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**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA - RIVERSIDE DIVISION**

<p>In re:</p> <p>MICHAEL ROBERT LOVY and CAROL JANE LOVY</p> <p align="right">Debtor(s).</p>	<p>CASE NO.: 6:12-BK-35120-WJ CHAPTER: 7</p> <p align="center">NOTICE OF SALE OF ESTATE PROPERTY</p>
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<p>Sale Date: 07/09/2013</p>	<p>Time: 10:30 am</p>
<p>Location: Courtroom 302, 3420 Twelfth Street, Riverside, CA 92501</p>	

Type of Sale: Public Private **Last date to file objections:** 06/25/2013

Description of property to be sold: 207-209 I Street, Tacoma, Washington (See attached Motion.)

Terms and conditions of sale: See attached Motion.

Proposed sale price: \$ 230,000.00

This form is mandatory. It has been approved for use in the United States Bankruptcy Court for the Central District of California.

Overbid procedure (if any): See attached Motion.

If property is to be sold free and clear of liens or other interests, list date, time and location of hearing:

Contact person for potential bidders (include name, address, telephone, fax and/or email address):

SHULMAN HODGES & BASTIAN LLP
c/o Ryan D. O'Dea
8105 Irvine Center Drive, Suite 600
Irvine, CA 92618
Telephone: (949) 340-3400 Facsimile: (949) 340-3000

Date: 06/18/2013

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5 Attorneys for Karl T. Anderson,
6 Chapter 7 Trustee

7 **UNITED STATES BANKRUPTCY COURT**
8 **CENTRAL DISTRICT OF CALIFORNIA, RIVERSIDE DIVISION**

9 In re
10 **MICHAEL ROBERT LOVY and CAROL**
JANE LOVY
11 Debtors.

Case No. 6:12-bk-35120-WJ

Chapter 7

CHAPTER 7 TRUSTEE’S MOTION FOR ORDER:

- 12 (1) **APPROVING THE SALE OF REAL**
- 13 **PROPERTY OF THE ESTATE FREE**
- 14 **AND CLEAR OF LIENS PURSUANT**
- 15 **TO BANKRUPTCY CODE §§**
- 16 **363(b)(1) AND (f), SUBJECT TO**
- 17 **OVERBIDS, COMBINED WITH**
- 18 **NOTICE OF BIDDING**
- 19 **PROCEDURES AND REQUEST**
- 20 **FOR APPROVAL OF THE BIDDING**
- 21 **PROCEDURES UTILIZED;**
- 22 (2) **APPROVING PAYMENT OF REAL**
- 23 **ESTATE COMMISSION; AND**
- 24 (3) **GRANTING RELATED RELIEF;**

25 **MEMORANDUM OF POINTS AND**

26 **AUTHORITIES AND DECLARATIONS**

27 **OF KARL T. ANDERSON AND CRAIG**

28 **CLARK IN SUPPORT THEREOF**

[Declaration of prospective buyers Jayson Stevens and Sean Hart filed concurrently herewith] [Property located at: 207-209 I Street, Tacoma, Washington]

Hearing

Date: July 9, 2013
Time: 10:30 A.M.
Place: Courtroom 302
3420 Twelfth Street
Riverside, CA 92501

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1 **TO THE HONORABLE WAYNE JOHNSON, UNITED STATES BANKRUPTCY JUDGE,**
2 **THE OFFICE OF THE UNITED STATES TRUSTEE, THE DEBTORS AND ALL**
3 **INTERESTED PARTIES AND THEIR COUNSEL OF RECORD:**

4 **I. INTRODUCTION**

5 Karl T. Anderson, the Chapter 7 Trustee (“Trustee”) for the bankruptcy estate (“Estate”) of
6 Michael and Carol Lovy (“Debtors”), brings this Motion for Order: (1) Approving the Sale of Real
7 Property of the Estate Free and Clear of Certain Liens Pursuant to Bankruptcy Code §§ 363(b)(1)
8 and (f), Subject to Overbids, Combined With Notice of Bidding Procedures and Request for
9 Approval of the Bidding Procedures Utilized; (2) Approving Payment of Real Estate Commission;
10 (3) Granting Related Relief (“Sale Motion”).

11 The Trustee has received an offer to purchase the real property located at 207-209 I Street,
12 Tacoma, Washington (the “I Street Property”) for \$230,000.00, subject to overbids. The I Street
13 Property is a multi-tenant commercial property owned by the Debtors. The Preliminary Title
14 Report on the I Street Property, a true and correct copy of which is attached as **Exhibit 1** to
15 Declaration of Karl T. Anderson (“Anderson Declaration”), indicates that the I Street Property is
16 encumbered by a first deed of trust held by Heritage Bank. The amounts owed to Heritage Bank
17 are also cross-collateralized with another property, 1310 S. Union Street, Tacoma, Washington
18 (“Union Property”), which the Trustee is concurrently seeking authority to sell. By and through
19 the sale of the Union Property, the remaining amounts owed to Heritage are estimated to be
20 \$94,226.48.

21 The offer is the best offer the Estate has received for the Property. Through the sale of the
22 I Street Property, the Trustee will not generate net proceeds for the benefit of the Estate and its
23 creditors. The Trustee anticipates that the sale of the I Street Property will generate net proceeds
24 to the Estate in the amount of \$104,000.00. Further, in the event the purchase price is increased by
25 a successful overbid, the estimated net proceeds will increase and provide a greater distribution to
26 creditors.

27 Therefore, the Trustee believes that good cause exists to grant the Sale Motion so the
28 Trustee does not lose this favorable business opportunity.

1 **II. RELEVANT FACTS**

2 **A. Case Commencement**

3 The Debtors filed a voluntary petition under Chapter 7 of the Bankruptcy Code on
4 November 8, 2012 (“Petition Date”). Karl T. Anderson is the duly appointed, qualified and acting
5 Chapter 7 Trustee for the Estate.

6 **B. The I Street Property**

7 The Debtors’ Bankruptcy Schedule A lists a fee simple community property interest in the
8 I Street Property, which is legally described as follows:

9
10 LOTS 8 AND 9, BLOCK 3217, MAP OF NEW TACOMA, WASHINGTON
11 TERRITORY, ACCORDING TO THE PLAT THEREOF RECORDED FEBRUARY 3,
12 1875 RECORDS OF PIERCE COUNTY AUDITOR.

13
14 TOGETHER WITH THAT PORTION OF THE ALLEY VACATED BY ORDINANCE
15 NO. 1617 OF THE CITY OF TACOMA ABUTTING THEREON.

16
17 SITUATED IN THE CITY OF TACOMA, COUNTY OF PIERCE, STATE OF
18 WASHINGTON.

19 Pursuant to Court order entered on April 8, 2013 (docket number 43), the Trustee was
20 authorized to employ Craig Clark of Johansson Clark Real Estate (collectively, the “Broker”) to
21 assist the Trustee in the marketing and sale of the I Street Property.

22 In the Debtors’ Bankruptcy Schedule A the value of the I Street Property was asserted to be
23 \$300,000.00. The Trustee’s Broker reviewed the I Street Property and believed that the I Street
24 Property had a higher fair market value than the amount listed in the Debtors’ Bankruptcy
25 Schedule. The I Street Property was thus listed for the sale price of \$359,000.00. The I Street
26 Property was listed on the MLS and advertised for sale since March 2012. The Trustee only one
27 offers for the I Street Property, and the \$230,000.00 offer that is the subject of this Sale Motion
28 represents the best offer received by the Trustee. As set forth below, the Trustee believes the sale
of the I Street Property will benefit the Estate and its creditors.

26 **C. The Basis for Value of the I Street Property**

27 The Debtors valued the I Street Property in their Bankruptcy Schedule A at \$300,000.00.
28 After his review of the I Street Property, the Broker advised the Trustee that he believed the I

Street Property to have high-end fair market value of approximately \$359,000.00. As such, the I Street Property was listed for sale at \$359,000.00.

D. Marketing of the I Street Property

The I Street Property has been marketed for approximately three months by the Trustee with the assistance of the Broker. The marketing by the Broker has included listing the I Street Property on the Multiple Listing Service for publication on the Internet and related subscriber websites.

E. Liens and Encumbrances Against the I Street Property and Their Proposed Treatment Through the Sale

The following chart sets forth the only encumbrance against the Property, as detailed in the Preliminary Title Report, a copy of which is attached as **Exhibit 1** to the Anderson Declaration and the proposed treatment of the encumbrance through the sale:

<u>Creditor</u>	<u>Description</u>	<u>Estimated Amount Owing</u>	<u>Treatment of Lien Through the Sale</u>
Pierce County Assessor – Treasurer	Real property taxes (estimated)	\$20,000	All amounts owed in relation to property taxes will be paid in full through escrow.
Heritage Bank	First Priority Deed of Trust (estimated)	\$439,000	After payment to Heritage Bank from the Union Property sale, it is estimated that a remaining amount totaling \$94,226.48 will be owed to Heritage Bank. Heritage Bank will be paid any remaining amount owed by and through escrow.

In addition to the real property taxes listed above, all ordinary and customary costs of sale, including escrow fees and real estate commissions, will be paid through escrow. Escrow fees shall be split between the Buyer and the Estate as the seller in the manner customary in Pierce County, Washington where the I Street Property is located.

F. Tax Consequences

The Trustee is informed that there will be no capital gains taxes associated with the sale of the I Street Property, as the I Street Property was originally purchased by the Debtors for

1 \$665,000.00 and the Trustee seeks to sell the Union Property for \$230,000.00. Based thereon,
2 there is no “gain” on the proposed sale of the Union Property.

3 **G. The Purchase Offer and Summary of the Sale Terms**

4 Through his Broker, the Trustee has received an offer from Jayson Steven and Sean Hart
5 (collectively, the “Buyer”) to purchase the I Street Property for \$230,000.00. The purchase price
6 includes a deposit of \$5,000.00. Attached as **Exhibit 3** to the Anderson Declaration is a true and
7 correct copy of the purchase agreement and addendum thereto (collectively, the “Agreement”).

8 A summary of the Agreement’s terms are discussed below, but the summary and discussion
9 are not meant to be a complete review of every provision of the Agreement. The Agreement itself
10 is the legally binding document the Trustee seeks approval of, and in the event of any
11 inconsistency between the terms, provisions or effect of the Agreement and the description of it in
12 these pleadings, the Agreement alone shall govern and not these pleadings or the descriptions
13 herein.

14 In summary, the principal terms of the sale of the I Street Property (the I Street Property is
15 referred to as the “Property” in the following summary) shall be as follows (the Trustee is referred
16 to at times as the “Seller” in the following summary):

17 Buyer	Jayson Steven and Sean Hart
18 Purchase Price	\$230,000.00 subject to the Bidding Procedures set forth below. 19 \$5,000.00 paid as a deposit, balance of the purchase price to be paid at closing.
20 Escrow Holder and Escrow Closing Date	The escrow holder shall be Stewart Title. Escrow is scheduled to close within thirty (30) days after Court approval of the sale.
21 Escrow, Title and Other Costs	All real property taxes and assessments for the current tax year shown in the current county tax bill shall be prorated between Seller and the Buyer and charged as of the closing date to the applicable accounts of Seller and the Buyer. The sale shall be free and clear of any homeowner's association assessments and all real property taxes (other than those prorated as provided above) enforceable against the Property through the closing date of the sale. 24 25 Escrow fees shall be split between the Buyer and Seller in the manner customary in the County where the Property is located.
26 Bankruptcy Court Approval	The sale is subject to notice to creditors, approval by the Bankruptcy Court, and higher and better bids received by Seller through and including the Bankruptcy Court hearing to confirm the sale. Payment of any and all real estate brokers’ commissions is also subject to notice to creditors and approval by the Bankruptcy Court. 27 28

<p>1 Real Estate Agent 2 Commission</p>	<p>Through escrow on the sale of the Property, and subject to Court approval, the Trustee shall pay compensation for real estate agent services to the Estate's agent in the amount of \$11,500 (5% of the purchase price) as follows:</p> <table border="0"> <thead> <tr> <th data-bbox="678 279 760 310"><u>Agent</u></th> <th data-bbox="1214 279 1365 310"><u>Commission</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="678 338 954 394">Craig Clark, broker for the Trustee.</td> <td data-bbox="1214 338 1333 369">\$5,750.00</td> </tr> <tr> <td data-bbox="678 426 954 483">Craig Clark, broker for the Buyer</td> <td data-bbox="1214 426 1333 457">\$5,750.00</td> </tr> </tbody> </table>	<u>Agent</u>	<u>Commission</u>	Craig Clark, broker for the Trustee.	\$5,750.00	Craig Clark, broker for the Buyer	\$5,750.00
<u>Agent</u>	<u>Commission</u>						
Craig Clark, broker for the Trustee.	\$5,750.00						
Craig Clark, broker for the Buyer	\$5,750.00						
<p>7 Purchase Without 8 Warranties</p>	<p>The Buyer acknowledges and agrees that the sale of the Property shall be "as-is" and without any warranties whatsoever and the transfer of the Property to the Buyer shall be by a Bankruptcy Trustee's Deed or Quitclaim Deed.</p>						
<p>9 Trustee's Liability</p>	<p>The Buyer acknowledges that the Trustee is acting in his official capacity only. No personal liability shall be sought or enforced against the Trustee with regard to the Agreement, including any addendums to the Agreement, the Property, the sale of the Property, or the physical condition of the Property. In the event that the Trustee fails or refuses to complete the transaction for any reason, then the limit of the Trustee's liability is only to return any money paid to the Trustee by the Buyer, without deduction. Prior to and after the closing of escrow, the United States Bankruptcy Court shall have and retain the sole and exclusive jurisdiction over the Property and the Agreement; and all disputes arising before and after closing shall be resolved in said Court. Further, the Trustee has agreed that if a dispute arises, such dispute may initially be resolved through the Mediation Program pending in the United States Bankruptcy Court for the Central District of California.</p>						
<p>15 Hold Harmless</p>	<p>The Buyer understands the terms and conditions of the entire purchase contact and hold the Estate and the realtors, brokers, agents, Karl T. Anderson, Trustee, and his attorneys including Shulman Hodges & Bastian LLP, agents and employees, harmless from any liabilities arising from this contact. All parties hereto further agree, jointly and severally, to pay on demand as well as to indemnify and hold Escrow harmless from and against all costs, damages, judgments, attorneys' fees, expenses, obligations and liabilities of any kind or nature which in good faith, Escrow may incur or sustain in connection with or arising out of this Escrow and Escrow is hereby given a lien upon all the rights, titles and interest of each of the undersigned in all escrow papers and other property and monies deposited in this escrow, to protect the rights of escrow and to indemnify and reimburse Escrow under this Addendum. In the event this Escrow is not completed for any reason, Escrow is authorized to deduct and pay its fee, plus costs incurred from any funds on deposit.</p>						
<p>23 Jurisdiction of the 24 Bankruptcy Court</p>	<p>Any and all disputes which involve in any manner the Estate or Karl T. Anderson, Trustee, arising from the Agreement and/or its addendums or relating in any manner to the Property, shall be resolved only in the United States Bankruptcy Court, Central District of California.</p>						
<p>25 Sale Subject to 26 Overbidding</p>	<p>The sale of the Property is subject to the Bidding Procedures described below.</p>						
<p>26 Outstanding Real 27 Property Taxes</p>	<p>To be paid by through escrow.</p>						

1 2 3 4 5 6 7 8 9	Free and Clear of Liens and Encumbrances	The Property shall be delivered to the Buyer free and clear of all liens and encumbrances.
10 11 12 13 14 15	Good Faith Finding	The proposed sale has been brought in good faith and has been negotiated on an “arms-length” basis. The negotiations with the Buyer have resulted in an offer to sell the Estate’s interest in the Property that will have substantial benefit. Accordingly, the sale is in good faith and should be approved. The Trustee shall request such a finding pursuant to Bankruptcy Code Section 363(m) at the hearing on this Sale Motion.
16 17 18 19 20 21 22 23 24 25 26 27 28	Waiver of Rule 6004(h)	The Trustee requests that the Court waive the fourteen-day stay of the order approving the sale of the Property under Federal Rules of Bankruptcy Procedure 6004(h) such that the sale of the Property can close as soon as possible after entry of the Court order approving the Sale Motion and the Agreement.

H. Notice of Bidding Procedures

The Trustee has determined that it would benefit the Estate to permit all interested parties to receive information and bid for the I Street Property instead of selling the I Street Property to the Buyer on an exclusive basis. Accordingly, in order to obtain the highest and best offer for the benefit of the creditors of this Estate, the Trustee also seeks Court approval of the following bidding procedures (“Bidding Procedures”):

1. Potential overbidder(s) must bid an initial amount of at least \$5,000.00 over the Purchase Price, or \$235,000.00. Minimum bid increments thereafter shall be \$1,000.00. The Trustee shall have sole discretion in determining which overbid is the best for the Estate and will seek approval from the Court of the same.

2. Overbids must be in writing and be received by the Trustee and the Trustee’s counsel, Shulman Hodges & Bastian LLP to the attention of Ryan D. O’Dea on or before **4:00 p.m. (California time) on the date which is three (3) days prior to the hearing on the Sale Motion.**

3. Overbids must be accompanied by certified funds in an amount equal to three percent (3%) of the overbid purchase price.

4. The overbidder must also provide evidence of having sufficient specifically committed funds to complete the transaction, or a lending commitment for the bid amount and such other documentation relevant to the bidder’s ability to qualify as the purchaser of the I Street

1 Property and ability to close the sale and immediately and unconditionally pay the winning bid
2 purchase price at closing.

3 5. The overbidder must seek to acquire the I Street Property on terms and conditions
4 not less favorable to the Estate than the terms and conditions to which the Buyer has agreed to
5 purchase the Property as set forth in the Agreement attached as **Exhibit 3** to the Anderson
6 Declaration including closing on the sale of the I Street Property in the same time parameters as
7 the Buyer.

8 6. All competing bids must acknowledge that the I Street Property is being sold on an
9 “AS IS” basis without warranties of any kind, expressed or implied, being given by the Trustee,
10 concerning the condition of the I Street Property or the quality of the title thereto, or any other
11 matters relating to the I Street Property. The competing bid buyer must represent and warrant that
12 he/she is purchasing the I Street Property as a result of their own investigations and are not buying
13 the I Street Property pursuant to any representation made by any broker, agent, accountant,
14 attorney or employee acting at the direction, or on the behalf of the Trustee. The competing bidder
15 must acknowledge that he/she has inspected the I Street Property, and upon closing of Escrow
16 governed by the Agreement, the competing buyer forever waives, for himself/herself, their heirs,
17 successors and assigns, all claims against the Debtors, their attorneys, agents and employees, the
18 Debtors’ Estate, Karl T. Anderson as Trustee and individually, and his attorneys, agents and
19 employees, arising or which might otherwise arise in the future concerning the I Street Property.

20 7. If overbids are received, the final bidding round for the I Street Property shall be
21 held at the hearing on the Sale Motion in order to allow all potential bidders the opportunity to
22 overbid and purchase the I Street Property. At the final bidding round, the Trustee or his counsel
23 will, in the exercise of their business judgment and subject to Court approval, accept the bidder
24 who has made the highest and best offer to purchase the I Street Property, consistent with the
25 Bidding Procedures (“Successful Bidder”).

26 8. At the hearing on the Sale Motion, the Trustee will seek entry of an order, *inter*
27 *alia*, authorizing and approving the sale of the I Street Property to the Successful Bidder. The
28 hearing on the Sale Motion may be adjourned or rescheduled without notice other than by an

1 announcement of the adjourned date at the hearing on the Sale Motion.

2 9. In the event the Successful Bidder fails to close on the sale of the I Street Property
3 within the time parameters approved by the Court, the Trustee shall retain the Successful Bidder's
4 Deposit and will be released from his obligation to sell the I Street Property to the Successful
5 Bidder and the Trustee may then sell the I Street Property to the first back-up bidder approved by
6 the Court at the hearing on the Sale Motion ("First Back-Up Bidder").

7 10. In the event First Back-Up Bidder fails to close on the sale of the I Street Property
8 within the time parameters approved by the Court, the Trustee shall retain the First Back-Up
9 Bidder's Deposit and will be released from his obligation to sell the I Street Property to the First
10 Back-Up Bidder and the Trustee may then sell the I Street Property to the second back-up bidder
11 approved by the Court at the hearing on the Sale Motion ("Second Back-Up Bidder").

