

After Filing Return To:
James A. Greenfield
Davis Wright Tremaine LLP
1201 Third Avenue, Suite 2200
Seattle, Washington 98101-3045



201109300108
Skagit County Auditor

9/30/2011 Page 1 of 38 3:39PM

CHICAGO TITLE
620013255

**DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS,
SECURITY AGREEMENT AND FINANCING STATEMENT**

Grantor(s):

1. Majestic Inn LLC

Grantee(s):

1. Regal Hospitality LLC
2. Fidelity National Title Insurance Company

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

PTN, BLK, 24, CITY OF ANACORTES AND VAC. ALLEYS

Additional legal description is on page 38 of document

Assessor's Property Tax Parcel Account Number(s): 3772-024-010-0008, 3772-024-013-0005, 3772-024-010-0107, 3772-024-016-0002, 3772-024-018-0000

**DEED OF TRUST,
SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS, AND
FINANCING STATEMENT**

MAJESTIC INN, LLC

as Grantor

to

FIDELITY NATIONAL TITLE INSURANCE COMPANY

as Trustee

for the benefit of

REGAL HOSPITALITY LLC

as Beneficiary

Dated September 30, 2011

DWT 17727364v4 0094361-000001



201109300108
Skagit County Auditor

TABLE OF CONTENTS

Page

1. OBLIGATIONS 1

2. GRANT 2

3. SECURITY AGREEMENT 3

4. HOTEL REPRESENTATIONS AND COVENANTS 4

 4.1 Representations and Warranties 4

 4.2 Covenants 5

5. PAYMENT OF INDEBTEDNESS; PERFORMANCE OF OBLIGATIONS 7

6. GRANTOR'S TITLE 7

7. STATUTORY AND COMMON LAW LIENS; TAXES AND OTHER CHANGES 7

 7.1 Statutory and Common Law Liens 7

 7.2 Taxes and Other Charges on the Collateral 7

 7.3 Recording Fees and Other Taxes Imposed on Beneficiary 7

 7.4 Receipts 8

 7.5 Reimbursement for Certain Taxes and Costs 8

 7.6 Right to Contest 8

8. FURTHER ENCUMBRANCES 9

9. STATEMENT OF AMOUNT OWING 9

10. RESERVE ACCOUNTS 9

11. LATE CHARGES 9

12. OPERATION OF THE PROPERTY; COMPLIANCE WITH LAWS 10

13. MAINTENANCE; ALTERATION; INSPECTION 10

 13.1 Repair, Maintenance and Alteration 10

 13.2 Replacement of Equipment 11

14. BENEFICIARY'S ACTION 11

15. ZONING; TITLE MATTERS 11

16. INSURANCE 11



UNRECORDED

17.	BENEFICIARY’S RIGHT TO PROTECT COLLATERAL.....	14
18.	INDEMNITY.....	15
19.	LEASES AND RENTS.....	16
19.1	Leases.....	16
19.2	Assignment of Rents and Leases; Grantor’s Right to Collect.....	18
20.	USE OF THE PROPERTY.....	18
21.	CONDEMNATION; CASUALTY LOSS.....	18
22.	WAIVERS BY GRANTOR.....	19
23.	ACTIONS BY TRUSTEE; RECONVEYANCE.....	20
24.	APPOINTMENT OF RECEIVER.....	20
25.	EVENTS OF DEFAULT.....	21
26.	REMEDIES.....	23
27.	REPAIRS AND ADVANCES DURING REDEMPTION PERIOD.....	26
28.	OPERATING STATEMENTS; EXAMINATION OF BOOKS AND RECORDS.....	26
29.	FORECLOSURE OF TENANT’S RIGHTS; SUBORDINATION.....	27
30.	RIGHT OF SUBROGATION.....	27
31.	ADDITIONAL SECURITY INSTRUMENTS; FIXTURE FILING.....	27
32.	GRANTOR’S STATE OF LOCATION; LOCATION OF COLLATERAL.....	27
33.	MODIFICATION; WAIVER.....	28
34.	JOINT AND SEVERAL LIABILITY; CUMULATIVE REMEDIES.....	28
35.	SUCCESSORS AND ASSIGNS.....	28
36.	GENDER; NUMBER; DEFINITION OF “BENEFICIARY”.....	28
37.	INVALIDITY.....	28
38.	USURY.....	28
39.	NOTICES.....	29
40.	APPOINTMENT OF TRUSTEE AND BENEFICIARY.....	29
41.	REPORT OF REAL ESTATE TRANSACTION.....	29
42.	FOREIGN INVESTMENT ACTS AND REGULATIONS.....	29



43. CONTROLLING DOCUMENT30
44. GOVERNING LAW30
45. ATTORNEYS' FEES.....30
46. COMMERCIAL LOAN.....30
47. NONDISCRIMINATION30
48. NO OFFSET.....30
49. PRIOR OBLIGATIONS31

EXHIBIT:

A Legal Description



**DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS,
SECURITY AGREEMENT AND FINANCING STATEMENT**

THIS DEED OF TRUST, SECURITY AGREEMENT AND FINANCING STATEMENT is made as of the 30th day of September, 2011, by MAJESTIC INN LLC, a Washington limited liability company, as Grantor, whose address is 419 Commercial Avenue, Anacortes, Washington 98221, to FIDELITY NATIONAL TITLE INSURANCE COMPANY, a _____, as Trustee, whose address is _____, for the benefit of REGAL HOSPITALITY LLC, a Washington limited liability company, as Beneficiary, whose address is 804 10th Street, Bellingham, WA 98225.

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

1.1 Payment of the sum of One Million Eight Hundred Ninety Nine Thousand Seven Hundred and Three Dollars and Eighty-Nine Cents (\$1,899,703.89) with interest thereon, late charges and other amounts due according to the terms of a promissory note of even date herewith, payable to Beneficiary or order and made by Grantor (the "Note," which term shall include all notes evidencing the indebtedness secured by this Deed of Trust and all replacements, renewals, modifications or extensions thereof);

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

1.3 Payment of any further sums loaned by Beneficiary to Grantor, or any of its successors or assigns, together with interest thereon at the rate set forth in the Note (unless a different interest rate is specified in the Loan Documents or agreed to in writing) if the note or other writing evidencing the further loan states that it is secured by this Deed of Trust; and

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

As used herein, "Loan Documents" means the Note, this Deed of Trust, and any other document executed by Grantor in connection with the Note, and all replacements, renewals, modifications and extensions thereof.

09/29/11
DWT 17727364v4 0094361-000001



201109300108

Skagit County Auditor

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

2.1 The real property described in Exhibit A attached hereto and incorporated herein by this reference, now owned or hereafter acquired, including all easements, agreements, tenements, reversions, remainders, licenses, privileges, irrigation and water rights, water stock, timber, crops, oil and gas rights, royalties, minerals and mineral rights, development rights, or other rights belonging or in any way appurtenant thereto, including without limitation (i) any easement, right or license in, to or under any streets, ways, alleys, vaults, gores or strips of land adjoining such real property or any portion thereof, or in or to the air space over such real property or any land adjoining such real property, (ii) all rights of ingress and egress with respect to such real property or any land adjoining such real property, and (iii) all claims or demands of Grantor, either at law or in equity, in possession or expectancy, in or to such real property (all of the foregoing hereinafter collectively referred to as the "Land");

