

When recorded return to:

FOSTER PEPPER PLLC  
1111 Third Avenue, Suite 3400  
Seattle, WA 98101  
Attention: Allen D. Israel



201312200027

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### DEED OF TRUST

Land Title & Escrow

147715-FA

THIS DEED OF TRUST, made this 20 day of December, 2013 between AI PROJECT, LLC, a Washington limited liability company, GRANTOR, whose address is c/o WKG, Inc., 601 Union Street, Suite 4100, Seattle, WA 98101 and FIRST AMERICAN TITLE INSURANCE COMPANY as TRUSTEE, whose address is 818 Stewart Street, Suite 800, Seattle, WA 98101, and ALLEN D. ISRAEL, TRUSTEE, OF THE KONA RESIDENCE REVOCABLE TRUST DATED DECEMBER 16, 1988, as subsequently amended and restated, as BENEFICIARY, whose address is 1111 Third Avenue, Suite 3400, Seattle, Washington 98101

WITNESSETH: Grantor hereby bargain(s), sell(s), and convey(s) to Trustee in trust, with power of sale, the following described real property in Skagit County, Washington:

Abbreviated Legal: All of Sections 4 & 5, Township 34 North, Range 1 East, W.M., (known as Allan Island)

Full Legal: See Attachment A hereto

Tax Parcel Number(s): See Attachment B hereto  
P19059, see page 9 for all tax numbers  
which real property is not used principally for agricultural or farming purposes, together with all the tenements, hereditaments, and appurtenances now or hereafter thereunto belonging or in any wise appertaining, and the rents, issues, and profits thereof.

This Deed of Trust is for the purpose of securing performance of each agreement of Grantor contained in this Deed of Trust, and payment of the sum of Five Million Six Hundred Twenty-Five Thousand Dollars (\$5,625,000) with interest, in accordance with the terms of a promissory note of even date herewith, payable to Beneficiary or order, and made by Grantor, and all renewals, modifications, and extensions thereof, and also such further sums as may be advanced

or loaned by Beneficiary to Grantor, or any of Grantor' successors or assigns, together with interest thereon at such rate as shall be agreed upon.

**DUE DATE:** The entire balance of the promissory note secured by this Deed of Trust, together with any and all interest accrued thereon, shall be due and payable in full on Dec 20, 2018

To protect the security of this Deed of Trust, Grantor covenant(s) and agree(s):

1. To keep the property in good condition, repair and maintenance; to permit no waste thereof; to complete and not remove or demolish, alter, or make additions to any building, structure, or improvement which is part of the property without the prior express written consent of Beneficiary, including the removal or destruction of any standing timber; to restore promptly any building, structure, or improvement thereon which may be damaged or destroyed; to comply with all laws, ordinances, regulations, covenants, conditions, and restrictions affecting the property; and to not initiate or acquiesce in any zoning, comprehensive plan, shoreline or other land classification which affects the property without the prior express written consent of Beneficiary. Beneficiary shall have the right, but not the obligation, at all times during the term of the promissory note secured by this Deed of Trust to access and inspect the property for the purpose of verifying Grantor's compliance with Grantor's obligations under this paragraph 1., provided that Beneficiary shall give Grantor a minimum of seventy-two (72) hours notice prior to any such inspection.
2. To pay before delinquent all lawful taxes and assessments upon the property, including but not limited to any periodic payments owed to the Washington State Department of Natural Resources in connection with the breakwater; to keep the property free and clear of all other charges, liens, or encumbrances impairing the security of this Deed of Trust as a first lien on the property.
3. To keep all buildings and improvements (including, but not limited to, the dock, breakwater and boat ramp, but excluding for the purposes of this paragraph 3 only the caretaker's residence) now or hereafter erected on the property described herein continuously insured against loss by fire or other hazards in an amount not less than the full replacement cost value thereof. All policies, copies of which shall be provided to Beneficiary upon Beneficiary's request, shall be held by the Beneficiary, and be in such companies as the Beneficiary may approve and have loss payable first to the Beneficiary, as its interest may appear, and then to the Grantor. The amount collected under any insurance policy may be applied upon any indebtedness hereby secured in such order as the Beneficiary shall determine. Such application by the Beneficiary shall not cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of the Grantor in insurance policies then in force shall pass to the purchaser at the foreclosure sale.
4. To defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of title

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search and attorney's fees in a reasonable amount, in any such action or proceeding, and in any suit brought by Beneficiary to foreclose this Deed of Trust.

