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Skagit County Auditor

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4/18/2016 Page

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CHICAGO TITLE

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ATTENTION: COUNTY RECORDER – THIS INSTRUMENT COVERS GOODS THAT ARE OR WILL BECOME FIXTURES ON THE DESCRIBED REAL PROPERTY AND SHOULD BE FILED FOR RECORD IN THE REAL PROPERTY RECORDS WHERE DEEDS OF TRUST ON REAL ESTATE ARE RECORDED. THIS INSTRUMENT SHOULD ALSO BE INDEXED AS A UNIFORM COMMERCIAL CODE FINANCING STATEMENT COVERING GOODS THAT ARE OR WILL BECOME FIXTURES ON THE DESCRIBED REAL PROPERTY. THE MAILING ADDRESSES OF THE SECURED PARTY AND THE DEBTOR ARE WITHIN.

DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING

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

1. Deed of Trust
2. Security Agreement
3. Fixture Filing

Grantor(s)

1. MREIC Everett WA, LLC, a Delaware limited liability company

Grantee(s)

1. State Farm Life Insurance Company, an Illinois corporation, as Beneficiary
2. Chicago Title Company of Washington, a Washington corporation, as Trustee

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

Lot 1 of City of Burlington Binding Site Plan No. 1-14, as amended by Revision 1 of Binding Site Plan No. 1-14, being a portion of Section 8, Township 34 North, Range 4 East, W.M.

Additional legal is on page of document

Exhibit A

Assessor's Property Tax Parcel/Account Number: P132579/8090-000-000-0001

Additional parcel numbers on Exhibit A of document

Loan No. 14347
091950-301083
7/3741433.5

DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING

THIS DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING ("Deed of Trust") is made and executed the 8th day of April, 2016, among **MREIC EVERETT WA, LLC**, a Delaware limited liability company ("**Grantor**"), whose mailing address is c/o Monmouth Real Estate Investment Corporation, Juniper Business Plaza, 3499 Route 9 North, Suite 3-D, Freehold, New Jersey 07728, Attn: Chief Financial Officer; **CHICAGO TITLE COMPANY OF WASHINGTON**, a Washington corporation ("**Trustee**"), whose mailing address is 3002 Colby Avenue, Suite 200, Everett, Washington 98201, as Trustee; and **STATE FARM LIFE INSURANCE COMPANY**, an Illinois corporation ("**State Farm**"), whose mailing address is One State Farm Plaza, Bloomington, Illinois 61710, as Beneficiary, and pertains to the real estate ("**Real Estate**") described on **Exhibit "A"** attached hereto and made a part hereof.

ARTICLE ONE RECITALS

1.1 Note.

Grantor has executed and delivered to State Farm a Promissory Note (the "**Note**") of even date herewith. In the Note, Grantor promises to pay to the order of State Farm the principal sum of Twenty Million Two Hundred Twenty-One Thousand and No/100 Dollars (\$20,221,000.00) (the "**Loan**"). This Deed of Trust secures the Loan. From date hereof the Loan shall be repaid with interest thereon, in monthly installments as set forth in the Note, and the entire unpaid principal balance and all accrued interest thereon shall be due and payable on April 1, 2031 (the "**Maturity Date**"). The terms and provisions of the Note are by this reference thereto incorporated herein and made a part hereof.

1.2 Indebtedness.

As used herein, the term "**Indebtedness**" means (a) the indebtedness evidenced by the Note, including principal, interest and prepayment premium, if any; and (b) all other sums which may at any time be due, owing or required to be paid under the Note, this Deed of Trust and the other **Loan Documents** (as defined in **Section 1.3**) including, without limitation, sums owing from or required to be paid by Grantor as a result of the breach or non-performance of any of the **Obligations** (as defined in Article II), regardless of whether Grantor is personally liable for any such payment.

1.3 Loan Documents.

In addition to this Deed of Trust and the Note, there have been executed and delivered to and in favor of State Farm certain other loan documents (the Note, this Deed of Trust and all other documents and instruments, whether now or hereafter existing, which secure or guarantee payment

of the Note or are otherwise executed in connection with the Loan, as the same may hereafter be amended, modified, supplemented or replaced from time to time, are collectively referred to herein as the "**Loan Documents**". The Loan Documents include, without limitation, a Guaranty Agreement (Recourse Carveouts) of even date herewith (the "**Guaranty**") executed by Monmouth Real Estate Investment Corporation, a Maryland corporation (the "**Guarantor**") in favor of State Farm.

ARTICLE TWO THE GRANT

In order to secure (i) the payment of the Indebtedness; and (ii) the performance of any of the terms, provisions, covenants, agreements, representations, warranties, certifications and obligations contained herein or under the other Loan Documents (collectively, the "**Obligations**"), regardless of whether Grantor is personally liable for such performance and observance, and in consideration of the sum of Ten and No/100 Dollars (\$10.00) in hand paid by State Farm to Grantor, the Recitals hereinabove stated in Article One and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor hereby irrevocably and absolutely grants, transfers, assigns, mortgages, bargains, sells, and conveys to Trustee, IN TRUST with all POWERS OF SALE AND STATUTORY RIGHTS in the State of Washington, a present and continuing lien upon and security interest in and to all of the following rights, interests, claims and property (collectively, the "**Premises**"):

(a) all the Real Estate described in **Exhibit "A"** attached hereto and by this reference incorporated herein and made a part hereof;

(b) all buildings, structures, and other improvements now or hereafter constructed, erected, installed, placed or situated upon the Real Estate (collectively the "**Improvements**");

(c) all estate, claim, demand, right, title, and interest of Grantor now owned or hereafter acquired, including without limitation, any after-acquired title, franchise, license, remainder or reversion, in and to (i) any land or vaults lying within the right-of-way of any street, avenue, way, passage, highway, or alley, open or proposed, vacated or otherwise, adjoining the Real Estate; (ii) any and all alleys, sidewalks, streets, avenues, strips and gores of land adjacent, belonging or appertaining to the Real Estate and Improvements; (iii) all rights of ingress and egress to and from the Real Estate and all adjoining property; (iv) storm and sanitary sewer, water, gas, electric, railway, telephone, and all other utility services relating to the Real Estate and Improvements; (v) all land use, zoning, developmental rights and approvals, air rights, water, water rights, water stock, gas, oil, minerals, coal, and other substances of any kind or character underlying or relating to the Real Estate or any part thereof; and (vi) each and all of the tenements, hereditaments, easements, appurtenances, other rights, liberties, reservations, allowances, and privileges relating to the Real Estate or the Improvements or in any way now or hereafter appertaining thereto, including homestead and any other claim at law or in equity (collectively the "**Appurtenances**");

(d) all leasehold estates and the right, title, and interest of the Grantor in, to and under any and all leases, subleases, management agreements, arrangements, concessions, or agreements, written or oral, relating to the use and occupancy of the Real Estate and Improvements or any portion thereof, now or hereafter existing or entered into, including any Major Leases and Minor Leases, each as defined in **Section 3.18** (individually a "Lease" and collectively the "**Leases**");

(e) all rents, issues, profits, proceeds, income, revenues, royalties, advantages, avails, claims against guarantors, security and other deposits (whether in the form of cash, letters of credit or other forms), advance rentals, and any and all other payments or benefits now or hereafter derived, directly or indirectly, from the Real Estate and Improvements, whether under the Leases or otherwise (collectively the "**Rents**"); subject, however, to the right, power, and authority (the "**License**") granted Grantor in the Assignment of Rents and Leases executed by Grantor to and in favor of State Farm of even date herewith to collect and apply the Rents as provided therein;

(f) all right, title, and interest of Grantor in and to any and all contracts, written or oral, express or implied, now existing or hereafter entered into or arising, in any manner related to the improvement, use, operation, sale, conversion or other disposition of any interest in the Premises, including without limitation all options to purchase or lease the Real Estate or Improvements or any portion thereof or interest therein, or any other rights, interests, or greater estates in the rights and properties comprising the Premises, now owned or hereafter acquired by the Grantor, including without limitation, all right, title, and interest of Grantor in and to (i) the **Water Rights Agreement** and **Grantor's Proceeds** (as each of those terms is defined below), (ii) those Escrow Trust Instructions of even date herewith (the "**Allowance Escrow Agreement**"), among JDC Burlington, L.L.C., a Missouri limited liability company ("**Seller**"), Grantor and Chicago Title and Trust Company, as escrow agent ("**Escrow Agent**"), and the **Deposits** (as that term is defined in the Allowance Escrow Agreement), and (iii) those Escrow Trust Instructions of even date herewith (the "**Punchlist Escrow Agreement**"), among Seller, Grantor and Escrow Agent, and the **Deposits** (as that term is defined in the Punchlist Escrow Agreement) (collectively the "**Contract Rights**");

(g) all general intangibles of Grantor, including without limitation, goodwill, trademarks, trade names, option rights, permits, licenses, insurance policies and proceeds therefrom, rights of action, and books and records relating to the Real Estate or Improvements (collectively the "**Intangible Personal Property**");

(h) all right, title and interest of the Grantor in and to all fixtures, equipment and tangible personal property of every kind, nature or description attached or affixed to or situated upon or within the Real Estate or Improvements, or both, provided the same are used, usable, or intended to be used for or in connection with any present or future use, occupation, operation, maintenance, management or enjoyment of the Real Estate or Improvements (collectively the "**Tangible Personal Property**");

(i) all proceeds of the conversion, voluntary or involuntary, of any of the Premises into cash or other liquidated claims, or that are otherwise payable for injury to, or the taking

or requisitioning of the Premises, including all insurance and condemnation proceeds as provided in this Deed of Trust (collectively the "**Proceeds**");

(j) all Tax and Insurance Deposits (as defined in Section 3.3);

(k) all of the Grantor's right, power, or privilege to further hypothecate or encumber all or any portion of the property, rights and interests described in this Article Two as security for any debt or obligation; it being intended by this provision to divest the Grantor of the right, power and privilege to hypothecate or encumber, or to grant a mortgage upon or security interest in any of the property hypothecated in or encumbered by this Deed of Trust as security for the payment of any debt or performance of any obligation without State Farm's prior written consent (the "**Right to Encumber**"); and

(l) all other property, rights, interests, estates, or claims of every name, kind, character or nature, both in law and in equity to the extent of Grantor's interest therein, which Grantor now has or may hereafter acquire in the Real Estate and Improvements and all other property, rights, interests, estates or claims of any name, kind, character or nature or properties now owned or hereafter acquired in the other properties and interests comprising the Premises ("**Other Rights and Interests**").

Grantor agrees that without the necessity of any further act of the Grantor or State Farm, the lien of and the security interest created in and by this Deed of Trust shall automatically extend to and include any and all renewals, replacements, substitutions, accessions, products or additions to and proceeds of the Premises and any real property acquired by the Grantor which may be contiguous or attached to the Premises and may be required by law or by a tenant of the Premises to be used in or as part of the direct operation of the Premises.