2.2 All buildings, structures, improvements, equipment, and property now or hereafter built on or in, or affixed to, the Land, including but not limited to boilers, engines, motors, dynamos and generating equipment; computers, computer workstations and terminals used in the operation of building systems; telephone and other communications systems; piping and plumbing fixtures; stoves, ranges, cooking apparatus and mechanical kitchen equipment; dishwashers, clothes-dryers, refrigerators and freezers; cooling, heating, ventilating, sprinkling and vacuum cleaning systems; fire extinguishing apparatus and equipment; gas and electric fixtures; irrigation systems and equipment; carpeting and underpadding; fire alarm, security and access control systems; elevators, escalators, partitions, mantels, built-in mirrors, window shades, blinds, screens, storm sash and awnings; furniture and furnishings of public spaces, halls and lobbies; incinerating systems and equipment; and shrubbery and plants (all of the foregoing hereinafter collectively referred to as the "Improvements"; the Land and Improvements are referred to collectively as the "Property"); all property mentioned in this subsection 2.2 shall be deemed part of the realty and not severable wholly or in part without material injury to the Property; and

2.3 All rents, issues and profits of the Property, all existing and future leases of the Property (including extensions, renewals and subleases) and all agreements for use and occupancy of the Property or any portion thereof including without limitation hotel rooms and meeting spaces (all such leases and agreements whether written or oral are hereafter referred to as the "Leases"), and all guaranties of tenants' performance under the Leases, together with the immediate and continuing right to collect and receive all of the rents, income, receipts, revenues, issues, profits and other income of any nature now or



hereafter due (including any income of any nature coming due during any redemption period) under the Leases or from or arising out of the Property including minimum rents, additional rents, percentage rents, parking or common area maintenance contributions, tax and insurance contributions, deficiency rents, forfeitures or liquidated damages following default in any Lease, all proceeds payable under any policy of insurance covering loss of rents or other income resulting from untenability caused by destruction or damage to the Property, all proceeds payable as a result of exercise of any option to purchase the Property, all proceeds derived from the termination or rejection of any Lease in a bankruptcy or other insolvency proceeding, and all proceeds from any rights and claims of any kind that Grantor may have against any tenant under the Leases or any occupants of the Property (all of the above are hereafter collectively referred to as the "Rents"); this subsection 2.3 is subject to the right, power and authority, if any, given to Grantor in the Loan Documents to collect and apply the Rents.

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

3.1 To the extent the same are not Improvements, all furniture, furnishings, appliances, machinery, equipment, fixtures, and other property of any kind now or hereafter located on the Property, used or intended to be used on the Property wherever actually located, or purchased with the proceeds of the Note, and all rights of Grantor as lessee of any property described in subsection 2.2 above, and to the extent the same are personal property and not real property, the Leases and Rents;

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

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



3.4 All general intangibles and accounts pertaining to or affecting the Property or the property described in Section 4.1, or arising out of the ownership or operation of the Property or such property, or the business carried on or by Grantor in or on the Property, including, without limitation, all options or contracts to acquire other property for use in connection with operation or development of the Property, management agreements, service agreements, deposits, trademarks, trade names and symbols, permits, licenses, franchises, certificates, and refunds or rebates of taxes or assessments thereon and all other contracts and;

3.5 All chattel paper, letter of credit rights and supporting obligations arising out or related to the ownership or operation of the Property or the property described in Section 4.1, or the business carried on by Grantor in or on the Property;

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

3.7 All books, records, surveys, reports and other documents related to the Property, Leases, Rents or other items of collateral described in this Section 4 or related to the construction or operation of Improvements;

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

3.9 All instruments, promissory notes, and documents arising out of the ownership or operation of the Property or the property described in Section 4.1 or the business carried on by Grantor in or on the Property; and

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

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

4. Hotel Representations and Covenants.

4.1 Representations and Warranties. The real property described on Exhibit A attached to this Deed of Trust, Security Agreement and Fixture Filing is improved with a hotel known as the Majestic Inn & Spa (the "Hotel"). Grantor is the sole owner of all



furniture, fixtures, equipment, inventory, contracts, agreements, permits, licenses, trademarks, trade names, non-proprietary software and other personal property located on, or used or acquired for use in connection with, the operation of the Property or the Hotel (collectively, the "Hotel Personal Property"), free and clear of all liens, charges and encumbrances except those appearing of record on the date of this Deed of Trust, Security Agreement and Fixture Filing and reflected in the loan policy of title insurance accepted by Beneficiary in connection with the Closing. The Hotel Personal Property now owned by Grantor is adequate and sufficient for the use, occupancy, operation and maintenance of the Hotel as a _____-room hotel at full occupancy levels. The real property included in the term "Property", as defined above, includes all of the interests in real property used or proposed to be used in the operation of the Hotel and such real property interests are adequate and sufficient for the operation of the Hotel as described in the immediately preceding sentence. Grantor holds all licenses, permits, franchises and authorizations necessary or appropriate for the operation of the Hotel as described above. There are no pending or threatened proceedings or actions to revoke, terminate or modify any thereof.

4.2 Covenants

4.2.1 Hotel Personal Property. Grantor shall not permit any Hotel Personal Property consisting of furniture, fixtures, equipment or inventory to be removed at any time from the Property unless the removed item is: (a) consumed or sold in the usual and customary course of business, (b) removed temporarily for maintenance and repair, or (c) if removed permanently, disposed of for fair value and replaced by an item of equivalent suitability and not materially less value which is owned by Grantor free and clear of all ownership interests, liens, charges, encumbrances, leases and other interests of any and all other persons and entities whether affiliated or unaffiliated with Grantor, excepting only leases, liens and security interests to which Beneficiary has granted its prior written consent in its sole discretion, if any. Except as approved by Beneficiary in writing, and in its sole discretion, after disclosure of all material facts, Grantor shall not permit any Hotel Personal Property at any time to be owned by any person or entity other than Grantor (whether such other person or entity is affiliated or unaffiliated with Grantor) or to be subject to any ownership interest, lien, charge, encumbrance, lease or other interest of any such other person or entity, whether affiliated or unaffiliated with Grantor.

4.2.2 Certain Agreements. Unless Grantor first obtains the written consent of Beneficiary, in Beneficiary's sole discretion, Grantor shall not enter into any management agreement, license agreement or franchise agreement for the Hotel, or into any other agreement relating to the Property or the Hotel that cannot be terminated on less than 60 days notice by Grantor without penalty. Without limiting the foregoing, Beneficiary may condition any such consent on the counterparty to such agreement entering into a consent to the collateral assignment of such agreement to Beneficiary as security for the obligations



secured by this Security Instrument which consent contains such further provisions for the protection of Beneficiary's security interest therein as Beneficiary may require.

4.2.3 Management of the Property. Grantor agrees that it will not appoint or hire any management company or other entity other than Grantor to operate the Property or the Hotel, make any material change in the type of business conducted by Grantor on the Property or consent to any agreement by Grantor to assign or transfer to any other person or entity the management and operation of the Property or the Hotel without the prior written consent of Beneficiary.

4.2.4 Books and Records. Grantor shall keep accurate, complete and detailed books and records of the operations of the Hotel and the Property including, without limitation, books of account, tax records, guest records and other records (collectively, the "Books and Records") in which shall be entered truthfully, correctly and completely every transaction with respect to the operation of the Hotel, all substantially in accordance with generally accepted accounting principles, consistently applied. The Books and Records shall be available to Beneficiary and its representatives at all times, on not more than two business days notice, for examination and copying.

4.2.5 Transactions With Affiliates. Grantor shall not enter into any transaction with any party affiliated with Grantor on terms less favorable to Grantor than those that could be obtained from a third party unaffiliated with Grantor.

4.2.6 Actions to Maintain Hotel. Grantor shall:

(i) Fund and operate the Hotel and the Property in a manner reasonably consistent with current practices and with those of comparable hotels and in compliance with all licenses, permits, franchises, authorizations and agreements relating to the Hotel or the Property.

