05-19-1998

Form PTO-1594 (Rev. 6-93) MRD 5-14-98 RECO

100715697

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office

To the Honorable Commissioner of Pate

l original documents or copy thereof.

1. Name of conveying party(ies):
Cavanaughs Hospitality Corporation

☐ Individual(s) ☐ Association
☐ General Partnership ☐ Limited Partnership
☒ Corporation-State: Washington
☐ Other

Additional name(s) of conveying party(ies) attached? ☐ Yes ☒ No

2. Name and address of receiving party(ies):
Name: U.S. Bank National Association
Internal Address:
Street Address: 1420 Fifth Avenue
City: Seattle State: WA ZIP: 98101
☐ Individual(s) citizenship
☐ Association
☐ General Partnership
☐ Limited Partnership
☐ Corporation-State Washington
☒ Other national banking association

If assignee is not domiciled in the United States, a domestic representative designation is attached: ☐ Yes ☐ No
(Designations must be a separate document from Assignment)
Additional name(s) & address(es) attached? ☐ Yes ☒ No

3. Nature of conveyance:
☐ Assignment ☐ Merger
☒ Security Agreement ☐ Change of Name
☐ Other

Execution Date: May 5, 1998

4. Application number(s) or registration number(s):
A. Trademark Application No.(s) See Exhibit 1
B. Trademark Registration No.(s) See Exhibit 1

Additional numbers attached? ☒ Yes ☐ No

5. Name and address of party to whom correspondence concerning document should be mailed:
Name: Heidi L. Sachs
Internal Address: Perkins Coie
Street Address: 1201 Third Avenue, 40th Floor
City: Seattle State: WA ZIP: 98101

6. Total number of applications and registrations involved: 12

7. Total fee (37 CFR 3.41): $ 315.00
☒ Enclosed
☐ Authorized to be charged to deposit account

8. Deposit account number:
(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature.
To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Heidi L. Sachs	Heidi Sachs	May 13, 1998
Name of Person Signing	Signature	Date

Total number of pages comprising cover sheet, attachments and document: 25

05/15/1998 DCOATES 00000114 75353105
01 FC:481 40.00 OP
02 FC:482 275.00 OP

DO NOT DETACH THIS PORTION

Mail documents to be recorded with required cover sheet information to:
Commissioner of Patents and Trademarks
Box Assignments
Washington, D.C. 20231

Public burden reporting for this sample cover sheet is estimated to average about 30 minutes per document to be recorded, including time for reviewing the document and gathering the data needed, and completing and reviewing the sample cover sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Office of Information Systems, PK2-1000C, Washington, D.C. 20231, and to the Office of Management and Budget, Paperwork Reduction Project (0651-0011), Washington, D.C. 20503.

[12187-2047/SL981320.153]

EXHIBIT 1
to Recordation Form Cover Sheet

Trademark Applications

Mark	Serial No.
CAVANAUGH'S	75/353105
CHC	75/358193
CHC	75/358194
CHC	75/358195
CAVANAUGH'S	75/358198
CAVANAUGH'S	75/358199
CAVANAUGHS	75/378921
MISCELLANOUS DESIGN (LOGO)	75/379250

Trademark Registrations

Mark	Registration No.
CAVANAUGH'S LANDING	1,165,968
G&B	1,896,423
FALLS FISH CO.	1,996,080
FALLS FISH CO. and Design	2,049,510

SECURITY AGREEMENT

This security agreement ("Agreement") is made and entered into as of May 5, 1998, by CAVANAUGHS HOSPITALITY CORPORATION, a Washington corporation (the "Grantor"), for the benefit of U. S. BANK NATIONAL ASSOCIATION, as administrative agent for (in such capacity, the "Secured Party") the several financial institutions (the "Lenders") from time to time party to the Credit Agreement (as defined below).

RECITALS

A. Concurrently with the execution hereof, the Secured Party, the Lenders and Cavanaughs Hospitality Limited Partnership (the "Borrower") entered into a credit agreement of even date herewith (together with all supplements, exhibits, modifications and amendments thereto, the "Credit Agreement"), pursuant to which the Lenders agreed to make available to the Borrower a secured revolving loan facility as more fully described therein ("Loans").

B. It is a condition precedent to the making of the Loans to the Borrower by the Lenders under the Credit Agreement that the Grantor shall have granted the security interests and undertaken the obligations contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce the Lenders to make the Loans, the Grantor hereby agrees with the Secured Party as follows:

1. Definitions

Unless otherwise defined herein, terms defined in the Credit Agreement shall have the same meanings when used herein. When used in this Agreement, the following terms shall have the following meanings:

"Account" means any right to payment for goods sold or leased or for services rendered that is not evidenced by an Instrument or Chattel Paper, whether or not it has been earned by performance.

"Account Debtor" means the party who is obligated on or under any Account, Chattel Paper, or General Intangible.