12 **III. LEGAL BASIS FOR THE RELIEF SOUGHT**

13 **A. The Court May Authorize the Sale When There is a Good Faith Purchaser**

14 The Trustee, after notice and hearing, may sell property of the estate. Bankruptcy Code
15 Section 363(b). The standards to establish are that there is a sound business purpose for the sale,
16 that the sale is in the best interests of the estate, i.e., the sale is for a fair and reasonable price, that
17 there is accurate and reasonable notice to creditors and that the sale is made in good faith. *In re*
18 *Wilde Horse Enterprises, Inc.*, 136 B.R. 830, 841 (Bankr. C.D. Cal. 1991); *In re Lionel Corp.*, 722
19 F.2d 1063, 1069 (2d Cir. 1983). Business justification would include the need to close a sale to
20 one of very few serious bidders where an asset has been marketed and a delay could jeopardize the
21 transaction. *See, e.g., In re Crowthers McCall Pattner, Inc.*, 114 B.R. 877, 885 (Bankr. S.D.N.Y.
22 1990) (extreme difficulty finding a buyer justified merger when buyer found). The Trustee's
23 proposed sale of the I Street Property meets the foregoing criteria.

24 **1. Sound Business Purpose**

25 The Ninth Circuit has adopted a flexible, case-by-case test to determine whether the
26 business purpose for a proposed sale justifies disposition of property of the estate under Section
27 363(b). *In re Walter*, 83 B.R. 14 (B.A.P. 9th Cir. 1988). In *Walter*, the Ninth Circuit, adopting the
28 reasoning of the Fifth Circuit in *In re Continental Air Lines, Inc.*, 780 F.2d 1223 (5th Cir. 1986),

1 and the Second Circuit in *In re Lionel Corp.*, 722 F.2d 1063 (2d Cir. 1983), set forth the following
2 standard to be applied under Bankruptcy Code Section 363(b):

3 Whether the proffered business justification is sufficient depends on the case. As
4 the Second Circuit held in *Lionel*, the bankruptcy judge should consider all salient
5 factors pertaining to the proceeding and, accordingly, act to further the diverse
6 interests of the debtor, creditors and equity holders, alike. He might, for example,
7 look to such relevant factors as the proportionate value of the assets to the estate as
8 a whole, the amount of lapsed time since the filing, the likelihood that a plan of
9 reorganization will be proposed and confirmed in the near future, the effect of the
10 proposed disposition on future plans of reorganization, the proceeds to be obtained
11 from the disposition vis-a-vis any appraisals of the property, which of the
12 alternatives of use, sale or lease the proposal envisions and, most importantly
13 perhaps, whether the asset is increasingly or decreasing in value. This list is not
14 intended to be exclusive, but merely to provide guidance to the bankruptcy judge.

15 *Walter*, 83 B.R. at 19-20 (quoting *Continental*, 780 F.2d at 1226).

16 Here, the facts surrounding the sale of the I Street Property support the Trustee's business
17 decision that the proposed sale is in the best interests of the Estate and its creditors. Through the
18 sale of the I Street Property, the Trustee expects to generate net proceeds of approximately
19 \$104,000.00 as follows (amounts are estimated):

I Street Property Sale Price	\$ 230,000.00
Less amounts payable to Heritage Bank for its cross-collateralized lien on both the I Street Property and the I Street Property	(\$ 94,226.48)
Less real estate commission and costs of sale for the I Street Property	(\$ 11,500.00)
Less estimated real property taxes on the I Street Property	(\$ 20,000.00)
Estimated Net Sale Proceeds for the benefit of the Estate and its creditors.	\$ 104,273.52

20 The estimated net proceeds will benefit the Estate by providing funds for distribution to creditors.
21 If the Sale Motion is not approved, then there will be a substantial loss to the Estate. In such event,
22 the Estate will not receive any benefit from the Property.

23 Furthermore, the Trustee believes that the proposed sale, subject to overbids, will be at fair
24 market value because it is the best offer the Estate has received thus far for the I Street Property
25 after the inspection date. Given that the sale is subject to overbids, it is anticipated the Trustee will
26 receive the best and highest value for the I Street Property and therefore the proposed sale price of
27 the I Street Property is fair and reasonable.
28

1 Therefore, the Trustee respectfully submits that, if this Court applies the “good business
2 reason standard” suggested by the Second Circuit in *Lionel*, the sale should be approved.

3 **2. The Sale Serves the Best Interests of the Estate and Creditors**

4 The Trustee believes that it would be in the best interest of the Estate and its creditors to
5 sell the I Street Property. The benefits to the Estate, as set forth above, are significant as the
6 proposed sale will yield an estimated \$104,000.00 return to the Estate. If the Sale Motion is not
7 approved, the Estate will not receive the sale proceeds and will likely lose the Buyer. The Trustee
8 does not want to lose this beneficial business opportunity. Thus, the Trustee has made a business
9 decision that it is in the best interest of the creditors of the Estate that this Sale Motion be
10 approved.

11 **3. Accurate and Reasonable Notice**

12 It is expected that notice of this Sale Motion will satisfy the requirements for accurate and
13 reasonable notice.

14 The notice requirements for sales are set forth in Federal Rules of Bankruptcy Procedure
15 (“FRBP”) 6004 and 2002. The notice must include the time and place of any public sale, the terms
16 and conditions of any private sale, the time fixed for filing on objections and a general description
17 of the property. Federal Rules of Bankruptcy Procedure 2002(c)(1).

18 In compliance with FRBP 2002 and Bankruptcy Code Section 102(1), the Trustee shall
19 provide notice of the proposed sale of the I Street Property and the Bidding Procedures to creditors
20 and parties in interest. The Notice of Sale Motion will include a summary of the terms and
21 conditions of the proposed sale, the time fixed for filing objections, and a general description of
22 the I Street Property, including the Bidding Procedures. The Trustee submits that the notice
23 requirements will have been satisfied, thereby allowing creditors and parties in interest an
24 opportunity to object to the sale. Hence, no further notice should be necessary.

25 **4. The Sale is Made in Good Faith**

26 The proposed sale has been brought in good faith and has been negotiated on an “arms-
27 length” basis. The court, in *Wilde Horse Enterprises*, set forth the factors in considering whether a
28 transaction is in good faith. The court stated:

1 'Good faith' encompasses fair value, and further speaks to the integrity of the
2 transaction. Typical 'bad faith' or misconduct, would include collusion between the
3 seller and buyer, or any attempt to take unfair advantage of other potential
4 purchasers. . . . And, with respect to making such determinations, the court and
creditors must be provided with sufficient information to allow them to take a
position on the proposed sale.

5 *Id.* at 842 (citations omitted).

6 In the present case, the negotiation of the proposed sale was an arms-length transaction.
7 The negotiations with the Buyer resulted in a sale price for the I Street Property that will have
8 substantial benefit to the Estate. As set forth in the Notice of the Sale Motion, the creditors will
9 have been provided with sufficient notice of the sale. Accordingly, the sale is in good faith and
10 should be approved. The Trustee shall request such a finding pursuant to Bankruptcy Code
11 Section 363(m) at the hearing on this Sale Motion.

12 **B. The Proposed Sale Should be Allowed Free and Clear of Liens**

13 Bankruptcy Code Section 363(f) allows a trustee to sell property of the bankruptcy estate
14 "free and clear of any interest in such property of an entity," if any one of the following five
15 conditions is met:

- 16 (1) applicable non-bankruptcy law permits a sale of such property free
and clear of such interest;
- 17 (2) such entity consents;
- 18 (3) such interest is a lien and the price at which such property is to be
19 sold is greater than the aggregate value of all liens on such property;
- 20 (4) such interest is in bona fide dispute; or
- 21 (5) such entity could be compelled, in a legal or equitable proceeding, to
22 accept money satisfaction of such interest.

23 11 U.S.C. § 363(f).

24 Section 363(f) is written in the disjunctive and thus only one of the enumerated conditions
25 needs to be satisfied for Court approval to be appropriate.

26 **1. Section 363(f)(3)**

27 The sale of the I Street Property is proper pursuant to Section 363(f)(3). The sales price is
28 for a sum that is greater than the aggregate value of the liens which show as attached to the I Street

1 Property pursuant to the carve-out agreement (the “Carve-Out”) agreement which is attached to the
2 Anderson Declaration as **Exhibit 2**.

3 Courts have approved sales under Bankruptcy Code Section 363(f) even where the sale
4 price did not exceed the value of the liens asserted on the property so long as the sale is for fair
5 market value. *In re Terrace Gardens Park Partnership*, 96 B.R. 707 (Bankr. W.D. Tex. 1989); *In*
6 *re Beker Indus. Corp.*, 63 B.R. 474, 477 (Bankr. S.D.N.Y. 1986).

7 Thus, approval for the sale free and clear of liens and encumbrances in the manner
8 provided herein is appropriate.

9 **C. The Court has the Authority to Waive the Fourteen-Day Stay of Sale**

10 Federal Rule of Bankruptcy Procedure 6004(h) provides that “[a]n order authorizing the
11 use, sale or lease of property other than cash collateral is stayed until the expiration of 14 days
12 after entry of the order, unless the Court orders otherwise.” Fed. Rule Bankr. P. 6004 (h).

13 The Trustee desires to close the sale of the I Street Property as soon as practicable after
14 entry of an order approving the sale. Accordingly, the Trustee requests that the Court, in the
15 discretion provided it under Federal Rule of Bankruptcy Procedure 6004(h), waive the fourteen-
16 day stay requirement.

17 **D. The Court has the Authority to Approve the Bidding Procedures**

18 Implementation of the Bidding Procedures is an action outside of the ordinary course of the
19 business. Bankruptcy Code Section 363(b)(1) provides that a trustee “after notice and hearing,
20 may use, sell or lease, other than in the ordinary course of business, property of the estate.” 11
21 U.S.C. § 363(b)(1). Furthermore, under Bankruptcy Code Section 105(a), “[t]he court may issue
22 any order, process, or judgment that is necessary or appropriate to carry out the provisions of this
23 title.” 11 U.S.C. § 105(a). Thus, pursuant to Bankruptcy Code Sections 363(b)(1) and 105(a), this
24 Court may authorize the implementation of overbidding procedures.

25 The Ninth Circuit, in a case under the Bankruptcy Act, recognized the power of a
26 bankruptcy court to issue orders determining the terms and conditions for overbids with respect to
27 a sale of estate assets. *In re Crown Corporation*, 679 F.2d 774 (9th Cir. 1982). The *Crown*
28 *Corporation* court entered an order specifying the minimum consideration required for an overbid

1 as well as the particular contractual terms required to be offered by overbidders. *Id.* at 777. The
2 *Crown Corporation* decision also approves an order requiring and setting the amount of potential
3 overbidder's deposits and authorized courts to determine the disposition of such deposits. *Id.*
4 While the discussion is not extensive, the *Crown Corporation* decision recognizes the authority of
5 bankruptcy courts to order the implementation of bidding procedures such as those proposed in the
6 present case.

7 **1. The Overbid Procedures are Untainted by Self-Dealing**

8 The Bidding Procedures have been proposed in good faith and have been negotiated on an
9 "arms-length" basis. Therefore, there is no prospective taint in dealings between Trustee and any
10 potential bidders.

11 **2. The Overbid Procedures Encourage Bidding and are Fair in Amount**

12 The Bidding Procedures are designed to encourage, not hamper bidding and are reasonable
13 under the circumstances. The Bidding Procedures are intended to provide potential overbidders
14 with adequate information to make an informed decision as to the amount of their bid and the
15 validity of their bid.

16 **3. The Overbid Procedures are Fair, Reasonable and Serve the Best Interests of**
17 **the Estate**

18 The proposed Bidding Procedures serve the Estate in several ways. First, the Bidding
19 Procedures themselves are fair, reasonable and productive; they will permit the Trustee to conduct
20 an orderly sale and obtain the best possible price on the best possible terms for the I Street
21 Property.

22 The Bidding Procedures will ensure that all bids will be comparable. The Trustee will
23 determine which bid is the highest and best for the Estate. The comparability requirement of the
24 Bidding Procedures will make it possible to accomplish this task.

25 The Bidding Procedures will help the Trustee to obtain the highest and best possible price
26 for the I Street Property. The Bidding Procedures institute minimum overbid increments which the
27 Trustee believes are reasonable. Thus, the Trustee will be able to obtain substantial benefit for this
28 Estate from the sale of the I Street Property from competing bids.

1 The Bidding Procedures require that potential bidders demonstrate their capacity to
2 complete the transaction. It would be a serious loss to the Estate if it surrendered its opportunity to
3 sell the I Street Property to one buyer in favor of a competing bidder only to discover the
4 successful bidder incapable of consummating the transaction. Thus, requiring bidders to qualify as
5 qualified bidders will protect the Estate from such a loss.

6 Finally, the most important benefit of the Bidding Procedures to the Estate is that their
7 implementation will enable the consummation of the proposed sale. The proposed sale will be the
8 best way to obtain the maximum and most expedient recovery for creditors of this Estate.
9 Implementation of the Bidding Procedures is an essential component of consummating the sale of
10 the I Street Property and maximizing the value of the I Street Property for the Estate and creditors.

11 The Bidding Procedures proposed by the Trustee are fair and provide for a “level playing
12 field” for all prospective bidders with respect to the I Street Property. The proposed Bidding
13 Procedures establish a reasonable but expeditious timeline for allowing the Trustee to give notice
14 of the proposed sale and qualified bidders to conduct reasonable due diligence and submit
15 competing offers for the I Street Property, thereby potentially generating additional value for the I
16 Street Property. Furthermore, the notice that the Trustee proposes to provide to creditors and
17 parties in interest in connection with the Bidding Procedures and Sale Motion is designed to attract
18 the most interest in the acquisition of the I Street Property and is sufficient under the circumstances
19 of this case. Thus, approval of the Bidding Procedures will serve the best interests of the Estate
20 and its creditors.

21 **E. Request for Payment of Real Estate Commission**

22 Bankruptcy Code Section 327 allows, with court approval, for the trustee to employ
23 professional persons, “that do not hold or represent an interest adverse to the estate, and that are
24 disinterested persons.” 11 U.S.C. § 327(a). By an Order entered on April 8, 2013, the Trustee was
25 authorized to employ the Broker to assist the Trustee in the marketing and sale of the I Street
26 Property.

27 Bankruptcy Code Section 328 allows employment of a professional person under Section
28 327 “on any reasonable terms and conditions of employment, including on a retainer, on an hourly

1 basis, on a fixed or percentage fee basis, or on a contingent fee basis.” 11 U.S.C. § 328(a)
2 (emphasis added). Through this Sale Motion, as provided in the Agreement, the Trustee seeks
3 authorization to pay a real estate broker commission in the amount of five percent (5%) of the
4 purchase price.

5 For purposes of this sale, the Broker is a dual-agent and is acting as the real estate broker
6 for both the Trustee and the Buyer. The Broker’s dual-agency is the result of the Broker’s initial
7 contact with the Buyer, who is the current tenant of the I Street Property. When the Broker began
8 the process of marketing the I Street Property, the Buyer contacted the Broker and expressed an
9 interest in acquiring the I Street Property. Prior to this initial contact between the Broker and the
10 Buyer, these two parties never had a personal or business relationship with one another.
11 Commission of the Broker as a dual-agent is in the best interests of the Estate because the Broker
12 has agreed to a reduction in his commission from the agreed upon six percent (6%) down to five
13 percent (5%).

14 Through escrow on the sale of the I Street Property, and subject to Bankruptcy Court
15 approval, the Trustee shall pay a real estate broker’s commission as follows:

<u>Agent</u>	<u>Commission</u>
Trustee’s Broker Craig Clark	Up to \$5,750.00
The Buyer’s Broker Craig Clark	Up to \$5,750.00

20 **IV. CONCLUSION**

21 **WHEREFORE**, based upon the foregoing, the Trustee respectfully submits that good
22 cause exists for granting the Sale Motion and requests that the Court enter an order as follows:

- 23 1. Granting the Sale Motion.
- 24 2. Approving the Bidding Procedures set forth above for the sale of the Property.
- 25 3. Authorizing the Trustee to sell the I Street Property to the Buyer (or Successful
26 Bidder) pursuant to the terms and conditions as set forth in the Agreement attached as **Exhibit 3** to
27 the Anderson Declaration.
- 28 4. Authorizing the sale of the I Street Property free and clear of liens.

DECLARATION OF KARL T. ANDERSON

I, Karl T. Anderson, declare:

1. I am the duly appointed, qualified and acting Chapter 7 Trustee for the bankruptcy estate of Michael and Carol Lovy, Case No. 6:12-bk-35120-WJ (“Debtors”). I have personal knowledge of the facts set forth herein, and if called and sworn as a witness, I could and would competently testify thereto, except where matters are stated on information and belief, in which case I am informed and believe that the facts so stated are true and correct.

2. I make this Declaration in support of my Motion for Order: (1) Approving the Sale of Real Property of the Estate Free and Clear of Certain Liens Pursuant to Bankruptcy Code § 363(b)(1) and (f), Subject to Overbids, Combined With Notice of Bidding Procedures and Request for Approval of the Bidding Procedures Utilized; (2) Approving Payment of Real Estate Commission; and (3) Granting Related Relief (“Sale Motion”). Unless otherwise noted, capitalized terms herein have the meaning as set forth in the Sale Motion.

3. I have read and I am aware of the contents of the Sale Motion and the accompanying Memorandum of Points and Authorities. The facts stated in the Sale Motion and the Memorandum of Points and Authorities are true to the best of my knowledge.

4. The Property that is the subject of the Sale Motion is commercial property owned by the Debtors. The Preliminary Title Report on the Property indicates that the Debtors were the owners on Petition Date. See **Exhibit 1** attached hereto.

5. Pursuant to Court order entered on April 8, 2013 (docket number 43), I was authorized to employ Craig Clark (the “Broker”), to assist me in the marketing and sale of the I Street Property.

6. In their Bankruptcy Schedule A, the Debtors listed the value of the I Street Property at \$300,000.00. Further, the Debtors’ schedules reflect that Heritage Bank hold a lien on the I Street Property. By and through the sale of the Union Property, it is estimated that approximately \$94,226.48 is owed to Heritage from the sale of the I Street Property. I am advised that approximately \$20,000 in real property taxes are owed to the Pierce County Assessor-Treasurer.

1 7. My Broker reviewed the I Street Property and believed the I Street Property had a
2 higher fair market value than the amount listed in the Debtors' Schedules. The I Street Property
3 was listed for sale at \$359,000.00. The I Street Property has been listed on the MLS and
4 advertised for sale since March 2013. I only received one offer on the I Street Property, and the
5 \$230,000.00 offer that is the subject of this Sale Motion represents best offer I received.

6 8. The Sale Motion sets forth the proposed treatment of all the liens and
7 encumbrances against the I Street Property as detailed in Preliminary Title Report, a true and
8 correct copy of which is attached hereto as **Exhibit 1**.

9 9. Through my Broker, I received an offer from Jayson Stevens and Sean Hart
10 (collectively, the "Buyer") to purchase the I Street Property for \$230,000.00. The purchase price
11 includes a deposit of \$5,000.00. Attached as **Exhibit 3** to my declaration is a true and correct
12 copy of the purchase and sale agreement and related addendum (collectively, the "Agreement").

13 10. The Buyer's offer for the purchase of the I Street Property is the best offer the
14 Estate has received. Through the sale of the I Street Property and the I Street Property, I expect
15 to generate proceeds of \$104,000.00, or more if overbids are received.

16 11. I am seeking to sell the Estate's interest in the I Street Property free and clear of
17 all liens, claims, and encumbrances and subject to the Bidding Procedures described in the Sale
18 Motion.

19 12. For the reasons set forth in the Sale Motion and this Declaration, I respectfully
20 request that the Court grant the Sale Motion so that I do not lose this favorable business
21 opportunity to net a substantial amount of money for the Estate.

22 I declare under penalty of perjury under the laws of the United States of America that the
23 foregoing is true and correct.

24 Executed on June 4, 2013, at Palm Springs, California



25
26 Karl T. Anderson

EXHIBIT “1”

PRELIMINARY TITLE REPORT



CHICAGO TITLE COMPANY

4717 SOUTH 19TH, STE 201, TACOMA, WA 98405

Order No.: 004377191

Your No.: LOVY PROPERTIES LLC

PROPERTY ADDRESS: 207-209 N I ST

TACOMA, WASHINGTON 98403

JOHANSSON CLARK REAL ESTATE
393 WINSLOW WAY EAST
BAINBRIDGE ISLAND, WASHINGTON 98110

ATTN: CRAIG CLARK

Enclosed are your materials on the above transaction. If you have any questions regarding these materials, please contact us.

Thank you for this opportunity to serve you.