TO HAVE AND TO HOLD the Premises unto Trustee, its successors and assigns, in trust, forever, free from all rights and benefits under and by virtue of any homestead exemption laws or similar laws of the state or other jurisdiction in which the Premises is located (the "**State**") (which rights and benefits are hereby expressly released and waived) for the uses and purposes herein set forth.

GRANTOR hereby covenants with and warrants to State Farm and Trustee and with the purchaser at any foreclosure sale that at the execution and delivery hereof, Grantor owns the Premises and has a good and indefeasible estate therein in fee simple; that the Premises is free from all encumbrances whatsoever (and any claim of any other **Person** (as defined below) thereto) other than those encumbrances expressly permitted by State Farm in writing (or as set forth in a commitment for title insurance marked up by State Farm or its attorney in anticipation of the recording of this Deed of Trust); that Grantor has good and lawful right to sell, convey, mortgage and encumber the Premises; and that Grantor and its successors and assigns shall forever warrant and defend the title to the Premises against all claims and demands whatsoever. As used herein, "**Person**" means any natural person, corporation, limited liability company, partnership, firm,

association, government, governmental agency or any other entity, whether acting in an individual, fiduciary or other capacity.

PROVIDED, HOWEVER, that if and when Grantor has paid all of the Indebtedness and has strictly performed and observed all of the agreements, terms, conditions, provisions and warranties contained in this Deed of Trust and in all of the other Loan Documents, the estate, right, title and interest of State Farm in and to the Premises shall cease and shall be released at the cost of Grantor. To the extent the foregoing conditions have not been satisfied, this Deed of Trust shall remain in full force and effect.

ARTICLE THREE GENERAL AGREEMENTS

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

3.1 Recitals.

The recitals set forth above are true and correct and are by reference incorporated herein.

3.2 Payment of Indebtedness.

Grantor shall pay promptly the Indebtedness at the times and in the manner provided in the Loan Documents. All such sums payable by Grantor shall be paid without demand, counterclaim, offset, deduction, or defense. Grantor hereby waives all rights now or hereafter conferred by statute or otherwise to any such demand, counterclaim, offset, deduction, or defense.

3.3 Other Payments.

(a) In addition to the monthly installment payments required by the Note, Grantor shall pay to State Farm (or its designee) the following sums on a monthly basis until the Indebtedness is fully paid (collectively the "**Tax and Insurance Deposits**").

(i) a sum equal to one-twelfth (1/12th) of the annual Taxes (as hereinafter defined) next due on the Premises, all as estimated by State Farm (the "**Tax Deposits**"); and

(ii) a sum equal to one-twelfth (1/12th) of the annual premium or premiums next payable for the insurance hereinafter required to be maintained on or with respect to the Premises (the "**Insurance Deposits**").

Amounts paid as Tax and Insurance Deposits are herein called "**Other Payments**".

(b) Should the total Tax and Insurance Deposits on hand not be sufficient to pay all of the Taxes and insurance premiums, together with all penalties and interest thereon, when the

same become due and payable, then the Grantor shall pay to State Farm promptly on demand any amount necessary to make up the deficiency. If the total of such Tax and Insurance Deposits exceeds the amount required to pay the Taxes and insurance premiums, such excess shall be credited on subsequent payments to be made for such items.

(c) All such Tax and Insurance Deposits:

(i) shall be held by State Farm or a depository designated by State Farm, with no obligation to segregate such payments and without any obligation arising for the payment of any interest thereon;

(ii) shall be applied by State Farm for the purposes for which made (as herein provided) subject, however, to the security interest granted State Farm therein pursuant to Article Two; and

(iii) shall not be subject to the direction or control of the Grantor.

(d) Provided that no Event of Default (as defined in Section 4.1) exists and there are sufficient funds in the Tax and Insurance Deposits, State Farm agrees to make the payment of the Taxes or insurance premiums with reasonable promptness following its receipt of appropriate tax and/or insurance bills therefor, or alternatively upon presentation by Grantor of receipted (i.e. paid) tax and/or insurance bills therefor, State Farm shall reimburse the Grantor for such Taxes and insurance premium payments made by the Grantor.

(e) Upon the occurrence of an Event of Default (as hereinafter defined), State Farm may, at its option, without being required to do so, apply any Tax and Insurance Deposits on hand to the payment of any of the Indebtedness, in such order and manner as State Farm may elect. When the Indebtedness has been fully paid, any remaining Tax and Insurance Deposits shall be paid to the Grantor.

3.4 Maintenance, Repair, Restoration, Prior Liens, Parking.

The Grantor shall and hereby agrees to:

(a) promptly repair, restore, replace, or rebuild any portion of the Improvements which may become damaged or destroyed, provided the proceeds of insurance are made available to Grantor pursuant to Section 3.10 hereof, with all replacements being at least equal in quality and condition as existed prior thereto, free from any security interest therein, encumbrances thereon, or reservation of title thereto;

(b) keep the Improvements in good condition and repair, without waste, and free from mechanics', materialmen's or similar or other liens or claims of lien;

(c) complete, within a reasonable time, any Improvements now or hereafter in the process of construction upon the Real Estate;

(d) comply with all statutes, rules, regulations, orders, decrees, and other requirements of any governmental body, whether federal, state, or local, having jurisdiction over the Premises and the use thereof and observe and comply with any conditions and requirements necessary to preserve and extend any and all rights, licenses, permits (including without limitation zoning variances, special exceptions, and nonconforming uses), privileges, franchises, and concessions that are applicable to the Premises or its use and occupancy;

(e) make no material alterations in or to the Improvements, except as required in **paragraph (d)** hereof or otherwise with the prior written consent of State Farm and in conformity with all applicable laws; provided, however, upon written notice to State Farm, Grantor may make (i) such alterations required by the terms of any Major Lease provided that State Farm has previously reviewed and approved such Major Lease; and (ii) non-structural repairs costing in the aggregate less than \$100,000 in any calendar year; provided further, State Farm acknowledges the rights of FedEx Ground Package System, Inc. ("**Existing Tenant**"), as tenant under that certain Lease Agreement dated November 14, 2014 (as amended, the "**Existing Lease**") to make certain alterations to the Premises without Grantor's consent, and State Farm agrees that if Existing Tenant exercises its rights pursuant to the Existing Lease, such action shall in no event be deemed a default by Grantor hereunder.

(f) not suffer nor permit any change in the use of the Improvements without the prior written consent of State Farm;

(g) pay when due all operating costs of the Improvements;

(h) not initiate nor acquiesce in any zoning reclassification with respect to the Premises without State Farm's prior written consent;

(i) provide, improve, grade, surface and thereafter maintain, clean, repair, and adequately light all parking areas upon the Real Estate, such parking areas being of sufficient size to accommodate the greater of the amount of standard-size vehicles required (i) by law, ordinance or regulation, or (ii) by the terms of any Leases, together with any sidewalks, aisles, streets, driveways and sidewalk cuts and sufficient paved areas for ingress, egress and rights-of-way to and from the adjacent thoroughfares reasonably necessary or advisable for the use thereof;

(j) forever warrant and defend its title to the Premises and the validity, enforceability and priority of the lien and security interests granted in and by this Deed of Trust and the other Loan Documents against the claims and demands of all persons; and

(k) not use the Premises as a residence or for agricultural purposes.

3.5 Property Taxes and Contest of Liens.

Notwithstanding the Other Payments required by Section 3.3, Grantor shall be responsible for the payment, when first due and owing and before delinquency and before any penalty attaches, of all real estate and personal property taxes and assessments (general or special), water charges, sewer charges, and any other charges, fees, taxes, claims, levies, charges, expenses, liens, and assessments, ordinary or extraordinary, governmental or nongovernmental, statutory or otherwise, that may be levied, assessed or asserted against the Premises or any part thereof or interest therein ("**Taxes**"). Notwithstanding anything contained herein to the contrary, Grantor may, in good faith and with reasonable diligence, contest the validity or amount of any such Taxes as well as any mechanics', materialmen's, or other liens or claims of lien upon the Premises (collectively "**Contested Liens**"), provided that:

(a) such contest shall have the effect of preventing the collection of the Contested Liens and the sale or forfeiture of Premises or any part thereof or interest therein to satisfy the same; and

(b) Grantor shall first notify State Farm in writing of the intention of Grantor to contest the same before any Contested Liens have been increased by any interest, penalties, or costs.

3.6 Tax and Lien Payments by State Farm.

(a) Upon the failure of Grantor to pay the Tax Deposits as required in Section 3.3 or (in the event said payments are waived by State Farm) to pay the Taxes required to be paid in Section 3.5 above (unless Grantor is contesting the Taxes as provided in Section 3.5 above), State Farm is authorized, in its sole discretion, to make any payment of Taxes in accordance with any tax bill or statement from the appropriate public office without inquiry into the accuracy or validity of any Taxes, sales, forfeiture, or title or claim relating thereto.

(b) State Farm is also authorized, in the place and stead of Grantor, to make any payment relating to any apparent or threatened adverse title, lien, claim of lien, encumbrance, claim, charge, or payment otherwise relating to any other purpose but not enumerated in this Section, whenever, in State Farm's judgment and discretion, such payment seems necessary to protect the full security intended to be created by this Deed of Trust.

(c) All such payments authorized by this Section 3.6 that are not promptly reimbursed by Grantor shall constitute additional Indebtedness and shall be immediately due and payable by Grantor to State Farm upon demand with interest at the Default Rate (as defined in the Note) from the date of such payment.

3.7 Insurance.

(a) The Grantor shall insure and keep insured (or cause to be insured and kept insured) the Premises and each and every part thereof against such perils and hazards as State Farm may from time to time require, and in any event including:

(i) Property insurance insuring against all risks of loss to the Premises customarily covered by "Causes of Loss—Special Form" policies (also known as "all risk" insurance) in an amount at least equal to the full replacement cost of all Improvements, without deduction for physical depreciation and with (A) a standard mortgagee's endorsement clause; (B) a maximum deductible of \$150,000.00; and (C) either an agreed amount endorsement (to avoid the operation of any coinsurance provisions) or a waiver of any coinsurance provisions;

(ii) Commercial general liability insurance on an occurrence basis to afford protection for bodily injury, death and property damage in an amount of not less than the greater of (A) One Million Dollars (\$1,000,000); or (B) the highest amount of coverage required to be carried by the landlord under the terms of the Major Leases. The policy shall name State Farm as an additional insured;

(iii) Steam boiler, machinery and pressurized vessel insurance (if applicable to the Improvements);

(iv) If the Premises is occupied by a tenant or tenants, rent loss insurance in an amount sufficient to cover loss of rents from the Premises for a minimum of twelve (12) months or, in the alternative, if the Premises is occupied by Grantor, business interruption insurance in an amount sufficient to cover loss of gross earnings from the Premises for a minimum of twelve (12) months;

(v) If any building or other structure on the Premises is situated in an area now or hereafter designated by the Federal Emergency Management Agency as a "Special Flood Hazard Area" (Zone A or Zone V), evidence of flood insurance in an amount equal to the least of (A) the minimum amount required under the terms of the coverage to compensate for any damage or loss on a full replacement cost basis; (B) the unpaid principal balance of the Indebtedness; or (C) the maximum limit of coverage available for the Premises under the National Flood Insurance Program; provided, however, that, in the event the unpaid principal balance of the Indebtedness is less than 80% of the replacement cost under subsection (A), the flood insurance coverage shall be in an amount equal to the lesser of the amounts set forth in subsections (A) or (C). The policy shall name State Farm as the first mortgagee under a standard mortgagee's endorsement clause;

(vi) Either affirmative coverage for acts of terrorism in its property and liability insurance or evidence that coverage for acts of terrorism is not excluded from its property and liability insurance;

(vii) Either affirmative coverage for windstorm and named storms in its property insurance or evidence that coverage for windstorm and named storms is not excluded from its property insurance; and

(viii) Such other insurance coverages on the Premises as required by State Farm.