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"Assignee Deposit Account" has the meaning set forth in Section 5.7 hereof.

"Chattel Paper" means all interest of the Grantor in writings that evidence both a monetary obligation and a security interest in or a lease of specific goods, including any group of writings consisting of both a security agreement or a lease and an Instrument or series of Instruments.

"Collateral" means all property, real, personal, and mixed, tangible and intangible, wherever located, now owned or hereafter acquired by the Grantor, or in which the Grantor has or later obtains an interest, and all products, profits, rents, and proceeds of such property, including but not limited to Accounts, Chattel Paper, Deposit Accounts, Documents, Equipment, Financial Assets, General Intangibles, Goods, Instruments, Inventory, Investment Property, Trademarks, and Vehicles.

"Deposit Account" means a demand, time, savings, checking, passbook, or like account maintained with a bank, savings and loan association, credit union, or like organization, other than an account evidenced by a certificate of deposit.

"Document" means all of the Grantor's right, title, and interest in or to any document of title as defined in RCW 62A.1-201 and any receipt of the kind described in RCW 62A.7-201(2).

"Equipment" means all of the Grantor's right, title, and interest in and to Goods that are used or bought for use primarily in business and that are not included within the definition of Inventory, including but not limited to all machinery, equipment, furnishings, fixtures, vehicles, tools, supplies, and other equipment of any kind and nature and all additions, substitutions, and replacements of any of the foregoing, together with all attachments, components, parts, accessories, improvements, upgrades and accessories installed thereon or affixed thereto.

"Event of Default" means an occurrence of an Event of Default as defined in the Credit Agreement.

"Financial Assets" means all of the Grantor's right, title, and interest in and to any financial asset as defined in RCW 62A.8-102.

"General Intangibles" means all personal property (including things in action) other than Goods, Accounts, Chattel Paper, Documents, Financial Assets, Instruments, Investment Property, and money, including but not limited to all Trademarks, insurance proceeds, patents, copyrights, trade names, trade secrets, goodwill, registration, license rights, licenses, permits, corporate and other business

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records, rights to refunds or indemnification, and all other intangible personal property of the Grantor of every kind and nature.

"Goods" means all things that are movable or that are fixtures, not including money, Documents, Financial Assets, Instruments, Accounts, Chattel Paper, Investment Property, or General Intangibles.

"Instrument" means any negotiable instrument or other writing that evidences a right to the payment of money and is not itself a security agreement or lease and is of a type that is in the ordinary course of business transferred by delivery with any necessary endorsement or assignment.

"Inventory" means all Goods held by the Grantor for sale or lease, furnished or to be furnished by the Grantor under any contract of service, or held by the Grantor as raw materials, work in progress, or materials used or consumed in the Grantor's business.

"Investment Property" means all of the Grantor's right, title, and interest in and to any investment property as defined in RCW 62A.9-115.

"Secured Obligations" means all obligations and liabilities of every nature of the Grantor now or hereafter existing under or arising out of or in connection with the Guaranty, as well as all obligations and liabilities of every nature of the Borrower now or hereafter existing under or arising out of or in connection with the Credit Agreement and the other Loan Documents, together with all extensions, renewals, amendments and modifications of the foregoing, whether for principal, interest (including without limitation interest that, but for the filing of a petition in bankruptcy with respect to the Borrower or the Grantor, would accrue on such obligations), fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owned with others, and whether or not from time to time decreased or extinguished and later increased, created, or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from the Secured Party or any Lender as a preference, fraudulent transfer, or otherwise, and all obligations of every nature of the Grantor now or hereafter existing under this Agreement.

"Trademark" means (a) any trademark, trade name, corporate name, company name, business name, fictitious business name, trade style, service mark, logo or other source or business identifier, and the goodwill associated therewith, now existing or hereafter adopted or acquired, any registration or recording thereof, and any

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application in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States or of any state thereof, or any other country or any political subdivision thereof, or otherwise, including but not limited to any trademarks referred to in Schedule I hereto, and (b) all renewals thereof.

"Vehicle" means any car, truck, trailer, construction or earth-moving equipment, or other vehicle covered by a certificate of title of any state, including but not limited to any tires or other appurtenances to any of the foregoing.

2. Grant of Security Interest

As security for the payment and satisfaction of the Secured Obligations, the Grantor hereby grants to the Secured Party a continuing security interest in and assigns to the Secured Party all of the Grantor's right, title, and interest in the Collateral and all products, profits, rents, and proceeds thereof.

3. Covenants of the Grantor

The Grantor shall fully perform each of the covenants set forth below.

3.1 Obligations to Pay

(a) The Grantor shall pay to Secured Party, in timely fashion and in full, all amounts payable by the Grantor to Secured Party, pursuant to the Guaranty; and

(b) The Grantor shall pay and reimburse the Secured Party for all expenditures including reasonable attorney fees and legal expenses in connection with the exercise by the Secured Party of any of its rights or remedies under the Guaranty, the Credit Agreement or the other Loan Documents.