UNIT 4

ROB HAINEY

COMMERCIAL TITLE MANAGER

EMAIL:

ROB.HAINEY@CTT.COM

PHONE:

(253) 671-6623

DAVID COLEMAN

SENIOR TITLE EXAMINER/TITLE OFFICER

EMAIL:

DAVID.COLEMAN@CTT.COM

PHONE:

253-671-6646

DON PETERS

COMMERCIAL TITLE OFFICER

EMAIL:

DONALD.PETERSJR@CTT.COM

PHONE:

253-671-6624

JACKIE LINDSTROM

COMMERCIAL TITLE OFFICER/ACCOUNT MANAGER

EMAIL:

JACLYN.LINDSTROM@CTT.COM

PHONE:

253-671-6655

FAX NUMBER (253) 671-6614

**AMERICAN LAND TITLE ASSOCIATION
TITLE INSURANCE COMMITMENT - 2006
(6-17-06)**

ISSUED BY

CHICAGO TITLE INSURANCE COMPANY

CHICAGO TITLE INSURANCE COMPANY, a Missouri corporation (“Company”), for a valuable consideration, commits to issue its policy or policies of title insurance, as identified in Schedule A, in favor of the Proposed Insured named in Schedule A, as owner or mortgagee of the estate or interest in the land described or referred to in Schedule A, upon payment of the premiums and charges and compliance with the Requirements; all subject to the provisions of Schedules A and B and to the Conditions of this Commitment.

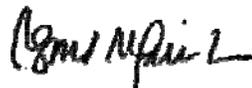
This Commitment shall be effective only when the identity of the Proposed Insured and the amount of the policy or policies committed for have been inserted in Schedule A by the Company.

All liability and obligation under this Commitment shall cease and terminate 6 months after the Effective Date or when the policy or policies committed for shall issue, whichever first occurs, provided that the failure to issue the policy or policies is not the fault of the Company.

The Company will provide a sample of the policy form upon request.

In Witness Whereof, CHICAGO TITLE INSURANCE COMPANY has caused its corporate name and seal to be affixed by its duly authorized officers on the date shown in Schedule A.

CHICAGO TITLE INSURANCE COMPANY

By: 
President

ATTEST 
Secretary



Issued By:
Chicago Title Company of Washington LLC
_____ (address)

CONDITIONS

1. The term mortgage, when used herein, shall include deed of trust, trust deed, or other security instrument.
2. If the proposed Insured has or acquired actual knowledge of any defect, lien, encumbrance, adverse claim or other matter affecting the estate or interest or mortgage thereon covered by this Commitment other than those shown in Schedule B hereof, and shall fail to disclose such knowledge to the Company in writing, the Company shall be relieved from liability for any loss or damage resulting from any act of reliance hereon to the extent the Company is prejudiced by failure to so disclose such knowledge. If the proposed Insured shall disclose such knowledge to the Company, or if the Company otherwise acquires actual knowledge of any such defect, lien, encumbrance, adverse claim or other matter, the Company at its option may amend Schedule B of this Commitment accordingly, but such amendment shall not relieve the Company from liability previously incurred pursuant to paragraph 3 of these Conditions and Stipulations.
3. Liability of the Company under this Commitment shall be only to the named proposed Insured and such parties included under the definition of Insured in the form of policy or policies committed for and only for actual loss incurred in reliance hereon in undertaking in good faith (a) to comply with the requirements hereof, or (b) to eliminate exceptions shown in Schedule B, or (c) to acquire or create the estate or interest or mortgage thereon covered by this Commitment. In no event shall such liability exceed the amount stated in Schedule A for the policy or policies committed for and such liability is subject to the insuring provisions and Conditions and Stipulations and the Exclusions from Coverage of the form of policy or policies committed for in favor of the proposed Insured which are hereby incorporated by reference and are made a part of this Commitment except as expressly modified herein.
4. This Commitment is a contract to issue one or more title insurance policies and is not an abstract of title or a report of the condition of title. Any action or actions or rights of action that the proposed Insured may have or may bring against the Company arising out of the status of the title to the estate or interest or the status of the mortgage thereon covered by this Commitment must be based on and are subject to the provisions of this Commitment.
5. *The policy to be issued contains an arbitration clause. All arbitrable matters when the Amount of Insurance is \$2,000,000 or less shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. You may review a copy of the arbitration rules at < <http://www.alta.org/>>.*

CHICAGO TITLE COMPANY

4717 SOUTH 19TH, STE 201, TACOMA, WA 98405

A.L.T.A. COMMITMENT

SCHEDULE A

Order No.: 4377191

Title Unit: U4 Customer Number: LOVY PROPERTIES LLC
Phone: (253)474-2377 Buyer(s): TBD
Fax: (253)471-4367
Officer: ROB HAINEY

Commitment Effective Date: FEBRUARY 6, 2013 at 8:00 A.M.

1. Policy or Policies to be issued:

ALTA Owner's Policy Amount: \$0.00
STANDARD POLICY (6/17/2006) Premium: **PER FILED RATE SCHEDULE**
Tax:

Proposed Insured:
TO BE DETERMINED

Policy or Policies to be issued:

ALTA Loan Policy Amount: \$0.00
Premium:
Tax:

Proposed Insured:

Policy or Policies to be issued:

ALTA Loan Policy Amount: \$0.00
Premium:
Tax:

Proposed Insured:

2. The estate or interest in the land which is covered by this Commitment is:

FEE SIMPLE

3. Title to the estate or interest in the land is at the effective date hereof vested in:

LOVY PROPERTIES, LLC

4. The land referred to in this Commitment is described as follows:

SEE ATTACHED LEGAL DESCRIPTION EXHIBIT

CHICAGO TITLE COMPANY
A.L.T.A. COMMITMENT
SCHEDULE A
(Continued)

Order No.: 4377191
Your No.: LOVY PROPERTIES LLC

LEGAL DESCRIPTION EXHIBIT
(Paragraph 4 of Schedule A continuation)

LOTS 8 AND 9, BLOCK 3217, MAP OF NEW TACOMA, WASHINGTON TERRITORY,
ACCORDING TO THE PLAT THEREOF RECORDED FEBRUARY 3, 1875 RECORDS OF PIERCE
COUNTY AUDITOR.

TOGETHER WITH THAT PORTION OF THE ALLEY VACATED BY ORDINANCE NO. 1617 OF
THE CITY OF TACOMA ABUTTING THEREON.

SITUATE IN THE CITY OF TACOMA, COUNTY OF PIERCE, STATE OF WASHINGTON.

CLTACMA6/RDA/0999

CHICAGO TITLE COMPANY

A.L.T.A. COMMITMENT
SCHEDULE B

Order No.: 4377191
Your No.: LOVY PROPERTIES LLC

Schedule B of the policy or policies to be issued will contain exceptions to the following matters unless the same are disposed of to the satisfaction of the Company.

GENERAL EXCEPTIONS

- A. Rights or claims of parties in possession, or claiming possession, not shown by the Public Records.
- B. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land.
- C. Easements, prescriptive rights, rights-of-way, liens or encumbrances, or claims thereof, not shown by the Public Records.
- D. Any lien, or right to a lien, for contributions to employee benefit funds, or for state workers' compensation, or for services, labor, or material heretofore or hereafter furnished, all as imposed by law, and not shown by the Public Records.
- E. Taxes or special assessments which are not yet payable or which are not shown as existing liens by the Public Records.
- F. Any lien for service, installation, connection, maintenance, tap, capacity, or construction or similar charges for sewer, water, electricity, natural gas or other utilities, or for garbage collection and disposal not shown by the Public Records.
- G. Unpatented mining claims, and all rights relating thereto; reservations and exceptions in United States Patents or in Acts authorizing the issuance thereof; Indian tribal codes or regulations, Indian treaty or aboriginal rights, including easements or equitable servitudes.
- H. Water rights, claims or title to water.
- I. Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in the Public Records, or attaching subsequent to the effective date hereof but prior to the date the proposed Insured acquires of record for value the estate or interest or mortgage thereon covered by this Commitment.

SPECIAL EXCEPTIONS FOLLOW

CHICAGO TITLE COMPANY
A.L.T.A. COMMITMENT
SCHEDULE B
(Continued)

Order No.: 004377191
Your No.: LOVY PROPERTIES LLC

SPECIAL EXCEPTIONS

A 1. GENERAL AND SPECIAL TAXES AND CHARGES: PAYABLE ON FEBRUARY 15TH:

YEAR: 2013
AMOUNT: \$ NOT YET AVAIL ABLE
TAX ACCOUNT NUMBER: 203217-004-0
LEVY CODE: 005
ASSESSED VALUE-LAND: \$ 117, 200. 00
ASSESSED VALUE-IMPROVEMENTS: \$ 226, 500. 00

B DELINQUENT GENERAL TAXES, FIRST INSTALLMENT DELINQUENT MAY 1, SECOND
INSTALLMENT DELINQUENT NOVEMBER 1:

YEAR: 2012
AMOUNT CHARGED: \$ 6, 46. 85
MINIMUM DUE: \$ 6, 467. 85
BALANCE DUE: \$ 6, 467. 85
TAX ACCOUNT NUMBER: 203217-004-0

NOTE: THE ABOVE AMOUNTS INCLUDE CHARGES, INTEREST AND PENALTY, IF
ANY, AS OF DATE OF COMMITMENT. FOR THE EXACT AMOUNT FOR ANY
SUBSEQUENT MONTH, PLEASE CONTACT PIERCE COUNTY ASSESSOR/TREASURER AT
(253)798-6111.

C DELINQUENT GENERAL TAXES, FIRST INSTALLMENT DELINQUENT MAY 1, SECOND
INSTALLMENT DELINQUENT NOVEMBER 1:

YEAR: 2011
AMOUNT CHARGED: \$ 7, 218. 30
MINIMUM DUE: \$ 7, 218. 30
BALANCE DUE: \$ 7, 218. 30
TAX ACCOUNT NUMBER: 203217-004-0

NOTE: THE ABOVE AMOUNTS INCLUDE CHARGES, INTEREST AND PENALTY, IF
ANY, AS OF DATE OF COMMITMENT. FOR THE EXACT AMOUNT FOR ANY
SUBSEQUENT MONTH, PLEASE CONTACT PIERCE COUNTY ASSESSOR/TREASURER AT
(253)798-6111.

CHICAGO TITLE COMPANY
A.L.T.A. COMMITMENT
SCHEDULE B
(Continued)

Order No.: 4377191
Your No.: LOVY PROPERTIES LLC

SPECIAL EXCEPTIONS

D DELINQUENT GENERAL TAXES, FIRST INSTALLMENT DELINQUENT MAY 1, SECOND
INSTALLMENT DELINQUENT NOVEMBER 1:

YEAR: 2010
AMOUNT CHARGED: \$ 6,488.88
MINIMUM DUE: \$ 3,739.34
BALANCE DUE: \$ 3,739.34
TAX ACCOUNT NUMBER: 203217-004-0

NOTE: THE ABOVE AMOUNTS INCLUDE CHARGES, INTEREST AND PENALTY, IF ANY,
AS OF DATE OF COMMITMENT. FOR THE EXACT AMOUNT FOR ANY SUBSEQUENT
MONTH, PLEASE CONTACT PIERCE COUNTY ASSESSOR/TREASURER AT
(253)798-6111.

E 2. PAYMENT OF THE REAL ESTATE EXCISE TAX, IF REQUIRED.

THE PROPERTY DESCRIBED HEREIN IS SITUATED WITHIN THE BOUNDARIES OF
LOCAL TAXING AUTHORITY OF THE CITY OF TACOMA.

PRESENT RATE OF REAL ESTATE EXCISE TAX AS OF THE DATE HEREIN IS .0128
STATE, PLUS .0050 LOCAL = 1.78 PERCENT, PLUS A \$5.00 STATE TECHNOLOGY
FEE.

(NOTE: A DEED EXEMPT FROM EXCISE TAX IS STILL SUBJECT TO THE \$5.00
TECHNOLOGY FEE AND AN ADDITIONAL \$5.00 AFFIDAVIT PROCESSING FEE).

ANY CONVEYANCE DOCUMENT MUST BE ACCOMPANIED BY THE OFFICIAL WASHINGTON
STATE EXCISE TAX AFFIDAVIT. THE APPLICABLE EXCISE TAX MUST BE PAID
AND THE AFFIDAVIT APPROVED AT THE TIME OF THE RECORDING OF THE
CONVEYANCE DOCUMENTS.

G 3. DEED OF TRUST AND THE TERMS AND CONDITIONS THEREOF:

GRANTOR: LOVY PROPERTIES LLC
TRUSTEE: FIRST AMERICAN TITLE INSURANCE
COMPANY
BENEFICIARY: PIERCE COMMERCIAL BANK
AMOUNT: \$ 665,000.00
DATED: JUNE 22, 2007
RECORDED: JUNE 25, 2007

CLTACMB2/RDA/0999

CHICAGO TITLE COMPANY
A.L.T.A. COMMITMENT
SCHEDULE B
(Continued)

Order No.: 4377191
Your No.: LOVY PROPERTIES LLC

SPECIAL EXCEPTIONS

RECORDING NUMBER: 200706251106
LOAN NUMBER: N/A

THE AMOUNT NOW SECURED BY SAID DEED OF TRUST AND THE TERMS UPON WHICH THE SAME CAN BE DISCHARGED OR ASSUMED SHOULD BE ASCERTAINED FROM THE HOLDER OF THE INDEBTEDNESS SECURED.

I APPOINTMENT OF SUCCESSOR TRUSTEE:

APPOINTED: DAVI ES PEARSON, P. C.
BY: HERI TAGE BANK
RECORDED: OCTOBER 5, 2012
RECORDING NUMBER: 201210050506

J NOTICE OF TRUSTEE' S SALE:

GIVEN BY: JAMES R. TOMLINSON, DAVI ES PEARSON,
P. C.
SALE TO BE HELD: FEBRUARY 8, 2013
RECORDED: NOVEMBER 5, 2012
RECORDING NUMBER: 201211050012

H 4. ASSIGNMENT OF RENTS AND/OR LEASES AND THE TERMS AND CONDITIONS THEREOF:

ASSIGNOR: LOVY PROPERTIES LLC
ASSIGNEE: PIERCE COMMERCIAL BANK
DATED: JUNE 22, 2007
RECORDED: JUNE 25, 2007
RECORDING NUMBER: 200706251107

K 5. THE LEGAL DESCRIPTION IN THIS COMMITMENT IS BASED ON INFORMATION PROVIDED WITH THE APPLICATION AND THE PUBLIC RECORDS AS DEFINED IN THE POLICY TO ISSUE. THE PARTIES TO THE FORTHCOMING TRANSACTION MUST NOTIFY THE TITLE INSURANCE COMPANY PRIOR TO CLOSING IF THE DESCRIPTION DOES NOT CONFORM TO THEIR EXPECTATIONS.

L 6. TERMS AND CONDITIONS OF THE LIMITED LIABILITY COMPANY AGREEMENT FOR

CHICAGO TITLE COMPANY
A.L.T.A. COMMITMENT
SCHEDULE B
(Continued)

Order No.: 4377191
Your No.: LOVY PROPERTIES LLC

SPECIAL EXCEPTIONS

LOVY PROPERTIES LLC.

- M NOTE: A COPY OF THE LIMITED LIABILITY COMPANY AGREEMENT, AND AMENDMENTS THERETO, IF ANY, MUST BE SUBMITTED.
- N 7. ANY CONVEYANCE OR MORTGAGE BY LOVY PROPERTIES LLC, MUST BE EXECUTED IN ACCORDANCE WITH THE LIMITED LIABILITY COMPANY AGREEMENT AND BY ALL THE MEMBERS, OR EVIDENCE MUST BE SUBMITTED THAT CERTAIN DESIGNATED MANAGERS/MEMBERS HAVE BEEN AUTHORIZED TO ACT FOR THE LIMITED LIABILITY COMPANY.
- O 8. WE FIND NO LIMITED LIABILITY COMPANY UNDER THE NAME OF LOVY PROPERTIES LLC ON THE LIST OF ACTIVE LIMITED LIABILITY COMPANIES IN THE OFFICE OF THE SECRETARY OF STATE. IT MAY NOT BE A LEGAL ENTITY CAPABLE OF HOLDING AN INTEREST IN REAL PROPERTY. EVIDENCE OF THE EXISTENCE OF SAID LIMITED LIABILITY COMPANY MUST BE SUBMITTED.
- P 9. TITLE IS TO BE VESTED IN PERSONS NOT YET REVEALED AND WHEN SO VESTED WILL BE SUBJECT TO MATTERS DISCLOSED BY A SEARCH OF THE RECORDS AGAINST THEIR NAMES.
- Q NOTE 1:
COUNTY RECORDS INDICATE THAT THE ADDRESS OF THE IMPROVEMENT LOCATED ON SAID LAND IS:

207-209 N I ST
TACOMA, WASHINGTON 98403
- R NOTE 2: THE ATTACHED MAP IS NOT A PLAT OF SURVEY. IT IS FURNISHED AS A CONVENIENCE TO LOCATE THE LAND DESCRIBED HEREIN UNDER SCHEDULE A WITH REFERENCE TO STREETS AND OTHER LAND. NO LIABILITY IS ASSUMED BY REASON OF REFERENCE OR RELIANCE ON SAID MAP.
- S DWcduc

ORDERED BY: JOHANSSON CLARK REAL ESTATE

END OF SCHEDULE B

- U THE FOLLOWING MAY BE USED AS AN ABBREVIATED LEGAL DESCRIPTION ON THE DOCUMENTS TO BE RECORDED TO COMPLY WITH THE REQUIREMENTS OF RCW 64.04. SAID ABBREVIATED LEGAL DESCRIPTION IS NOT A SUBSTITUTE FOR A COMPLETE

CHICAGO TITLE COMPANY
A.L.T.A. COMMITMENT
SCHEDULE B
(Continued)

Order No.: 4377191
Your No.: LOVY PROPERTIES LLC

SPECIAL EXCEPTIONS

LEGAL DESCRIPTION WHICH MUST ALSO APPEAR IN THE BODY OF THE DOCUMENT:

LOTS 8 & 9, BLOCK 3217, NEW TACOMA

FIDELITY NATIONAL FINANCIAL, INC.
PRIVACY STATEMENT
Effective Date: 5/1/2008

Fidelity National Financial, Inc. and its subsidiaries ("FNF") respect the privacy and security of your non-public personal information ("Personal Information") and protecting your Personal Information is one of our top priorities. This Privacy Statement explains FNF's privacy practices, including how we use the Personal Information we receive from you and from other specified sources, and to whom it may be disclosed. FNF follows the privacy practices described in this Privacy Statement and, depending on the business performed, FNF companies may share information as described herein.

PERSONAL INFORMATION COLLECTED

We may collect Personal Information about you from the following sources:

- * Information we receive from you on applications or other forms, such as your name, address, social security number, tax identification number, asset information, and income information;
- * Information we receive from you through our Internet websites, such as your name, address, email address, Internet Protocol address, the website links you used to get to our websites, and your activity while using or reviewing our websites;
- * Information about your transactions with or services performed by us, our affiliates, or others, such as information concerning your policy, premiums, payment history, information about your home or other real property, information from lenders and other third parties involved in such transaction, account balances, and credit card information; and
- * Information we receive from consumer or other reporting agencies and publicly recorded documents.

DISCLOSURE OF PERSONAL INFORMATION

We may provide your Personal Information (excluding information we receive from consumer or other credit report agencies) to various individuals and companies, as permitted by law, without obtaining your prior authorization. Such laws do not allow consumers to restrict these disclosures.

Disclosures may include, without limitation, the following:

- * To insurance agents, brokers, representatives, support organizations, or others to provide you with services you have requested, and to enable us to detect or prevent criminal activity, fraud, material misrepresentation, or nondisclosure in connection with an insurance transaction;
- * To third-party contractors or service providers for the purpose of determining your eligibility for insurance benefit or payment and/or providing you with services you have requested;
- * To an insurance regulatory authority, or a law enforcement or other governmental authority, in a civil action, in connection with a subpoena or a governmental investigation;
- * To companies that perform marketing services on our behalf or to other financial institutions with which we have joint marketing agreements and/or
- * To lenders, lien holders, judgment creditors, or other parties claiming an encumbrance or an interest in title whose claim or interest must be determined, settled, paid or released prior to a title or escrow closing.

We may also disclose your Personal Information to others when we believe, in good faith, that such disclosure is reasonably necessary to comply with the law or to protect the safety of our customers, employees, or property and/or to comply with a judicial proceeding, court order or legal process.

Effective Date: 5/1/2008

Disclosure to Affiliated Companies - We are permitted by law to share your name, address and facts about your transaction with other FNF companies, such as insurance companies, agents, and other real estate service providers to provide you with services you have requested, for marketing or product development research, or to market products or services to you. We do not, however, disclose information we collect from consumer or credit reporting agencies with our affiliates or others without your consent, in conformity with applicable law, unless such disclosure is otherwise permitted by law.

Disclosure to Nonaffiliated Third Parties - We do not disclose Personal Information about our customers or former customers to nonaffiliated third parties, except as outlined herein or as otherwise permitted by law.

CONFIDENTIALITY AND SECURITY OF PERSONAL INFORMATION

We restrict access to Personal Information about you to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard Personal Information.

ACCESS TO PERSONAL INFORMATION/

REQUESTS FOR CORRECTION, AMENDMENT, OR DELETION OF PERSONAL INFORMATION

As required by applicable law, we will afford you the right to access your Personal Information, under certain circumstances to find out to whom your Personal Information has been disclosed, and request correction or deletion of your Personal Information.