5. To pay all costs, fees, and expenses in connection with this Deed of Trust, including the expenses of the Trustee incurred in enforcing the obligation secured hereby and Trustee's and attorney's fees actually incurred, as provided by statute.
6. Should Grantor fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances, or other charges against the property hereinabove described, Beneficiary may pay the same, and the amount so paid, with interest at the rate set forth in the note secured hereby, shall be added to and become a part of the debt secured in this Deed of Trust.
7. DUE ON SALE, TRANSFER OR OTHER ENCUMBRANCE: The property described in this security instrument may not be sold, transferred or otherwise conveyed, in whole or in part, without the Beneficiary's prior written consent, and likewise Grantor may not, without the prior written consent of Beneficiary, further encumber the property or any interest therein or agree to do the foregoing without first repaying in full the Note and all other sums secured thereby. And, as Beneficiary is making this loan to Grantor in reliance on Grantor's continued existence, ownership and control in its present entity formation, Grantor will not cause or permit any change in the entity, ownership or control of Grantor without the Beneficiary's prior written consent. Upon breach of this provision, Beneficiary may declare all sums due under the note and Deed of Trust immediately due and payable, unless prohibited by applicable law.

MRS  
Grantor initials: AI Project, LLC

IT IS MUTUALLY AGREED THAT:

1. In the event any portion of the property is taken or damaged in an eminent domain proceeding, the entire amount of the award or such portion as may be necessary to fully satisfy the obligation secured by this Deed of Trust shall be paid to Beneficiary to be applied to said obligation.
2. By accepting payment of any sum secured by this Deed of Trust after its due date, Beneficiary does not waive its right to require prompt payment when due of all other sums so secured or to declare default for failure to so pay.
3. The Trustee shall reconvey all or any part of the property covered by this Deed of Trust to the person entitled thereto, on written request of the Grantor and the Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiary or the person entitled thereto.

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4. Upon default by Grantor in the payment of any indebtedness secured by this Deed of Trust or in the performance of any agreement contained in this Deed of Trust, all sums secured hereby shall immediately become due and payable at the option of the Beneficiary subject to any cure period provided in the note secured by this Deed of Trust. In such event and upon written request of Beneficiary, Trustee shall sell the trust property, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (1) to the expense of the sale, including a reasonable Trustee's fee and attorney's fee; (2) to the obligation secured by this Deed of Trust; and (3) the surplus, if any, shall be distributed to the persons entitled thereto.
5. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser all right, title and interest in the real and personal property which Grantor had or had the power to convey at the time of the execution of this Deed of Trust, and such as Grantor may have acquired thereafter. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchaser and encumbrancers for value.
6. The power of sale conferred by this Deed of Trust and by the Deed of Trust Act of the State of Washington is not an exclusive remedy; Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage.
7. In the event of the death, incapacity, disability, or resignation of Trustee, or at the discretion of the Beneficiary, Beneficiary may appoint in writing a successor trustee, and upon the recording of such appointment in the mortgage records of the county in which this Deed of Trust is recorded, the successor trustee shall be vested with all powers of the original trustee. The Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of an action or proceeding in which Grantor, Trustee, or Beneficiary shall be a party unless such action or proceeding is brought by the Trustee.
8. This Deed of Trust applies to, inures to the benefit of, and is binding not only on the parties hereto, but on his/her/their heirs, devisees, legatees, administrators, executors, and assigns. The term Beneficiary shall mean the holder and owner of the note secured hereby, whether or not named as Beneficiary herein.



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

AI PROJECT, LLC, a Washington limited liability company

By: [Signature]  
Name: Mark D. Schedler  
Its: Authorized Representative

STATE OF WASHINGTON  
COUNTY OF King ss.

I certify that I know or have satisfactory evidence that Mark D. Schedler is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the Authorized Representative of AI PROJECT, LLC, a limited liability company, to be the free and voluntary act of such entity for the uses and purposes mentioned in the instrument.