3.2 Performance

The Grantor shall fully perform in a timely fashion every covenant, agreement, and obligation set forth in the Credit Agreement and the other Loan Documents.

3.3 Further Documentation

At its own expense, the Grantor shall execute and deliver any financing statement, any renewal, substitution, or correction thereof, or any other document;

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shall procure any document; and shall take such further action as the Secured Party may require in obtaining the full benefits of this Agreement.

3.4 Filing Fees

The Grantor shall pay all costs of filing any financing, continuation, or termination statement with respect to the security interests granted herein.

3.5 Pledges

The Grantor shall deliver and pledge to Secured Party, endorsed or accompanied by instruments of assignment or transfer satisfactory to Secured Party, any Instruments, Investment Property, Documents, General Intangibles, or Chattel Paper that the Secured Party may specify from time to time.

3.6 Maintenance of Records

The Grantor shall keep and maintain at its own cost and expense satisfactory and complete records of the Collateral including but not limited to a record of all payments received and all credits granted with respect to the Collateral and all other dealings with the Collateral. The Grantor shall mark its books and records pertaining to the Collateral to evidence this Agreement and the security interests granted herein. The Grantor shall deliver and turn over to the Secured Party all books and records (or copies thereof) pertaining to the Collateral at any time after the occurrence and during the continuation of an Event of Default, if so demanded by Secured Party.

3.7 Disposition of Collateral

Except as allowed in the Credit Agreement, the Grantor shall not sell or transfer any of the Collateral or release, compromise, or settle any obligation or receivable due to the Grantor.

3.8 Indemnification

The Grantor agrees to pay, and to indemnify the Secured Party and each Lender and hold the Secured Party and each Lender harmless from, all liabilities, costs, and expenses including but not limited to legal fees and expenses with respect to or resulting from (a) any delay in paying any excise, sales, or other taxes that may be payable or determined to be payable with respect to any of the Collateral, (b) any delay by the Grantor in complying with any requirement of law applicable to any of the Collateral, or (c) any of the transactions contemplated by this Agreement. In any suit, proceeding, or action brought by the Secured Party under any Account to enforce

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payment of any sum owing thereunder or to enforce any provisions of any Account, the Grantor will indemnify the Secured Party and each Lender and hold the Secured Party and each Lender harmless from all expense, loss, or damage suffered by reason of any defense, setoff, counterclaim, recoupment, reduction, or liability whatsoever of the Account Debtor thereunder arising out of a breach by the Grantor of any obligation thereunder or arising out of any other agreement, indebtedness, or liability at any time owing to or in favor of such Account Debtor or its successors from the Grantor.

3.9 Limitations on Amendments, Modifications, Terminations, Waivers, and Extensions of Contracts and Agreements Giving Rise to Accounts

The Grantor will not (a) amend, modify, terminate, waive, or extend any provision of any agreement giving rise to an Account in any manner that could reasonably be expected to have a material adverse effect on the value of such Account as Collateral or (b) fail to exercise promptly and diligently every material right that it may have under each agreement giving rise to an Account, other than any right of termination.

3.10 Limitations on Discounts, Compromises, and Extensions of Accounts

The Grantor will not grant any extension of the time of payment of any of the Accounts; compromise, compound, or settle the same for less than the full amount thereof; release, wholly or partially, any Person liable for the payment thereof; or allow any credit or discount whatsoever thereon.

3.11 Further Identification of Collateral

The Grantor will furnish to the Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Secured Party may request, all in reasonable detail.

3.12 Notices

The Grantor will advise the Secured Party promptly in reasonable detail at its address set forth in Section 7.9 (a) of any Lien (other than Liens created hereby or permitted under the Credit Agreement) on or claim asserted against any of the Collateral and (b) of the occurrence of any other event that could reasonably be

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expected to have a material adverse effect on the Collateral or on the Liens created hereunder.

3.13 Changes in Locations, Name, Etc.

The Grantor will not (a) change the location of its chief executive office/chief place of business from that specified in Section 4.10 or remove its books and records from the location specified in Section 4.6, (b) permit any of the Inventory or Equipment (excluding Vehicles) to be kept at locations other than those listed on Schedule II hereto, or (c) change its name, identity, or structure to such an extent that any financing statement filed by the Secured Party in connection with this Agreement would become seriously misleading, unless it shall have given the Secured Party at least ten days' prior written notice thereof.

3.14 Trademarks

(a) The Grantor (either itself or through licensees) will (i) continue to use each Trademark on each and every trademark class of goods applicable to its current line as reflected in its current catalogs, brochures, and price lists in order to maintain such Trademark in full force free from any claim of abandonment for nonuse, (ii) maintain as in the past the quality of products and services offered under such Trademark, (iii) employ such Trademark with the appropriate notice of registration, (iv) not adopt or use any mark that is confusingly similar to or a colorable imitation of such Trademark unless the Secured Party shall obtain a perfected security interest in such mark pursuant to this Agreement, and (v) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any Trademark may become invalidated.