However, **FNF's current policy is to maintain customers' Personal Information for no less than your state's required record retention requirements for the purpose of handling future coverage claims.**

For your protection, **all requests made under this section must be in writing and must include your notarized signature to establish your identity.** Where permitted by law, we may charge a reasonable fee to cover the costs incurred in responding to such requests. Please send requests to:

Chief Privacy Officer
Fidelity National Financial, Inc.
601 Riverside Avenue
Jacksonville, FL 32204

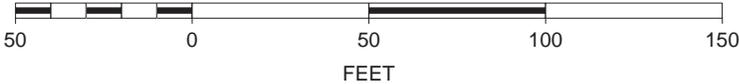
CHANGES TO THIS PRIVACY STATEMENT

This Privacy Statement may be amended from time to time consistent with applicable privacy laws. When we amend this Privacy Statement, we will post a notice of such changes on our website. The effective date of this Privacy Statement, as stated above, indicates the last time this Privacy Statement was revised or materially changed.

Chicago Title Order No. 4377191



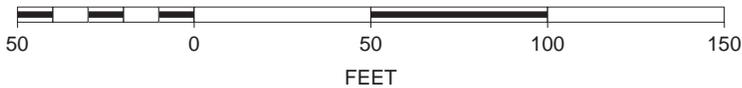
SCALE 1 : 649



Chicago Title Order No. 4377191



SCALE 1 : 649



3

FILED BY PNWT/P
586817-34



200503081311 4 PGS
03-08-2005 03:35pm \$22.00
PIERCE COUNTY WASHINGTON

RETURN ADDRESS:

Viking Bank,
registered trade name of
Viking Community Bank
Fife Office
3206 East 20th Street
Fife, WA 98424

NOTICE: THIS SUBORDINATION AGREEMENT - LEASE RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

SUBORDINATION AGREEMENT - LEASE

Reference # (if applicable): 1018012680

Additional on page ____

Grantor(s):

- 1. Gruber, Scott Allan
- 2. Bryant, Merry Jill

Grantee(s)

1. Viking Bank,
registered trade name of Viking Community Bank

Legal Description: Lots 8 and 9, Block 3217,
Map of New Tacoma

Additional on page 2

Assessor's Tax Parcel ID#: 203217-004-0

THIS SUBORDINATION AGREEMENT - LEASE dated March 7, 2005, is made and executed between Maris Taylor Corporation (referred to herein sometimes as "Lessee" and sometimes as "Borrower"); and Viking Bank, registered trade name of Viking Community Bank ("Lender").

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**SUBORDINATION AGREEMENT - LEASE
(Continued)**

Loan No: 1018012680

Page 2

LEASE. Lessee has executed a lease dated January 14, 2002 of the property described herein which was recorded as follows: This is an unrecorded lease (the "Subordinated Lease"). The following information is the summary of the basic terms and conditions of the Subordinated Lease: Between Scott Allan Gruber and Merry Jill Bryant (hereinafter referred to as "Landlord") and Maris Taylor Corporation (hereinafter referred to as "Tenant"). The term of this Lease shall be for Twenty-Five (25) years commencing on February 1, 2003 and ending on January 31, 2028. Tenant shall pay to Landlord the sum of One Thousand One Hundred Thirty Three and 00/100 (\$1,133.00) dollars per month.

REAL PROPERTY DESCRIPTION. The Lease covers Property located at 207-209 North "I" Street, Tacoma, WA 98403 of the following described real property located in Pierce County, State of Washington:

Lots 8 and 9, Block 3217, Map of New Tacoma, W.T., according to the plat thereof recorded February 3, 1875, in Pierce County, Washington;

TOGETHER WITH that portion of alley vacated by Ordinance No. 1617 of the City of Tacoma, abutting thereon

The Real Property or its address is commonly known as 207-209 North "I" Street, Tacoma, WA 98403. The Real Property tax identification number is 203217-004-0

REQUESTED FINANCIAL ACCOMMODATIONS. Lessee wants Lender to provide financial accommodations to Lessee in the form of (A) new credit or loan advances, (B) an extension of time to pay or other compromises regarding all or part of Lessee's present indebtedness to Lender, or (C) other benefits to Lessee. Lessee represents and acknowledges to Lender that Lessee will benefit as a result of these financial accommodations from Lender to Lessee, and Lessee acknowledges receipt of valuable consideration for entering into this Subordination.

LENDER'S LIEN. As a condition to the granting of the requested financial accommodations, Lender has required that its lien on the Real Property ("Lender's Lien") be and remain superior to the Subordinated Lease.

NOW THEREFORE THE PARTIES TO THIS SUBORDINATION HEREBY AGREE AS FOLLOWS:

SUBORDINATION. All of Lessee's right, title, and interest in and to the Subordinated Lease and the Real Property is and shall be subordinated in all respects to Lender's Lien and the Superior Indebtedness, and it is agreed that Lender's Lien shall be and remain, at all times, prior and superior to Lessee's interests in the Subordinated Lease and the Real Property. Lessee also subordinates to Lender's Lien all other Security Interests in the Real Property held by Lessee, whether now existing or hereafter acquired.

LESSEE'S REPRESENTATIONS AND WARRANTIES. Lessee hereby represents and warrants to Lender that Lessee has heretofore delivered to Lender a true, correct and complete copy of the Lease, which constitutes the entire agreement between the parties thereto and Lessee further acknowledges that the Lease is in full force and effect and that no default by Lessee or, to Lessee's knowledge, by other party under the terms and provisions of the Lease exists as of the date hereof.

LESSEE WAIVERS. Lessee waives any right to require Lender: (A) to make, extend, renew, or modify any loan to Lessee or to grant any other financial accommodations to Lessee whatsoever; (B) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of any Superior Indebtedness secured by Lender's Lien, or notice of any action or nonaction on the part of Lessee, Lender, any surety, endorser, or other guarantor in connection with the Superior Indebtedness, or in connection with the creation of new or additional indebtedness; (C) to resort for payment or to proceed directly or at once against any person, including Lessee; (D) to proceed directly against or exhaust any collateral held by Lender from Lessee, any other guarantor, or any other person; (E) to give notice of the terms, time, and place of any public or private sale of personal property security held by Lender from Lessee or to comply with any other applicable provisions of the Uniform Commercial Code; (F) to pursue any other remedy within Lender's power; or (G) to commit any act or omission of any kind, at any time, with respect to any matter whatsoever.

LENDER'S RIGHTS. Lender may take or omit any and all actions with respect to Lender's Lien without affecting whatsoever any of Lender's rights under this Subordination. In particular, without limitation, Lender may (A) make one or more additional secured or unsecured loans to Lessee; (B) repeatedly alter, compromise, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Superior Indebtedness or any part of it, including increases and decreases of the rate of interest on the Superior Indebtedness; extensions may be repeated and may be for longer than the original loan term; (C) take and hold collateral for the payment of the Superior Indebtedness, and exchange, enforce, waive, and release any such collateral, with or without the substitution of new collateral; (D) release, substitute, agree not to sue, or deal with any one or more of Lessee's sureties, endorsers, or guarantors on any terms or manner Lender chooses; (E) determine how, when and what application of payments and credits, shall be made on the Superior Indebtedness; (F) apply such security and direct the order or manner of sale of the security, as Lender in its discretion may determine; and (G) transfer this Subordination to another party.

DEFAULT BY LESSEE. If Lessee becomes insolvent or bankrupt, this Subordination shall remain in full force and effect. In the event of a corporate reorganization or corporate arrangement of Lessee under the provisions of the Bankruptcy Code, as amended, this Subordination shall remain in full force and effect and the court having jurisdiction over the reorganization or arrangement is hereby authorized to preserve such priority and subordination provided under this Subordination in approving any such plan of reorganization or arrangement. Any default by Lessee under the terms of the Subordinated Lease also shall constitute an event of default under the terms of the Superior Indebtedness in favor of Lender.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Subordination:

Amendments. This Subordination, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Subordination. No alteration of or amendment to this Subordination shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Attorneys' Fees; Expenses. If Lender institutes any suit or action to enforce any of the terms of this Subordination, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and upon any appeal. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees and expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees and title insurance, to the extent permitted by applicable law. Lessee also will pay any court costs, in addition to all other sums provided by law.

Authority. The person who signs this Subordination as or on behalf of Lessee represents and warrants that he or she has authority to execute this Subordination and to subordinate the Subordinated Indebtedness and the Lessee's security interests in Lessee's property, if any.

**SUBORDINATION AGREEMENT - LEASE
(Continued)**

Loan No: 1018012680

Page 3

Caption Headings. Caption headings in this Subordination are for convenience purposes only and are not to be used to interpret or define the provisions of this Subordination.

Governing Law. This Subordination will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Washington without regard to its conflicts of law provisions. This Subordination has been accepted by Lender in the State of Washington.

Choice of Venue. If there is a lawsuit, Lessee agrees upon Lender's request to submit to the jurisdiction of the courts of King County, State of Washington.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Subordination unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Subordination shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Subordination. No prior waiver by Lender, nor any course of dealing between Lender and Lessee, shall constitute a waiver of any of Lender's rights or of any of Lessee's obligations as to any future transactions. Whenever the consent of Lender is required under this Subordination, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Successors. This Subordination shall extend to and bind the respective heirs, personal representatives, successors and assigns of the parties to this Subordination, and the covenants of Lessee herein in favor of Lender shall extend to, include, and be enforceable by any transferee or endorsee to whom Lender may transfer any or all of the Superior Indebtedness.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN, A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

EACH PARTY TO THIS SUBORDINATION ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS SUBORDINATION, AND EACH PARTY AGREES TO ITS TERMS. THIS SUBORDINATION IS DATED MARCH 7, 2005.

LESSEE:

MARIS TAYLOR CORPORATION

By: [Signature]
Scott Allan Gruber, Secretary of Maris Taylor Corporation

By: [Signature]
Merry Jill Bryant, President/Treasurer of Maris Taylor Corporation

LENDER:

VIKING BANK,
REGISTERED TRADE NAME OF VIKING COMMUNITY BANK

X [Signature]
Frank Marzano, Vice President

CORPORATE ACKNOWLEDGMENT

STATE OF Washington)
) SS
COUNTY OF Pierce)



On this 8 day of March, 2005, before me, the undersigned Notary Public, personally appeared **Scott Allan Gruber, Secretary of Maris Taylor Corporation**, and personally known to me or proved to me on the basis of satisfactory evidence to be an authorized agent of the corporation that executed the Subordination Agreement - Lease and acknowledged the Subordination to be the free and voluntary act and deed of the corporation, by authority of its Bylaws or by resolution of its board of directors, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this Subordination and in fact executed the Subordination on behalf of the corporation.

By: [Signature]
Notary Public in and for the State of WA

Residing at Spanaway
My commission expires 8-19-06

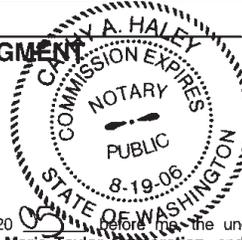
**SUBORDINATION AGREEMENT - LEASE
(Continued)**

Loan No: 1018012680

Page 4

CORPORATE ACKNOWLEDGMENT

STATE OF Wash)
) SS
COUNTY OF Pierce)



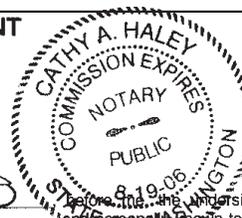
On this 8 day of March, 2005, before me, the undersigned Notary Public, personally appeared **Merry Jill Bryant, President/Treasurer of Maris Taylor Corporation**, and personally known to me or proved to me on the basis of satisfactory evidence to be an authorized agent of the corporation that executed the Subordination Agreement - Lease and acknowledged the Subordination to be the free and voluntary act and deed of the corporation, by authority of its Bylaws or by resolution of its board of directors, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this Subordination and in fact executed the Subordination on behalf of the corporation.

By Cathy A Haley
Notary Public in and for the State of WA

Residing at Spanaway
My commission expires 8-19-06

LENDER ACKNOWLEDGMENT

STATE OF Wash)
) SS
COUNTY OF Pierce)



On this 8 day of March, 2005, before me, the undersigned Notary Public, personally appeared **Frank Marzano** and personally known to me or proved to me on the basis of satisfactory evidence to be the authorized agent for the Lender that executed the within and foregoing instrument and acknowledged said instrument to be the free and voluntary act and deed of the said Lender, duly authorized by the Lender through its board of directors or otherwise, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this said instrument and that the seal affixed is the corporate seal of said Lender.

By Cathy A Haley
Notary Public in and for the State of WA

Residing at Spanaway
My commission expires 8-19-06

F.A.T.C.O.

NCS 289065



200706251105 2 PGS
06/25/2007 3:26pm \$33.00
PIERCE COUNTY, WASHINGTON

AFTER RECORDING MAIL TO:

Lovy Properties, LLC
5803 South Eddy
Seattle, WA 98118

Filed for Record at Request of:
First American Title Insurance Company National Commercial
Services

Space above this line for Recordors use only

STATUTORY WARRANTY DEED

File No: **NCS-289065-WA3 (lay)**

Date: **June 21, 2007**

Grantor(s): **Scott A. Gruber and Merry Jill Bryant**
Grantee(s): **Lovy Properties, LLC**
Abbreviated Legal: **Lots 8 & 9, Block 3217, Map of New Tacoma**
Additional Legal on page:
Assessor's Tax Parcel No(s): **203217-004-0**

THE GRANTOR(S) Scott A. Gruber and Merry Jill Bryant, husband and wife for and in consideration of **Ten Dollars and other Good and Valuable Consideration**, in hand paid, conveys, and warrants to **Lovy Properties, LLC, a Washington Limited Liability Company**, the following described real estate, situated in the County of **Pierce**, State of **Washington**.

LOTS 8 AND 9 IN BLOCK 3217 OF MAP OF NEW TACOMA, WASHINGTON TERRITORY, ACCORDING TO PLAT RECORDED FEBRUARY 3, 1875 IN THE OFFICE OF THE COUNTY RECORDER, IN PIERCE COUNTY, WASHINGTON;

TOGETHER WITH THAT PORTION OF THE ALLEY VACATED BY ORDINANCE NO. 1617 OF THE CITY OF TACOMA ABUTTING THEREON.

Subject To: This conveyance is subject to covenants, conditions, restrictions and easements, if any, affecting title, which may appear in the public record, including those shown on any recorded plat or survey.

Scott A. Gruber

Merry Jill Bryant

06/25/2007 3:10pm KARCENE
EXCISE COLLECTED: \$11,837.00 PRO.FEE: \$0.00
PAT MCCARTHY, AUDITOR
PIERCE COUNTY, WA STATE FEE: \$5.00

4166191 1 PG

33

APN: 203217-004-0

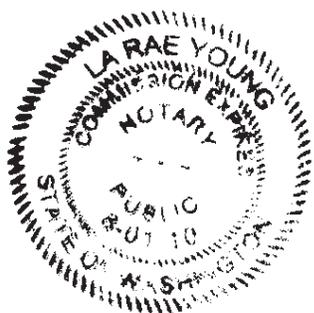
Statutory Warranty Deed
- continued

File No.: NCS-289065-WA3 (lay)
Date: 06/21/2007

STATE OF Washington)
)-ss
COUNTY OF Pierce)

I certify that I know or have satisfactory evidence that **Scott A. Gruber and Merry Jill Bryant**, is/are the person(s) who appeared before me, and said person(s) acknowledged that he/she/they signed this instrument and acknowledged it to be his/her/their free and voluntary act for the uses and purposes mentioned in this instrument.

Dated: June 22, 2007 La Rae Young



Notary Public in and for the State of Washington
Residing at: Puyallup
My appointment expires: Aug 1, 2010

F.A.T.C.O.

NCS 289065



200706251106 11 PGS
06/25/2007 3:26pm \$43.00
PIERCE COUNTY, WASHINGTON

RETURN ADDRESS:
PIERCE COMMERCIAL
BANK
1722 SOUTH UNION
AVENUE
TACOMA, WA 98405

DEED OF TRUST

DATE: June 22, 2007

Reference # (if applicable): _____

Additional on page _____

Grantor(s):

- 1. LOVY PROPERTIES, LLC

Grantee(s)

- 1. PIERCE COMMERCIAL BANK
- 2. FIRST AMERICAN TITLE INSURANCE COMPANY, Trustee

Legal Description: LOTS 8 & 9, BLOCK 3217, MAP OF NEW TACOMA

Additional on page 2

Assessor's Tax Parcel ID#: 203217-004-0

THIS DEED OF TRUST is dated June 22, 2007, among LOVY PROPERTIES, LLC, a Washington Limited Liability Company, whose address is 1310 UNION AVENUE SOUTH, TACOMA, WA 98405 ("Grantor"); PIERCE COMMERCIAL BANK, whose mailing address is 1722 SOUTH UNION AVENUE, TACOMA, WA 98405 (referred to below sometimes as "Lender" and sometimes as "Beneficiary"); and FIRST AMERICAN TITLE INSURANCE COMPANY, whose mailing address is 2101 FOURTH AVENUE, SUITE 800, SEATTLE, WA 98121 (referred to below as "Trustee").

43-

Removal of Improvements. Grantor shall not demolish or remove any improvements from the Real Property without the prior written consent of Lender.

Nuisance, Waste. Grantor shall not cause, conduct or permit any nuisance nor commit, permit, or suffer any stripping of soil, gravel or rock products without Lender's prior written consent.

Duty to Maintain. Grantor shall maintain the Property in tenable condition and promptly perform all repairs, replacements, and maintenance necessary to preserve its value.

Possession and Use. Until the occurrence of an Event of Default, Grantor may (1) remain in possession and control of the Property; (2) use, operate or manage the Property; and (3) collect the Rents from the Property (this privilege is a license from Lender to Grantor automatically revoked upon default). The following provisions relate to the use of the Property or to other limitations on the Property. The Real Property is not used principally for agricultural purposes.

shall be governed by the following provisions:

POSSESSION AND MAINTENANCE OF THE PROPERTY. Grantor agrees that Grantor's possession and use of the Property

obligations under the Note, this Deed of Trust, and the Related Documents.

PAYMENT AND PERFORMANCE. Except as otherwise provided in this Deed of Trust, Grantor shall pay to Lender all amounts secured by this Deed of Trust as they become due, and shall strictly and in a timely manner perform all of Grantor's

OF TRUST. THIS DEED OF TRUST IS GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:

PERFORMANCE OF ANY AND ALL OBLIGATIONS UNDER THE NOTE, THE RELATED DOCUMENTS, AND THIS DEED OF TRUST. THIS DEED OF TRUST, INCLUDING THE ASSIGNMENT OF RENTS AND THE SECURITY INTEREST IN THE RENTS AND PERSONAL PROPERTY, IS GIVEN TO SECURE (A) PAYMENT OF THE INDEBTEDNESS AND (B)

THIS DEED OF TRUST, INCLUDING THE ASSIGNMENT OF RENTS AND THE SECURITY INTEREST IN THE RENTS AND PERSONAL PROPERTY, IS GIVEN TO SECURE (A) PAYMENT OF THE INDEBTEDNESS AND (B) PERFORMANCE OF ANY AND ALL OBLIGATIONS UNDER THE NOTE, THE RELATED DOCUMENTS, AND THIS DEED OF TRUST. THIS DEED OF TRUST IS GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:

Grantor hereby assigns as security to Lender, all of Grantor's right, title, and interest in and to all leases, Rents, and profits of the Property. This assignment is recorded in accordance with RCW 65.08.070; the lien created by this assignment is intended to be specific, perfected and choate upon the recording of this Deed of Trust. Lender grants to Grantor a license to collect the Rents and profits, which license may be revoked at Lender's option and shall be automatically revoked upon acceleration of all or part of the indebtedness.

all interest thereon.

FUTURE ADVANCES. In addition to the Note, this Deed of Trust secures all future advances made by Lender to Grantor whether or not the advances are made pursuant to a commitment. Specifically, without limitation, this Deed of Trust secures, in addition to the Note, all future amounts Lender in its discretion may loan to Grantor, together with

otherwise unenforceable.

interest thereon, of Grantor to Lender, or any one or more of them, as well as all claims by Lender against Grantor or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of the Note, whether voluntary or otherwise, whether due or not due, direct or indirect, determined or undetermined, absolute or contingent, liquidated or unliquidated, whether Grantor may be liable individually or jointly with others, whether obligations may become surety, accommodation party or otherwise, and whether recovery upon such amounts may be or hereafter may become barred by any statute of limitations, and whether the obligation to repay such amounts may be or hereafter may become otherwise unenforceable.