(ii) Maintain inventories in amounts and types sufficient to meet the hotel industry standard for hotels comparable to the Hotel as currently operated, and at levels sufficient for the operation of the Hotel.

(iii) Make, or cause to be made, all renovations and repairs to the Hotel necessary to maintain it in at least its current condition and overall quality and to make all such renovations and repairs in a good and workmanlike manner with materials of high quality, free of defects and liens, in accordance with all applicable laws and agreements.

(iv) Keep all licenses, permits, franchises, authorizations and agreements relating to the Hotel or the Property in full force and effect and comply with the terms and conditions thereof in all material respects.



(v) Maintain its right to use all trademarks trade names currently used in the operation of the Hotel.

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

6. Grantor's Title. Grantor has good, marketable and insurable title to, and the right to convey, an indefeasible fee simple estate in the Property, Rents and Leases, and good and marketable title to and the right to convey the other Collateral, subject to no liens, encumbrances, easements, assessments, security interests, claims or demands of any kind except those set forth in Exhibit A and those approved by Beneficiary in writing (collectively, the "Exceptions"), and real estate taxes and assessments for the current year. The Exceptions and the real estate taxes and assessments are not delinquent or in default. Grantor hereby warrants and agrees to defend title to the Collateral and will defend the validity and priority of the lien of this Deed of Trust and the security interest granted herein against any claims or demands and will take all actions necessary or appropriate to ensure that Beneficiary and Trustee at all times have a fully perfected lien and security interest in al of the Collateral.

7. Statutory and Common Law Liens; Taxes and Other Changes.

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

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

7.3 Recording Fees and Other Taxes Imposed on Beneficiary. Grantor will pay any and all taxes, charges, filing, registration and recording fees imposed upon Beneficiary by reason of, or levied or charged in connection with, the execution, delivery



and/or recording of the Loan Documents or the ownership of this Deed of Trust or any instrument supplemental hereto, any security instrument with respect to any Collateral or any instrument of further assurance.

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

7.5 Reimbursement for Certain Taxes and Costs. In the event of the enactment of or change in (including, without limitation, a change in interpretation of) any applicable law subjecting Beneficiary to any tax measured by or based on the indebtedness secured hereby, in whole or in part, and the result is to increase the taxes imposed upon Beneficiary or to reduce the amount of any payments receivable hereunder, then Grantor shall, on demand, pay to Beneficiary additional amounts to compensate for such increased costs or reduced amounts, provided that in such event Grantor shall have the right to prepay the Note, or any portion thereof, in accordance with the provisions of the Note, and, provided, further, that if any such additional payment or reimbursement shall be unlawful or would constitute usury or render the Note wholly or partially usurious under applicable law, then Beneficiary may, at its option, declare the Note immediately due and payable or require Grantor to pay or reimburse Beneficiary for payment of the lawful and nonusurious portion thereof.

7.6 Right to Contest. Notwithstanding anything set forth in this section, so long as an Event of Default shall not have occurred hereunder and be continuing, Grantor shall have the right to contest or object to the amount or validity of any tax, charge, lien, claim or demand by appropriate administrative or judicial proceedings so long as (i) Grantor notifies Beneficiary of Grantor's intent to contest or object to such tax, charge, lien, claim or demand; (ii) Grantor shall have provided Beneficiary with evidence reasonably satisfactory to Beneficiary that such proceedings shall operate to prevent the sale of the Property or any portion thereof; (iii) Grantor shall have furnished Beneficiary with a bond, cash deposit or other security or assurances reasonably satisfactory to Beneficiary in the amount of one hundred fifty percent (150%) of such tax, charge, lien, claim or demand plus costs and expenses, including without limitation attorneys' fees, disbursements, court costs and interest for which Grantor may reasonably be expected, in Beneficiary's opinion, to become liable in connection with such tax, charge, lien, claim or demand, if such contest or objection is not successful, or in the case of a lien under Chapter 60.04 RCW, Grantor shall have recorded a bond or bonds in compliance with the provisions of RCW 60.04.161 so as to release the lien from the Property; and (iv) on a final determination of such contest which is not appealable or is not being appealed by Grantor, Grantor shall pay the amount of such tax, charge, lien, claim or demand, if and when due.



8. Further Encumbrances. Subject to any other provision of the Loan Documents permitting further encumbering of the Property, Grantor shall not encumber the Collateral or any portion thereof for current or future debt without the prior consent of Beneficiary, which consent may be given or withheld in Beneficiary's sole discretion.

9. Statement of Amount Owing. Grantor upon request by Beneficiary from time to time will furnish to Beneficiary a written statement duly acknowledged by Grantor of the amount secured by this Deed of Trust and whether Grantor claims that any offsets or defenses exist against the Obligations secured hereby.

10. Reserve Accounts. If Grantor shall fail to pay when due any taxes, assessments, ground rents or insurance premiums, Beneficiary may, at its option at anytime thereafter, require Grantor to pay, in addition to payments of principal and/or interest under the Note, within ten (10) days following the mailing of a notice from Beneficiary requesting such payment, the sum as estimated by Beneficiary of the amount of any ground rents, taxes or assessments on the Property and premiums on insurance policies required herein that will become due and payable within sixty (60) days following the date of such request. Such sum shall be held by Beneficiary, without interest, in a reserve control account to pay such ground rents, premiums, taxes and special assessments. Any excess funds in the reserve account above the amount reasonably accumulated for payments to become due may be credited by Beneficiary against either any amounts then due and payable under the Loan Documents or the next payments coming due for reserves. If the reserve account does not have sufficient funds to make the payments when they become due, Grantor shall pay to Beneficiary the amount necessary to make up the deficiency within fifteen (15) days after written notice to Grantor. If Beneficiary acquires the Collateral through foreclosure and sale or otherwise, Beneficiary may, at the time of commencement of foreclosure proceedings or at the time the Collateral is otherwise acquired, apply the remaining funds in the reserve account, less such sums as will become due and payable during the pendency of any foreclosure proceedings, against any amounts due under the Loan Documents. The reserve account is solely for the protection of Beneficiary. Beneficiary shall have no responsibility except to properly credit sums actually received by it. On assignment of this Deed of Trust by Beneficiary, any funds in the reserve account shall be turned over to the assignee and any responsibility of Beneficiary with respect thereto shall terminate. Each transfer of the Property shall automatically transfer to the transferee all rights of Grantor to any funds in the reserve account. Notwithstanding the foregoing, if Grantor contests any taxes or assessments as allowed herein, then such taxes or assessments shall not be required to be deposited in the reserve account.

11. Late Charges. Unless otherwise provided in the other Loan Documents, if any payment or portion thereof due hereunder or under any other Loan Document is not paid within ten (10) days after the date it is due, Beneficiary may collect, and Grantor agrees to pay



with such payment, a late charge of six cents (\$.06) for each dollar so overdue, as liquidated damages for the additional expense of handling such delinquent payments. Grantor acknowledges that the actual damages that Beneficiary would incur due to Grantor's late payments is impossible to determine accurately and that the amount set forth above is a reasonable estimate of such actual damages.