(b) The Grantor will notify the Secured Party immediately if it knows, or has reason to know, of (i) any application or registration relating to any Trademark material to its business that may become abandoned or dedicated, or (ii) any adverse determination or development (including but not limited to the institution of, or any adverse determination or development in, any proceeding in the United States Patent and Trademark Office or any court or tribunal in any country) regarding the Grantor's ownership of any material Trademark or its right to register, keep, or maintain the same.

(c) Whenever the Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any material Trademark with the United States Patent and Trademark Office or any similar office or agency in any other country or any political subdivision thereof, the

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Grantor shall report such filing to the Secured Party within five Business Days after the last day of the calendar month in which such filing occurs. The Grantor shall execute and deliver to the Secured Party all agreements, instruments, powers of attorney, documents, and papers that the Secured Party may request to evidence Secured Party's security interest in any Trademark and in the goodwill and general intangibles of the Grantor relating to or represented by the Trademark. The Grantor hereby constitutes the Secured Party its attorney-in-fact to execute and file all such writings for the foregoing purposes, with all acts of such attorney being hereby ratified and confirmed; and such power, being coupled with an interest, is irrevocable until all Secured Obligations are paid in full.

(d) The Grantor will take all reasonable and necessary steps, including but not limited to all reasonable and necessary steps in any proceeding before the United States Patent and Trademark Office or any similar office or agency in any other country or any political subdivision thereof. to maintain and pursue each application, to obtain the relevant registration, and to maintain each registration of material Trademarks, including but not limited to filing applications for renewal, affidavits of use, and affidavits of incontestability.

(e) If any Trademark that is included in the Collateral is infringed, misappropriated, or diluted by a third party, the Grantor shall promptly notify the Secured Party after it learns thereof and shall take such action as the Grantor reasonably deems appropriate under the circumstances to protect such Trademark.

3.15 Vehicles

Within ten days after written demand by the Secured Party to the Grantor that is given after the occurrence and during the continuation of an Event of Default, an application for certificate of title to each Vehicle that constitutes Collateral indicating the first priority lien on each such Vehicle of the Secured Party, for its benefit and the ratable benefit of the Lenders, and any other necessary documentation, shall be filed in each office in each jurisdiction that the Secured Party deems advisable to perfect its Lien on each such Vehicle.

3.16 Insurance

The Grantor agrees to insure the Collateral as provided for in the Credit Agreement. If the Grantor fails to obtain such insurance, the Secured Party shall have the right, but not the obligation, to obtain either insurance covering both the Grantor's and Secured Party's interest in the Collateral, or insurance covering only Secured

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Party's interest in the Collateral. The Grantor agrees to pay any premium charged for such insurance. This amount may be added to the outstanding balance of the Loans, and interest thereon shall be charged at the rate specified in any applicable loan document, or the Secured Party may demand immediate payment. Any unpaid insurance premium advanced by the Secured Party shall be secured under the terms of this Agreement. The Secured Party will have no liability whatsoever for any loss which may occur by reason of the omission or lack of coverage of any such insurance. The Grantor hereby assigns to Secured Party, for its benefit and the ratable benefit of the Lenders, the right to receive proceeds of such insurance to the full amount of the Secured Obligations and hereby directs any insurer to pay all proceeds directly to Secured Party, and authorizes the Secured Party to endorse any draft. In Secured Party's sole discretion not inconsistent with the terms of the Credit Agreement, the Secured Party may apply any insurance proceeds either toward repair of the property or reduction of the balance of the Secured Obligations.

3.17 Copy of Financing Statement

The Grantor agrees that a carbon, photographic, or other reproduction of a financing statement or this Agreement is sufficient as a financing statement.

4. Representations and Warranties

The Grantor hereby makes the following representations and warranties:

4.1 Title to Collateral

The Grantor has good and marketable title to all the Collateral, free and clear of all Liens excepting only the security interests created pursuant to this Agreement or permitted pursuant to the Credit Agreement.

4.2 No Impairment of Collateral

None of the Collateral shall be impaired or jeopardized because of the security interest herein granted.

4.3 Other Agreements

The execution and delivery of this Agreement, the consummation of the transactions provided for herein, and the fulfillment of the terms hereof will not result in the breach of any of the terms, conditions, or provisions of, or constitute a default under, or conflict with, or cause any acceleration of any obligation under any

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(a) agreement or other instrument to which the Grantor is a party or by which the Grantor is bound or (b) Requirements of Law.

4.4 No Approvals

No approvals of any Governmental Authority of any nature are required in connection with the security interests herein granted.