CROSS-COLLATERALIZATION. In addition to the Note, this Deed of Trust secures all obligations, debts and liabilities, plus interest thereon, of Grantor to Lender, or any one or more of them, as well as all claims by Lender against Grantor or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of the Note, whether voluntary or otherwise, whether due or not due, direct or indirect, determined or undetermined, absolute or contingent, liquidated or unliquidated, whether Grantor may be liable individually or jointly with others, whether obligations may become surety, accommodation party or otherwise, and whether recovery upon such amounts may be or hereafter may become barred by any statute of limitations, and whether the obligation to repay such amounts may be or hereafter may become otherwise unenforceable.

WA 98403. The Real Property tax identification number is 203217-004-0.

The Real Property or its address is commonly known as 207 NORTH I STREET, TACOMA, WA 98403. The Real Property tax identification number is 203217-004-0.

TOGETHER WITH THAT PORTION OF THE ALLEY VACATED BY ORDINANCE NO. 1617 OF THE CITY OF TACOMA ABUTTING THEREON.

RECORDER, IN PIERCE COUNTY, WASHINGTON;

ACCORDING TO PLAT RECORDED FEBRUARY 3, 1875 IN THE OFFICE OF THE COUNTY RECORDER, IN PIERCE COUNTY, WASHINGTON TERRITORY,

LOTS 8 AND 9 IN BLOCK 3217 OF MAP OF NEW TACOMA, WASHINGTON TERRITORY,

of Washington:

CONVEYANCE AND GRANT. For valuable consideration, Grantor conveys to Trustee in trust with power of sale, right of entry and possession and for the benefit of Lender as Beneficiary, all of Grantor's right, title, and interest in and to the following described real property, together with all existing or subsequently erected or affixed buildings, improvements and fixtures, all easements, rights of way, and appurtenances; all water, water rights and ditch rights (including stock in utilities with ditch or irrigation rights); and all other rights, royalties, and profits relating to the real property, including without limitation all minerals, oil, gas, geothermal and similar matters, (the "Real Property") located in PIERCE County, State of Washington:

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Lender's prior written consent. As a condition to the removal of any Improvements, Lender may require Grantor to make arrangements satisfactory to Lender to replace such Improvements with Improvements of at least equal value.

Lender's Right to Enter. Lender and Lender's agents and representatives may enter upon the Real Property at all reasonable times to attend to Lender's interests and to inspect the Real Property for purposes of Grantor's compliance with the terms and conditions of this Deed of Trust.

Compliance with Governmental Requirements. Grantor shall promptly comply, and shall promptly cause compliance by all agents, tenants or other persons or entities of every nature whatsoever who rent, lease or otherwise use or occupy the Property in any manner, with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the use or occupancy of the Property, including without limitation, the Americans With Disabilities Act. Grantor may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Grantor has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Property are not jeopardized. Lender may require Grantor to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Duty to Protect. Grantor agrees neither to abandon or leave unattended the Property. Grantor shall do all other acts, in addition to those acts set forth above in this section, which from the character and use of the Property are reasonably necessary to protect and preserve the Property.

DUE ON SALE - CONSENT BY LENDER. Lender may, at Lender's option, (A) declare immediately due and payable all sums secured by this Deed of Trust or (B) increase the interest rate provided for in the Note or other document evidencing the indebtedness and impose such other conditions as Lender deems appropriate, upon the sale or transfer, without Lender's prior written consent, of all or any part of the Real Property, or any interest in the Real Property. A "sale or transfer" means the conveyance of Real Property or any right, title or interest in the Real Property; whether legal, beneficial or equitable; whether voluntary or involuntary; whether by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than three (3) years, lease-option contract, or by sale, assignment, or transfer of any beneficial interest in or to any land trust holding title to the Real Property, or by any other method of conveyance of an interest in the Real Property. If any Grantor is a corporation, partnership or limited liability company, transfer also includes any change in ownership of more than twenty-five percent (25%) of the voting stock, partnership interests or limited liability company interests, as the case may be, of such Grantor. However, this option shall not be exercised by Lender if such exercise is prohibited by federal law or by Washington law.

TAXES AND LIENS. The following provisions relating to the taxes and liens on the Property are part of this Deed of Trust:

Payment. Grantor shall pay when due (and in all events prior to delinquency) all taxes, special taxes, assessments, charges (including water and sewer), fines and impositions levied against or on account of the Property, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property. Grantor shall maintain the Property free of all liens having priority over or equal to the interest of Lender under this Deed of Trust, except for the lien of taxes and assessments not due and except as otherwise provided in this Deed of Trust.

Right to Contest. Grantor may withhold payment of any tax, assessment, or claim in connection with a good faith dispute over the obligation to pay, so long as Lender's interest in the Property is not jeopardized. If a lien arises or is filed as a result of nonpayment, Grantor shall within fifteen (15) days after the lien arises or, if a lien is filed, within fifteen (15) days after Grantor has notice of the filing, secure the discharge of the lien, or if requested by Lender, deposit with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender in an amount sufficient to discharge the lien plus any costs and attorneys' fees, or other charges that could accrue as a result of a foreclosure or sale under the lien. In any contest, Grantor shall defend itself and Lender and shall satisfy any adverse judgment before enforcement against the Property. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings.

Evidence of Payment. Grantor shall upon demand furnish to Lender satisfactory evidence of payment of the taxes or assessments and shall authorize the appropriate governmental official to deliver to Lender at any time a written statement of the taxes and assessments against the Property.

Notice of Construction. Grantor shall notify Lender at least fifteen (15) days before any work is commenced, any services are furnished, or any materials are supplied to the Property, if any mechanic's lien, materialmen's lien, or other lien could be asserted on account of the work, services, or materials. Grantor will upon request of Lender furnish to Lender advance assurances satisfactory to Lender that Grantor can and will pay the cost of such improvements.

PROPERTY DAMAGE INSURANCE. The following provisions relating to insuring the Property are a part of this Deed of Trust.

Maintenance of Insurance. Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement basis for the full insurable value covering all Improvements on the Real Property in an amount sufficient to avoid application of any coinsurance clause, and with a standard mortgagee clause in favor of Lender. Grantor shall also procure and maintain comprehensive general liability insurance in such coverage amounts as Lender may request with Trustee and Lender being named as additional insureds in such liability insurance

Title. Grantor warrants that: (a) Grantor holds good and marketable title of record to the Property in fee simple, free and clear of all liens and encumbrances other than those set forth in the Real Property description or in any title insurance policy, title report, or final title opinion issued in favor of, and accepted by, Lender in connection with this Deed of Trust, and (b) Grantor has the full right, power, and authority to execute and deliver this Deed of Trust to Lender.

Defense of Title. Subject to the exception in the paragraph above, Grantor warrants and will forever defend the title to the Property against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Grantor's title or the interest of Trustee or Lender under this Deed of Trust, Grantor shall defend the action at Grantor's expense. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of Lender's own choice, and Grantor will deliver, or cause to be delivered, to Lender such instruments as Lender may request from time to time to permit such participation.

Compliance With Laws. Grantor warrants that the Property and Grantor's use of the Property complies with all existing applicable laws, ordinances, and regulations of governmental authorities.

Survival of Representations and Warranties. All representations, warranties, and agreements made by Grantor in this Deed of Trust shall survive the execution and delivery of this Deed of Trust, shall be continuing in nature, and shall

WARRANTY; DEFENSE OF TITLE. The following provisions relating to ownership of the Property are a part of this Deed of Trust:

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Property or if Grantor fails to comply with any provision of this Deed of Trust or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Deed of Trust or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Property and paying all costs for insuring, maintaining and preserving the Property. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Deed of Trust also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

Grantor's Report on Insurance. Upon request of Lender, however not more than once a year, Grantor shall furnish to Lender a report on each existing policy of insurance showing: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured, the then current replacement value of such property, and the manner of determining that value; and (5) the expiration date of the policy. Grantor shall, upon request of Lender, have an independent appraiser satisfactory to Lender determine the cash value replacement cost of the Property.

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

Insurance for the term of the loan. Grantor shall maintain such insurance for the term of the loan. Lender shall set under the National Flood Insurance Program, or as otherwise required by Lender, and to maintain such full unpaid principal balance of the loan and any prior liens on the property securing the loan, up to the maximum policy available, within 45 days after notice is given by Lender that the Property is located in a special flood hazard area, for the Management Agency as a special flood hazard area. Grantor agrees to obtain and maintain Federal Flood Insurance, if person. Should the Real Property be located in an area designated by the Director of the Federal Emergency person. Should the Real Property be located in an area designated by the Director of the Federal Emergency coverage in any way by any act, omission or default of Grantor or any other fifteen (15) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that Lender, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least fifteen (15) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that Lender, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Grantor shall maintain such other insurance, including but not limited to hazard, business interruption, and boiler insurance, as Lender may reasonably require. Policies shall be written in form, amounts, policies. Additionally, Grantor shall maintain such other insurance, including but not limited to hazard, business

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remain in full force and effect until such time as Grantor's Indebtedness shall be paid in full.

CONDEMNATION. The following provisions relating to condemnation proceedings are a part of this Deed of Trust:

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

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

IMPOSITION OF TAXES, FEES AND CHARGES BY GOVERNMENTAL AUTHORITIES. The following provisions relating to governmental taxes, fees and charges are a part of this Deed of Trust:

Current Taxes, Fees and Charges. Upon request by Lender, Grantor shall execute such documents in addition to this Deed of Trust and take whatever other action is requested by Lender to perfect and continue Lender's lien on the Real Property. Grantor shall reimburse Lender for all taxes, as described below, together with all expenses incurred in recording, perfecting or continuing this Deed of Trust, including without limitation all taxes, fees, documentary stamps, and other charges for recording or registering this Deed of Trust.

Taxes. The following shall constitute taxes to which this section applies: (1) a specific tax upon this type of Deed of Trust or upon all or any part of the Indebtedness secured by this Deed of Trust; (2) a specific tax on Grantor which Grantor is authorized or required to deduct from payments on the Indebtedness secured by this type of Deed of Trust; (3) a tax on this type of Deed of Trust chargeable against the Lender or the holder of the Note; and (4) a specific tax on all or any portion of the Indebtedness or on payments of principal and interest made by Grantor.

Subsequent Taxes. If any tax to which this section applies is enacted subsequent to the date of this Deed of Trust, this event shall have the same effect as an Event of Default, and Lender may exercise any or all of its available remedies for an Event of Default as provided below unless Grantor either (1) pays the tax before it becomes delinquent, or (2) contests the tax as provided above in the Taxes and Liens section and deposits with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender.

SECURITY AGREEMENT; FINANCING STATEMENTS. The following provisions relating to this Deed of Trust as a security agreement are a part of this Deed of Trust:

Security Agreement. This instrument shall constitute a Security Agreement to the extent any of the Property constitutes fixtures, and Lender shall have all of the rights of a secured party under the Uniform Commercial Code as amended from time to time.

Security Interest. Upon request by Lender, Grantor shall take whatever action is requested by Lender to perfect and continue Lender's security interest in the Rents and Personal Property. In addition to recording this Deed of Trust in the real property records, Lender may, at any time and without further authorization from Grantor, file executed counterparts, copies or reproductions of this Deed of Trust as a financing statement. Grantor shall reimburse Lender for all expenses incurred in perfecting or continuing this security interest. Upon default, Grantor shall not remove, sever or detach the Personal Property from the Property. Upon default, Grantor shall assemble any Personal Property not affixed to the Property in a manner and at a place reasonably convenient to Grantor and Lender and make it available to Lender within three (3) days after receipt of written demand from Lender to the extent permitted by applicable law.

Addresses. The mailing addresses of Grantor (debtor) and Lender (secured party) from which information concerning the security interest granted by this Deed of Trust may be obtained (each as required by the Uniform Commercial Code) are as stated on the first page of this Deed of Trust.

FURTHER ASSURANCES; ATTORNEY-IN-FACT. The following provisions relating to further assurances and attorney-in-fact are a part of this Deed of Trust:

Further Assurances. At any time, and from time to time, upon request of Lender, Grantor will make, execute and deliver, or will cause to be made, executed or delivered, to Lender or to Lender's designee, and when requested by Lender, cause to be filed, recorded, refiled, or rerecorded, as the case may be, at such times and in such offices and places as Lender may deem appropriate, any and all such mortgages, deeds of trust, security deeds, security agreements, financing statements, continuation statements, instruments of further assurance, certificates, and other documents as may, in the sole opinion of Lender, be necessary or desirable in order to effectuate, complete, perfect, continue, or preserve (1) Grantor's obligations under the Note, this Deed of Trust, and the Related Documents, and (2) the liens and security interests created by this Deed of Trust as first and prior liens on the Property, whether now owned

or hereafter acquired by Grantor. Unless prohibited by law or Lender agrees to the contrary in writing, Grantor shall reimburse Lender for all costs and expenses incurred in connection with the matters referred to in this paragraph.

Attorney-in-Fact. If Grantor fails to do any of the things referred to in the preceding paragraph, Lender may do so for and in the name of Grantor and at Grantor's expense. For such purposes, Grantor hereby irrevocably appoints Lender as Grantor's attorney-in-fact for the purpose of making, executing, delivering, filing, recording, and doing all other things as may be necessary or desirable, in Lender's sole opinion, to accomplish the matters referred to in the preceding paragraph.

FULL PERFORMANCE. If Grantor pays all the indebtedness, including without limitation all future advances, when due, and otherwise performs all the obligations imposed upon Grantor under this Deed of Trust, Lender shall execute and deliver to Trustee a request for full reconveyance and shall execute and deliver to Grantor suitable statements of termination of any financing statement on file evidencing Lender's security interest in the Rents and the Personal Property. Any reconveyance fee shall be paid by Grantor, if permitted by applicable law. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto", and the recitals in the reconveyance of any matters or facts shall be conclusive proof of the truthfulness of any such matters or facts.

EVENTS OF DEFAULT. Each of the following, at Lender's option, shall constitute an Event of Default under this Deed of Trust:

Payment Default. Grantor fails to make any payment when due under the Indebtedness.

Other Defaults. Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Deed of Trust or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.

Compliance Default. Failure to comply with any other term, obligation, covenant or condition contained in this Deed of Trust, the Note or in any of the Related Documents.

Default on Other Payments. Failure of Grantor within the time required by this Deed of Trust to make any payment for taxes or insurance, or any other payment necessary to prevent filing of or to effect discharge of any lien.

Default in Favor of Third Parties. Should Grantor default under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Grantor's ability to repay the indebtedness or perform their respective obligations under this Deed of Trust or any of the Related Documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this Deed of Trust or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Defective Collateralization. This Deed of Trust or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

Death or Insolvency. The dissolution of Grantor's (regardless of whether election to continue is made), any member withdraws from the limited liability company, or any other termination of Grantor's existence as a going business or the death of any member, the insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

Creditor or Foreclosure Proceedings. Commencement of foreclosure or foreclosure proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any property securing the indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or foreclosure proceeding and if Grantor gives Lender written notice of the creditor or foreclosure proceeding and deposits with Lender monies or a surety bond for the creditor or foreclosure proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Breach of Other Agreement. Any breach by Grantor under the terms of any other agreement between Grantor and Lender that is not remedied within any grace period provided therein, including without limitation any agreement concerning any indebtedness or other obligation of Grantor to Lender, whether existing now or later.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the indebtedness. In the event of a death, Lender, at its option, may, but shall not be required to, permit the Guarantor's estate to assume unconditionally the obligations arising under the guaranty in a manner satisfactory to Lender, and, in doing so, cure any Event of Default.

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Adverse Change. A material adverse change occurs in Grantor's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

Insecurity. Lender in good faith believes itself insecure.

Right to Cure. If any default, other than a default in payment is curable and if Grantor has not been given a notice of a breach of the same provision of this Deed of Trust within the preceding twelve (12) months, it may be cured if Grantor, after receiving written notice from Lender demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

RIGHTS AND REMEDIES ON DEFAULT. If an Event of Default occurs under this Deed of Trust, at any time thereafter, Trustee or Lender may exercise any one or more of the following rights and remedies:

Election of Remedies. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Deed of Trust, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

Accelerate Indebtedness. Lender shall have the right at its option to declare the entire Indebtedness immediately due and payable, including any prepayment penalty which Grantor would be required to pay.

Foreclosure. With respect to all or any part of the Real Property, the Trustee shall have the right to exercise its power of sale and to foreclose by notice and sale, and Lender shall have the right to foreclose by judicial foreclosure, in either case in accordance with and to the full extent provided by applicable law.

UCC Remedies. With respect to all or any part of the Personal Property, Lender shall have all the rights and remedies of a secured party under the Uniform Commercial Code.

Collect Rents. Lender shall have the right, without notice to Grantor to take possession of and manage the Property and collect the Rents, including amounts past due and unpaid, and apply the net proceeds, over and above Lender's costs, against the Indebtedness. In furtherance of this right, Lender may require any tenant or other user of the Property to make payments of rent or use fees directly to Lender. If the Rents are collected by Lender, then Grantor irrevocably designates Lender as Grantor's attorney-in-fact to endorse instruments received in payment thereof in the name of Grantor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Lender in response to Lender's demand shall satisfy the obligations for which the payments are made, whether or not any proper grounds for the demand existed. Lender may exercise its rights under this subparagraph either in person, by agent, or through a receiver.

Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Property, with the power to protect and preserve the Property, to operate the Property preceding or pending foreclosure or sale, and to collect the Rents from the Property and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

Tenancy at Sufferance. If Grantor remains in possession of the Property after the Property is sold as provided above or Lender otherwise becomes entitled to possession of the Property upon default of Grantor, Grantor shall become a tenant at sufferance of Lender or the purchaser of the Property and shall, at Lender's option, either (1) pay a reasonable rental for the use of the Property, or (2) vacate the Property immediately upon the demand of Lender.

Other Remedies. Trustee or Lender shall have any other right or remedy provided in this Deed of Trust or the Note or available at law or in equity.

Notice of Sale. Lender shall give Grantor reasonable notice of the time and place of any public sale of the Personal Property or of the time after which any private sale or other intended disposition of the Personal Property is to be made. Reasonable notice shall mean notice given at least ten (10) days before the time of the sale or disposition. Any sale of the Personal Property may be made in conjunction with any sale of the Real Property.

Sale of the Property. To the extent permitted by applicable law, Grantor hereby waives any and all rights to have the Property marshalled. In exercising its rights and remedies, the Trustee or Lender shall be free to sell all or any part of the Property together or separately, in one sale or by separate sales. Lender shall be entitled to bid at any public sale on all or any portion of the Property.

Attorneys' Fees; Expenses. If Lender institutes any suit or action to enforce any of the terms of this Deed of Trust, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and upon any appeal. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation,

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preempted by federal law, the laws of the State of Washington without regard to its conflicts of law provisions. This Deed of Trust has been accepted by Lender in the State of Washington.

Choice of Venue. If there is a lawsuit, Grantor agrees upon Lender's request to submit to the jurisdiction of the courts of PIERCE County, State of Washington.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Deed of Trust unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Deed of Trust shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Deed of Trust. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Deed of Trust, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Severability. If a court of competent jurisdiction finds any provision of this Deed of Trust to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Deed of Trust. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Deed of Trust shall not affect the legality, validity or enforceability of any other provision of this Deed of Trust.

Successors and Assigns. Subject to any limitations stated in this Deed of Trust on transfer of Grantor's interest, this Deed of Trust shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Property becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Deed of Trust and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Deed of Trust or liability under the Indebtedness.

Time is of the Essence. Time is of the essence in the performance of this Deed of Trust.

Waiver of Homestead Exemption. Grantor hereby releases and waives all rights and benefits of the homestead exemption laws of the State of Washington as to all Indebtedness secured by this Deed of Trust.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Deed of Trust. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Deed of Trust shall have the meanings attributed to such terms in the Uniform Commercial Code:

Beneficiary. The word "Beneficiary" means PIERCE COMMERCIAL BANK, and its successors and assigns.

Borrower. The word "Borrower" means LOVY PROPERTIES, LLC and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Deed of Trust. The words "Deed of Trust" mean this Deed of Trust among Grantor, Lender, and Trustee, and includes without limitation all assignment and security interest provisions relating to the Personal Property and Rents.

Default. The word "Default" means the Default set forth in this Deed of Trust in the section titled "Default".

Event of Default. The words "Event of Default" mean any of the events of default set forth in this Deed of Trust in the events of default section of this Deed of Trust.

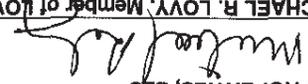
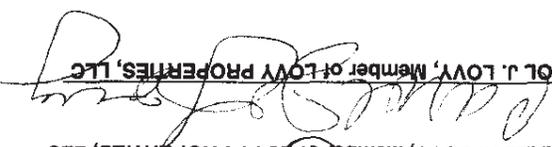
Grantor. The word "Grantor" means LOVY PROPERTIES, LLC.

Guarantor. The word "Guarantor" means any guarantor, surety, or accommodation party of any or all of the Indebtedness.

Guaranty. The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

Improvements. The word "Improvements" means all existing and future improvements, buildings, structures, mobile homes affixed on the Real Property, facilities, additions, replacements and other construction on the Real Property.