Dated this 16<sup>th</sup> day of December, 2013.



[Signature]  
(Signature of Notary)  
Melissa J. Patton  
(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington, residing at Seattle

My appointment expires 3-30-17



REQUEST FOR FULL RECONVEYANCE - *Do not record. To be used only when note has been paid.*

TO: TRUSTEE

The undersigned is the legal owner and holder of the note and all other indebtedness secured by the within Deed of Trust. Said note, together with all other indebtedness secured by said Deed of Trust, has been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note above mentioned, and all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you thereunder.

Dated: \_\_\_\_\_  
\_\_\_\_\_



ATTACHMENT A

Legal Description

PARCEL "A":

All of Short Plat No. 516-80, approved June 16, 1981, recorded June 17, 1981 in Volume 5 of Short Plats, pages 81 through 84, under Auditor's File No. 8106170006, records of Skagit County, Washington, being a portion of Sections 4 and 5, Township 34 North, Range 1, W.M.

EXCEPT Lot 1C of said Short Plat.

Situate in the County of Skagit, State of Washington.

PARCEL "B":

Lots 1 and 2, Short Plat No. 43-88, approved December 7, 1988, recorded December 7, 1988 in Volume 8 of Short Plats, page 96, under Auditor's File No. 8812070088, records of Skagit County, Washington; being Lot 1-C of Short Plat No. 516-80, as filed in Book 5 of Short Plats, pages 81 through 84, all in portions of Section 4 and 5, Township 34 North, Range 1 East, W.M.

Situate in the County of Skagit, State of Washington.

PARCEL "C":

Lots A and B, Short Plat No. 5-79, approved May 1, 1979, recorded May 2, 1979 in Volume 3 of Short Plats, page 107, under Auditor's File No. 7905020011, records of Skagit County, Washington; being a portion of Sections 4 and 5, Township 34 North, Range 1 East, W.M.

Situate in the County of Skagit, State of Washington.

PARCEL "D":

Lots A, B, C, D, E, F, G and H of Skagit County Short Plat No. 512-80, approved October 7, 1980, recorded October 8, 1980 in Volume 4 of Short Plats, page 187, under Auditor's File No. 8010080001, records of Skagit County, Washington; being a portion of Section 5, Township 34 North, Range 1 East, W.M.

Situate in the County of Skagit, State of Washington.

PARCEL "E":

Vacated Lots A, B, C and D Short Plat No. 57-80, approved March 4, 1981, recorded March 4, 1981 in Volume 5 of Short Plats, page 31, under Auditor's File No. 8103040044, records of Skagit County, Washington; being a portion of Sections 4 and 5, Township 34 North, Range 1 East, W.M. and Sections 32 and 33, Township 35 North, Range 1 East.

Situate in the County of Skagit, State of Washington.

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Attachment A



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PARCEL "F":

Lot 10 and Tract "A" of that certain Survey recorded in Volume 1 of Surveys, pages 173 and 174, recorded February 20, 1976 under Auditor's File No. 830480, records of Skagit County, Washington; being a portion of Section 4, Township 34 North, Range 1 East, W.M.; Section 5, Township 34 North, Range 1 East, W.M.; Section 32, Township 35 North, Range 1 East, W.M.; and Section 33, Township 35 North, Range 1 East, W.M., Skagit County, Washington.

Situate in the County of Skagit, State of Washington.

PARCEL "G":

A leasehold interest in the following described property:

The tidelands of the second class and bed of Burrows Bay, owned by the State of Washington, situate in front of Government Lot 1, Section 4, Township 34 North, Range 1 East, W.M., described as follows:

Beginning at the North meander corner of said Section 4;  
thence South 26° East 33.0 feet;  
thence South 18° West 105.6 feet;  
thence South 20° East 92.4 feet;  
thence South 50° West, 33.0 feet;  
thence South 6°45' East 145.2 feet;  
thence South 37° West 99.0 feet;  
thence South 71° East 132.0 feet;  
thence South 46°30' East 178.2 feet;  
thence South 99.0 feet;  
thence South 6°30' West 198.0 feet;  
thence South 57°30' West 105.6 feet;  
thence South 7° West 92.0 feet, more or less, to a point on the line of ordinary high water and true point of beginning of this description;  
thence North 57° East 396.0 feet;  
thence South 34° East 420.0 feet, more or less, to a point on the line of ordinary high water;  
thence Westerly along the line of ordinary high water to the true point of beginning of this description.