(b) Insurance policies required by this **Section 3.7** shall:

(i) be in amounts and form and issued by companies reasonably satisfactory to State Farm and shall comply with all provisions of this Deed of Trust (provided, however, any insurance company issuing policies required pursuant to this Section 3.7 shall be licensed and approved to do business in the state in which the Premises is located and must have a rating of no less than A-VIII in the most current Best's Insurance Report);

(ii) contain endorsements naming State Farm as first mortgagee under a standard mortgagee clause under the required property, steam boiler and rent loss insurance policies and as an additional insured for the commercial general liability insurance policy;

(iii) contain endorsements providing for not less than **thirty (30) days'** written notice to State Farm prior to any cancellation, non-renewal or termination;

(iv) permit State Farm to pay any premium within **fifteen (15) days** after its receipt of notice stating that such premium has not been paid when due;

(v) require that settlement of any claim under any of the referenced policies shall require State Farm's prior written approval; and

(vi) contain exclusions to coverage acceptable to State Farm.

(c) The policy or policies of such insurance or certificates of insurance evidencing the required coverage shall be delivered to State Farm.

(d) Grantor shall not purchase separate insurance policies concurrent in form or contributing in the event of loss with those policies required to be maintained under this **Section 3.7**.

3.8 Insurance Premium Payment by State Farm, Use of Proceeds.

(a) In the event the Grantor fails to make the Insurance Deposits as required by **Section 3.3** or if such Insurance Deposits have been waived, upon State Farm's receipt of written

notice (i) of an unpaid insurance premium, (ii) of a termination or cancellation of any required insurance policy, or (iii) that a required insurance policy is not to be renewed and Grantor fails to provide replacement coverage at least **fifteen (15) days** prior to the termination of existing coverage, State Farm may, at its option, procure and substitute another policy of insurance in the amount required pursuant to the foregoing terms of this Deed of Trust with such companies as State Farm may select, the cost of which shall be paid by Grantor upon demand should the amount available from the Insurance Deposit be insufficient to pay the premium therefor. All sums paid by State Farm in procuring said insurance that are not promptly reimbursed by the Grantor shall be additional Indebtedness and shall be immediately due and payable without notice, with interest thereon at the Default Rate from the date of such payment.

(b) In the event of any damage to or destruction of the Improvements or any part thereof, Grantor shall promptly notify State Farm and take such action necessary to preserve the undamaged portion of the Improvements. If at the time of such damage and destruction,

(i) no Event of Default is in existence and no event shall have occurred as of such date which, with the passage of time, the giving of notice or both, would constitute an Event of Default;

(ii) the damage is such that it can be reasonably repaired within the time provided in the Leases so as to preclude a material reduction in the rental income from the Premises (after application of any rental insurance proceeds), or Grantor obtains written commitments in form and substance reasonably satisfactory to State Farm from tenants to lease space, upon completion of repairs, in the Premises at aggregate rentals equal to or exceeding the debt service of the Loan and the general operating expenses of the Premises;

(iii) the Proceeds are less than the outstanding Indebtedness under the Loan;

(iv) the casualty insurer has not denied liability for payment of Proceeds as a result of any act, neglect, use or occupancy of the Premises by Grantor or any tenant of the Premises;

(v) the Real Estate and/or Improvements can be restored to the condition at least equal to the condition in which they existed at the closing of the Loan (with any post-closing improvements included in such **Restoration** (as defined in this Section 3.8)); and

(vi) if required by State Farm, a report addressed to State Farm from an environmental engineer or other qualified professional reasonably satisfactory to State Farm certifies that no adverse environmental impact to the Premises has resulted from the casualty;

then, any Proceeds paid to State Farm in connection with such damage or destruction, after deducting therefrom any out-of-pocket expenses, including without limitation reasonable

attorneys' fees, incurred by State Farm in protecting the undamaged portion of the Improvements and in the collection of the Proceeds (the "**Collection Expenses**"), shall be applied by State Farm to the cost of restoring, repairing, replacing or rebuilding (herein generally called "**Restoration**") the Real Estate and/or Improvements or any part thereof as set forth in Section 3.10.

Otherwise, in State Farm's sole discretion, all Proceeds, less Collection Expenses, shall be applied: (A) to the installments of the Indebtedness in the inverse order of their maturity; or (B) to the cost of Restoration as set forth in Section 3.10.

(c) If State Farm applies the Proceeds to the installments of the Indebtedness in the inverse order of their maturity, and provided no Event of Default is in existence and no event shall have occurred as of such date which, with the passage of time, the giving of notice or both, would constitute an Event of Default, no premium or fee shall be payable in connection with any prepayment of the Indebtedness from the Proceeds. In addition, if the Proceeds are applied to the Indebtedness pursuant to the preceding sentence, and provided no Event of Default is in existence and no event shall have occurred as of the date of prepayment of the remaining Indebtedness in full which, with the passage of time, the giving of notice or both, would constitute an Event of Default, Grantor may, at its option, pay the remaining Indebtedness in full (but not in part) without a premium or fee at any time within one hundred eighty (180) days after the date of such application.

3.9 Condemnation.

(a) The Grantor shall give State Farm prompt notice of any proceedings, instituted or threatened, seeking condemnation or taking by eminent domain or any like process (a "**Taking**") of all or any part of the Real Estate or Improvements including any easement thereon or appurtenance thereto (including severance of, consequential damage to, or change in grade of streets), and shall deliver to State Farm copies of any and all papers served in connection with any such proceeding.

(b) Grantor hereby assigns, transfers, and sets over unto State Farm the entire proceeds of any and all awards resulting from any Taking (the "**Award**"). State Farm is hereby authorized to collect and receive from the condemnation authorities the entire Award and is further authorized to give appropriate receipts and acquittances therefor.

(c) In the event of any such Taking, any and all such Proceeds shall be applied, after deducting therefrom any Collection Expenses, in State Farm's sole discretion but subject to the further terms of this Section 3.9, to: (i) the installments of the Indebtedness in the inverse order of their maturity; or (ii) the cost of Restoration pursuant to Section 3.10.

(d) If (i) the Proceeds of any Taking exceed the greater of (A) \$500,000; or (B) 5% of the then value of the Premises (as determined by an M.A.I. Appraisal obtained by State Farm at the cost and expense of Grantor) but are less than the outstanding Indebtedness under the Loan as

of the date of such Taking and are received at least two years prior to the Maturity Date; (ii) the requirements stated in Sections 3.8(b)(i), (ii) and (v) above are satisfied; and (iii) in State Farm's reasonable judgment, the remainder of the Premises can be operated (A) as an economically viable project at substantially the same level of operations which existed immediately prior to the Taking; and (B) at the functional equivalent of its condition (considering, without limitation, the effect of the Taking on the remaining leasable area, parking and access) prior to the Taking (the "Viability Requirements"); then, such Proceeds, after deducting therefrom the Collection Expenses, shall be applied to the cost of Restoration pursuant to Section 3.10.

(e) If (i) the Proceeds of any Taking do not exceed the greater of (A) \$500,000; or (B) 5% of the then value of the Premises (as determined by an M.A.I. Appraisal obtained by State Farm at the cost and expense of Grantor); (ii) no Event of Default is in existence on the date of such Taking and no event shall have occurred as of such date which, with the passage of time, the giving of notice or both, would constitute an Event of Default; and (iii) the Viability Requirements are met; then, such Proceeds, after deducting therefrom the Collection Expenses, shall be applied to the cost of Restoration pursuant to Section 3.10.

(f) If State Farm applies the Proceeds to the installments of the Indebtedness in the inverse order of maturity, and provided no Event of Default is in existence and no event shall have occurred as of such date which, with the passage of time, the giving of notice or both, would constitute an Event of Default, no premium or fee shall be payable in connection with any prepayment of the Indebtedness from the Proceeds. In addition, if the Proceeds are applied to the Indebtedness because State Farm has determined that the Viability Requirements have not been satisfied, and provided no Event of Default is in existence and no event shall have occurred as of the date of prepayment of the remaining Indebtedness in full which, with the passage of time, the giving of notice or both, would constitute an Event of Default, Grantor may, at its option, pay the remaining Indebtedness in full (but not in part) without a premium or fee at any time within one hundred eighty (180) days after the date of such application.

(g) Notwithstanding anything contained herein to the contrary, in the event that the Taking is, in State Farm's determination, of such a nature that the Real Estate and the Improvements will not require Restoration, all Proceeds, after deducting therefrom the Collection Expenses, shall be applied in State Farm's sole discretion to installments of Indebtedness in the inverse order of their maturity, and provided no Event of Default is in existence and no event shall have occurred as of such date which, with the passage of time, the giving of notice or both, would constitute an Event of Default, no premium or fee shall be payable in connection with any prepayment of the Indebtedness from the Proceeds.

3.10 Restoration Using Proceeds.

(a) In the event State Farm elects (or is required hereby) to make any Proceeds available for Restoration, Grantor shall complete, in form and with supporting documentation reasonably required by State Farm, an estimate of the cost to repair or to restore the Real Estate and

Improvements to the condition at least equal to the condition in which they existed prior to such damage, destruction or Taking, free from any security interest in, lien or encumbrance on, or reservation of title to such Real Estate and Improvements.

(b) The Proceeds and, if applicable, other amounts payable by Grantor to State Farm necessary to complete Restoration shall be held by State Farm, or if State Farm so desires, a disbursing agent selected by State Farm. Said Proceeds may be invested using Grantor's taxpayer identification number in an interest bearing account mutually acceptable to Grantor and State Farm. The costs and expenses of administering disbursements shall be paid by Grantor. In the event the amount of the Proceeds are insufficient to cover the cost of Restoration, Grantor shall pay to State Farm within thirty (30) days after written demand the cost of Restoration in excess of the Proceeds, such excess to be held by State Farm with the Proceeds.

(c) Subject to State Farm's right to limit the number of disbursements, the Proceeds shall be disbursed from time to time upon State Farm's receipt of architect's certificates, waivers of lien, contractor's sworn statements, and such other evidence as State Farm or any disbursing agent may reasonably require to verify the cost and fact of the completion of the work included in said disbursement. Under no circumstances shall any portion of the Proceeds be released until State Farm has been reasonably assured that the Proceeds remaining after the requested disbursement will be sufficient to complete Restoration. No payment of Proceeds made prior to the final completion of Restoration shall exceed **ninety percent (90%)** of the value of the work performed from time to time. Any Proceeds remaining after Restoration shall be applied against the installments of Indebtedness in the inverse order of their maturity.