Indebtedness. The word "Indebtedness" means all principal, interest, and other amounts, costs and expenses payable under the Note or Related Documents, together with all renewals of, extensions of, modifications of, consolidations of and substitutions for the Note or Related Documents and any amounts expended or advanced by Lender to discharge Grantor's obligations or expenses incurred by Trustee or Lender to enforce Grantor's obligations under this Deed of Trust, together with interest on such amounts as provided in this Deed of Trust. Specifically, without limitation, Indebtedness includes the future advances set forth in the Future Advances provision, together with all interest thereon and all amounts that may be indirectly secured by the Cross-Collateralization provision of this Deed of Trust.

LOVY PROPERTIES, LLC
 By: 
 MICHAEL R. LOVY, Member of LOVY PROPERTIES, LLC
 By: 
 CAROL J. LOVY, Member of LOVY PROPERTIES, LLC

GRANTOR:

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS DEED OF TRUST, AND GRANTOR AGREES TO ITS TERMS.

Trustee. The word "Trustee" means FIRST AMERICAN TITLE INSURANCE COMPANY, whose mailing address is 2101 FOURTH AVENUE, SUITE 800, SEATTLE, WA 98121 and any substitute or successor trustees.

Rents. The word "Rents" means all present and future rents, revenues, income, issues, royalties, profits, and other benefits derived from the Property.

by this Deed of Trust.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, guarantees, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the indebtedness; provided, that the environmental indemnity agreements are not "Related Documents" and are not secured

of Trust.

Real Property. The words "Real Property" mean the real property, interests and rights, as further described in this Deed

Property. The word "Property" means collectively the Real Property and the Personal Property.

from any sale or other disposition of the Property.

Personal Property. The words "Personal Property" mean all equipment, fixtures, and other articles of personal property now or hereafter owned by Grantor, and now or hereafter attached or affixed to the Real Property; together with all acccessions, parts, and additions to, all replacements of, and all substitutions for, any of such property; and together with all issues and profits thereon and proceeds (including without limitation all insurance proceeds and refunds of premiums)

CONTAINS A VARIABLE INTEREST RATE.

Note. The word "Note" means the promissory note dated June 22, 2007, in the original principal amount of \$665,000.00 from Grantor to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement. NOTICE TO GRANTOR: THE NOTE

Lender. The word "Lender" means PIERCE COMMERCIAL BANK, its successors and assigns.

DEED OF TRUST
(Continued)

Loan No: 1219040597

Page 11

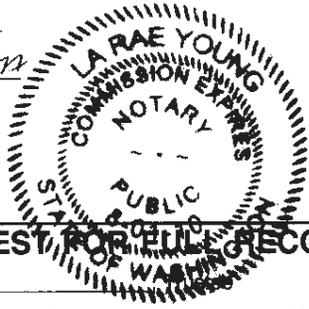
LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF Washington)
) SS
COUNTY OF Pierce)

On this 22nd day of June, 2007, before me, the undersigned Notary Public, personally appeared **MICHAEL R. LOVY, Member; CAROL J. LOVY, Member of LOVY PROPERTIES, LLC**, and personally known to me or proved to me on the basis of satisfactory evidence to be members or designated agents of the limited liability company that executed the Deed of Trust and acknowledged the Deed of Trust to be the free and voluntary act and deed of the limited liability company, by authority of statute, its articles of organization or its operating agreement, for the uses and purposes therein mentioned, and on oath stated that they are authorized to execute this Deed of Trust and in fact executed the Deed of Trust on behalf of the limited liability company.

By La Rae Young
Notary Public in and for the State of WA

Residing at Puyallup
My commission expires Aug 14, 2010



REQUEST FOR FULL RECONVEYANCE

To: _____

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust. You are hereby requested, upon payment of all sums owing to you, to reconvey without warranty, to the persons entitled thereto, the right, title and interest now held by you under the Deed of Trust.

Date: _____

Beneficiary: _____

By: _____

Its: _____

3

F.A.T.C.O.

NCS289065



200706251107 7 PGS
06/25/2007 3:26pm \$38.00
PIERCE COUNTY, WASHINGTON

RETURN ADDRESS:
PIERCE COMMERCIAL
BANK
1722 SOUTH UNION
AVENUE
TACOMA, WA 98405

ASSIGNMENT OF RENTS

Reference # (if applicable): _____

Additional on page ____

Grantor(s):

- 1. LOVY PROPERTIES, LLC

Grantee(s)

- 1. PIERCE COMMERCIAL BANK

Legal Description: LOTS 8 & 9, BLOCK 3217, MAP OF NEW TACOMA

Additional on page 2

Assessor's Tax Parcel ID#: 203217-004-0

THIS ASSIGNMENT OF RENTS dated June 22, 2007, is made and executed between LOVY PROPERTIES, LLC, a Washington Limited Liability Company, whose address is 1310 UNION AVENUE SOUTH, TACOMA, WA 98405 (referred to below as "Grantor") and PIERCE COMMERCIAL BANK, whose mailing address is 1722 SOUTH UNION AVENUE, TACOMA, WA 98405 (referred to below as "Lender").

39-

ASSIGNMENT. For valuable consideration, Grantor hereby assigns, grants a continuing security interest in, and conveys to Lender all of Grantor's right, title, and interest in and to the Rents from the following described Property located in PIERCE County, State of Washington:

LOTS 8 AND 9 IN BLOCK 3217 OF MAP OF NEW TACOMA, WASHINGTON TERRITORY, ACCORDING TO PLAT RECORDED FEBRUARY 3, 1875 IN THE OFFICE OF THE COUNTY RECORDER, IN PIERCE COUNTY, WASHINGTON;
TOGETHER WITH THAT PORTION OF THE ALLEY VACATED BY ORDINANCE NO. 1617 OF THE CITY OF TACOMA ABUTTING THEREON.

The Property or its address is commonly known as 207 NORTH I STREET, TACOMA, WA 98403. The Property tax identification number is 203217-004-0.

CROSS-COLLATERALIZATION. In addition to the Note, this Assignment secures all obligations, debts and liabilities, plus interest thereon, of Grantor to Lender, or any one or more of them, as well as all claims by Lender against Grantor or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of the Note, whether voluntary or otherwise, whether due or not due, direct or indirect, determined or undetermined, absolute or contingent, liquidated or unliquidated, whether Grantor may be liable individually or jointly with others, whether obligated as guarantor, surety, accommodation party or otherwise, and whether recovery upon such amounts may be or hereafter may become barred by any statute of limitations, and whether the obligation to repay such amounts may be or hereafter may become otherwise unenforceable.

FUTURE ADVANCES. In addition to the Note, this Assignment secures all future advances made by Lender to Grantor whether or not the advances are made pursuant to a commitment. Specifically, without limitation, this Assignment secures, in interest thereon.

THIS ASSIGNMENT IS GIVEN TO SECURE (1) PAYMENT OF THE INDEBTEDNESS AND (2) PERFORMANCE OF ANY AND ALL OBLIGATIONS OF GRANTOR UNDER THE NOTE, THIS ASSIGNMENT, AND THE RELATED DOCUMENTS. THIS ASSIGNMENT IS GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:

PAYMENT AND PERFORMANCE. Except as otherwise provided in this Assignment or any Related Documents, Grantor shall pay to Lender all amounts secured by this Assignment as they become due, and shall strictly perform all of Grantor's obligations under this Assignment. Unless and until Lender exercises its right to collect the Rents as provided below and so long as there is no default under this Assignment, Grantor may remain in possession and control of and operate and manage the Property and collect the Rents, provided that the granting of the right to collect the Rents shall not constitute Lender's consent to the use of cash collateral in a bankruptcy proceeding.

GRANTOR'S REPRESENTATIONS AND WARRANTIES. Grantor warrants that:

Ownership. Grantor is entitled to receive the Rents free and clear of all rights, loans, liens, encumbrances, and claims except as disclosed to and accepted by Lender in writing.

Right to Assign. Grantor has the full right, power and authority to enter into this Assignment and to assign and convey the Rents to Lender.

No Prior Assignment. Grantor has not previously assigned or conveyed the Rents to any other person by any instrument now in force.

No Further Transfer. Grantor will not sell, assign, encumber, or otherwise dispose of any of Grantor's rights in the Rents except as provided in this Assignment.

LENDER'S RIGHT TO RECEIVE AND COLLECT RENTS. Lender shall have the right at any time, and even though no default shall have occurred under this Assignment, to collect and receive the Rents. For this purpose, Lender is hereby given and granted the following rights, powers and authority:

Notice to Tenants. Lender may send notices to any and all tenants of the Property advising them of this Assignment and directing all Rents to be paid directly to Lender or Lender's agent.

Enter the Property. Lender may enter upon and take possession of the Property; demand, collect and receive from the tenants or from any other persons liable therefor, all of the Rents; institute and carry on all legal proceedings necessary for the protection of the Property, including such proceedings as may be necessary to recover possession of the

ASSIGNMENT OF RENTS (Continued)

Loan No: 1219040597

Page 3

Property; collect the Rents and remove any tenant or tenants or other persons from the Property.

Maintain the Property. Lender may enter upon the Property to maintain the Property and keep the same in repair; to pay the costs thereof and of all services of all employees, including their equipment, and of all continuing costs and expenses of maintaining the Property in proper repair and condition, and also to pay all taxes, assessments and water utilities, and the premiums on fire and other insurance effected by Lender on the Property.

Compliance with Laws. Lender may do any and all things to execute and comply with the laws of the State of Washington and also all other laws, rules, orders, ordinances and requirements of all other governmental agencies affecting the Property.

Lease the Property. Lender may rent or lease the whole or any part of the Property for such term or terms and on such conditions as Lender may deem appropriate.

Employ Agents. Lender may engage such agent or agents as Lender may deem appropriate, either in Lender's name or in Grantor's name, to rent and manage the Property, including the collection and application of Rents.

Other Acts. Lender may do all such other things and acts with respect to the Property as Lender may deem appropriate and may act exclusively and solely in the place and stead of Grantor and to have all of the powers of Grantor for the purposes stated above.

No Requirement to Act. Lender shall not be required to do any of the foregoing acts or things, and the fact that Lender shall have performed one or more of the foregoing acts or things shall not require Lender to do any other specific act or thing.

APPLICATION OF RENTS. All costs and expenses incurred by Lender in connection with the Property shall be for Grantor's account and Lender may pay such costs and expenses from the Rents. Lender, in its sole discretion, shall determine the application of any and all Rents received by it; however, any such Rents received by Lender which are not applied to such costs and expenses shall be applied to the Indebtedness. All expenditures made by Lender under this Assignment and not reimbursed from the Rents shall become a part of the Indebtedness secured by this Assignment, and shall be payable on demand, with interest at the Note rate from date of expenditure until paid.

FULL PERFORMANCE. If Grantor pays all of the Indebtedness when due and otherwise performs all the obligations imposed upon Grantor under this Assignment, the Note, and the Related Documents, Lender shall execute and deliver to Grantor a suitable satisfaction of this Assignment and suitable statements of termination of any financing statement on file evidencing Lender's security interest in the Rents and the Property. Any termination fee required by law shall be paid by Grantor, if permitted by applicable law.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Property or if Grantor fails to comply with any provision of this Assignment or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Assignment or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Rents or the Property and paying all costs for insuring, maintaining and preserving the Property. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Assignment also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

DEFAULT. Each of the following, at Lender's option, shall constitute an Event of Default under this Assignment:

Payment Default. Grantor fails to make any payment when due under the Indebtedness.

Other Defaults. Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Assignment or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.

Default on Other Payments. Failure of Grantor within the time required by this Assignment to make any payment for taxes or insurance, or any other payment necessary to prevent filing of or to effect discharge of any lien.

Default in Favor of Third Parties. Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Grantor's property or Grantor's ability to perform Grantor's obligations under this Assignment or any of the Related Documents.

Environmental Default. Failure of any party to comply with or perform when due any term, obligation, covenant or condition contained in any environmental agreement executed in connection with the Property.

False Statements. Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this Assignment or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Detective Collateralization. This Assignment or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

Death or Insolvency. The dissolution of Grantor's (regardless of whether election to continue is made), any member withdraws from the limited liability company, or any other termination of Grantor's existence as a going business or the death of any member, the insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

Creditor or Foreclosure Proceedings. Commencement of foreclosure or foreclosure proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against the Rents or any property securing the indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or foreclosure proceeding and if Grantor gives Lender written notice of the claim within the time specified in the creditor or foreclosure proceeding or a surety bond for the creditor or foreclosure proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Property Damage or Loss. The Property is lost, stolen, substantially damaged, sold, or borrowed against.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor or any of the Guarantors of the indebtedness. In the event of a death, Lender, at its option, may, but shall not be required to, permit the Guarantor's estate to assume unconditionally the obligations arising under the guaranty in a manner satisfactory to Lender, and, in doing so, cure any Event of Default.

Adverse Change. A material adverse change occurs in Grantor's financial condition, or Lender believes the prospect of payment or performance of the indebtedness is impaired.

Insolvency. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment is curable and if Grantor has not been given a notice of a breach of the same provision of this Assignment within the preceding twelve (12) months, it may be cured if Grantor, after receiving written notice from Lender demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

RIGHTS AND REMEDIES ON DEFAULT. Upon the occurrence of any Event of Default and at any time thereafter, Lender may exercise any one or more of the following rights and remedies, in addition to any other rights or remedies provided by law:

Accelerate Indebtedness. Lender shall have the right at its option without notice to Grantor to declare the entire indebtedness immediately due and payable, including any prepayment penalty which Grantor would be required to pay.

Collect Rents. Lender shall have the right, without notice to Grantor, to take possession of the Property and collect the Rents, including amounts past due and unpaid, and apply the net proceeds, over and above Lender's costs, against the Indebtedness. In furtherance of this right, Lender shall have all the rights provided for in the Lender's Right to Receive and Collect Rents Section, above. If the Rents are collected by Lender, then Grantor irrevocably designates Lender as Grantor's attorney-in-fact to endorse instruments received in payment thereof in the name of Grantor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Lender in response to Lender's demand shall satisfy the obligations for which the payments are made, whether or not any proper grounds for the demand existed. Lender may exercise its rights under this subparagraph either in person, by agent, or through a receiver.

Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Property, with the power to protect and preserve the Property, to operate the Property preceding or pending foreclosure or sale, and to collect the Rents from the Property and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

Other Remedies. Lender shall have all other rights and remedies provided in this Assignment or the Note or by law.

Election of Remedies. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Assignment, after Grantor's

ASSIGNMENT OF RENTS (Continued)

Loan No: 1219040597

Page 5

failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

Attorneys' Fees; Expenses. If Lender institutes any suit or action to enforce any of the terms of this Assignment, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and upon any appeal. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the indebtedness payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees and expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees, title insurance, and fees for the Trustee, to the extent permitted by applicable law. Grantor also will pay any court costs, in addition to all other sums provided by law.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Assignment:

Amendments. This Assignment, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Assignment. No alteration of or amendment to this Assignment shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Caption Headings. Caption headings in this Assignment are for convenience purposes only and are not to be used to interpret or define the provisions of this Assignment.

Governing Law. This Assignment will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Washington without regard to its conflicts of law provisions. This Assignment has been accepted by Lender in the State of Washington.

Choice of Venue. If there is a lawsuit, Grantor agrees upon Lender's request to submit to the jurisdiction of the courts of PIERCE County, State of Washington.

Merger. There shall be no merger of the interest or estate created by this assignment with any other interest or estate in the Property at any time held by or for the benefit of Lender in any capacity, without the written consent of Lender.

Interpretation. (1) In all cases where there is more than one Borrower or Grantor, then all words used in this Assignment in the singular shall be deemed to have been used in the plural where the context and construction so require. (2) If more than one person signs this Assignment as "Grantor," the obligations of each Grantor are joint and several. This means that if Lender brings a lawsuit, Lender may sue any one or more of the Grantors. If Borrower and Grantor are not the same person, Lender need not sue Borrower first, and that Borrower need not be joined in any lawsuit. (3) The names given to paragraphs or sections in this Assignment are for convenience purposes only. They are not to be used to interpret or define the provisions of this Assignment.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Assignment unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Assignment shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Assignment. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Assignment, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Notices. Subject to applicable law, and except for notice required or allowed by law to be given in another manner, any notice required to be given under this Assignment shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Assignment. Any party may change its address for notices under this Assignment by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Subject to applicable law, and except for notice required or allowed by law to be given in another manner, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

Powers of Attorney. The various agencies and powers of attorney conveyed on Lender under this Assignment are granted for purposes of security and may not be revoked by Grantor until such time as the same are renounced by Lender.

Severability. If a court of competent jurisdiction finds any provision of this Assignment to be illegal, invalid, or

unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Assignment. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Assignment shall not affect the legality, validity or enforceability of any other provision of this Assignment.

Successors and Assigns. Subject to any limitations stated in this Assignment on transfer of Grantor's interest, this Assignment shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Property becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Assignment and the indebtedness by way of foreclosure or extension without releasing Grantor from the obligations of this Assignment or liability under the indebtedness.

Time is of the Essence. Time is of the essence in the performance of this Assignment.

WAIVER OF HOMESTEAD EXEMPTION. Grantor hereby releases and waives all rights and benefits of the homestead exemption laws of the State of Washington as to all indebtedness secured by this Assignment.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Assignment. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Assignment shall have the meanings attributed to such terms in the Uniform Commercial Code:

Assignment. The word "Assignment" means this ASSIGNMENT OF RENTS, as this ASSIGNMENT OF RENTS may be amended or modified from time to time, together with all exhibits and schedules attached to this ASSIGNMENT OF RENTS from time to time.

Borrower. The word "Borrower" means LOVY PROPERTIES, LLC.

Default. The word "Default" means the Default set forth in this Assignment in the section titled "Default".

Event of Default. The words "Event of Default" mean any of the events of default set forth in this Assignment in the default section of this Assignment.

Grantor. The word "Grantor" means LOVY PROPERTIES, LLC.

Guarantor. The word "Guarantor" means any guarantor, surety, or accommodation party of any or all of the indebtedness.

Guaranty. The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

Indebtedness. The word "Indebtedness" means all principal, interest, and other amounts, costs and expenses payable under the Note or Related Documents, together with all renewals of, extensions of, modifications of, consolidations of, and substitutions for the Note or Related Documents and any amounts expended or advanced by Lender to discharge Grantor's obligations or expenses incurred by Lender to enforce Grantor's obligations under this Assignment, together with interest on such amounts as provided in this Assignment. Specifically, without limitation, indebtedness includes the future advances set forth in the Future Advances provision, together with all interest thereon and all amounts that may be indirectly secured by the Cross-Collateralization provision of this Assignment.

Lender. The word "Lender" means PIERCE COMMERCIAL BANK, its successors and assigns.

Note. The word "Note" means the promissory note dated June 22, 2007, in the original principal amount of \$665,000.00 from Grantor to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement.

Property. The word "Property" means all of Grantor's right, title and interest in and to all the Property as described in the "Assignment" section of this Assignment.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the indebtedness.

Rents. The word "Rents" means all of Grantor's present and future rights, title and interest in, to and under any and all present and future leases, including, without limitation, all rents, revenue, income, issues, royalties, bonuses, accounts receivable, cash or security deposits, advance rentals, profits and proceeds from the Property, and other payments and benefits derived or to be derived from such leases of every kind and nature, whether due now or later, including without limitation Grantor's right to enforce such leases and to receive and collect payment and proceeds thereunder.

ASSIGNMENT OF RENTS
(Continued)

Loan No: 1219040597

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THE UNDERSIGNED ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS ASSIGNMENT, AND NOT PERSONALLY BUT AS AN AUTHORIZED SIGNER, HAS CAUSED THIS ASSIGNMENT TO BE SIGNED AND EXECUTED ON BEHALF OF GRANTOR ON JUNE 22, 2007.

GRANTOR:

LOVY PROPERTIES, LLC

By: Michael R. Lovy
MICHAEL R. LOVY, Member of LOVY PROPERTIES, LLC

By: Carol J. Lovy
CAROL J. LOVY, Member of LOVY PROPERTIES, LLC

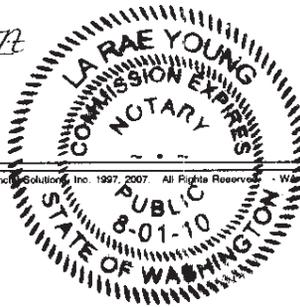
LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF Washington)
) SS
COUNTY OF Pierce)

On this 22nd day of June, 20 07, before me, the undersigned Notary Public, personally appeared MICHAEL R. LOVY, Member; CAROL J. LOVY, Member of LOVY PROPERTIES, LLC, and personally known to me or proved to me on the basis of satisfactory evidence to be members or designated agents of the limited liability company that executed the ASSIGNMENT OF RENTS and acknowledged the Assignment to be the free and voluntary act and deed of the limited liability company, by authority of statute, its articles of organization or its operating agreement, for the uses and purposes therein mentioned, and on oath stated that they are authorized to execute this Assignment and in fact executed the Assignment on behalf of the limited liability company.