4.5 Authority

The Grantor has full power and authority to assign to the Secured Party and to grant to the Secured Party a security interest in the Collateral.

4.6 Location of Records

The address of the office where the books and records of the Grantor are kept concerning the Collateral is set forth on Schedule II.

4.7 Location of Collateral

The locations of all Inventory and Equipment of the Grantor are described on Schedule II.

4.8 Name

The Grantor conducts its business only under the names "Cavanaughs Hospitality Corporation," "Cavanaugh's Inn," "Cavanaughs River Inn," "Cavanaughs Columbia Center," "Cavanaughs Inn at the Park," "Cavanaughs Kalispell Center," "Kalispell Center Mall," "Cavanaughs Yakima Center," "Cavanaughs Fifth Avenue," "Cavanaughs Gateway Hotel," "Cavanaughs on the Falls," "Cavanaughs Ridpath Hotel," "Cavanaughs Templins Resort," "Cavanaughs Outlaw Hotel," "Cavanaughs Hillsboro Hotel," "G & B Select a Seat," "G & B Real Estate Services," and "G & B Presents."

4.9 Accounts

The amount represented by the Grantor to the Secured Party from time to time as owing by each Account Debtor or by all Account Debtors in respect of the Accounts will at such time be the correct amount actually owing by such Account Debtor or Debtors thereunder. No material amount payable to the Grantor under or in connection with any Account is evidenced by any Instrument or Chattel Paper that has not been delivered to Secured Party.

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4.10 Chief Executive Office

The Grantor's chief executive office and chief place of business is located at the address set forth on Schedule II.

4.11 Trademarks

Schedule I hereto includes all Trademarks owned by or applied for the Grantor in its own name as of the date hereof. To the best of the Grantor's knowledge, each such Trademark is valid, subsisting, unexpired, and enforceable and has not been abandoned. Except as set forth in Schedule I, none of such Trademarks applications is the subject of any licensing or franchise agreement. No holding, decision, or judgment that would limit, cancel, or question the validity of any such Trademark has been rendered by any Governmental Authority. No action or proceeding is pending that (a) seeks to limit, cancel, or question the validity of any such Trademark application or (b) would, if adversely determined, have a material adverse effect on the value of any Trademark.

4.12 Governmental Obligors

No Account Debtor is a Governmental Authority.

5. Secured Party's Rights With Respect to the Collateral

5.1 No Duty on Secured Party's Part

The Secured Party shall not be required (except at its option upon the occurrence and during the continuation of any Event of Default) to realize upon any Accounts, Financial Assets, Instruments, Investment Property, Chattel Paper, or General Intangibles; collect the principal, interest, or payment due thereon, exercise any rights or options of the Grantor pertaining thereto; make presentment, demand, or protest; give notice of protest, nonacceptance, or nonpayment; or do any other thing for the protection, enforcement, or collection of such Collateral. The powers conferred on the Secured Party hereunder are solely to protect Secured Party's interests in the Collateral and shall not impose any duty upon the Secured Party to exercise any such powers. The Secured Party shall be accountable only for amounts that the Secured Party actually receives as a result of the exercise of such powers; and neither the Secured Party nor any of its officers, directors, employees, or agents shall be responsible to the Grantor for any act or failure to act hereunder.

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5.2 Negotiations with Account Debtors

Upon the occurrence and during the continuation of any Event of Default, the Secured Party may, in its sole discretion, extend or consent to the extension of the time of payment or maturity of any Instruments, Accounts, Chattel Paper, or General Intangibles.

5.3 Right to Assign

Except as otherwise provided in the Credit Agreement. The Secured Party may assign or transfer the whole or any part of the Secured Obligations and may transfer therewith as collateral security the whole or any part of the Collateral; and all obligations, rights, powers, and privileges herein provided shall inure to the benefit of the assignee and shall bind the successors and assigns of the parties hereto.

5.4 Duties Regarding Collateral

Beyond the safe custody thereof, the Secured Party shall not have any duty as to any Collateral in its possession or control, or as to any preservation of any rights of or against other parties.

5.5 Collection From Account Debtors

Upon the occurrence and during the continuation of any Event of Default, the Grantor shall, upon demand by the Secured Party(and without any grace or cure period), notify all Account Debtors to make payment to the Secured Party of any amounts due or to become due. The Grantor authorizes the Secured Party to contact the Account Debtors for the purpose of having all or any of them pay their obligations directly to Secured Party. Upon demand by Secured Party, the Grantor shall enforce collection of any indebtedness owed to it by Account Debtors.

5.6 Inspection

The Secured Party and its designees, from time to time at reasonable times and intervals, may inspect the Equipment and Inventory and inspect, audit, and make copies of and extracts from all records and all other papers in the possession of the Grantor.