3.11 Restrictions on Transfer.

(a) Without the prior written consent of State Farm:

(i) Grantor shall not create, effect, contract for, commit or consent to, nor shall Grantor suffer or permit, any sale, conveyance, transfer, assignment, collateral assignment, lien, pledge, mortgage, security interest or other hypothecation, encumbrance or alienation (or any agreement to do any of the foregoing) (the foregoing being herein collectively, called a "**Transfer**") of the Premises, or any interest therein or title thereto (excepting, however, the sale or other disposition of **Collateral** (as defined in **Section 6.1**) no longer useful in connection with the operation of the Premises ("**Obsolete Collateral**"); provided, however, that prior to the sale or other disposition of Obsolete Collateral, such Obsolete Collateral shall have been replaced by Collateral of at least equal value and utility which is subject to the first and prior lien of this Deed of Trust, and further provided that nothing herein shall affect Grantor's rights with respect to Contested Liens:

(ii) Grantor shall not fail to pay when the same shall become due all lawful claims and demands of mechanics, materialmen, laborers, and others which, if unpaid,

might result in or permit the creation of a lien on the Real Estate or Improvements, or on the Rents arising therefrom except as permitted under **Section 3.5**:

(iii) if Grantor is a land trustee ("**Trustee Grantor**"), any beneficiary of Grantor shall not Transfer such beneficiary's beneficial interest in Grantor, it being specifically agreed that such beneficiary may not obtain mezzanine financing secured by beneficiary's beneficial interest or otherwise;

(iv) if Grantor or any beneficiary of a Trustee Grantor is a corporation or limited liability company, any shareholder of such corporation or member of such limited liability company shall not Transfer any such shareholder's shares of such corporation or member's membership interest in such limited liability company (provided, however, that if such corporation is a corporation whose stock is publicly traded on a national securities exchange or on the "Over The Counter" market, this **subsection (iv)** shall be inapplicable), it being specifically agreed that any such shareholder or member may not obtain mezzanine financing secured by such shareholder's shares or member's membership interest or otherwise;

(v) if Grantor or any beneficiary of a Trustee Grantor is a partnership or joint venture, any general partner of such partnership or joint venturer of such joint venture shall not Transfer any such general partner's interest in such partnership or joint venturer's interest in such joint venture, it being specifically agreed that any such general partner or joint venturer may not obtain mezzanine financing secured by such partner's partnership interest or joint venturer's joint venture interest or otherwise; or

(vi) there shall not be any change in control (by way of Transfers of stock ownership, membership interests, partnership interests or otherwise) in any corporation, limited liability company or partnership constituting or included within Grantor which directly or indirectly controls any corporation, limited liability company or partnership constituting or included within Grantor that results in a change in the identity of the Person(s) in control of such entity.

(b) The foregoing provisions of this **Section 3.11** shall not apply (i) to liens securing the Indebtedness; or (ii) to the lien of current Taxes not in default. The provisions of this **Section 3.11** shall be operative with respect to, and shall be binding upon, any Person who, in accordance with the terms hereof or otherwise, shall acquire any part of or interest in or encumbrance upon the Premises, or such beneficial interest (whether stock, membership interest, partnership or joint venture interest or other beneficial interest) in Grantor or any beneficiary of a Trustee Grantor. Any waiver by State Farm of the provisions of this **Section 3.11** must be in writing and shall not be deemed to be a waiver of the right of State Farm in the future to insist upon strict compliance with the provisions of this **Section 3.11**.

(c) Upon the Transfer, without the prior written consent of State Farm, of (i) all or any part of the Premises; or (ii) any beneficial interest in Grantor if such Transfer is prohibited by this **Section 3.11**, State Farm may, at its option, declare all of the sums secured by this Deed of Trust to be immediately due and payable.

(d) Notwithstanding anything contained herein to the contrary, prior written consent shall not be required for any Transfer of an interest in Grantor by any partner, member shareholder or beneficiary, as applicable, of Grantor where such Transfer: (i) results from death; (ii) is a Transfer made among the present partners, members, shareholders or beneficiaries, as applicable; or (iii) which is made to immediate family members (spouses and children) or family trusts solely for the benefit of such family members for estate planning purposes. Any such Transfer shall be subject to the following conditions:

(i) Except for death, thirty (30) days prior written notice of such proposed Transfer shall be delivered to State Farm, together with (A) a description of the proposed sale or Transfer, including a description of the nature and amount(s) of beneficial ownership interests proposed to be sold or transferred and a description of who owns the remainder not being transferred; (B) documentation related to the proposed transferee as required by State Farm in its sole and absolute discretion including, without limitation, organizational documents, certificates of existence and final ownership allocations; (C) copies of the Transfer documents pursuant to which the proposed Transfer is to be effected; and (D) any additional information reasonably requested by State Farm regarding the proposed Transfer and/or transferee;

(ii) Any such proposed sale or Transfer shall not be permitted to any Person who or which on the date of the proposed Transfer is in a bankruptcy, insolvency, reorganization or any other similar court or administrative proceeding;

(iii) No Event of Default shall be in existence under any of the Loan Documents on the date of such proposed sale or Transfer and no event shall have occurred or be in existence as of such date which, with the passage of time, the giving of notice or both, would constitute an Event of Default under any of the Loan Documents;

(iv) Any such sale or Transfer, if and when consummated, shall not release any Person from any liability or obligation to which it is otherwise liable or obligated, if any, under the terms of the Loan Documents;

(v) Grantor shall pay all of State Farm's reasonable expenses relating to the review and/or preparation of any documentation related to the proposed Transfer, including, without limitation, the reasonable fees and expenses of State Farm's outside counsel; and

(vi) After any such Transfer, Monmouth Real Estate Investment Corporation, a Maryland corporation, must continue to maintain at least a fifty one percent (51%) ownership and a controlling interest in Grantor (or such lesser interest as owned by Monmouth Real Estate Investment Corporation on the date hereof).

(e) As used in **Section 3.11(d)** above and if Grantor is comprised of more than one entity, a "Transfer of an interest in Grantor" shall also include a Transfer of undivided interests in the Premises to other entities comprising Grantor, subject to the same qualifications and limitations, and satisfaction of the same requirements, set forth in **Section 3.11(d)** with respect to Transfers of beneficial interests in entities.

3.12 State Farm's Dealings with Transferee.

In the event State Farm gives its written consent to a sale or transfer of all or any part of the Premises, whether by operation of law, voluntarily, or otherwise, State Farm shall be authorized and empowered to deal with the Transferee with regard to the Premises, the Indebtedness, and any of the terms or conditions of this Deed of Trust as fully and to the same extent as it might with the original Grantor, without in any way releasing or discharging the original Grantor from any of its covenants under this Deed of Trust, and without waiving State Farm's right of acceleration of the maturity of the Indebtedness as provided in this Deed of Trust or the Note.

3.13 Change in Tax Laws.

In the event of any change in, or change in the interpretation of, any applicable law regarding (a) the taxation of mortgages, deeds of trust or other security instruments or the debts secured thereby; or (b) the manner in which such taxes are collected, which change adversely affects State Farm, this Deed of Trust or any other Loan Document or the Indebtedness, Grantor shall pay any such tax within the time prescribed by applicable law and otherwise compensate State Farm to the extent such detriment is documented by State Farm; provided, however, that if Grantor fails to make such payment or if any such law prohibits Grantor from making such payment or would materially and adversely affect State Farm in the event of such payment, State Farm may elect, by notice in writing given to Grantor, to declare all of the Indebtedness secured hereby to be and become due and payable, without any prepayment premium or fee, within sixty (60) days from the giving of such notice.

3.14 Inspection of Premises.

Grantor hereby grants to State Farm, its agents, employees, consultants and contractors the right to enter upon the Premises upon reasonable prior notice (except in the case of emergencies) for the purpose of making any and all inspections, reports, tests, inquiries and reviews as State Farm (in its sole and absolute discretion) deems necessary to assess the then current condition of the Premises or for the purpose of performing any other acts which State Farm is authorized to perform under this Deed of Trust or under the Environmental Indemnification Agreement executed by Grantor and

Guarantor (if applicable) in connection with the Loan (the "**Environmental Indemnification Agreement**"); provided, however that, notwithstanding the foregoing, State Farm and its authorized representatives' inspection rights shall be subject to the same conditions and restrictions with respect to entering and inspecting the Premises as are applicable to Grantor under the Existing Lease. Grantor will cooperate with State Farm to facilitate each such entry and the accomplishment of such purposes.

3.15 Operating and Financial Statements. Grantor shall deliver or cause to be delivered the following reports, financial statements and related documents to State Farm:

(a) Within 45 days after the end of each twelve-month period in each fiscal year of Grantor during the term of the Loan (whether such fiscal year is a calendar year or otherwise), (i) annual operating statements showing all elements of income and expense of the Premises dated as of the last day of such period; and (ii) a current rent roll for the Premises, which shall include gross sales of each tenant, if any, paying percentage rental; provided, however that if at any time during which any portion of the Indebtedness remains outstanding the Premises is no longer 100% occupied by the Existing Tenant pursuant to the Existing Lease, then the deliveries required in (i) and (ii) of this subsection (a) shall be made within 45 days after the end of each six-month period in each fiscal year of Grantor;

(b) Within 120 days after the end of each fiscal year of Grantor and any Guarantor, annual financial statements (consisting of a balance sheet and an income and expense statement) for Grantor and any Guarantor;

(c) Within 120 days after the end of each fiscal year of Grantor, annual financial statements (consisting of a balance sheet and an income and expense statement) for any tenant under a Lease that provides that such tenant may self-insure on any insurance otherwise required to be obtained by Grantor under this Deed of Trust;

(d) Promptly after receipt thereof, any financial statements received by Grantor from any tenant under a Major Lease; and

(e) Promptly after request therefor, such other information (financial or otherwise) concerning the Premises, Grantor or any Guarantor, or its or their constituent entities, as State Farm may reasonably request.

All such financial statements and information shall be prepared in accordance with generally accepted accounting principles consistently applied, shall otherwise be satisfactory to State Farm and shall be certified by an authorized person, member, partner or officer of Grantor or Guarantor, as applicable, approved by State Farm.

Notwithstanding anything to the contrary in Sections 3.15(b), (c) and (d) hereof, State Farm shall not require the delivery of the financial statements required from Grantor, Guarantor or

Existing Tenant so long as (i) Grantor and Existing Tenant remain wholly owned by Guarantor and FedEx Corp., respectively, and (ii) Guarantor and FedEx Corp. each remains a publicly traded company.

3.16 Declaration of Subordination.

At the option of State Farm, this Deed of Trust shall become subject and subordinate, in whole or in part (but not with respect to priority of entitlement to insurance proceeds or any Award) to any and all Leases of all or any part of the Premises upon the execution by State Farm and recording thereof, at any time hereafter and in the appropriate official records of the county wherein the Real Estate is situated, of a unilateral declaration to that effect.