12. Operation of the Property; Compliance With Laws. Grantor has and will maintain, and shall deliver to Beneficiary on request copies of, all certificates, licenses, authorizations, registrations, permits and/or approvals required for the construction and operation of the Property and for the conduct of Grantor's business at the Property, all of which are as of the date hereof in full force and effect and not subject to any revocation, amendment, release, suspension or forfeiture. To the extent applicable to Grantor or the Property, Grantor will perform and comply promptly with, and cause the Property to be maintained, used and operated in accordance with, any and all (i) present and future laws, ordinances, rules, regulations and orders of every duly constituted governmental or quasi-governmental authority or agency including, without limitation, all federal, state and local laws pertaining to air and water quality, hazardous waste, waste disposal, air emissions and other environmental matters, all zoning and other land use matters, and utility availability, (ii) present and future orders, rules and regulations of any regulatory, licensing, accrediting, insurance underwriting or rating organization or other body exercising similar functions, (iii) duties or obligations of any kind imposed under any of the Exceptions or otherwise by law, covenant, condition, agreement or easement, public or private, and (iv) requirements for continued coverage under all policies of insurance at any time in force with respect to the Property. Grantor shall have the right in good faith, and upon advance written notice thereof to Beneficiary, to contest or object to any such law, requirement or obligation by appropriate administrative or judicial proceedings; and if there is an adverse conclusion with respect to any such contest represented by a final judgment, decree or determination which may not be or is otherwise not appealed by Grantor, Grantor shall thereafter promptly comply with any such law, requirement or obligation. Notwithstanding the foregoing, if failure to perform and comply thereunder will result in a lien or charge on the Property, Grantor shall either perform and comply therewith or provide Beneficiary with assurances reasonably satisfactory to Beneficiary that such lien or charge will be satisfied prior to the foreclosure thereof. Grantor will promptly furnish to Beneficiary a copy of any notice received by Grantor that Grantor or the Property is in default under or is not in compliance with any of the foregoing, or that any proceeding under or with respect to any of the foregoing has been commenced.

13. Maintenance; Alteration; Inspection.

13.1 Repair, Maintenance and Alteration. Grantor will operate and maintain the Property in good order, repair and operating condition, will promptly make all repairs, renewals and replacements, interior and exterior, structural and nonstructural,



foreseen and unforeseen, necessary to so maintain the Property, and will not cause or allow any of the Property to be misused or wasted or to deteriorate, reasonable and ordinary wear and tear excepted. No part of the Property shall be removed, demolished or structurally altered, nor shall any new building, structure, facility or other improvement be constructed on the Land without Beneficiary's prior written consent.

13.2 Replacement of Equipment. Grantor will keep the Property fully equipped and will replace all worn out fixtures and personal property with fixtures or personal property comparable thereto when new, and will not, without Beneficiary's prior written consent, remove from the Property any fixtures or personalty covered by this Deed of Trust except in the ordinary course of Grantor's business and unless the same is replaced by Grantor with an article of equal suitability and value when new, owned by Grantor free and clear of any lien or security interest (other than Exceptions and the lien created by this Deed of Trust).

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

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

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

16.1 Insurance providing replacement cost coverage against damage or loss by fire and such other perils as may be covered by the broadest form of extended coverage, special perils or all risk endorsement, available from time to time, including earthquake and



flood, all in an amount not less than the Full Insurable Value (as defined below) of the property insured, with a deductible amount satisfactory to Beneficiary;

16.2 Commercial general liability insurance covering Grantor and Beneficiary as an additional insured on an occurrence basis against claims for bodily injury or death or property damage occurring in, upon or about the Property or any street, drive, sidewalk, curb or passageway adjacent thereto, which insurance shall include without limitation the following coverages: (i) blanket contractual liability; (ii) premises and operations, (iii) independent contractors; (iv) broad form property damage, (v) liquor liability, if applicable, and (vi) personal injury;

16.3 Loss of rent insurance in an amount equal to at least eighteen (18) months rental income from the Property (including, without limitation, the tenants' and subtenants' contributions to operating expenses);

16.4 Insurance against damage or loss by flood if the Property is located in an area identified by the Secretary of Housing and Urban Development or any successor thereto or other appropriate authority (governmental or private) as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968 or the Flood Disaster Protection Act of 1973, as amended;

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

16.6 Boiler and machinery insurance; and

16.7 Computer equipment and valuable paper coverage.

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

All insurance shall be issued by companies that are admitted and doing business in the state in which the Property is located and that are approved by Beneficiary. All policies shall be primary, fully paid for, nonassessable and shall provide for at least thirty (30) days' prior written notice to Beneficiary of cancellation, material amendment (including without limitation any reduction in the scope and limits of coverage) or renewal. All property damage insurance shall (i) contain a noncontributing first mortgagee clause in favor of Beneficiary, with loss proceeds payable to Beneficiary as the exclusive loss payee for all interests;



(ii) include in favor of Beneficiary a lender's loss payee endorsement, Form 438 BFU as currently approved by the Board of Fire Underwriters of the Pacific, or an equivalent loss payable endorsement approved by Beneficiary; (iii) be written in amounts sufficient to prevent Grantor from becoming a co-insurer and include an agreed value endorsement; (iv) include a betterment and increased cost (ordinance and laws) endorsement; and (v) contain a waiver of subrogation endorsement. Grantor shall deliver all policies to Beneficiary; provided, however, that Beneficiary may, at its option, permit (which permission may be withdrawn at any time) Grantor to maintain the required policies in Grantor's possession in lieu of delivering the policies to Beneficiary, in which event the policies shall be kept available by Grantor at all times for return to Beneficiary or for inspection by Beneficiary or its agents or insurers, and duplicate original policies or certified copies of original policies, evidencing the insurance required hereunder and any additional insurance which shall be taken out on the Property by or on behalf of Grantor, shall be deposited with and held by Beneficiary. Beneficiary may, at its option, in lieu of requiring duplicate original policies or certified copies of policies, accept ACORD 27 certificates for property insurance and ACORD 25-S certificates for liability insurance, issued by the insurer(s) or their authorized agents, evidencing the required coverages. The certificates shall set forth the coverage, the limits of liability, the carrier, the policy number, and the expiration date and, if requested, shall be accompanied by copies of the policies and endorsements. Grantor shall deliver to Beneficiary (i) upon request, receipts evidencing payment of all premiums and (ii) original renewal policies (or duplicate originals if Beneficiary has permitted Grantor to retain original policies) or a binder thereof with evidence satisfactory to Beneficiary of payment of all premiums thereon, at least thirty (30) days prior to the expiration of each such policy.

Grantor shall not carry separate or additional insurance concurrent in form or contributing in the event of loss with that required hereunder unless endorsed in favor of Beneficiary in accordance with the requirements of this section and otherwise approved by Beneficiary in all respects.

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

The term "Full Insurable Value" shall mean the actual cost of replacing the property in question without allowance for depreciation, including without limitation compliance with current building codes, use of current construction techniques and materials, interest expense, architectural and engineering costs, legal and accounting fees, and real estate taxes and assessments, as determined from time to time (but not more often than once every calendar



year) by the insurance company or companies issuing such insurance policies or, upon reasonable request by Beneficiary, by appraisal made by an appraiser, engineer, architect or contractor proposed by Grantor and approved by the company or companies and Beneficiary. The cost of such appraisal shall be paid by Grantor.

No approval by Beneficiary of any insurer shall be construed to be a representation, certification or warranty of its solvency and no approval by Beneficiary as to the amount, type and/or form of any insurance shall be construed to be a representation, certification or warranty of its sufficiency.