Situate in the County of Skagit, State of Washington.

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Attachment A



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ATTACHMENT B - Tax Parcel Numbers

| <u>Account No.</u>              | <u>Year</u> | <u>Account No.</u>              | <u>Year</u> |
|---------------------------------|-------------|---------------------------------|-------------|
| 340105-0-001-0003               | 2013        | 340105-0-001-1407               | 2013        |
| Property I.D. No.: P19059       |             | Property I.D. No.: P19073       |             |
| (Affects portion of Parcel "A") |             | (Affects portion of Parcel "A") |             |
| 340105-0-001-0102               | 2013        | 340105-0-001-1506               | 2013        |
| Property I.D. No.: P19060       |             | Property I.D. No.: P19074       |             |
| (Affects portion of Parcel "A") |             | (Affects portion of Parcel "A") |             |
| 340105-0-001-0201               | 2013        | 340105-0-001-1605               | 2013        |
| Property I.D. No.: P19061       |             | Property I.D. No.: P19075       |             |
| (Affects portion of Parcel "A") |             | (Affects Lot 1 of Parcel "B")   |             |
| 340105-0-001-0300               | 2013        | 340105-0-001-1704               | 2013        |
| Property I.D. No.: P19062       |             | Property I.D. No.: P19076       |             |
| (Affects Lot A of Parcel "C")   |             | (Affects Lot 2 of Parcel "B")   |             |
| 340105-0-001-0409               | 2013        | 340105-0-001-1803               | 2013        |
| Property I.D. No.: P19063       |             | Property I.D. No.: P19077       |             |
| (Affects portion of Parcel "D") |             | (Affects portion of Parcel "F") |             |
| 340105-0-001-0516               | 2013        | 340105-0-001-1900               | 2013        |
| Property I.D. No.: P19064       |             | Property I.D. No.: P101306      |             |
| (Affects portion of Parcel "A") |             | (Affects Lot B of Parcel "D")   |             |
| 340105-0-001-0607               | 2013        | 340105-0-001-2000               | 2013        |
| Property I.D. No.: P19065       |             | Property I.D. No.: P101307      |             |
| (Affects portion of Parcel "F") |             | (Affects Lot C of Parcel "D")   |             |
| 340105-0-001-0706               | 2013        | 340105-0-001-2100               | 2013        |
| Property I.D. No.: P19066       |             | Property I.D. No.: P101308      |             |
| (Affects Lot A of Parcel "E")   |             | (Affects Lot D of Parcel "D")   |             |
| 340105-0-001-0805               | 2013        | 340105-0-001-2200               | 2013        |
| Property I.D. No.: P19067       |             | Property I.D. No.: P101309      |             |
| (Affects Lot B of Parcel "C")   |             | (Affects Lot F of Parcel "D")   |             |
| 340105-0-001-0904               | 2013        | 340105-0-001-2300               | 2013        |
| Property I.D. No.: P19068       |             | Property I.D. No.: P101310      |             |
| (Affects portion of Parcel "D") |             | (Affects Lot G of Parcel "D")   |             |
| 340105-0-001-1001               | 2013        | 340105-0-001-2400               | 2013        |
| Property I.D. No.: P19069       |             | Property I.D. No.: P101311      |             |
| (Affects Lot B of Parcel "E")   |             | (Affects Lot H of Parcel "D")   |             |
| 340105-0-001-1100               | 2013        |                                 |             |
| Property I.D. No.: P19070       |             |                                 |             |
| (Affects Lot C of Parcel "E")   |             |                                 |             |
| 340105-0-001-1209               | 2013        |                                 |             |
| Property I.D. No.: P19071       |             |                                 |             |
| (Affects Lot D of Parcel "E")   |             |                                 |             |
| 340105-0-001-1308               | 2013        |                                 |             |
| Property I.D. No.: P19072       |             |                                 |             |
| (Affects portion of Parcel "F") |             |                                 |             |

Attachment B



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