3.17 Usury.

State Farm intends that Grantor shall not be required to pay, and State Farm shall not be entitled to receive or collect, interest in excess of the maximum legal rate permitted under applicable usury laws. In the event State Farm or any court determines that any charge, fee or interest paid or agreed to be paid in connection with the Loan may, under applicable usury laws, cause the interest rate on the Loan to exceed the maximum rate permitted by law, such charges, fees or interest shall be reduced to the maximum rate permitted by law and any amounts actually paid in excess of such maximum rate permitted by law shall, at State Farm's option, be applied by State Farm to reduce the outstanding principal balance of the Loan or repaid by State Farm directly to Grantor.

3.18 Lease Obligations.

(a) As further security for the payment of the Indebtedness, Grantor has, pursuant to this Deed of Trust and by separate Assignment of Rents and Leases of even date herewith, sold, transferred and assigned to State Farm, its successors and assigns, all of Grantor's right, title and interest, as landlord, in, to and under the Leases.

(b) The following definitions shall be applicable to all Leases of the Premises now or hereafter existing:

(i) **"Major Leases"**: Leases that demise 50,000 square feet or more and have a lease term of at least three (3) years (with no termination options during such term), together with all extensions, renewals, amendments, modifications, replacements and substitutions therefor; provided, however, a replacement or substitution for a Major Lease shall in turn be deemed a "Major Lease" only if such replacement or substitution demises 50,000 square feet or more and has a lease term of at least three (3) years. As of the date hereof, the following Leases constitute Major Leases:

<u>Name of Tenant</u>	<u>Termination Date</u>	<u>Annual Rent</u>	<u>Square Footage</u>
FedEx Ground Package System, Inc.	August 31, 2030	\$1,940,884 annually (\$9.22 psf)	210,417 rentable square feet

(ii) **"Minor Leases"**: Leases that are not Major Leases; provided, however, if any Minor Lease, after modification, meets the definition of a Major Lease, such Minor Lease shall thereupon become a Major Lease.

(c) State Farm shall have the right to impose a **Servicing Fee** (as defined in **Section 7.15**) in connection with the review of any documentation submitted for State Farm's approval hereunder. Grantor shall also be responsible for the payment of all reasonable fees and expenses of State Farm's outside counsel in the event State Farm, in its sole discretion, shall determine that the assistance of outside counsel is necessary or appropriate.

(d) Grantor covenants and agrees to keep, observe and perform and to diligently and faithfully enforce against the tenants of the Premises all the material covenants, agreements and provisions of any present or future Leases of the Premises on their respective parts to be kept, observed and performed. If Grantor shall neglect or refuse to so perform or fail to require such tenants to so perform, State Farm may, at its option, itself perform and comply or require performance or compliance by such tenants with any such Lease covenants, agreements and provisions. Any sums expended by State Farm in performance of or compliance with such Leases or in enforcing performance of or compliance with such Leases by the tenants, including costs and reasonable expenses and attorneys' fees, shall be paid to State Farm by Grantor upon demand with interest thereon at the Default Rate from the date of such payments and, in the absence of such payment, all such sums shall be deemed to be and become part of the Indebtedness secured by this Deed of Trust.

(e) Grantor expressly covenants and agrees that if Grantor, as landlord under the Major Leases:

(i) fails to perform and fulfill any material term, covenant, condition or provision in any Major Lease on its part to be performed or fulfilled, at the times and in the manner provided in such Major Lease;

(ii) does or permits to be done anything to impair the value of any Major Lease as security for the Indebtedness, including, without limitation, voluntary surrender or termination;

(iii) fails to enforce all of the material terms, covenants and conditions required to be performed by a tenant under any Major Lease;

(iv) fails to pursue its remedies under any Major Lease (short of voluntary surrender or termination) following a breach or default by the tenant thereunder;

(v) without State Farm's prior written consent (which consent shall not be unreasonably withheld), permits or approves an assignment by the Existing Tenant under the Existing Lease or a subletting of all or any part of the Premises demised pursuant to the Existing Lease (other than in accordance with the terms of the Existing Lease); or

(vi) without State Farm's prior written consent, permits or approves an assignment by any tenant (other than the Existing Tenant) under any Major Lease or a subletting of all or any part of the Premises demised in any Major Lease (other than in accordance with the terms of the applicable Major Lease previously approved by State Farm);

then, upon the occurrence of any such actions or inactions referenced in (i) through (vi) above, at the option of State Farm, following written notice to Grantor (and Grantor's failure to cure such matter within ten (10) days thereafter), an Event of Default shall be deemed to have occurred hereunder and at the option of State Farm, all unpaid indebtedness secured by this Deed of Trust shall, notwithstanding anything in the Note, this Deed of Trust or the other Loan Documents to the contrary, become due and payable as in the case of other Events of Default.

3.19 Environmental Compliance.

In addition to certain other Loan Documents, Grantor has executed the Environmental Indemnification Agreement in connection with the Note. Notwithstanding any other provision of this Deed of Trust, any other Loan Document, or the Environmental Indemnification Agreement, this Deed of Trust does not secure (i) any obligations under the Environmental Indemnification Agreement, or (ii) any obligations under this Deed of Trust or any Loan Document that are substantially equivalent to the obligations arising under the Environmental Indemnification Agreement, and none of these unsecured obligations shall be included in the term "Obligations."

3.20 Further Assurances.

(a) Grantor shall do all acts necessary to keep valid and effective the lien and security interest created by this Deed of Trust and the security intended to be afforded by the Loan Documents and to carry into effect their objectives.

(b) Without limiting the generality of the foregoing, upon State Farm's request, Grantor will promptly and, insofar as not contrary to applicable law, at Grantor's expense, execute, record, rerecord, file and refile in such offices, at such times and as often as may be necessary, this Deed of Trust, additional mortgages, security agreements, and every other instrument in addition to or supplemental hereto, including applicable financing statements, continuation statements, affidavits or certificates as may be necessary to create, perfect, maintain, continue, extend and/or preserve the

liens, encumbrances and security interests intended to be granted and created in and by the Loan Documents and the rights and remedies of State Farm and Grantor thereunder. Upon request of State Farm, Grantor shall promptly supply evidence of fulfillment of the foregoing acts and further assurances.

3.21 Change of Name, Identity or Structure.

Except as may be expressly set forth in this Deed of Trust, without giving State Farm at least thirty (30) days prior written notice, Grantor shall not change: (a) its jurisdiction of organization; (b) the location of its place of business (or chief executive office if more than one place of business); or (c) its name or identity (including its trade name or names). In addition, if Grantor is an entity, Grantor shall not change its structure or legal status without first obtaining the prior written consent of State Farm.

3.22 Substitute Guarantor.

Within one hundred eighty (180) days after the death of any individual Guarantor, or within ninety (90) days after the dissolution or cessation of business of an entity Guarantor (such entity Guarantor being herein called a "dissolved Guarantor"), Grantor shall propose in writing to State Farm the name of a Person to act as a successor guarantor (the "Successor Guarantor") and to assume all of the obligations and liabilities of the deceased or dissolved Guarantor under the Loan Documents, including, without limitation, the obligations and liabilities in **Section 7.13** below that are personal obligations and liabilities of Guarantor and Grantor. The proposed Successor Guarantor's identity, composition, financial condition and creditworthiness, experience, character and business reputation shall be reasonably acceptable to State Farm. If the proposed Successor Guarantor is acceptable to State Farm, the Successor Guarantor shall promptly, and in no event more than two hundred seventy (270) days following the death of an individual Guarantor or one hundred eighty (180) days following the dissolution or cessation of business of an entity Guarantor, as applicable, execute all documents and instruments reasonably requested by State Farm to assume all of the obligations and liabilities of the deceased or dissolved Guarantor under the Loan Documents (the "Guaranty Documents"). Grantor shall pay all reasonable costs and expenses incurred by State Farm relating to the approval of the proposed Successor Guarantor and the preparation and review of the Guaranty Documents, including, without limitation, the reasonable fees and expenses of State Farm's outside counsel. The provisions of this **Section 3.22** shall also apply in the event of the death of any individual Successor Guarantor or the dissolution or cessation of business of any entity Successor Guarantor.

3.23 Management of Premises.

The Premises shall be managed in a first-class manner by either: (a) Grantor or an entity affiliated with Grantor and approved by State Farm for so long as Grantor or the affiliated entity is managing the Premises; or (b) a professional property management company approved by State Farm. The management of the Premises by a Grantor-affiliated entity or a professional property

management company (in either case, a "**Manager**") shall be pursuant to a written agreement approved by State Farm (the "**Management Agreement**"). In no event shall any Manager be removed or replaced or the terms of any Management Agreement modified or amended without the prior written consent of State Farm. Following an Event of Default, State Farm shall have the right to terminate the Management Agreement or to direct Grantor to retain a new Manager approved by State Farm.

3.24 Water Rights.

The Premises includes a Certificate of Ground Water Right, Certificate Record No. 2, Page No. 745-A (the "**Water Right**"), authorizing the withdrawal or use of water on or for the benefit of the Premises. Grantor has entered into an Agreement to Share Ground Water Right of even date herewith (the "**Water Rights Agreement**") with Seller, pursuant to which the parties agree that Seller will be permitted to market the Water Right to third parties and, in the event the Water Right is sold, Seller and Grantor will share the proceeds of such sale, with fifty percent (50%) of the proceeds being allocated to Grantor ("**Grantor's Proceeds**") and fifty percent (50%) of the proceeds being allocated to Seller. Grantor hereby covenants and agrees that, following any sale of the Water Right and upon receipt by Grantor of Grantor's Proceeds, Grantor shall promptly deliver Grantor's Proceeds to State Farm for application to the Indebtedness. State Farm, by its acceptance of this Deed of Trust, agrees that no **Prepayment Fee** (as defined in the Note) shall be payable by Grantor in connection with the foregoing application of Grantor's Proceeds to the Indebtedness.