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

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

Except as previously disclosed to Beneficiary in writing, Grantor has received no notification of any kind from any agency suggesting that the Property or any adjacent property is or may be contaminated with any hazardous waste or materials or is or may be required to be cleaned up in accordance with any applicable law or regulation. Except as previously disclosed to Beneficiary in writing, to the best of Grantor's knowledge as of the date hereof after due and diligent inquiry, there are no hazardous waste or materials located in, on or under the Property or any adjacent property, or incorporated in any Improvements, nor has the Property or any adjacent property ever been used as a landfill or a waste disposal site, or a manufacturing, handling, storage, distribution or disposal facility for hazardous



waste or materials. As used herein, the term "hazardous waste or materials" includes any substance or material defined in or designated as hazardous or toxic wastes, hazardous or toxic material, a hazardous, toxic or radioactive substance, or other similar term, by any federal, state or local statute, regulation or ordinance now or hereafter in effect. At Grantor's expense, Grantor shall promptly comply with all statutes, regulations and ordinances, and with all orders, decrees or judgments of governmental authorities or courts having jurisdiction, relating to the use, collection, treatment, disposal, storage, control, removal or cleanup of hazardous waste or materials in, on or under the Property or any adjacent property, or incorporated in any Improvements. Beneficiary may, but is not obligated to, enter upon the Property and take such actions and incur such costs and expenses to effect such compliance as it deems advisable to protect its interest in the Collateral.

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

18. Indemnity.

18.1 Grantor agrees to indemnify and hold harmless Trustee and Beneficiary against any and all losses, liabilities, suits, obligations, fines, damages, judgments, penalties, claims, charges, costs and expenses (including attorneys' fees and disbursements) which may be imposed on, incurred or paid by, or asserted against Trustee and/or Beneficiary by reason of, or in connection with, (i) any Event of Default or event which, but for the passage of time, the giving of notice or both, would constitute an Event of Default hereunder or under the other Loan Documents, (ii) Trustee's and/or Beneficiary's good faith and commercially reasonable exercise of any of their rights and remedies, or the performance of any of their duties, hereunder or under the other Loan Documents, (iii) the construction, reconstruction or alteration of the Property, (iv) any negligence or willful misconduct of Grantor, or any negligence or willful misconduct of any lessee of the Property, or any of their respective agents, contractors, subcontractors, servants, employees, licensees or invitees, (v) any accident, injury, death or damage to any person or property occurring in, on or about the Property or any street, drive, sidewalk, curb or passageway adjacent thereto,



except for the willful misconduct or gross negligence of the indemnified person, or (vi) any failure of any party (including without limitation Beneficiary or counsel for Beneficiary) to file any reports or returns. The indemnity provided under clause (vi) of the preceding sentence shall also extend to counsel for Beneficiary. Any amount payable to Trustee or Beneficiary under this section shall be due within ten (10) days after demand and receipt by Grantor of a statement from Trustee or Beneficiary setting forth in reasonable detail the amount and basis of the claim, and such amounts shall bear interest at the rate in effect under the Note after an Event of Default from and after the date such amounts are paid by Beneficiary or Trustee until paid in full by Grantor.

18.2 Grantor's obligations under this section shall not be affected by the absence or unavailability of insurance or by the failure or refusal by any insurance carrier to perform any obligation on its part under any such policy of insurance. Grantor shall resist or defend against any claim, action or proceeding made or brought against Trustee and/or Beneficiary which is subject to the indemnity set forth in this section, using attorneys for Grantor's insurance carrier or attorneys approved by Beneficiary. In the alternative, Trustee and Beneficiary, in their discretion, may engage their own attorneys to resist or defend, or assist therein, and Grantor shall pay, or, on demand, shall reimburse Trustee and Beneficiary for the payment of, the reasonable attorneys' fees and disbursements.

18.3 The foregoing indemnity shall not apply with respect to any loss, liability, claim, damage, cost or expense covered under any indemnity agreement that is expressly excluded from the Obligations.

19. Leases and Rents.

19.1 Leases.

19.1.1 Grantor shall fully comply with all of the terms, conditions and provisions of the Leases, if any, so that the same shall not become in default, and do all that is necessary to preserve all of the Leases in full force and effect.

19.1.2 With respect to each Lease, Grantor shall not, without the prior written consent of Beneficiary, (A) permit assignment or subletting of all or part of the tenant's rights under the Lease (unless the right to assign or sublet is expressly reserved by the lessee thereunder); (B) modify, amend or in any way alter the terms of the Lease; (C) renew or extend the term of the Lease unless an option therefor was originally reserved by the tenant; (D) accept surrender of or terminate the Lease, commence any action for dispossession of the tenant, or exercise any right of recapture of the demised premises, except in accordance with the terms of the Lease providing for termination after a *bona fide* default; (E) receive or collect any Rents for a period of more than one (1) month in advance of the due date; or (F) set off, compromise or discount any Rents or waive, release or discharge the tenant from



any obligation, covenant or agreement under the Lease. Any proceeds or damages resulting from a tenant's or lessee's default under any such Lease, at Beneficiary's option, shall be paid to Beneficiary and applied against sums owed under the Loan Documents even though such sums may not be due and payable.

19.1.3 Grantor shall not enter into any Leases not in existence on the date hereof with respect to the whole or any part of the Property without the prior written consent of Beneficiary as to the form and substance thereof. All Leases shall be *bona fide* transactions with parties unrelated and unaffiliated with Grantor or with any person or entity owning a beneficial interest in Grantor. Grantor shall, on demand, execute such further assignments to Beneficiary of all Leases and Rents as Beneficiary may require to confirm or protect Beneficiary's security interest therein. Grantor shall deliver to Beneficiary two (2) true copies of any or all Leases and amendments thereto and upon Beneficiary's request shall make available for Beneficiary's inspection all records related to the Leases, including without limitation rent rolls, tenant financial statements and books of account. Grantor shall furnish Beneficiary with estoppel certificates from each tenant under each Lease stating that such tenant has accepted possession of its premises; that such tenant's obligation to pay rent is without any claim or right of set-off; and such other matters as Beneficiary may reasonably request.

19.1.4 If after the occurrence of an Event of Default any tenant or lessee under a Lease becomes the subject of any proceeding under the Bankruptcy Code or any other federal, state or local statute which provides for the possible termination or rejection of the Leases assigned hereby, and any such Lease is rejected, then no damages settlement shall be made without the prior written consent of Beneficiary; any check in payment of damages for rejection or termination of any such Lease will be made payable both to Grantor and Beneficiary; and upon request of Beneficiary, Grantor will duly endorse to the order of Beneficiary any such check, the proceeds of which will be applied to any portion of the indebtedness secured hereby in such manner as Beneficiary may elect. Grantor hereby appoints Beneficiary its attorney-in-fact for the purpose of endorsing after the occurrence of an Event of Default any check for rent or other charges under the Leases, or for damages for rejection or termination of any Lease, such power of attorney being coupled with an interest and irrevocable.

19.1.5 After transfer of title to the Property by foreclosure of this Deed of Trust of by deed in lieu thereof,, if Grantor or any other owner of the Collateral occupies the Property or any portion thereof, such occupancy shall be a tenancy at will, terminable by Beneficiary, and prior to such termination such owner shall pay Beneficiary on the first (1st) day of each month a reasonable rental in advance for the space so occupied. On failure of such owner to vacate or pay rent as Beneficiary may require, Beneficiary shall be entitled to evict such owner from the Property by any lawful means.



19.1.6 Grantor hereby agrees to indemnify Beneficiary against and hold it harmless from all loss, liability, damage, cost or expense including attorneys' fees incurred by Beneficiary in connection with any claims under the Leases, including without limitation claims by tenants for security deposits or for rental payments more than one (1) month in advance and not delivered to Beneficiary. All amounts indemnified against hereunder, including reasonable attorneys' fees paid by Beneficiary shall bear interest at the Default Rate and shall be payable by Grantor immediately without demand and shall be secured hereby.