5.7 Assignee Deposit Account

Upon demand by the Secured Party during the continuation of any Event of Default, the Grantor will transmit and deliver to Secured Party, in the form received,

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immediately after receipt, all cash, checks, drafts, Chattel Paper, Instruments, or other writings for the payment of money including Investment Property (properly endorsed, where required, so that the items may be collected by Secured Party) that may be received by the Grantor at any time. All items or amounts that are delivered by the Grantor to Secured Party, or collected by the Secured Party from the Account Debtors, shall be deposited to the credit of a Deposit Account ("Assignee Deposit Account") of the Grantor with Secured Party, as security for the payment of the Secured Obligations. The Grantor shall have no right to withdraw any funds deposited in the Assignee Deposit Account. The Secured Party may, from time to time in its discretion, and shall, upon the request of the Grantor made not more than twice in any week, apply all or any of the balance, representing collected funds, in the Assignee Deposit Account, to payment of the Secured Obligations, whether or not then due, in such order of application, not inconsistent with the terms of the Credit Agreement and this Agreement, as the Secured Party may determine; and the Secured Party may, from time to time in its discretion, release all or any of such balance to the Grantor.

6. Secured Party's Rights and Remedies

6.1 General

Upon the occurrence of any Event of Default, the Secured Party may exercise its rights and remedies in the Credit Agreement and in any other Loan Documents and any other rights and remedies at law and in equity, simultaneously or consecutively, all of which rights and remedies shall be cumulative. The choice of one or more rights or remedies shall not be construed as a waiver or election barring other rights and remedies. The Grantor hereby acknowledges and agrees that the Secured Party is not required to exercise all rights and remedies available to it equally with respect to all the Collateral and that the Secured Party may select less than all the Collateral with respect to which the rights and remedies as determined by the Secured Party may be exercised.

6.2 Notice of Sale; Duty to Assemble Collateral

In addition to or in conjunction with the rights and remedies referred to in Section 6.1 hereof:

(a) Written notice mailed to the Grantor at the address designated herein ten days or more prior to the date of public or private sale of any of the Collateral shall constitute reasonable notice.

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(b) If the Secured Party requests, the Grantor will assemble the Collateral and make it available to the Secured Party at places that the Secured Party shall reasonably select, whether on the Grantor's premises or elsewhere.

7. General Provisions

7.1 Entire Agreement

This Agreement, together with the Credit Agreement and the other Loan Documents, sets forth all the promises, covenants, agreements, conditions, and understandings between the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements and understandings, inducements, or conditions, express or implied, oral or written, with respect thereto, except as contained or referred to herein. This Agreement may not be amended, waived, discharged, or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of such amendment, waiver, discharge, or termination is sought. In the event of any inconsistencies between the provisions of this Agreement and the provisions of the Credit Agreement, the provisions of the Credit Agreement shall govern.

7.2 Invalidity

If any provision of this Agreement shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereunder, but this Agreement shall be construed as if such invalid or unenforceable provision had never been contained herein.

7.3 Nonwaiver and Nonexclusive Rights and Remedies

(a) No right or remedy herein conferred upon or reserved to the Secured Party is intended to be to the exclusion of any other right or remedy, but each and every such right or remedy shall be cumulative and shall be in addition to every other right or remedy given hereunder and now or hereafter existing at law or in equity.

(b) No delay or omission by the Secured Party in exercising any right or remedy accruing upon an Event of Default shall impair any such right or remedy, or shall be construed to be a waiver of any such Event of Default, or an acquiescence therein, nor shall it affect any subsequent Event of Default of the same or of a different nature.

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7.4 Termination of Security Interest

When all the Secured Obligations have been paid in full and the Lenders' commitment to make Loans has terminated, the security interest provided herein shall terminate and the Secured Party shall return to the Grantor all Collateral then held by Secured Party, if any, and upon written request of the Grantor, shall execute, in form for filing, termination statements of the security interests herein granted. Thereafter, no party hereto shall have any further rights or obligations hereunder.

7.5 Successors and Assigns

All rights of the Secured Party hereunder shall inure to the benefit of its successors and assigns, and all obligations of the Grantor shall be binding upon its successors and assigns.

7.6 Secured Party's Appointment as Attorney-in-Fact

(a) The Grantor hereby irrevocably constitutes and appoints the Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Grantor and in the name of the Grantor or in its own name, from time to time in Secured Party's discretion, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action, and to execute any and all documents and instruments that may be necessary or desirable to accomplish the purposes of this Agreement; and without limiting the generality of the foregoing, the Grantor hereby gives the Secured Party the power and right, on behalf of the Grantor, without consent by or notice to the Grantor, to do the following:

(i) to transfer to the Secured Party or to any other person all or any of said Collateral, to endorse any Instruments, Investment Property, or Financial Asset pledged to Secured Party, and to fill in blanks in any transfers of Collateral, powers of attorney, or other documents delivered to Secured Party;