ARTICLE FOUR EVENTS OF DEFAULT, TRUSTEE

4.1 Defaults.

It shall constitute an event of default ("**Event of Default**") of and under this Deed of Trust and, at the option of State Farm under the other Loan Documents, if any of the following events shall occur:

(a) Grantor shall fail to perform on the dates or within the times required any of the Indebtedness, including the payment of principal and/or interest under the Note;

(b) Grantor shall fail to timely observe, perform or discharge any of the non-monetary Obligations, other than a non-monetary obligation described in any other clause in this Article Four, and any such failure shall remain unremedied for **thirty (30) days** or such lesser period as may be otherwise specified in the applicable Loan Document (the "**Grace Period**") after notice to Grantor of the occurrence of such failure; provided, however, that State Farm may, at its option, extend any applicable Grace Period up to **ninety (90) days** if State Farm determines in good faith that: (i) such default cannot reasonably be cured within such Grace Period but can be cured within **ninety (90) days**; (ii) no lien or security interest created by the Loan Documents shall be impaired prior to the anticipated completion of such cure; and (iii) State Farm's immediate exercise of any

remedies provided in this Deed of Trust or by law is not necessary for the protection or preservation of the Premises or State Farm's security interest therein or lien thereon, and Grantor shall immediately commence and diligently pursue the cure of such default;

(c) Grantor, as landlord or sublandlord, as the case may be, shall assign or otherwise encumber the Rents or any interest therein without first obtaining the written consent of State Farm;

(d) Grantor shall, after the expiration of all applicable grace or cure periods, default or be in default under any agreement, other than the Loan Documents, which (i) is secured by a lien on the Premises that is junior and subordinate to this Deed of Trust (regardless of whether such lien was obtained with the prior written consent of State Farm); (ii) is secured by a lien on the respective interests of the constituent entities in Grantor (regardless of whether such lien was obtained with the prior written consent of State Farm); or (iii) would, as a result of such default, subject the Premises to any mechanics', materialmen's or other lien or claim of lien, other than a lien that constitutes a Contested Lien pursuant to Section 3.5 above;

(e) Should any representation or warranty made by Grantor in, under or pursuant to any of the Loan Documents be false or misleading in any material respect as of the date on which such representation or warranty was made or deemed remade;

(f) Should any of the Loan Documents cease to be in full force and effect or be declared null and void, or cease to constitute valid and subsisting liens and/or valid and perfected security interests in, to or upon the Premises except to the extent that such declaration or invalidity arises solely from State Farm's affirmative acts;

(g) Should any violation of Section 3.11 occur or should any other event occur which, under the terms of the Loan Documents, would permit State Farm to accelerate the maturity of the Indebtedness;

(h) Should Grantor fail at any time to satisfy the requirements of Section 3.7 and such failure shall continue for fifteen (15) days after written notice thereof;

(i) Should any Liable Party (as defined in Section 7.13) (A) generally not pay its debts as they become due; (B) admit in writing its inability to pay its debts; or (C) make a general assignment for the benefit of creditors;

(j) Should any Liable Party commence any case, proceeding or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it and its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking to have an order for relief entered against it as debtor, or seeking appointment of a receiver for it or for all or any substantial part of its property (collectively, a "Proceeding");

(k) Should any Liable Party take an action to authorize any of the actions set forth above in subsections (i) or (j) of this Section 4.1;

(l) Should any Proceeding be commenced against any Liable Party, and such Proceeding result in the entry of an order for relief against it which is not fully stayed within seven (7) business days after the entry thereof or remain undismissed for a period of forty five (45) days;

(m) Should (i) a final judgment, other than a final judgment in connection with any condemnation, including any judgment or other final determination of any contest permitted by Section 3.5 of this Deed of Trust, be entered against Grantor that (A) adversely affects the value, use or operation of the Premises; or (B) adversely affects, or would be reasonably expected to adversely affect, the validity, enforceability or priority of the liens or security interests created in and by this Deed of Trust, or the other Loan Documents, or both; or (ii) execution or other final process issue on any judgment with respect to the Premises, and Grantor shall fail to discharge the same, or provide for its discharge in accordance with its terms, or procure a stay of execution thereon in any event within thirty (30) days from entry, or should Grantor not within such period, or such longer period during which execution on such judgment shall have been stayed, appeal therefrom or from the order, decree or process upon or pursuant to which such judgment shall have been entered and cause its execution to be stayed during such appeal, or if on appeal, such order, decree or process shall be affirmed and Grantor shall not discharge such judgment or provide for its discharge in accordance with its terms within thirty (30) days after the entry of such order or decree of affirmation, or if any stay of execution on appeal is released or otherwise discharged: or

(n) Should a Successor Guarantor fail to execute and deliver to State Farm all Guaranty Documents reasonably requested by State Farm necessary to assume all of the obligations and liabilities of the deceased or dissolved Guarantor under the Loan Documents within two hundred seventy (270) days following the death of an individual Guarantor or one hundred eighty (180) days following the dissolution or cessation of business of an entity Guarantor, as applicable.

4.2 Trustee.

(a) Trustee shall be liable only for willful negligence or misconduct, and hereby waives any statutory fee and agrees to accept reasonable compensation, in lieu thereof, for any services rendered by it in accordance with the terms hereof.

(b) Trustee may resign at any time upon giving thirty (30) days' notice in writing to Grantor and to State Farm.

(c) In the event of the death, removal, resignation, refusal to act, or the inability to act of Trustee or in State Farm's sole, unfettered discretion for any reason whatsoever, State Farm may, at any time or from time to time without notice and without specifying any reason therefor and without applying to any court, select and appoint a successor Trustee, and all powers, rights, duties and authority of Trustee, as aforesaid, shall thereupon become vested in such successor without

conveyance from the predecessor Trustee. Neither Trustee nor any substitute Trustee shall be required to give bond for the faithful performance of its duties unless required by State Farm. Such substitute Trustee shall be appointed by written instrument duly recorded in the county where the Premises is located, which appointment may be executed by an authorized agent of State Farm and such appointment shall be conclusively presumed to be executed with authority and shall be valid and sufficient without proof of any action by the board of directors and any superior officer of State Farm. Grantor hereby ratifies and confirms any and all acts which the herein-named Trustee, or its successors or assigns in this trust, shall do lawfully by virtue hereof. Grantor hereby agrees, on behalf of itself and its heirs, executors, administrators and assigns, that the recitals contained in any deed or deeds executed in due form by Trustee or any substitute Trustee, acting under the provisions of this Deed of Trust, shall be prima facie evidence of the facts recited, and that it shall not be necessary to prove in any court, otherwise than by such recitals, the existence of the facts essential to authorize the execution and delivery of such deed or deeds and the passing of title thereby.

(d) At any time, or from time to time, without liability therefor and without notice upon written request of State Farm and presentation of this Deed of Trust and the Note or notes secured hereby for endorsement, and without affecting the personal liability of any person for the payment of the Loan or the effect of this Deed of Trust upon the remainder of the Premises, Trustee may reconvey any part of the Premises, consent in writing to the making of any map or plat thereof, join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

(e) Upon written request of State Farm stating that the Loan has been paid and all Obligations satisfied and upon surrender to Trustee of this Deed of Trust and the Note or notes secured hereby for cancellation and retention and payment of its fees, Trustee shall reconvey, without warranty, the Premises then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

(f) Trustee shall not be liable for any error of judgment or act done by Trustee in good faith, or be otherwise responsible or accountable under any circumstances whatsoever, except for Trustee's gross negligence or willful misconduct. Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by it hereunder, believed by Trustee in good faith to be genuine. All monies received by Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other monies (except to the extent required by law), and Trustee shall be under no liability for interest on any monies received by it hereunder (except to the extent required by Law). Grantor will reimburse Trustee for, and indemnify, save harmless and defend Trustee against, any and all liability and expense (including, without limitation, attorneys' fees and expenses) which Trustee may incur in performance of its duties under the Loan Documents.

ARTICLE FIVE REMEDIES

5.1 Remedies.

(a) Upon the occurrence of an Event of Default, State Farm, at its option, may at any time thereafter declare the entire Indebtedness to be immediately due and payable and the same shall thereupon become immediately due and payable, without any further presentment, demand, protest or notice of any kind being required and State Farm, at its option and in its sole discretion, shall also be entitled to do any of the following:

(i) (A) to the extent permitted by law, in person, by agent or by a receiver, without regard to the adequacy of security, the solvency of Grantor or the condition of the Premises, without obligation to do so and without notice to or demand upon Grantor, enter upon and take possession of the Premises or any part thereof in its own name or in the name of a trustee and do any acts which State Farm deems necessary to preserve the value or marketability of the Premises; (B) sue for or otherwise collect the Rents and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, against the Indebtedness, all in such order as State Farm may determine; (C) appear in and defend any action or proceeding purporting to affect, in any manner whatsoever, the Indebtedness, the security hereof or the rights or powers of State Farm; (D) pay, purchase or compromise any encumbrance, charge or lien that in the judgment of State Farm is prior or superior hereto; and (E) in exercising any such powers, pay necessary expenses, employ counsel and pay reasonable attorneys' fees;

(ii) as a matter of strict right and, to the extent permitted by law, without notice to Grantor or anyone claiming under Grantor, and without regard to: (A) the solvency of Grantor; (B) whether there has been or may be any impairment of or diminution in the value of the Premises; or (C) whether the amount of the Indebtedness exceeds the then value of the Premises, apply ex parte to any court having jurisdiction to appoint a receiver to enter upon and take possession of the Premises and Grantor hereby waives notice of any application therefor, provided, if required by law, a hearing to confirm such appointment with notice to Grantor is set within the time required by law (any such receiver shall have all the powers and duties of receivers in similar cases and all the powers and duties of State Farm in case of entry as provided herein, and shall continue as such and exercise all such powers until the date of confirmation of sale, unless such receivership is sooner terminated);

(iii) commence an action to foreclose this Deed of Trust in the manner provided in this Deed of Trust or by law;

(iv) direct Trustee, and Trustee shall be empowered, to foreclose the Premises by advertisement and exercise of sale under applicable law by delivering to Trustee a written declaration of default and demand for sale and written notice of default and State

Farm's election to cause the Premises to be sold, which notice Trustee shall cause to be recorded, filed for record, mailed, published and/or posted as may be required by law. After the lapse of the period required by law following the recordation of said notice of default, and notice of sale having been given as required by law, Trustee, without demand on Grantor, shall sell the Premises at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, or otherwise in the manner prescribed by law, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of the Premises by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Grantor, Trustee, or State Farm, may purchase at such sale. All unexpired hazard insurance on the property so sold shall pass to and inure to the benefit of the purchaser of such property at such sale and State Farm is hereby irrevocably authorized to assign in Grantor's name to such purchaser all such policies, which may be amended or rewritten to show the interest of such purchaser. If foreclosure be made by Trustee, to the extent allowed by law, reasonable attorney fees for services in the supervision of foreclosure proceedings shall be allowed by Trustee as part of the costs of foreclosure. After deducting all costs, fees and expenses of Trustee and of this Deed of Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of all sums expended under the terms hereof, not then repaid, with accrued interest as provided in the Note; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

(v) with respect to any Collateral, proceed as to both the real and personal property in accordance with State Farm's rights and remedies in respect of the Real Estate and Improvements, or proceed to sell said Collateral separately and without regard to the Real Estate and Improvements in accordance with State Farm's rights and remedies with respect to the Collateral.