19.2 Assignment of Rents and Leases; Grantor's Right to Collect.

Grantor hereby absolutely and irrevocably assigns to Beneficiary all Grantor's interest in the Rents and Leases. This assignment shall be subject to the terms and conditions of any separate assignment of leases and/or rents, whenever executed, in favor of Beneficiary and covering the Property. Unless otherwise provided in any separate assignment of leases and/or rents, and so long as no Event of Default has occurred or is continuing, Grantor may collect the Rents as they become due; provided, that on the occurrence of an Event of Default this right to collect Rents shall automatically terminate. Grantor shall apply all Rents first to payment of amounts due and payments required to be made under the Loan Documents, and then to payment of operating expenses, repairs and maintenance for the Property, before applying Rents to any other purpose. Grantor's right to collect the Rents shall not constitute Beneficiary's consent to the use of cash collateral by Grantor in any bankruptcy proceeding. All tenants under the Leases are hereby expressly authorized and directed to pay any and all Rents and other sums due Grantor pursuant to Leases directly to Beneficiary or such nominee as Beneficiary may designate in writing after Beneficiary's request therefor, and such tenants are hereby expressly relieved of any and all duty, liability or obligation to Grantor in respect of all payments made to Beneficiary or its nominee. No further authorization shall be required from Grantor in order for a tenant to make payment of Rent to Beneficiary pursuant to this Deed of Trust.

20. Use of the Property. The Property is not used principally for agricultural purposes.

21. Condemnation; Casualty Loss. Grantor shall give immediate notice to Beneficiary of any condemnation proceeding, or loss or damage to the Collateral or any right therein. Grantor authorizes Beneficiary, at Beneficiary's option, to make a claim for and to enter into a compromise or a settlement with respect to any proceeds payable as a result of condemnation, loss or damage, and Grantor shall execute such further documents as Beneficiary shall require in connection therewith. All proceeds payable as a result of condemnation, loss or damage to the Collateral shall be paid to Beneficiary. On receipt of any proceeds, Beneficiary shall, at its option, and in its sole discretion, after deducting its expenses including attorneys' fees, either (i) apply all or part of the proceeds against the



Obligations whether or not the sums are actually due or the Collateral is impaired, and without affecting the due dates or amount of payments thereafter due under the Note, or (ii) release all or any part of the proceeds to Grantor, or (iii) permit all or any part of the proceeds to be used for repair and restoration of the Property on such conditions as Beneficiary may impose including evidence of sufficient funds to complete the work, approval of the plans and specifications and periodic disbursement of the proceeds during the course of repair and restoration. Beneficiary's rights under this Section 21 are subject and subordinate to the lien and rights of the beneficiary of the Senior Deed of Trust (as defined in Section 49 below) as provided therein.

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

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

22.2 Grantor shall not be relieved of its obligation to pay the Obligations when due, nor shall the lien or priority of this Deed of Trust be impaired, by any of the following actions, nonactions or indulgences by Trustee or Beneficiary:

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

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

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

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



22.3 Without affecting the liability of Grantor or any other person for the payment or performance of any of the Obligations and without affecting the lien hereof upon any portion of the Collateral not released, Beneficiary may, regardless of consideration, without notice to any person, release any person at any time liable for payment or performance of the Obligations, extend the maturity or modify the terms of any Obligation or grant other indulgences, release or reconvey or cause to be released or reconveyed at any time all or part of the Collateral and take or release any other security or make compositions or other arrangements with debtors. Beneficiary may resort for the payment of the Obligations to any other security held by Beneficiary as security for the payment of the Obligations in such order and manner as Beneficiary in its sole discretion, may elect. Beneficiary may take or cause to be taken action to recover the Obligations, or any portion thereof, or to enforce any provision hereof or of the other Loan Documents without prejudice to the right of Beneficiary thereafter to foreclose or cause to be foreclosed this Deed of Trust. Beneficiary shall not be limited exclusively to the rights and remedies herein stated but shall be entitled to every additional right and remedy now or hereafter afforded by law or equity. The rights of Trustee and Beneficiary under this Deed of Trust shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of Trustee and/or Beneficiary shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision.

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

24. Appointment of Receiver. At any time after an Event of Default, and during any period of redemption, Beneficiary shall be entitled, without notice, without bond, and without regard to the adequacy of the Collateral, to the appointment of a receiver for the Collateral. The receiver shall have, in addition to all the rights and powers customarily given to and exercised by a receiver of real property appointed pursuant to an agreement in a deed of trust or mortgage after default in payment or performance of the secured obligations, all the rights and powers granted to Beneficiary by the Loan Documents. The receiver shall be entitled to receive a reasonable fee for management of the Property. If Grantor is an occupant of the Property, Beneficiary has the right to require Grantor to pay rent at fair market rates and the right to remove Grantor from Property if Grantor fails to pay rent.

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

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

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

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

25.4 The occurrence of any of the following with respect to Grantor, any general partner in Grantor or any general partner in a general partner in Grantor (if Grantor is a partnership), or the then owner of the Collateral (each referred to as "such person"), or with respect to the Collateral:

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

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

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

25.4.4 The attachment, execution or judicial seizure (whether by enforcement of money judgment, by writ or warrant of attachment, or by any other process) of the Collateral or of all or any part of the assets of any such person, such attachment, execution or other seizure remaining undismissed or undischarged; or



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

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

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

25.6 A Transfer of the Property occurs, whether voluntary, involuntary or by operation of law, and whether or not Beneficiary has waived or failed to assert its rights in connection with any previous Transfer. The term "Transfer" as used herein means any sale, mortgage, encumbrance, conveyance, or other transfer of any present or future interest in all or any part of the Collateral (except personal property in the ordinary course of business), or any contract or agreement therefor. The term "Transfer" shall also include any master lease of all or substantially all of the Property or any lease of the Property containing an option to purchase; if Grantor or any general partner in Grantor is a corporation or limited liability company other than one whose stock is publicly traded, any change in the ownership of voting control of the corporation or limited liability company or any merger of the corporation or limited liability company with or into any other entity; and if Grantor is a partnership, any change in the ownership of voting control of the partnership whether through the withdrawal and/or admission of partners or amendment of the partnership agreement. Without limiting the generality of the foregoing, this subsection shall apply to Transfers to or from nominees or agents, Transfers made to subsidiary or affiliated entities, Transfers made to a restructured limited partnership, Transfers by any partnership to the individual partners or vice versa, Transfers by any corporation to its stockholders or vice versa, and Transfers in connection with any corporate merger or consolidation. In the event of a Transfer, Beneficiary may, without notice to Grantor, deal with the transferee with respect to this Deed of Trust, the Obligations and the other Loan Documents, as if the transferee were Grantor, and such dealing shall neither satisfy nor discharge Grantor's liability for the Obligations or under the Loan Documents, nor constitute Beneficiary's consent to the Transfer; or

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

The existence of any default or event of default under the Senior Deed of Trust or under any other encumbrance of the Property whether or not Beneficiary has granted its consent to such encumbrance..

Beneficiary shall not exercise any remedies it may have hereunder or at law on the occurrence of an Event of Default described in Section 26.1 without first giving Grantor written notice



thereof and the opportunity for three (3) business days after such notice to cure the same. Beneficiary shall not exercise any remedies it may have hereunder or at law on the occurrence of an Event of Default described in Section 26.2 without first giving Grantor written notice thereof and the opportunity for twenty (20) days after such notice to cure the same; provided, however, that if such Event of Default cannot reasonably be cured within twenty (20) days, then Beneficiary shall not exercise such remedies for up to ninety (90) days after such notice so long as Grantor commences reasonable efforts to cure the Event of Default within such twenty (20) day period and diligently continues thereafter to cure the same.

