pay to Beneficiary on demand any and all out-of-pocket expenses, including attorneys' fees and expenses, incurred or paid by Beneficiary in protecting its interest in the Collateral and in enforcing its rights hereunder with respect to the Collateral. Any notice of sale, disposition or other intended action by Beneficiary with respect to the Collateral sent to Grantor in accordance with the provisions hereof at least ten (10) days prior to such action, shall constitute reasonable notice to Grantor. The proceeds of any disposition of the Collateral, or any part thereof, may be applied by Beneficiary to the payment of the Secured Obligations in such priority and proportions as Beneficiary shall determine.



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10. Fixture Financing Statement. This Deed of Trust constitutes a fixture financing statement pursuant to the UCC. For purposes of this Section 10, the following information is included: (i) the Grantor shall be deemed the "Debtor" with the address set forth for the Grantor on the first page of this Deed of Trust, which the Grantor certifies is accurate; (ii) the Beneficiary shall be deemed to be the "Secured Party" with the address set forth for the Beneficiary on the first page of this Deed of Trust and shall have all of the rights of a secured party under the UCC; (iii) this Deed of Trust covers goods which are or are to become fixtures, including any proceeds thereof; (iv) the land upon which the fixtures are located is described on attached Exhibit A and (v) the record owner of the Property is the Debtor. The Debtor hereby authorizes the Beneficiary as the Secured Party to file, electronically or otherwise, any fixture financing statements and terminations thereof or amendments or modifications thereto without the signature of the Debtor, where permitted by law.

11. Events of Default. An "Event of Default" shall exist under this Deed of Trust if Grantor is in breach of, fails to pay or perform, or otherwise defaults in payment or performance of any term, covenant agreement, condition, provision, representation or warranty contained in this Deed of Trust, the Financing Agreement, the Note or any of the other Loan Documents after expiration of any applicable cure period.

12. Acceleration of Maturity upon Default. Should an Event of Default occur, then, subject to the provisions of applicable law, Beneficiary may declare all indebtedness secured by this Deed of Trust to be immediately due and payable. Thereafter Beneficiary, at its sole option, may exercise any rights and remedies allowed at law or in equity, including without limitation:

(a) either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Property, or any part thereof, in its own name or in the name of Trustee, and do any acts which it deems necessary or desirable to preserve the value, marketability or rent ability of the Property, or any part thereof or any interest therein, increase the income therefrom or protect the security hereof and, with or without taking possession of the Property, sue for or otherwise collect the rents, issues and profits thereof, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, upon any indebtedness secured hereby, all in such order as Beneficiary may determine; the entering upon and taking possession of the Property, the collection of such rents, issues and profits and the application thereof as aforesaid shall not 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, notwithstanding the continuance in possession of the Property or the collection, receipt and application of rents, issues or profits; or

(b) authorize the Trustee to exercise the power of sale and foreclose this Deed of Trust in accordance with applicable law; or



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(c) commence an action to foreclose this Deed of Trust as a mortgage, appoint a receiver or specifically enforce any of the covenants in this Deed of Trust; or

(d) exercise any other right or remedy allowable at law or in equity or provided for herein or in the Note, or any of the other Loan Documents.

13. Remedies Not Exclusive. Trustee and Beneficiary, and each of them, shall be entitled to enforce payment and performance of any Secured Obligations and to exercise all rights and powers under this Deed of Trust or under the Note or any other Loan Document or other agreement or any laws now or hereafter in force, notwithstanding some or all of such Secured Obligations 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. Every power or remedy given by the Note, Financing Agreement or any other 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. Notwithstanding any provision contained herein to the contrary, Beneficiary reserves the right to seek a deficiency judgment against the Grantor to the extent such action is permitted by law.

14. Appointment of Successor Trustee. Beneficiary may, from time to time, by a written instrument executed and acknowledged by Beneficiary, and recorded in the county in which the Property is located and by otherwise complying with the provisions of the applicable laws of the State of Washington, substitute a successor or successors to the Trustee named herein or acting hereunder.

15. Reconveyance by Trustee. Upon written request of Beneficiary stating that all sums secured hereby have been paid, Trustee shall reconvey to Grantor, or to the person or persons legally entitled thereto, without warranty, any portion of the Property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof.

16. Notices. Whenever Beneficiary, Grantor or Trustee 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 deemed received when personally delivered (including, without limitation, delivery by an overnight



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courier service with a delivery receipt and facsimile delivery with electronic confirmation of delivery) or three (3) business days after being sent by United States mail, postage prepaid, certified mail, return receipt requested, addressed to the Grantor, Trustee, or Beneficiary, as the case may be, at the respective address set forth at the beginning of this Deed of Trust. 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.

17. **Waivers.** TO THE EXTENT PERMITTED BY LAW, GRANTOR HEREBY WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER OR IN ANY COUNTERCLAIM ASSERTED BY BENEFICIARY AGAINST GRANTOR, OR IN ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS DEED OF TRUST OR THE SECURED OBLIGATIONS.

18. **Governing Law.** This Deed of Trust shall be governed by the laws of the State of Washington without regard to its choice of law rules. This Deed of Trust applies to, inures to the benefit of and binds all parties hereto, their heirs, respective personal or legal representatives, successors and assigns. If any provision or any clause in 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 instrument 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. If more than one person comprises Grantor, all obligations of the Grantor hereunder shall be joint and several.

19. **Business Purpose.** Grantor represents and warrants to Beneficiary that the loan or extension of credit provided for in the Financing Agreement is made exclusively for agricultural, commercial, investment or business purposes and no portion of the loan shall be used for any consumer, personal, family or household purposes.

20. **No Oral Agreements.** THE NOTE, FINANCING AGREEMENT, THIS DEED OF TRUST AND THE OTHER LOAN DOCUMENTS COLLECTIVELY REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[NO FURTHER TEXT ON THIS PAGE]



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

IN WITNESS WHEREOF, Grantor has executed this Deed of Trust as of the 19 day of JANUARY, 2010. 11 PM

WESTPORT SHIPYARD, INC.

By [Signature]
Its PRESIDENT

STATE OF WASHINGTON)
) ss
COUNTY OF KING Clallam P.N.

I certify that I know or have satisfactory evidence that Daryl Wakefield appeared before me, that he is authorized as President of Westport Shipyards, Inc. to sign and on oath acknowledged that he signed this instrument as his free and voluntary act and deed for the uses and purposes mentioned in the instrument.

Subscribed and sworn to before me on January 19, 2010. 2011 P.N.

Prudence A. Nathan
[Notary Signature]

Prudence A. Nathan
[Type or Print Name of Notary]



NOTARY PUBLIC for the State of Washington,
residing at Clallam County
My appointment expires: 12-19-12



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Exhibit A

LEGAL DESCRIPTION

Ptn. Gov. Lot 5, 5-34-2 E.W.M. aka Lot 2 SP. 93-023

Lot 2, Short Plat No. 93-023, approved August 5, 1993, recorded August 9, 1993, in Volume 10 of Short Plats, pages 220 and 221, under Auditor's File No. 93080900003 and being a portion of Government Lot 5 of Section 25, Township 34 North, Range 2 East and Tract 5, PLATE NO. 17 TIDE LANDS AND SHORELANDS" of Sections 25 and 24, Township 34 North, Range 2 East, W.M., LaConner Harbor, Skagit County, State of Washington, as per Plat on record in the Office of the Commissioner of Public Lands at Olympia, Washington, together with all improvements, structures, easements, licenses and other rights appurtenant thereto.

Situate in the County of Skagit, State of Washington.

Tax Parcel numbers P103559 and P103560



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