(b) In (i) any action to foreclose the lien of this Deed of Trust or enforce any other remedy of State Farm under any of the Loan Documents; or (ii) any other proceeding whatsoever in connection with any of the Loan Documents or the Premises in which State Farm is named as a party, there shall be allowed and included, as additional indebtedness in the judgment or decree for sale resulting therefrom, all expenses paid or incurred in connection with such proceeding by or on behalf of State Farm including, without limitation, attorneys' and paralegals' fees, appraisers' fees, outlays for documentary and expert evidence, stenographers' charges, publication costs, land and environmental survey costs, and costs (which may be estimated as to items to be expended after entry of such judgment or decree) of procuring all abstracts of title, title certificates, title searches and examinations, title insurance policies, Torrens certificates and any similar data and assurances with respect to the title to the Premises as State Farm may deem reasonably necessary either to prosecute

or defend in such proceeding or to evidence to bidders at any sale pursuant to such decree the true condition of the title to or value of the Premises. All expenses and fees of the foregoing nature and such expenses and fees as may be incurred in the protection of the Premises and the maintenance of the lien of this Deed of Trust thereon in any litigation affecting the Loan Documents or the Premises, including probate and bankruptcy proceedings, or in preparation for the commencement or defense of any proceeding or threatened suit or proceeding in connection therewith, shall upon demand of State Farm be immediately due and payable by Grantor with interest thereon at the Default Rate from the date of prepayment of such expenses and fees and shall become a part of the Indebtedness secured by this Deed of Trust.

(c) Unless otherwise provided herein, if Grantor shall at any time fail to perform or comply with any of the terms, covenants and conditions required on Grantor's part to be performed and complied with under any of the Loan Documents or any other agreement that, under the terms of this Deed of Trust, Grantor is required to perform (subject to any notice and cure periods provided for in the Loan Documents), State Farm may, at its option and in its sole discretion:

(i) make any payments hereunder or thereunder payable by Grantor;
and/or

(ii) after the expiration of any applicable grace period and subject to Grantor's right to contest certain Obligations specifically granted in this Deed of Trust, perform any such other acts thereunder on part of the Grantor to be performed and enter upon the Premises for such purpose.

(d) In any foreclosure sale of the Premises, the Premises, including the Real Estate and Improvements, may be sold in one parcel (i.e. as a single entity) or in two or more parcels and, otherwise, in such manner or order as State Farm, in its sole discretion, may elect or as the court having jurisdiction over such foreclosure sale may otherwise order or direct.

(e) The proceeds of any foreclosure sale of the Premises shall be distributed and applied in accordance with the applicable law of the State of Washington or as otherwise directed by order of the court in which this Deed of Trust is foreclosed.

(f) To the extent permitted by law, all remedies of State Farm provided for herein are cumulative and shall be in addition to any and all other rights and remedies provided in the other Loan Documents or by law, including any right of offset. The exercise of any right or remedy by State Farm hereunder shall not in any way constitute a cure or waiver of any default or Event of Default hereunder or under the Loan Documents, or invalidate any act done pursuant to any notice of default or prejudice State Farm in the exercise of any of its rights hereunder or under the Loan Documents.

(g) To the extent permitted by law, Grantor hereby waives its right of redemption in the event of foreclosure.

(h) Notwithstanding anything herein to the contrary, in the event of (i) a Transfer of all or any portion of the Premises by Grantor or a Transfer of fifty percent (50%) or more of the interests in the entity (or entities) comprising Grantor, each without the prior written consent of State Farm or in violation of Section 3.11; and/or (ii) the occurrence of any of the bankruptcy-related Events of Default under Sections 4.1(i)(C), 4.1(j), 4.1(k) (solely with respect to authorizing the action set forth in Section 4.1(i)(C)) or 4.1(l) of this Deed of Trust, in addition to the remedies specified in this Article Five, Grantor and Guarantor shall immediately and automatically be and become personally liable for the payment of the Indebtedness.

ARTICLE SIX SECURITY AGREEMENT AND FIXTURE FILING

6.1 Security Agreement.

Grantor hereby assigns and grants to State Farm a first priority present security interest in and to the Rents, Contract Rights, Intangible Personal Property, Tangible Personal Property, Proceeds, Right to Encumber and Other Rights and Interests described in **Article Two** and in and to any other part or component of the Premises which may not be deemed real property or which may not constitute a "**fixture**" (within the meaning of the Code (as hereinafter defined)), and all replacements, substitutions, and additions of, for and to the same, and the proceeds thereof (collectively, the "**Collateral**" or "**Personalty**") in order to secure payment of the Indebtedness and performance by the Grantor of the other Obligations. This Deed of Trust shall constitute a Security Agreement within the meaning of the Uniform Commercial Code of the State (the "**Code**").

6.2 Fixture Filing.

This Deed of Trust constitutes a financing statement filed as a fixture filing in the appropriate official records of the county in which the Real Estate is located with respect to any and all fixtures included within the term "Premises" as used herein and with respect to any goods or other personal property that may now be or hereafter become such fixtures. The Grantor is the record owner of the Premises. Grantor shall be deemed the "Debtor" with the address set forth for Grantor in Section 7.1 hereof and the organization's name, type and jurisdiction number set forth in Section 6.8. State Farm shall be deemed to be the "Secured Party" with the address set forth for State Farm in Section 7.1 hereof and shall have all of the rights of a secured party under the Code. This Deed of Trust covers goods which are or are to become fixtures.

6.3 Remedies.

If any Event of Default occurs under this Deed of Trust, State Farm, in addition to its other rights and remedies provided under this Deed of Trust, shall have all the rights and remedies available to a secured party under the Code as well as all other rights and remedies available at law or in equity. Grantor upon request by State Farm will assemble the Collateral and make it available to State Farm at a place State Farm designates to allow State Farm to take possession or dispose of

the Collateral. Grantor agrees that ten (10) days prior written notice of the time and place of the sale of the Collateral, sent to Grantor in the manner provided for the mailing of notices herein, is reasonable notice to Grantor. The sale of the Collateral may be conducted by an employee or agent of State Farm and any Person, including both Grantor and State Farm, shall be eligible to purchase any part or all of the Collateral at the sale. The reasonable expenses of retaking, holding, preparing for sale, selling and the like incurred by State Farm shall include, without limitation, attorneys' and paralegals' fees and legal expenses incurred by State Farm, and shall be paid by Grantor.

6.4 Waivers.

Grantor waives any right to require State Farm to (a) proceed against any Person; (b) proceed against or exhaust any Collateral; or (c) pursue any other remedy in its power. Grantor further waives any defense arising by reason of any power and any defense arising by reason of any disability or other defense of Grantor or any other Person, or by reason of the cessation from any cause whatsoever of the liability of Grantor or any other Person. Until the Indebtedness shall have been paid in full, Grantor shall not have any right to subrogation and Grantor waives any right to enforce any remedy which Grantor now has or may hereafter have against State Farm or against any other Person and waives any benefit of and any right to participate in any Collateral or security whatsoever now or hereafter held by State Farm for or with respect to the Indebtedness and/or the Obligations.

6.5 Authorization.

Grantor hereby authorizes State Farm at any time and from time to time during the life of the Loan to file in any filing office in any Code jurisdiction any financing statements, amendments or addendums thereto and continuation statements (the "UCC Documents") in order to perfect or continue the perfection of any security interest granted under this Deed of Trust or any of the other Loan Documents. Grantor agrees to provide any information needed to complete such UCC Documents to State Farm promptly upon request.

Grantor shall pay to State Farm, within thirty (30) days of written demand, any and all out-of-pocket costs and expenses incurred by State Farm in connection with the preparation, processing and filing of any such UCC Documents, including reasonable attorneys' fees and all disbursements. Such costs and expenses shall bear interest at the Default Rate from the date paid by State Farm until the date repaid by Grantor and such costs and expenses, together with such interest, shall be part of the Indebtedness and shall be secured by this Deed of Trust.

6.6 Preservation of Grantor's Existence.

Grantor shall do all things necessary to preserve and keep in full force and effect its existence, franchises, rights and privileges under the laws of the state of its formation and, if applicable, the State of Washington.

6.7 Notice of Change of Location of Collateral.

Without giving at least thirty (30) days' prior written notice to State Farm, Grantor shall not add to or change any location at which any of the Collateral is stored, held or located.

6.8 Additional UCC Provisions.

(a) Grantor is an Organization
Type of Organization – limited liability company
Jurisdiction of Organization – Delaware
Organizational Identification No. – 5683760

(b) State of Organization. If Grantor is an entity, Grantor shall not change the state of its organization, without the prior express written consent of State Farm.

(c) Place of Business. Grantor agrees that so long as any of its obligations hereunder, or under the Loan Documents, remain unsatisfied it will not change its place of business, or if it has more than one place of business, it will not change its chief executive office (i.e., the place from where Grantor manages the main part of its business operations or affairs), unless Grantor shall have delivered to State Farm written notice of such proposed change not less than thirty (30) days before the effective date of such change and shall have taken all action which State Farm determines to be reasonably necessary or desirable to file or amend any UCC Documents.

(d) Place of Residence. If Grantor as an individual is executing this instrument, Grantor agrees that so long as any of its obligations hereunder, or under the Loan Documents, remain unsatisfied, Grantor will not change his/her place of residence, unless Grantor shall have delivered to State Farm written notice of such proposed change not less than thirty(30) days before the effective date of such change, and shall have taken all action which State Farm determines to be reasonably necessary or desirable to file or amend any UCC Documents.

(e) Grantor Name or Identity. Grantor shall not change its name or identity unless Grantor shall have delivered to State Farm written notice of such proposed change not less than thirty (30) days before the effective date of such change and shall have taken all action which State Farm determines to be reasonably necessary or desirable to file or amend any UCC Documents.

ARTICLE SEVEN MISCELLANEOUS

7.1 Notices, Consents, and Approvals.

Any notice, consent, or approval that State Farm or Grantor may desire or be required to give to the other shall be in writing and shall be mailed or delivered to the intended recipient thereof at its address set forth below or at such other address as such intended recipient may, from time to time, by

notice in writing, designate to the sender pursuant hereto. Any such notice, consent, or approval shall be deemed effective if given **(a)** by nationally recognized overnight courier for next day delivery, one **(1)** business day after delivery to such courier, **(b)** by United States mail (registered or certified), two **(2)** business days after such communication is deposited in the mails; or **(c)** in person, when written acknowledgment of receipt thereof is given. Except as otherwise specifically required herein, notice of the exercise of any right or option granted to State Farm by this Deed of Trust is not required to be given.

(a) If to State Farm:

State Farm Life Insurance Company
One State Farm Plaza
Bloomington, Illinois 61710
Attn: Corporate Law-Investments A-3
Loan No. 14347

and

Bradley Arant Boult Cummings LLP
1600 Division Street, Suite 700
Nashville, TN 37203
Attn: Robert E. Wood, Esq.

(b) If to Grantor:

MREIC Everett WA, LLC
c/o Monmouth Real Estate Investment Corporation
Juniper Business Plaza
3499 Route 9 North, Suite 3-D
Freehold, NJ 07728
Attn: Chief Financial Officer

and

Kelly Hart
201 Main Street, Suite 2500
Fort Worth, TX 76102
Attn: Mark E. Bishop, Esq.

State Farm's failure to give a copy of any notice to Grantor's counsel shall not invalidate any notice given to Grantor hereunder.

7.2 Time of Essence.

It is specifically agreed that time is of the essence for all of the terms and provisions contained in this Deed of Trust.