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

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

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

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

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

26.5 enter upon the Property and exclude Grantor and its agents and servants wholly therefrom, without liability for trespass, damages or otherwise, and take possession of all books, records and accounts relating thereto and all other Collateral, and Grantor agrees to surrender possession of the Collateral and of such books, records and accounts to Beneficiary on demand after the happening of any Event of Default; and use, operate, manage, preserve, control and otherwise deal therewith and conduct the business



thereof, without interference from Grantor; and upon each such entry and from time to time thereafter, at the expense of Grantor and the Collateral, without interference by Grantor and as Beneficiary may deem advisable, (i) either by purchase, repair or construction, maintain and restore the Property, (ii) insure or reinsure the same, (iii) make all necessary or proper repairs, renewals, replacements, alterations, additions, betterments and improvements thereto and thereon, (iv) complete the construction of the Improvements and, in the course of such completion, make such changes in the contemplated or completed Improvements as it may deem advisable, and (v) have the right to exercise all rights and powers with respect to the Property, either in Grantor's name or otherwise including, without limitation, the right to: make, terminate, cancel, enforce or modify Leases (subject to the rights of tenants thereunder), obtain and evict tenants and subtenants on such terms as Beneficiary shall deem advisable, require Grantor to transfer security deposits to Beneficiary together with all records evidencing such deposits, and take any actions described in subsection 28.6 of this section; or

26.6 with or without the entrance upon the Property collect, receive, sue for and recover in its own name all Rents and cash collateral derived from the Property, and after deducting therefrom all costs, expenses and liabilities of every character incurred by Trustee and/or Beneficiary in collecting the same and in using, operating, managing, preserving and controlling the Property, and otherwise in exercising Beneficiary's rights under subsection 26.5 of this section, including payment of taxes and insurance premiums and other charges in connection with the Collateral, and compensation for the service of Trustee and Beneficiary and their respective attorneys, agents and employees, to apply the remainder to payment of the Obligations then due (whether or not the maturity date of the Note has been accelerated). If the maturity of the Note has not been accelerated, Beneficiary may withhold from any collected Rents in excess of the amount necessary to pay Obligations currently due, an amount determined by Beneficiary in its sole discretion necessary to pay sums anticipated to become due which exceed the anticipated future rents; or

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

26.8 take any other action or pursue any other right or remedy as Beneficiary may have under applicable law, including without limitation, an action to obtain a deficiency judgment after completion of a judicial or nonjudicial foreclosure.

The collection of Rents shall not cure or waive any default or modify or affect any notice of default required under the Loan Documents. In exercising its right to collect Rents under this section, Lender shall be liable only for the proper application of and accounting for the Rents collected by Lender or its agents, and any Rents paid to Lender as its agents, or to a receiver, shall be credited against the amount due from the tenant or lessee under the Lease, and applied to any portion of the Secured Obligation in such manner as Lender may elect.



For the purpose of enforcing any rights or remedies hereunder, Beneficiary shall be deemed to have constructive possession of the Property but not actual possession, whether or not a receiver has been appointed, and in no event shall Lender accrue any liability by reason of such constructive possession. Beneficiary shall not by reason of such constructive possession be obligated to appear in or defend any action or proceeding relating to the Leases or the Property, take any action relating to the Premises, re-let the Premises, expend any money or incur any expenses or perform or discharge any obligation, duty or liability under the Leases, or assume any obligation or responsibility for any security deposits or other deposits delivered to Grantor by any tenant thereunder and not assigned and delivered to Beneficiary nor shall Lender be liable in any way for any personal injury or property damage sustained by any person or entity, in or about the Property. Prior to taking actual possession of the Property, Beneficiary shall not be deemed or construed to be a "mortgagee in possession."

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

At the request of Beneficiary, Trustee shall sell the personal property Collateral at a public sale at the same time and place as the sale of the Property; or Beneficiary may sell the personal property Collateral at one or more other public or private sales in accordance with the applicable Uniform Commercial Code. The personal property shall not be required to be



exhibited, presented or displayed at any sale. In the event of a Trustee's sale of all the Collateral, Beneficiary hereby assigns its security interest in the personal property Collateral to Trustee. Grantor agrees that a sale by Trustee and the notices required under the deed of trust laws, or any other state of federal law governing disposition of collateral after default, are commercially reasonable and adequate under the Uniform Commercial Code.

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

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

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

28. Operating Statements; Examination of Books and Records. Within ninety (90) days after the close of Grantor's fiscal year, Grantor shall deliver to Beneficiary a detailed operating statement in form customarily used for similar operations covering the Property and certified as correct by a certified public accounting firm engaged by Grantor or other owner for such purpose. In addition, Grantor shall deliver to Beneficiary, within twenty (20) days after written demand therefor, a detailed statement in form satisfactory to Beneficiary covering the Property and certified as correct by Grantor, setting forth the Rents received from the Property for the period stated in such demand, the disbursements made for said period, and the names of the tenants of the Property, together with a summary of the terms of the Leases or other rental arrangements (provided however that such "tenants" shall not include normal hotel guests). Grantor shall permit Beneficiary or its representative to examine all books and records pertaining to the Property upon prior written demand of not less than ten (10) days and to examine the Property at any reasonable time.



29. Foreclosure of Tenant's Rights; Subordination. Beneficiary shall have the right, at its option, to foreclose this Deed of Trust subject to the rights of any tenants of the Property. Beneficiary's failure to foreclose against any tenant shall not be asserted as a claim against Beneficiary or as a defense against any claim by Beneficiary in any action or proceeding. Beneficiary at any time may subordinate this Deed of Trust to any or all of the Leases and may, in case of such subordination, retain its priority claim to any condemnation or insurance proceeds.

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

31. Additional Security Instruments; Fixture Filing The Grantor shall within 15 days after request by the Beneficiary execute and deliver such additional security agreements or similar security instruments, in form and substance satisfactory to the Beneficiary, as Beneficiary may request, covering all property of any kind described herein in which Grantor owns any interest. Grantor shall give Beneficiary at least fifteen (15) days' prior written notice of any proposed change in Grantor's name, identity or structure, or the adoption or change of any trade names under which Grantor operates or intends to operate the Property. The Beneficiary may file any financing statement, renewal, affidavit, certificate, continuation statement, or other document the Beneficiary deems necessary to perfect, preserve, continue, extend, or maintain security interests or liens granted herein to the Beneficiary and the priority of such security interests or liens. The Grantor shall pay all costs and expenses incurred by the Beneficiary in connection with the preparation, execution, recording, filing, and refiling of any such document, including the charges for examining title and the attorneys' fees for rendering an opinion as to the priority of this Deed of Trust and of such security agreements or instruments as a valid and subsisting lien on the Collateral subject to no exceptions whatsoever except as described herein.

This Deed of Trust covers goods that are or are to become fixtures related to the Property. When recorded, this Deed of Trust shall constitute a fixture filing under the Uniform Commercial Code in which Grantor is the debtor and Beneficiary is the secured party.

32. Grantor's State of Location; Location of Collateral. Grantor represents that (a) if it is an individual its address set forth above is its "principal residence" (as such term is used in the Uniform Commercial Code) or is in the state in which the Property is located, and



(b) Grantor's address set forth above is and will remain the address at which it will keep its records concerning the Collateral. Grantor will not change its name, form or location unless Grantor shall have given Beneficiary not less than thirty (30) days prior written notice of such change. Grantor further represents that its exact legal name is set forth in the introduction of this Deed of Trust.