(ii) to pay or discharge taxes and liens levied or placed on or threatened against the Collateral, to effect any repairs or any insurance called for by the terms of this Agreement, and to pay all or any part of the premiums therefor and the costs thereof;

(iii) upon the occurrence and during the continuation of any Event of Default (A) to take possession of, endorse, and collect

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any checks, drafts, notes, acceptances, or other instruments for the payment of moneys due under any Account, Instrument, Investment Property, Financial Asset, or General Intangible or with respect to any other Collateral and (B) to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Secured Party for the purpose of collecting all such moneys due under any Account, Financial Assets, Instrument, Investment Property, or General Intangible or with respect to any other Collateral whenever payable; and

(iv) upon the occurrence and during the continuation of any Event of Default (A) to direct any party liable for any payment under any of the Collateral to make payment of all moneys due or to become due thereunder directly to the Secured Party or as the Secured Party shall direct; (B) to ask for, demand, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (C) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices, and other documents in connection with any of the Collateral; (D) to commence and prosecute any suits, actions, or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any thereof and to enforce any other right in respect of any Collateral; (E) to defend any suit, action, or proceeding brought against the Grantor with respect to any Collateral; (F) to settle, compromise, or adjust any suit, action, or proceeding described in clause (E) above and, in connection therewith, to give such discharge or releases as the Secured Party may deem appropriate; (G) to assign any Trademark (along with the goodwill of the business to which any such Trademark pertains) throughout the world for such terms or terms, on such conditions, and in such manner as the Secured Party shall in its sole discretion determine; and (H) generally, to sell, transfer, pledge, and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Secured Party were the absolute owner thereof for all purposes; and to do, at Secured Party's option and the Grantor's expense, at any time or from time to time, all acts and things that the Secured Party deems necessary to protect, preserve or realize upon the Collateral and Secured Party's liens thereon and to effect the intent of this Agreement, all as fully and effectively as the Grantor might do.

(b) The Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

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(c) The Grantor also authorizes Secured Party, at any time and from time to time, to execute, in connection with the sales provided for in Section 6 hereof, any endorsements, assignments, or other instruments of conveyance or transfer with respect to the Collateral.

(d) The powers conferred on the Secured Party hereunder are solely to protect Secured Party's interests in the Collateral and shall not impose any duty upon the Secured Party to exercise any such powers. The Secured Party shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees, or agents shall be responsible to the Grantor for any act or failure to act hereunder.

7.7 Performance by the Secured Party of the Grantor's Obligations

If the Grantor fails to perform or comply with any of its agreements contained herein and Secured Party, as provided for by the terms of this Agreement, shall itself perform or comply, or otherwise cause performance or compliance, with such agreement, the expense of the Secured Party incurred in connection with such performance or compliance, together with interest thereon at the rate provided for in the Credit Agreement upon the occurrence of an Event of Default, shall be payable by the Grantor to the Secured Party on demand and shall constitute Secured Obligations.

7.8 Governing Law

This Agreement and the rights and obligations of the parties hereunder shall be construed and enforced in accordance with and shall be governed by the laws of the state of Washington, without regard to the choice of law rules thereof.

7.9 Notices

All notices, requests, consents, demands, approvals, and other communications hereunder shall be deemed to have been duly given, made, or served if given, made, or served in accordance with Section 12.2 of the Credit Agreement. Unless the Secured Party is otherwise notified in writing by the Grantor in accordance with Section 12.2 of the Credit Agreement, the Grantor's address and facsimile number for notice purposes shall be the same as the Borrower's as set forth in the Credit Agreement.

7.10 The Secured Party as Agent

(a) The Secured Party has been appointed to act as the Secured Party hereunder by the Lenders. The Secured Party shall be obligated, and

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shall have the right hereunder, to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking action (including, without limitation, the release or substitution of Collateral), solely in accordance with this Agreement and the Credit Agreement.

(b) The Secured Party shall at all times be the same Person as Agent under the Credit Agreement. Written notice of resignation by Agent pursuant to Section 10.9 of the Credit Agreement shall also constitute notice of resignation as the Secured Party under this Agreement; and appointment of a successor Agent pursuant to Section 10.9 of the Credit Agreement shall also constitute appointment of a successor Secured Party under this Agreement. Upon the acceptance of any appointment as Agent under Section 10.9 of the Credit Agreement by a successor Agent, the successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Secured Party under this Agreement, and the retiring Secured Party under this Agreement shall promptly (i) transfer to such successor Secured Party all sums, securities, and other items of Collateral held hereunder, together with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Secured Party under this Agreement, and (ii) execute and deliver to such successor Secured Party such amendments to financing statements, and take such other actions as may be necessary or appropriate in connection with the assignment to such successor Secured Party of the security interests created hereunder, whereupon such retiring Secured Party shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation hereunder as Secured Party, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Agreement while it was the Secured Party hereunder.