By La Rae Young
Notary Public in and for the State of WA

Residing at Puyallup
My commission expires Aug 1, 2010




 201210050506 KYOHN 2 PGS
 10/05/2012 01:16:27 PM \$15.00
 AUDITOR, Pierce County, WASHINGTON

WHEN RECORDED RETURN TO:

JAMES R. TOMLINSON
DAVIES PEARSON, P.C.
920 FAWCETT
P.O. BOX 1657
TACOMA, WA 98401

APPOINTMENT OF SUCCESSOR TRUSTEE

Grantor: Lovy Properties, LLC

Beneficiary: Heritage Bank

Legal Description (abbreviated):

1. Lots 8 & 9, Block 3217, Map of New Tacoma; and
2. Portions of the NE ¼ of SE ¼, Section 1, Township 20 N, Range 2 E

Assessor's Tax Parcel Nos.: 2032170040, 0220014015 and 0220014182

Reference Nos. of two Deeds of Trust: 200706251106 and 201003030572

WHEREAS:

Lovy Properties, LLC is the grantor, and First American Title Company is the trustee, and Heritage Bank is the beneficiary under that certain deed of trust dated June 22, 2007, and recorded June 25, 2007, under Auditor's Recording No. 200706251106, records of Pierce County, Washington; and

Lovy Properties, LLC is the grantor, and Commonwealth Title Company of Puget Sound, LLC is the trustee, and Heritage Bank is the beneficiary under that certain deed of trust dated October 23, 2009, and recorded March 3, 2010, under Auditor's Recording No. 201003030572, records of Pierce County, Washington; and

The undersigned beneficiary of said two deeds of trust, hereby terminates First American Title Company and Commonwealth Title Company of Puget Sound, respectively, as trustee under said two deeds of trust, and appoints a successor trustee for both deeds of trust in the place and instead of the trustee named above;

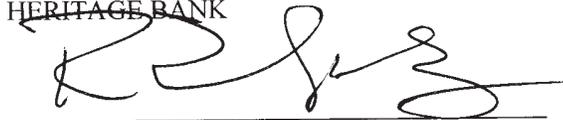
NOW, THEREFORE, in view of the premises, the undersigned hereby appoints DAVIES PEARSON, P.C., whose address is 920 Fawcett, PO Box 1657 Tacoma, Washington 98401, as successor trustee under each of said two deeds of trust, to have all the powers of said original trustee, effective forthwith.

jrt / s:\18xxx\189xx\18927\24\appt sucess trustee - pierce.doc

IN WITNESS WHEREOF, the undersigned beneficiary has hereunto set his hand; if the undersigned is a corporation, it has caused its corporate name to be signed and affixed hereunto by its duly authorized officers.

DATED: ~~September~~ 1, 2012.
Oct.

HERITAGE BANK

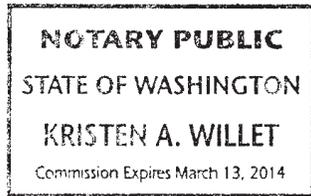


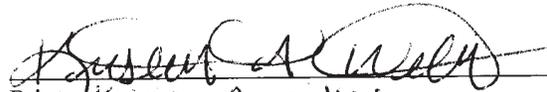
By: Randy Shipley, Sr. VP
Its: Authorized Agent

STATE OF WASHINGTON)
) ss.
COUNTY OF PIERCE)

On this day personally appeared before me Randy Shipley to me known to be the person authorized by Heritage Bank to execute the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed and for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 1st day of October, 2012.




Print: Kristen A Willet
Notary Public in and for the State of
Washington, residing at Spanaway
My commission expires: 3/13/14



201211050012 RJOHNSO 5 PGS
 11/05/2012 08:34:45 AM \$76.00
 AUDITOR, Pierce County, WASHINGTON

WHEN RECORDED RETURN TO:

JAMES R. TOMLINSON
 DAVIES PEARSON, P.C.
 P.O. BOX 1657
 TACOMA, WA 98401

Grantor: Lovy Properties, LLC
 Beneficiary: Pierce Commercial Bank, n.k.a. Heritage Bank
 Legal Description (abbreviated): Lots 8 and 9, Block 3217, Map of New Tacoma
 Assessors Tax Parcel I.D. # 2032170040
 Reference No. of Deed of Trust: 200706251106

NOTICE OF TRUSTEE'S SALE

Pursuant to the Revised Code of Washington
 Chapter 61.24, et. seq.

I.

NOTICE IS HEREBY GIVEN that the undersigned Trustee will on the **8th day of February, 2013**, at the hour of 10:00 o'clock a.m. at the 2nd floor entrance to the Pierce County Court House, 930 Tacoma Ave. S., Tacoma, Pierce County, Washington, sell at public auction to the highest and best bidder, payable at the time of sale, the following described real property, situated in the County of Pierce, State of Washington, to-wit:

Lots 8 and 9 in Block 3217 of the Map of New Tacoma, Washington Territory, according to Plat recorded February 3, 1875 in the office of the County Recorder, in Pierce County, Washington;

Together with that portion of the alley vacated by Ordinance No. 1617 of City of Tacoma abutting thereon.

The real property tax identification number is 2032170040.

the postal address of which is more commonly known as 207 North "I" Street, Tacoma, WA, which is subject to that certain Deed of Trust dated June 22, 2007, and recorded June 25, 2007, under Auditor's Recording No. 200706251106, records of Pierce County,

NOTICE OF TRUSTEE'S SALE--1

Washington, from Lovy Properties, LLC, a Washington Limited Liability Company, as Grantors, to First American Title Insurance Company, as Trustee, to secure an obligation in favor of Pierce Commercial Bank, now known as Heritage Bank, as Beneficiary.

II.

No action commenced by the Beneficiary of the Deed of Trust or the Beneficiary's successor is now pending to seek satisfaction of the obligation in any court by reason of the Grantor's default on the obligation secured by the Deed of Trust.

III.

The defaults for which this foreclosure is made are as follows:

A. Failure to pay the following payments when due:

Principal balance now due in full:	\$405,960.00
Accrued interest through October 29, 2012:	\$ 18,763.13
Late charges through September 11, 2012:	<u>\$ 2,841.37</u>
SUBTOTAL:	\$427,564.50

B. Failure to pay the following payments when due:

Failure to pay outstanding real property taxes, late fees and interest on real estate subject to the deed of trust described above.

IV.

The sum owing on the obligation secured by the Deed of Trust is: Principal in the amount of \$405,960.00, together with interest as provided in the note or other instrument secured from the 2nd day of March, 2012, and such other costs and fees as are due under the notes or other instrument secured, and as are provided by statute.

V.

The above-described real property will be sold to satisfy the expense of sale and the obligation secured by the Deed of Trust as provided by statute. The sale will be made without warranty, express or implied, regarding title, possession, or encumbrances on the **8th day of February, 2013**. The default referred to in Paragraph III must be cured by the **28th day of January, 2013** (11 days before the sale date) to cause a discontinuance of the sale. The sale will be discontinued and terminated if at any time on or before the **28th day of January, 2013** (11 days before the sale date), the default as set forth in Paragraph III is cured and the Trustee's fees and costs are paid. The sale may be terminated any time after the **28th day of January, 2013** (11 days before the sale date) and before the sale by the Grantor or the Grantor's successor in interest or the holder of any recorded junior lien or encumbrance paying the entire principal and interest secured by the Deed of Trust, plus

NOTICE OF TRUSTEE'S SALE--2

costs, fees, and advances, if any, made pursuant to the terms of the obligation and/or Deed of Trust, and curing all other defaults.

VI.

A written notice of default was transmitted by the Beneficiary or Trustee to the Grantor or the Grantor's successor in interest at the following addresses:

<p>TO: Lovy Properties, LLC P.O. Box 1752 Palm Springs, CA 92263</p>	<p>AND TO: Lovy Properties, LLC c/o Gary H. Brandfeld Registered Agent 5350 Orchard St. W., #202 University Place, WA 98467</p>
<p>AND TO: Michael R. Lovy P.O. Box 1752 Palm Springs, CA 92263</p>	<p>AND TO: Carol J. Lovy P.O. Box 1752 Palm Springs, CA 92263</p>
<p>AND TO: Michael R. Lovy 58063 South Eddy St. Seattle, WA 98118</p>	<p>AND TO: Carol J. Lovy 58063 South Eddy St. Seattle, WA 98118</p>

by both first class and either registered or certified mail on the 14th day of September, 2012, proof of which is in the possession of the Trustee; and the written notice of default was posted in a conspicuous place on the real property described in paragraph I above, and the Trustee has possession of proof of such service or posting.

VII.

The Trustee whose name and address is set forth below will provide in writing to anyone requesting it, a statement of all costs and fees due at any time prior to the sale.

VIII.

The effect of the sale will be to deprive the Grantors and all those who hold by, through or under the Grantors of all their interest in the above-described property.

IX.

Anyone having any objections to the sale on any grounds whatsoever will be afforded an opportunity to be heard as to those objections if they bring a lawsuit to restrain the sale pursuant to RCW 61.24.130. Failure to bring such a lawsuit may result in a waiver of any proper grounds for invalidating the Trustee's sale.

NOTICE OF TRUSTEE'S SALE--3

X.

NOTICE TO OCCUPANTS OR TENANTS

The purchaser at the trustee's sale is entitled to possession of the property on the 20th day following the sale, as against the grantor under the deed of trust (the owner) and anyone having an interest junior to the deed of trust, including occupants AND NON-RESIDENTIAL tenants by summary proceedings under chapter 59.12 RCW. For RESIDENTIAL tenant-occupied property, the purchaser shall provide a tenant with written notice in accordance with RCW 61.24.060. RESIDENTIAL TENANT-OCCUPIED PROPERTY MEANS PROPERTY COMPRISED SOLELY OF A SINGLE-FAMILY RESIDENCE, OR A CONDOMINIUM, COOPERATIVE, OR OTHER DWELLING UNIT IN A MULTIPLEX OR OTHER BUILDING CONTAINING FEWER THAN FIVE RESIDENTIAL UNITS.

XI.

NOTICE TO GUARANTOR:

If this Notice is being mailed or directed to any Guarantor, said Guarantor should be advised that: (1) The guarantor may be liable for a deficiency judgment to the extent the sale price obtained at the trustee's sale is less than the debt secured by the deed of trust; (2) the guarantor has the same rights to reinstate the debt, cure the default, or repay the debt as is given to the grantor in order to avoid the trustee's sale; (3) the guarantor will have no right to redeem the property after the trustee's sale; (4) subject to such longer periods as are provided in the Washington deed of trust act, chapter 61.24 RCW, any action brought to enforce a guaranty must be commenced within one year after the trustee's sale, or the last trustee's sale under any deed of trust granted to secure the same debt; and (5) in any action for a deficiency, the guarantor will have the right to establish the fair value of the property as of the date of the trustee's sale, less prior liens and encumbrances, and to limit its liability for a deficiency to the difference between the debt and the greater of such fair value or the sale price paid at the trustee's sale, plus interest and costs.

XII.

NOTICE TO TENANT OF PROPERTY SUBJECT TO FORECLOSURE SALE:

The foreclosure process has begun on this property, which may affect your right to continue to live in this property. Ninety days or more after the date of this notice, this property may be sold at foreclosure. If you are renting this property, the new property owner may either give you a new rental agreement or provide you with a sixty-day notice to vacate the property. You may wish to contact a lawyer or your local legal aid or housing counseling agency to discuss any rights that you may have.

NOTICE OF TRUSTEE'S SALE--4

DATED this 29th day of October, 2012.

TRUSTEE:
DAVIES PEARSON, P.C.



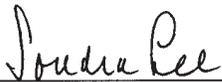
 JAMES R. TOMLINSON WSBA#14559
 920 Fawcett Avenue - P.O. Box 1657
 Tacoma, WA 98402
 Telephone: 253/620-1500

STATE OF WASHINGTON)
)ss.
 County of Pierce)

On this 29th day of October, 2012, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared JAMES R. TOMLINSON, to me known to be the individual that executed the foregoing instrument, and acknowledged that he signed said instrument as his free and voluntary act and deed for the uses and purposes therein mentioned.

WITNESS my hand and official seal hereto affixed the day and year first above written.





 Print Name: Sondra Lee
 NOTARY PUBLIC in and for the State
 of Washington.
 My commission expires: 8-31-16

THIS NOTICE IS AN ATTEMPT TO COLLECT A DEBT AND ANY INFORMATION OBTAINED WILL BE USED FOR THAT PURPOSE.

jrt / s:\18xxx\189xx\18927\23\docs\nots.doc

NOTICE OF TRUSTEE'S SALE--5

EXHIBIT “2”

CARVE-OUT AGREEMENT

James C. Bastian, Jr.
Mark Bradshaw
Lynda T. Bui
Franklin J. Contreras, Jr.
Melissa Davis Lowe
Kiara W. Gebhart
Ronald S. Hodges
Robert E. Huttenhoff
J. Ronald Ignatuk
John Mark Jennings
Rika M. Kido
Paul S. Ocampo
Ryan O'Dea
Gary A. Pemberton
Michael J. Petersen
Samuel J. Romero
Leonard M. Shulman

Of Counsel to the Firm
A. Lavar Taylor
Donald R. Kurtz
Gregory J. Anderson

June 14, 2013

Re: Carve Out Agreement
Case No.: 6:12-bk-35120-WJ

Property Located at 1310 South Union Avenue, Tacoma, Washington

To All Parties in Interest:

This correspondence memorializes the agreement among the bankruptcy estate (“Estate”) of Michael and Carol Lovy (the “Debtors”), Acacia Life Insurance (“Acacia”), and Heritage Bank (“Heritage”) regarding the costs of sale for real property located at 1310 S. Union Street, Tacoma, Washington (the “Union Property”). As you are aware, the proposed sale of the Union Property does not generate net proceeds for the benefit of the Estate. Rather than have the Trustee terminate the sale based on a lack of net proceeds to the Estate, the parties to this agreement have agreed on the terms of a stipulation which would allow for a carve-out of amounts otherwise payable to Acacia and Heritage to cover costs of sale for the Union Property, based on the following:

RECITALS

A. The Debtors filed a voluntary petition under Chapter 7 of the Bankruptcy Code on November 8, 2012 (“Petition Date”). Karl T. Anderson is the duly appointed, qualified and acting Chapter 7 Trustee for the Estate.

B. The Debtors’ Bankruptcy Schedule A lists a fee simple community property interest in the Union Property, which is legally described as follows:

BEGINNING 365 FEET SOUTH AND 20 FEET WEST OF THE
NORTHEAST CORNER OF THE SOUTHEAST QUARTER OF
SECTION 1, TOWNSHIP 20 NORTH, RANGE 2 EAST OF THE
WILLAMETTE MERIDIAN, IN PIERCE COUNTY,
WASHINGTON, BEING A POINT ON THE WEST RIGHT OF
WAY LINE OF UNION AVENUE AS ESTABLISHED BY DECREE
OF APPROPRIATION ENTERED IN PIERCE COUNTY
SUPERIOR COURT CAUSE NO. 58828;
THENCE WEST 112 FEET;
THENCE SOUTH 75 FEET;
THENCE EAST 112 FEET TO SAID RIGHT OF WAY;

June 14, 2013

Page 2

THENCE NORTH ALONG SAID RIGHT OF WAY 75 FEET TO THE POINT OF BEGINNING.

EXCEPT THE EAST 3.2 FEET THEREOF CONVEYED TO THE CITY OF TACOMA FOR UNION AVENUE BY DEED RECORDED UNDER AUDITOR'S FEE NO. 2192676.

SITUATE IN THE CITY OF TACOMA, COUNTY OF PIERCE, STATE OF WASHINGTON.

C. Pursuant to a payoff demand from Acacia, \$649,226.48 is owed in relation to its deed of trust and must be paid through escrow upon the sale of the Union Property. This amount is an accurate payoff demand up to and including July 1, 2013. For each day past this date, \$83.30 shall accrue.

D. Pursuant to a payoff demand from Heritage, \$445,000.00 is owed in relation to its deed of trust and must be paid through escrow upon the sale of the Union Property. This amount is an accurate payoff demand up to and including July 1, 2013. For each day past this date, \$43.10 shall accrue.

E. The amount owed to Heritage pursuant to Section D above is cross-collateralized with another parcel of real property owned by the Debtors, commonly known as 207-209 I Street, Tacoma, Washington (the "I Street Property").

F. Pursuant to Court order entered on April 8, 2013 (docket number 43), the Trustee was authorized to employ Craig Clark of Johansson Clark Real Estate (collectively, the "Broker") to assist the Trustee in the marketing and sale of the Union Property and the I Street Property.

G. Doctor Jason Wang (the "Proposed Buyer"), by and through their broker Meng-Lin Wang, have offered to purchase the Union Property for \$1,100,000.00, which represents the best offer the Trustee has received for the Union Property.

H. Pursuant to the Listing Agreement and in association with the Union Property's sale price of \$1,100,000.00, the brokers' fees to be paid though escrow would be \$66,000.00 (a 6% commission) to be divided equally among the Trustee's Broker and the Proposed Buyer's broker.

I. The Trustee estimates that there will be an additional two percent (2%) cost of sale associated with the sale of the Union Property. Based thereon, it is

June 14, 2013

Page 3

estimated that the total costs of sale for the Union Property will be between eight percent (8%) and nine percent (9%) of the Union Property's final purchase price. For an estimate of the costs of sale for the Union Property, please see **Exhibit A** attached hereto. Pursuant to Exhibit A, the costs of sale (defined in **Exhibit A** as "Estimated Seller Costs") is \$89,007.59.

J. The Trustee has determined that despite his diligent efforts to market and sell the Union Property, the sale would generate no net profits to the Estate.

AGREEMENT

I. Acacia agrees to cover fifty-eight and one-half percent (58.5%) (the "Acacia Carve-Out") of the costs of sale for the Union Property, so long as the actual costs of sale do not exceed nine percent (9%) of the Union Property's sale price. The Acacia Carve-Out is money otherwise payable to Acacia, but which Acacia has agreed to contribute to partially cover costs of sale associated with the Union Property.

II. As such, any amounts payable to Acacia through an escrow distribution of the Union Property's sale proceeds shall be reduced by the Acacia Carve-Out. The balance of the amount owed to Acacia shall be paid to Acacia in total satisfaction of all amounts owed thereto in association with the Union Property.

III. Heritage agrees to cover the remaining forty-one and one-half percent (41.5%) (the "Heritage Carve-Out") of the costs of sale for the Union Street Property, so long as the actual costs of sale do not exceed nine percent (9%) of the Union Property's sale price. The Heritage Carve-Out is money otherwise payable to Heritage, but which Heritage has agreed to contribute to partially cover costs of sale associated with the Union Property.

IV. As such, any amounts payable to Heritage through an escrow distribution of the Union Property's sale proceeds shall be reduced by the Heritage Carve-Out. The balance of the amount owed to Heritage shall be paid to Heritage in total satisfaction of all amounts owed thereto in association with only the Union Property.

V. Any remaining amount owed to Heritage in relation to its cross-collateralized lien referenced in Section D above shall be paid through the sale proceeds of the I Street Property. The Heritage Carve-Out shall be included in the total amount received by Heritage through the Union Property's sale. Therefore, Heritage shall not recover the Heritage Carve-Out from the sale proceeds of the I Street Property.

June 14, 2013
Page 4

VI. Together, the Acacia Carve-Out and the Heritage Carve-Out shall cover all costs of sale associated with the Union Property. The Acacia Carve-Out and the Heritage Carve-Out shall be distributed directly from escrow to the Trustee's Broker, the Buyer's real estate broker, escrow, title, and applicable taxing authorities¹ to cover all costs of sale, as itemized in **Exhibit A**, associated with the Union Property.

By signing this correspondence/agreement you consent to the aforementioned payment through escrow. This letter can be executed in multiple parts, and an execution transmitted by email or facsimile shall have the force and effect of an original signature.

Very truly yours,

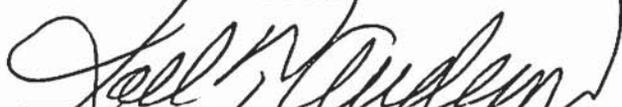
SHULMAN HODGES & BASTIAN LLP

Ryan O'Dea
[Electronic Signature]

Ryan O'Dea

Dated: June 17, 2013

CHAPTER 7 TRUSTEE



KARL T. ANDERSON, Solely in His Capacity
as Chapter 7 Trustee of Bankruptcy Estate of
Michael and Carol Lovy

Dated: June __, 2013

ACACIA LIFE INSURANCE

By: _____
Its _____

[SIGNATURES CONTINUED ON THE FOLLOWING PAGE]

¹ This is a non-exclusive list of people or entities that escrow is authorized to distribute funds in relation to costs of sale incurred through the sale of the Union Property.