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

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

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

36. Gender; Number; Definition of "Beneficiary". This Deed of Trust shall be so construed that, wherever applicable, the use of the singular shall include the plural number, the use of the plural number shall include the singular number and the use of any gender shall be applicable to all genders and shall likewise be so construed as applicable to and including a corporation, partnership or other business entity. The term "Beneficiary" shall mean the holder and owner, including pledgees, of any indebtedness or any note evidencing any indebtedness secured hereby, whether or not named as Beneficiary herein.

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

38. Usury. If performance of any obligation or payment of any amount under the Loan Documents when such performance or payment is due shall constitute a violation of any applicable usury laws, then the obligation to be performed or the payment to be made shall be reduced so that in no event shall any exaction be possible under the Loan Documents that



would constitute a violation of such usury laws; but the obligations shall be performed and the payments shall be made to the full extent possible without constituting a violation of such usury laws.

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

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

41. Report of Real Estate Transaction. Grantor will make, on a timely basis, any reports or returns required under Section 6045(e) of the Internal Revenue Code of 1986 (and any similar reports or returns required by state or local law) relating to the Property, notwithstanding the fact that the primary reporting responsibility may fall on Beneficiary, counsel for Beneficiary, or any other party. Grantor's obligations under this section will be deemed to be satisfied if proper and timely reports and returns required under this section are filed by a title company or real estate broker involved in the real estate transaction relating to the Property, but nothing contained herein shall be construed to require such returns or reports to be filed by Beneficiary or counsel for Beneficiary.

42. Foreign Investment Acts and Regulations. If Grantor is or shall become subject to the International Investment Survey Act of 1976, the Agricultural Foreign Investment Disclosure Act of 1978, the Foreign Investment in Real Property Tax Act of 1980, the regulations issued pursuant to such Acts or any amendment to such Acts or regulations (such Acts, regulations and amendments are collectively referred to as the "Foreign Investment Acts and Regulations") Grantor shall promptly give to Beneficiary written notice that it is so subject and shall, at its sole expense file whatever records and reports are required or necessary pursuant to any Foreign Investment Acts and Regulations and shall indemnify and hold harmless Beneficiary from and against any losses, damages, liabilities, expenses and costs (including, but not limited to, attorneys' fees, disbursements and court costs) Beneficiary may sustain or incur as a result of Grantor's failure to comply with the provisions of such Foreign Investment Acts and Regulations.



43. Controlling Document. In the event of any conflict or inconsistency between the terms and provisions contained in this Deed of Trust and those contained in any of the other Loan Documents (except any separate assignment of leases and/or rents and any loan agreement, which shall prevail over this Deed of Trust), the terms and provisions of this Deed of Trust shall control.

44. Governing Law. This Deed of Trust shall be construed in accordance with the laws of the State of Washington.

45. Attorneys' Fees. In the event of any Event of Default under this Deed of Trust, or in the event that any dispute arises relating to the interpretation, enforcement, or performance of any obligation secured by this Deed of Trust, or in the event of bankruptcy or insolvency proceedings as described below, Beneficiary shall be entitled to collect from Grantor on demand all costs and expenses incurred in connection therewith, including but not limited to fees of attorneys, accountants, appraisers, environmental inspectors, consultants, expert witnesses, arbitrators, mediators, and court reporters. Without limiting the generality of the foregoing, Grantor shall pay all such costs and expenses incurred in connection with (a) arbitration or other alternative dispute resolution proceedings, trial court actions, and appeals; (b) cases and proceedings in bankruptcy, or other insolvency proceedings, of Grantor, any guarantor or other party liable for any of the obligations secured by this Deed of Trust, or any party having any interest in any security for any of those obligations; (c) judicial or nonjudicial foreclosure on, or appointment of a receiver for, any of the Property; (d) post-judgment collection proceedings, including actions for deficiency judgments under RCW 61.24.100; (e) all claims, counterclaims, cross-claims, and defenses asserted in any of the foregoing whether or not they arise out of or are related to this Deed of Trust; (f) all preparation for any of the foregoing; and (g) all settlement negotiations with respect to any of the foregoing.

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

47. Nondiscrimination. Grantor is and shall be, until all indebtedness secured by this Deed of Trust is paid in full, in full compliance with all provisions of law prohibiting discrimination in housing on the basis of race, creed, sex, age or national origin, including but not limited to the requirements of Title VIII of the 1968 Civil Rights Act, as amended.

48. No Offset. Grantor's obligation to make payments and perform all obligations, covenants and warranties under this Deed of Trust and under the Note shall be absolute and unconditional and shall not be affected by any circumstance, including without limitation any setoff, counterclaim, abatement, suspension, recoupment, deduction, defense or



other right that Grantor or any guarantor may have or claim against Beneficiary or any entity participating in making the loan secured hereby. The foregoing provisions of this section do not constitute a waiver of any claim which Grantor or any guarantor may have in damages or otherwise against Beneficiary or any other person, or preclude Grantor from maintaining a separate action thereon. Grantor waives any right it may have at law or in equity to consolidate such separate action with any action or proceeding brought by Beneficiary, or to assert such claim as a counterclaim in any action or proceeding brought by Beneficiary, except for claims which, under applicable law, Grantor must make in such action or proceeding in order to preserve its right to make the claim.

49. Prior Obligations. Notwithstanding any other provision hereof or of the Loan Documents, this Deed of Trust is subject and subordinate to the liens (the "Prior Obligations") of that certain Deed of Trust dated February 22, 2006 and recorded under Recording No. 200602240134 Records of Skagit County, Washington (the "Senior Deed of Trust").

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

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

GRANTOR:

MAJESTIC INN LLC, a Washington limited liability company



By John Lee
Its Member

EXHIBIT:

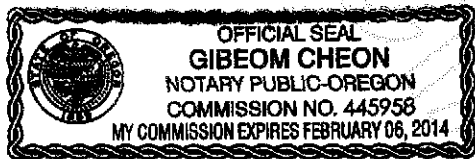
A Legal Description



State of Oregon)
) §
County of Multnomah)

I certify that I know or have satisfactory evidence that John Lee is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the member of Majestic Inn LLC to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: September 29, 2011



Gibeom Cheon
Print name: Gibeom Cheon
Notary Public in and for the state of Oregon.
My appointment expires: 02/06/2014



EXHIBIT A

LEGAL DESCRIPTION

PARCEL A:

Lots 11 through 15, Block 24, MAP OF THE CITY OF ANACORTES, according to the plat thereof recorded in Volume 2 of Plats, pages 4 through 7, records of Skagit County, Washington;

TOGETHER WITH the South Half of vacated alley adjacent to Lots 11, 12, and 13.

Situated in Skagit County, Washington.

PARCEL B:

Lot 16, Block 24, MAP OF THE CITY OF ANACORTES, according to the plat thereof recorded in Volume 2 of Plats, pages 4 through 7, records of Skagit County, Washington;

Situated in Skagit County, Washington.

PARCEL C:

Lots 17 and 18, Block 24, MAP OF THE CITY OF ANACORTES, according to the plat thereof recorded in Volume 2 of Plats, pages 4 through 7, records of Skagit County, Washington;

Situated in Skagit County, Washington.

PARCEL D:

The South 50 feet of Lots 8, 9 and 10, Block 24, MAP OF THE CITY OF ANACORTES, according to the plat thereof recorded in Volume 2 of Plats, pages 4 through 7, records of Skagit County, Washington;

TOGETHER WITH the North Half of vacated alley adjacent to said lots.

Situated in Skagit County, Washington.

PARCEL E:

Lot 7, Block 24, MAP OF THE CITY OF ANACORTES, according to the plat thereof, recorded in Volume 2 of Plats, pages 4 through 7, records of Skagit County, Washington;

Situated in Skagit County, Washington.

A-1



201109300108
Skagit County Auditor