7.11 Counterparts

This Agreement may be executed in one or more counterparts, each of which shall constitute an original Agreement, but all of which together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the Grantor and the Secured Party have caused these presents to be duly executed by their respective duly authorized signatories as of the day and year first above written.

Grantor:

CAVANAUGHS HOSPITALITY CORPORATION

By _____

Title E.V.P. and C.F.O.

ACCEPTED BY:

Secured Party:

U. S. BANK NATIONAL ASSOCIATION

By _____

Title Vice President

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SCHEDULE I

U.S. TRADEMARK APPLICATIONS/REGISTRATIONS

AS OF January 30, 1998

MARK	CLASS	SERIAL OR REGISTRATION NUMBER	STATUS	ACTION TO BE TAKEN
CAVANAUGHS	42	75/378,921	Application filed on October 24, 1997. Official filing receipt issued.	Convention priority deadline is April 24, 1998.
CAVANAUGH'S	36	75/358,199	Application filed on September 16, 1997. Official Filing Receipt issued. Request for Amendment to Application (deletion of apostrophe) submitted October 24, 1997.	Convention priority deadline is March 16, 1998
CAVANAUGH'S	37	75/358,198	Application filed on September 16, 1997. Official Filing Receipt issued. Request for Amendment to Application (deletion of apostrophe) submitted October 24, 1997.	Convention priority deadline is March 16, 1998
CAVANAUGH'S	42	75/353,105	Application filed on September 8, 1997. Official Filing Receipt issued.	Convention priority deadline is March 8, 1998
CAVANAUGH'S LANDING	42	**Reg No. 1,165,968**	**Mark registered on August 18, 1981.** Section 8 and 15 Declaration filed on August 14, 1987.	**Trademark Renewal is due by August 18, 2001.**
CHC	36	75/358,195	Application filed on September 16, 1997.	Convention priority deadline is March 16, 1998

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MARK	CLASS	SERIAL OR REGISTRATION NUMBER	STATUS	ACTION TO BE TAKEN
CHC	37	75/358,193	Application filed on September 16, 1997.	Convention priority deadline is March 16, 1998
CHC	42	75/358,194	Application filed on September 16, 1997	Convention priority deadline is March 16, 1998
FALLS FISH CO.	42	**Reg No. 1,996,080**	**Mark registered on August 20, 1996.**	**Section 8 and 15 Declaration due by August 20, 2002.**
FALLS FISH CO. & Design	42	**Reg No. 2,049,510**	**Mark registered on April 1, 1997.**	**Section 8 and 15 Declaration due by April 1, 2003.**
G&B	35,36,37 and 41	**Reg No. 1,896,423**	**Mark registered on May 30, 1995.**	**Section 8 and 15 Declaration due by May 30, 2001.**
Miscellaneous Design (Logo)	42	75/379,250	Application filed on October 24, 1997. Official filing receipt issued.	Convention priority deadline is April 24, 1998.

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FOREIGN TRADEMARK APPLICATIONS/REGISTRATIONS

MARK	COUNTRY	CLASS	SERIAL OR REGISTRATION NUMBER	STATUS	ACTION TO BE TAKEN
CAVANAUGHS	CANADA	Based on services covered	TBA	Application filed on January 14, 1998.	Need corresponding US Certificate of Registration (if basis continued)
Design Logo	CANADA	Based on services covered	TBA	Application filed on January 14, 1998.	Need corresponding US Certificate of Registration (if basis continued)

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SCHEDULE II

Address of chief executive office:

Cavanaughs Hospitality Corporation
201 W. North River Drive
Spokane, Washington 99201

Address of Office where books and records are kept:

Cavanaughs Hospitality Corporation
201 W. North River Drive
Spokane, Washington 99201

Locations of collateral:

Cavanaughs Hospitality Corporation
201 W. North River Drive
Spokane, Washington 99201

The collateral is also located at various locations in the states of Washington, Oregon, Idaho and Montana.

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CERTIFICATE OF MAILING

I CERTIFY that on May 13, 1998, I mailed (via U.S. Express Mail #EM334465390US) the attached SECURITY AGREEMENT and RECORDATION FORM COVER SHEET regarding "Cavanaughs Hospitality Corporation/U.S. Bank" to:

Assistant Commissioner of Trademarks
U. S. Patent & Trademark Office
BOX ASSIGNMENTS
2800 Crystal Drive
Arlington, VA 22202-3513

Debbie West

Debbie West

PERKINS COIE LLP 1201 THIRD AVENUE, 40th FLOOR SEATTLE, WA 98101-3099 **USPAT2000**

CHECK NO. 557445

INVOICE DATE	INVOICE NUMBER	INVOICE AMOUNT	DISCOUNT	PAYMENT AMOUNT
05/13/98	9808333	315.00	0.00	315.00

TRADEMARK

RECORDED: 05/14/1998 REEL: 1726 FRAME: 0933

DETACH AND RETAIN THIS STATEMENT