June 14, 2013

Page 4

VI. Together, the Acacia Carve-Out and the Heritage Carve-Out shall cover all costs of sale associated with the Union Property. The Acacia Carve-Out and the Heritage Carve-Out shall be distributed directly from escrow to the Trustee's Broker, the Buyer's real estate broker, escrow, title, and applicable taxing authorities¹ to cover all costs of sale, as itemized in **Exhibit A**, associated with the Union Property.

By signing this correspondence/agreement you consent to the aforementioned payment through escrow. This letter can be executed in multiple parts, and an execution transmitted by email or facsimile shall have the force and effect of an original signature.

Very truly yours,

SHULMAN HODGES & BASTIAN LLP

Ryan O'Dea
[Electronic Signature]

Ryan O'Dea

CHAPTER 7 TRUSTEE

Dated: June __, 2013

KARL T. ANDERSON, Solely in His Capacity
as Chapter 7 Trustee of Bankruptcy Estate of
Michael and Carol Lovy

Dated: June 14, 2013

ACACIA LIFE INSURANCE



By: Andrew R. Chisholm
Its Attorney for Acacia Life Insurance

[SIGNATURES CONTINUED ON THE FOLLOWING PAGE]

¹ This is a non-exclusive list of people or entities that escrow is authorized to distribute funds in relation to costs of sale incurred through the sale of the Union Property.

June 14, 2013
Page 5

Dated: June __, 2013

HERITAGE BANK


By: James R. Tomlinson
Its Attorney for Heritage Bank

June 14, 2013
Page 6

EXHIBIT A

Johansson Clark Real Estate

393 Winslow Way E, Bainbridge Island, WA 98110 • 206-842-7601

Estimated Seller's Net Proceeds

Prepared: April 25, 2013

Prepared for: Ryan O'dea

The Information on this estimated net sheet is deemed reliable, but is not guaranteed. The actual costs with respect to each transaction will vary depending on the circumstances.

Selling Price	\$1,100,000.00
Closing Date: 6/5/2013	
Real Estate Fees	
Listing Office (3.0)	\$33,000.00
Selling Office (3.0)	\$33,000.00
Settlement Costs	
Escrow/Closing Fee (incl. tax)	\$1,011.95
Title Policy (incl. tax)	\$2,253.64
Prorated Property Tax	\$0.00
Excise Tax	\$19,580.00
Mortgage Costs	
1st Mortgage Balance	\$0.00
1st Mortgage Prorated Interest (0.0%)	0
1st Mortgage Prepayment Penalty	\$0.00
2nd Mortgage Balance	\$0.00
2nd Mortgage Prorated Interest	\$0.00
2nd Mortgage Prepayment Penalty	\$0.00
Additional Payoff	\$0.00
Buyer's Cost Paid	
Seller Paid Buyer Cost	\$0.00
Lender Requirement (FHA/VA)	\$0.00
Other Costs	
Special Assessment	\$0.00
Document Preparation Fee	\$100.00
Recording Fee	\$62.00
Homeowners Association Fee	\$0.00
Home Warranty Policy	\$0.00
Pest Inspection	\$0.00
Estimated Seller Costs	\$89,007.59
ESTIMATED NET PROCEEDS	\$1,010,992.41

Prepared by: Gary Marcy - Contact @ 206-200-8956

EXHIBIT “3”

**SALE AGREEMENT AND COUNTER
OFFER**



COMMERCIAL & INVESTMENT REAL ESTATE
PURCHASE & SALE AGREEMENT

This has been prepared for submission to your attorney for review and approval prior to signing. No representation is made by licensee as to its sufficiency or tax consequences

Reference Date: April 11, 2013

Jayson Stevens and Sean Hart

("Buyer") agrees to buy and

Lovy Properties LLC

("Seller") agrees to sell, on the following terms, the commercial real estate and all improvements thereon (collectively, the "Property") commonly known as 207-209 I Street in the City of Tacoma, Pierce County, Washington, legally described on attached Exhibit A. The Reference Date above is intended to be used to reference this Agreement, and is not the date of "Mutual Acceptance." Mutual Acceptance is defined in Section 23 below.

1. PURCHASE PRICE. The total purchase price is Two hundred thirty thousand and no/100 and 1/2 of closing cost Dollars (\$ 230,000.00) payable as follows (check only one):

- All cash at closing with no financing contingency.
- All cash at closing contingent on new financing in accordance with the Financing Addendum (attach CBA Form PS_FIN).
- \$ _____ OR _____ % of the purchase price in cash at closing with the balance of the purchase price paid as follows (check one or both, as applicable): Buyer's assumption of the outstanding principal balance as of the Closing Date of a first lien note and deed of trust (or mortgage), or real estate contract, in accordance with the Financing Addendum (attach CBA Form PS_FIN); Buyer's delivery at closing of a promissory note for the balance of the purchase price, secured by a deed of trust encumbering the Property, in accordance with the Financing Addendum (attach CBA Form PS_FIN).
- Other: _____

2. EARNEST MONEY. The earnest money in the amount of \$ 5,000.00 shall be in the form of Cash Personal check Promissory note (attached CBA Form EMN) Other: _____

The earnest money shall be held by Selling Firm Closing Agent. Selling Broker may, however, transfer the earnest money to Closing Agent.

Buyer shall deliver the earnest money no later than:

- Five days after Mutual Acceptance.
- On the last day of the Feasibility Period defined in Section 5 below.
- Other: _____

If the earnest money is to be held by Selling Firm and is over \$10,000, it shall be deposited to: Selling Firm's pooled trust account (with interest paid to the State Treasurer) A separate interest bearing trust account in Selling Firm's name. The interest, if any, shall be credited at closing to Buyer. If this sale fails to close, whoever is entitled to the earnest money is entitled to interest.

Selling Firm shall deposit any check to be held by Selling Firm within 3 days after receipt or Mutual Acceptance, whichever occurs later. Buyer agrees to pay financing and purchase costs incurred by Buyer. Unless otherwise provided in this Agreement, the earnest money shall be applicable to the purchase price.

3. EXHIBITS AND ADDENDA. The following Exhibits and Addenda are made a part of this Agreement:

- Exhibit A - Legal Description
- Earnest Money Promissory Note, CBA Form EMN

INITIALS: BUYER JSH DATE 4/15/13 SELLER [Signature] DATE 5/23/13
 BUYER [Signature] DATE 4/15/13 SELLER _____ DATE _____



COMMERCIAL & INVESTMENT REAL ESTATE
PURCHASE & SALE AGREEMENT
(CONTINUED)

- Promissory Note, LPB Form No. 28A/
- Short Form Deed of Trust, LPB Form No. 20
- Deed of Trust Rider, CBA Form DTR
- Utility Charges Addendum, CBA Form UA
- FIRPTA Certification, CBA Form 22E
- Assignment and Assumption, CBA Form PS-AS
- Addendum/Amendment, CBA Form PSA
- Back-Up Addendum, CBA Form BUA
- Vacant Land Addendum, CBA Form VLA
- Financing Addendum, CBA Form PS_FIN
- Tenant Estoppel Certificate, CBA Form PS_TEC
- Defeasance Addendum, CBA Form PS_D
- Other _____

4. **SELLER'S UNDERLYING FINANCING.** Unless Buyer is assuming Seller's underlying financing, Seller shall be responsible for confirming the existing underlying financing is not subject to any "lock out" or similar covenant which would prevent the lender's lien from being released at closing. In addition, Seller shall provide Buyer notice prior to the end of the Feasibility Period if Seller is required to substitute securities for the Property as collateral for the underlying financing (known as "defeasance"). If Seller provides this notice of defeasance to Buyer, then the parties shall close the transaction in accordance with the process described in CBA Form PS_D or any different process identified in Seller's defeasance notice to Buyer.

5. **FEASIBILITY CONTINGENCY.** Buyer's obligations under this Agreement are conditioned upon Buyer's satisfaction in Buyer's sole discretion, concerning all aspects of the Property, including its physical condition; the presence of or absence of any hazardous substances; the contracts and leases affecting the property; the potential financial performance of the Property; the availability of government permits and approvals; and the feasibility of the Property for Buyer's intended purpose. This Agreement shall terminate and Buyer shall receive a refund of the earnest money unless Buyer gives written notice to Seller within 0 days (30 days if not filled in) (the "Feasibility Period") of Mutual Acceptance stating that this condition is satisfied. If such notice is timely given, the feasibility contingency stated in this Section 5 shall be deemed to be satisfied.

a. **Books, Records, Leases, Agreements.** Seller shall make available for inspection by Buyer and its agents within 2 days (2 days if not filled in) after Mutual Acceptance all documents in Seller's possession or control relating to the ownership, operation, renovation or development of the Property, excluding appraisals or other statements of value, and including: statements for real estate taxes, assessments, and utilities for the last three years and year to date; property management agreements and any other agreements with professionals or consultants; leases or other agreements relating to occupancy of all or a portion of the Property and a suite-by-suite schedule of tenants, rents, prepaid rents, deposits and fees; plans, specifications, permits, applications, drawings, surveys, and studies; maintenance records, accounting records and audit reports for the last three years and year to date; and "Vendor Contracts" which shall include maintenance or service contracts, and installments purchase contracts or leases of personal property or fixtures used in connection with the Property. Buyer shall determine within the Feasibility Period: (i) whether Seller will agree to terminate any objectionable Vendor Contracts; and (ii) whether Seller will agree to pay any damages or penalties resulting from the termination of objectionable Vendor Contracts. Buyer's waiver of the Feasibility Contingency shall be deemed Buyer's acceptance of all Vendor Contracts which Seller has not agreed in writing to terminate. Buyer shall be solely responsible for obtaining any required consents to such assumption

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and the payment of any assumption fees. Seller shall cooperate with Buyer's efforts to receive any such consents but shall not be required to incur any out-of-pocket expenses or liability in doing so. Seller shall transfer the Vendor Contracts as provided in Section 17.

b. **Access.** Seller shall permit Buyer and its agents, at Buyer's sole expense and risk to enter the Property at reasonable times subject to the rights of and after legal notice to tenants, to conduct inspections concerning the Property and improvements, including without limitation, the structural condition of improvements, hazardous materials, pest infestation, soils conditions, sensitive areas, wetlands, or other matters affecting the feasibility of the Property for Buyer's intended use. Buyer shall schedule any entry onto the Property with Seller in advance and shall comply with Seller's reasonable requirements including those relating to security, confidentiality, and disruption of Seller's tenants. Buyer shall not perform any invasive testing including environmental inspections beyond a phase I assessment or contact the tenants or property management personnel without obtaining the Seller's prior written consent, which shall not be unreasonably withheld. Buyer shall restore the Property and improvements to the same condition they were in prior to inspection. Buyer shall be solely responsible for all costs of its inspections and feasibility analysis and has no authority to bind the Property for purposes of statutory liens. Buyer agrees to indemnify and defend Seller from all liens, costs, claims, and expenses, including attorneys' and experts' fees, arising from or relating to entry onto or inspection of the Property by Buyer and its agents. This agreement to indemnify and defend Seller shall survive closing. Buyer may continue to enter the Property in accordance with the foregoing terms and conditions after removal or satisfaction of the feasibility contingency only for the purpose of leasing or to satisfy conditions of financing.

c. Buyer waives the right to receive a seller disclosure statement ("Form 17-Commercial") if required by RCW 64.06. However, if Seller would otherwise be required to provide Buyer with a Form 17-Commercial, and if the answer to any of the questions in the section of the Form 17-Commercial entitled "Environmental" would be "yes," then Buyer does not waive the receipt of the "Environmental" section of the Form 17-Commercial which shall be provided by Seller.

6. TITLE INSURANCE.

a. **Title Report.** Seller authorizes Buyer, its Lender, Listing Broker, Selling Broker or Closing Agent, at Seller's expense, to apply for and deliver to Buyer a standard extended (standard, if not completed) coverage owner's policy of title insurance. If an extended coverage owner's policy is specified, Buyer shall pay the increased costs associated with that policy including the excess premium over that charged for a standard coverage policy, and the cost of any survey required by the title insurer. The title report shall be issued by Chicago Title 004377191 (a title company of Seller's choice, if not completed). If Seller previously received a preliminary commitment from a title insurer that Buyer declines to use, Buyer shall pay any cancellation fee owing to the original title insurer. Otherwise, the party applying for title insurance shall pay any title cancellation fee, in the event such a fee is assessed.

b. **Permitted Exceptions.** Buyer shall notify Seller of any objectionable matters in the title report or any supplemental report within the earlier of: (1) twenty (20) days after Mutual Acceptance of this Agreement; or (2) the expiration of the Feasibility Period. This Agreement shall terminate and Buyer shall receive a refund of the earnest money, less any costs advanced or committed for Buyer, unless within five (5) days of Buyer's notice of such objections (1) Seller agrees, in writing, to remove all objectionable provisions or (2) Buyer notifies Seller that Buyer waives any objections which Seller does not agree to remove. If any new title matters are disclosed in a supplemental title report, then the preceding termination, objection and waiver provisions shall apply to the new title matters except that Buyer's notice of objections must be delivered within five (5) days of delivery of the supplemental report and Seller's response or Buyer's waiver must be delivered within two (2) days of Buyer's notice of objections. The closing date shall be extended to the extent necessary to

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permit time for these notices. Buyer shall not be required to object to any mortgage or deed of trust liens, or the statutory lien for real property taxes, and the same shall not be deemed to be Permitted Exceptions; provided, however, that the lien securing any financing which Buyer has agreed to assume shall be a Permitted Exception. Except for the foregoing, those provisions not objected to or for which Buyer waived its objections shall be referred to collectively as the "Permitted Exceptions." Seller shall cooperate with Buyer and the title company to clear objectionable title matters but shall not be required to incur any out-of-pocket expenses or liability other than payment of monetary encumbrances not assumed by Buyer and proration of real property taxes, and Seller shall provide an owner's affidavit containing the information and reasonable covenants requested by the title company. The title policy shall contain no exceptions other than the General Exclusions and Exceptions common to such form of policy and the Permitted Exceptions.

7. **CLOSING OF SALE.** This sale shall be closed on May 30, 2013 June 30, 13 or S. ("Closing") by Chicago Title ("Closing Agent") (Seller shall select the Closing Agent, if not completed). Buyer and Seller shall deposit with Closing Agent by 12:00 p.m. on the scheduled Closing date all instruments and monies required to complete the purchase in accordance with this Agreement. "Closing" shall be deemed to have occurred when the deed is recorded and the sale proceeds are available to Seller. Time is of the essence in the performance of this Agreement. Sale proceeds shall be considered available to Seller, even though they cannot be disbursed to Seller until the next business day after Closing. Notwithstanding the foregoing, if Seller informed Buyer during the Feasibility Period that Seller's underlying financing requires that it be defeased and may not be paid off, then Closing shall be conducted in accordance with the three-day closing process described in CBA Form PS_D. This Agreement is intended to constitute escrow instructions to Closing Agent. Buyer and Seller will provide any supplemental instructions requested by Closing Agent provided the same are consistent with this Agreement.

8. **CLOSING COSTS AND PRORATIONS.** Seller shall deliver an updated rent roll to Closing Agent not later than two (2) days before the scheduled Closing date in the form required by Section 5(a) and any other information reasonably requested by Closing Agent to allow Closing Agent to prepare a settlement statement for Closing. Seller certifies that the information contained in the rent roll is correct as of the date submitted. Seller shall pay the premium for the owner's standard coverage title policy. Buyer shall pay the excess premium attributable to any extended coverage or endorsements requested by Buyer, and the cost of any survey required in connection with the same. Seller and Buyer shall each pay one-half of the escrow fees. Any real estate excise taxes shall be paid by the party who bears primary responsibility for payment under the applicable statute or code. Real and personal property taxes and assessments payable in the year of closing; collected rents on any existing tenancies; interest; utilities; and other operating expenses shall be pro-rated as of Closing. If tenants pay any of the foregoing expenses directly, then Closing Agent shall only pro rate those expenses paid by Seller. Buyer shall pay to Seller at Closing an additional sum equal to any utility deposits or mortgage reserves for assumed financing for which Buyer receives the benefit after Closing. Buyer shall pay all costs of financing including the premium for the lender's title policy. If the Property was taxed under a deferred classification prior to Closing, then Seller shall pay all taxes, interest, penalties, deferred taxes or similar items which result from removal of the Property from the deferred classification. At Closing, all refundable deposits on tenancies shall be credited to Buyer or delivered to Buyer for deposit in a trust account if required by state or local law. Buyer shall pay any sales or use tax applicable to the transfer of personal property included in the sale.

a. **Unpaid Utility Charges.** Buyer and Seller WAIVE DO NOT WAIVE (do not waive if neither box checked) the right to have the Closing Agent disburse closing funds necessary to satisfy unpaid utility charges affecting the Property pursuant to RCW 60.80. If "do not waive" is checked, then attach CBA Form UA ("Utility Charges" Addendum) to this Agreement.

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9. **POST-CLOSING ADJUSTMENTS, COLLECTIONS, AND PAYMENTS.** After Closing, Buyer and Seller shall reconcile the actual amount of revenues or liabilities upon receipt or payment thereof to the extent those items were prorated or credited at Closing based upon estimates. Any bills or invoices received by Buyer after Closing which relate to services rendered or goods delivered to the Seller or the Property prior to Closing shall be paid by Seller upon presentation of such bill or invoice. At Buyer's option, Buyer may pay such bill or invoice and be reimbursed the amount paid plus interest at the rate of 12% per annum beginning fifteen (15) days from the date of Buyer's written demand to Seller for reimbursement until such reimbursement is made. Notwithstanding the foregoing, if tenants pay certain expenses based on estimates subject to a post-closing reconciliation to the actual amount of those expenses, then Buyer shall be entitled to any surplus and shall be liable for any credit resulting from the reconciliation. Rents collected from each tenant after Closing shall be applied first to rentals due most recently from such tenant for the period after closing, and the balance shall be applied for the benefit of Seller for delinquent rentals owed for a period prior to closing. The amounts applied for the benefit of Seller shall be turned over by Buyer to Seller promptly after receipt. Seller shall be entitled to pursue any lawful methods of collection of delinquent rents but shall have no right to evict tenants after Closing.
10. **OPERATIONS PRIOR TO CLOSING.** Prior to Closing, Seller shall continue to operate the Property in the ordinary course of its business and maintain the Property in the same or better condition than as existing on the date of Mutual Acceptance but shall not be required to repair material damage from casualty except as otherwise provided in this Agreement. After the Feasibility Period, Seller shall not enter into or modify existing rental agreements or leases (except that Seller may enter into, modify, extend, renew or terminate residential rental agreements or residential leases in the ordinary course of its business), service contracts, or other agreements affecting the Property which have terms extending beyond Closing without first obtaining Buyer's consent, which shall not be unreasonably withheld.
11. **POSSESSION.** Buyer shall be entitled to possession on closing _____ (on closing, if not completed). Buyer shall accept possession subject to all tenancies disclosed to Buyer during the Feasibility Period.
12. **SELLER'S REPRESENTATIONS.** Except as disclosed to or known by Buyer prior to the satisfaction or waiver of the feasibility contingency stated in Section 5 above, including in the books, records and documents made available to Buyer, or in the title report or any supplemental report or documents referenced therein, Seller represents to Buyer that, to the best of Seller's actual knowledge, each of the following is true as of the date hereof: (a) Seller is authorized to enter into the Agreement, to sell the Property, and to perform its obligations under the Agreement; (b) The books, records, leases, agreements and other items delivered to Buyer pursuant to this Agreement comprise all material documents in Seller's possession or control regarding the operation and condition of the Property; (c) Seller has not received any written notices that the Property or the business conducted thereon violate any applicable laws, regulations, codes and ordinances; (d) Seller has all certificates of occupancy, permits, and other governmental consents necessary to own and operate the Property for its current use; (e) There is no pending or threatened litigation which would adversely affect the Property or Buyer's ownership thereof after Closing; (f) There is no pending or threatened condemnation or similar proceedings affecting the Property, and the Property is not within the boundaries of any planned or authorized local improvement district; (g) Seller has paid (except to the extent prorated at Closing) all local, state and federal taxes (other than real and personal property taxes and assessments described in Section 8 above) attributable to the period prior to closing which, if not paid, could constitute a lien on Property (including any personal property), or for which Buyer may be held liable after Closing; (h) Seller is not aware of any concealed material defects in the Property except as disclosed to Buyer in writing during the Feasibility Period; (i) There are no Hazardous Substances (as defined below) currently located in, on, or under the Property in a manner or quantity that presently violates any Environmental Law (as defined below); there are no underground storage tanks located on the Property; and there is no pending or threatened investigation or

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BUYER SAH DATE 4/15/13 SELLER _____ DATE _____