7.3 Covenants of Deed of Trust Run with Title to the Real Estate.

The Obligations set forth in this Deed of Trust are intended as, shall be deemed and are hereby declared to be covenants running with the title to the land which constitutes the Real Estate and any and all portions(s) thereof, and such covenants and obligations shall be binding upon, and enforceable by the owner and holder of this Deed of Trust personally against, the Grantor and any successor in title to the Grantor who or which shall acquire and/or hold title to the Real Estate while the same is subject to and encumbered by this Deed of Trust. Every person or entity who or which shall have, claim, own, hold, accept or otherwise acquire title to the Real Estate, whether or not such title is reflected in the Public Records of the State and County in which the Real Estate is located, shall be conclusively presumed and deemed to have consented and agreed to personally perform each and every covenant and obligation of the Grantor contained in this Deed of Trust, to the same extent as the original Grantor, whether or not any reference to this Deed of Trust is contained in the document or instrument pursuant to which such person or entity shall have acquired title to the Real Estate and whether or not such person or entity shall have expressly agreed in writing to assume or perform the covenants and obligations of the Grantor contained in this Deed of Trust.

7.4 Governing Law.

This Deed of Trust shall be governed by and construed in accordance with the laws of the State. To the extent that this Deed of Trust may operate as a security agreement under the Code, State Farm shall have all rights and remedies conferred therein for the benefit of a Secured Party.

7.5 Severability.

If any provision of this Deed of Trust, or any paragraph, sentence, clause, phrase, or word, or the application thereof, in any circumstance, is held invalid, the validity of the remainder of this Deed of Trust shall be construed as if such invalid part were never included herein.

7.6 Headings.

The headings of articles, sections, paragraphs, and subparagraphs in this Deed of Trust are for convenience of reference only and shall not be construed in any way to limit or define the content, scope, or intent of the provisions hereof.

7.7 Grammar.

As used in this Deed of Trust, the singular shall include the plural, and masculine, feminine, and neuter pronouns shall be fully interchangeable, where the context so requires.

7.8 Deed in Trust.

If title to the Premises or any part thereof is now or hereafter becomes vested in a trustee, any prohibition or restriction contained herein against the creation of any lien on the Premises shall be construed as a similar prohibition or restriction against the creation of any lien on or security interest in the beneficial interest of such trust.

7.9 Successors and Assigns.

This Deed of Trust and all provisions hereof shall be binding upon and enforceable against Grantor, its successors, assigns, legal representatives, and all other persons or entities claiming under or through Grantor, and the word "**Grantor**" when used herein, shall include all such persons and entities and any others liable for the payment of the Indebtedness or any part thereof, whether or not they have executed the Note or this Deed of Trust. The word "**State Farm**" when used herein, shall include State Farm's successors, assigns, and legal representatives, including all other holders, from time to time, of the Note.

7.10 No Oral Change.

This Deed of Trust may only be modified, amended or changed by an instrument in writing signed by Grantor and State Farm and may only be released, discharged or satisfied of record by an instrument in writing signed by State Farm. No waiver of any term, covenant, condition or provision of this Deed of Trust shall be effective unless given in writing by State Farm, and if so given by State Farm shall only be effective in the specific instance in which given.

7.11 Entire Agreement.

This Deed of Trust and the other Loan Documents supersede, in all respects, all prior written or oral agreements between Grantor and State Farm relating to the Loan, this Deed of Trust and the other Loan Documents (including, without limitation, the Loan Application submitted by Grantor to State Farm in connection with the Loan) and there are no agreements, understandings, warranties or representations between the parties except as set forth in this Deed of Trust and the other Loan Documents.

7.12 Construction.

Grantor acknowledges that Grantor and Grantor's counsel have reviewed this Deed of Trust and the other Loan Documents and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party will not be employed in the construction or interpretation of this Deed of Trust or the other Loan Documents or any amendments or schedules to any of the foregoing.

7.13 Limitation of Liability.

In consideration of the security provided by Grantor to State Farm for repayment of the Indebtedness, including, without limitation, the liens on and security interests in the Premises granted pursuant to this Deed of Trust and the assignment of the Rents and Leases made pursuant to the Assignment of Rents and Leases, upon the occurrence of an Event of Default hereunder or under any of the other Loan Documents, State Farm agrees that it shall not, except as otherwise set forth in this Section, seek to enforce, nor shall State Farm be entitled to enforce, any deficiency or monetary judgment against Grantor or Guarantor, any Partner of Grantor, any member of Grantor, any shareholder of Grantor, or any beneficiary of Grantor (individually, an "**Exculpated Party**", and collectively, the "**Exculpated Parties**"), personally, and shall not levy or execute judgment upon any property of the Exculpated Parties, other than the Premises; it being expressly agreed, acknowledged and understood, however, that: (i) the foregoing limitation of the liability of an Exculpated Party shall not apply to the extent that such Exculpated Party is, pursuant to the further terms hereof, liable for any **Losses** (as defined below); and (ii) nothing contained herein shall in any manner or way release, affect or impair:

(a) The existence of the Indebtedness and Obligations created in and evidenced by the Loan Documents;

(b) The enforceability of the liens, security interests and assignments created in and granted by the Loan Documents against the Premises;

(c) The enforceability of the Environmental Indemnification Agreement and any Guaranty given to State Farm;

(d) The right of State Farm to recover from Grantor and Guarantor all Indebtedness including principal, interest and other amounts outstanding under the Loan Documents, following (i) a Transfer of all or any portion of the Premises or a Transfer of fifty percent (50%) or more of the interests in the entity (or entities) comprising Grantor, each without the prior written consent of State Farm or in violation of **Section 3.11** of this Deed of Trust; and/or (ii) the occurrence of any of the bankruptcy-related Events of Default under **Sections 4.1(i)(C), 4.1(j), 4.1(k)** (solely with respect to authorizing the action set forth in **Section 4.1(i)(C)** or **4.1(l)** of this Deed of Trust;

(e) The right of State Farm to recover from Grantor and any Guarantor (Grantor and Guarantor are sometimes hereafter individually called a "**Liable Party**" and collectively called the "**Liable Parties**") who shall be jointly and severally liable for all Losses incurred by State Farm, whether directly or indirectly, arising from or related to the following:

(i) The failure to apply any Rents received by any of the Exculpated Parties or Liable Parties any time during an Event of Default (all such Rents received during such periods being herein called "**Recoverable Rents**") to (A) the payment of any amount due under the Loan Documents, including, without limitation, the Indebtedness, (B) the

payment of all operating expenses of the Premises, or (C) the performance of any Obligations required under the Loan Documents; provided, however, the Liable Parties shall not be liable to State Farm under this **subsection (i)** for any Recoverable Rents in excess of the Recoverable Rents applied to the payment of the amounts and the performance of the Obligations set forth in (A), (B), and (C) above;

(ii) The misapplication or misappropriation of any tenant security deposits, advance or prepaid rents, cancellation or termination fees or other similar sums paid to or held by Grantor, any affiliate of Grantor or any other person or entity (other than State Farm) in connection with the operation of the Premises in violation of the Loan Documents or any leases affecting the Premises;

(iii) The willful or wanton act or omission on the part of any of the Exculpated Parties or Liable Parties resulting in the damage to or destruction of all or any portion of the Premises, including, without limitation, waste, any act of arson or malicious destruction by any of the Exculpated Parties or Liable Parties;

(iv) The failure to maintain insurance as required by the Loan Documents or any leases affecting the Premises or the failure to timely pay insurance premiums, real estate taxes, regular or special assessments or utility charges affecting the Premises;

(v) The failure of the Exculpated Parties or Liable Parties to deliver to State Farm any Proceeds received by any of them relating to the Premises, or to use such Proceeds for Restoration of the Premises in accordance with the terms of the Loan Documents;

(vi) Any fraud or willful misrepresentation of a material fact by any of the Exculpated Parties or Liable Parties in any document executed or presented to State Farm in connection with the Loan; or

(vii) The failure on the part of any of the Exculpated Parties or Liable Parties to comply with the provisions of the Environmental Indemnification Agreement. Notwithstanding anything contained herein to the contrary, the indemnification obligations under this **subsection (vii)** shall not apply to any costs incurred by or imposed upon State Farm which arise solely as a consequence of a condition coming into existence on the Premises subsequent to the time of both State Farm taking title to the Premises by foreclosure or deed in lieu of foreclosure and State Farm taking physical possession of the Premises, unless such costs are incurred in connection with an event or events related to a condition existing at the Premises prior to or at the time of transfer of title and physical possession of the Premises to State Farm; provided, however, Grantor shall bear the burden of proof that such event or events: (A) occurred subsequent to the transfer of title and physical possession to State Farm; and (B) did not occur as a result of any action of the Exculpated Parties or Liable Parties.

As used herein, the term "**Losses**" means any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, costs, fines, penalties, charges, fees, expenses (including, without limitation, reasonable legal fees and expenses and other costs of defense and internal administrative fees assessed by State Farm), judgments, awards, amounts paid in settlement of whatever kind or nature.

7.14 Waiver of Marshalling and Certain Rights.

To the extent that Grantor may lawfully do so, Grantor hereby expressly waives any right pertaining to the marshalling of assets or marshalling of liens, the equity of redemption, any statutory or common law right of redemption, homestead, dower, curtesy, marital share, and all other exemptions, or other matter which might defeat, reduce or affect the right of State Farm to sell the Premises or the Collateral for the collection of the Obligations, or the right of State Farm to the payment of the Obligations out of the proceeds of the Rents and Leases, in preference to every other person and claimant. Any Grantor herein who has any right or possibility of dower, curtesy or homestead in or to the Premises described herein, or any part of it, for the consideration herein set forth, does hereby release and relinquish all of his or her right or possibility of dower, curtesy and homestead in and to said Premises and all parts thereof, and all other marital rights.

7.15 Waiver of Trial by Jury.

Grantor hereby waives, to the fullest extent permitted by applicable law, the right to trial by jury in any action, proceeding or counterclaim filed by any party, whether in contract, tort or otherwise, relating directly or indirectly to this Deed of Trust or any acts or omissions of Grantor in connection therewith or contemplated thereby.

7.16 Waiver of Impairment of Recourse Defenses.

Without affecting the liability of Grantor or any other person (except any person expressly released in writing) for the payment or performance of any of the Obligations, and without affecting the rights of State Farm with respect to any security not expressly released in writing, State Farm may, at any time, and from time to time, either before or after the maturity of the Note, and without notice or consent:

- (a) Release any person liable for payment or performance of all or any part of the Obligations;
- (b) Make any agreement extending the time or otherwise altering the terms of payment of all or any part of the Obligations (without limit as to the number of such extensions or the period of periods thereof), or modifying or waiving any obligation, or subordinating, modifying or otherwise dealing with the lien or charge hereof;
- (c) Exercise or refrain from exercising any right State Farm might have;

- (d) Accept additional security of any kind;
- (e) Release or otherwise deal with any property, real or personal, securing the Obligations, including all or any part of the Premises herein described; or
- (f) Elect, by instrument duly recorded in the Office of the Register of the County where the Premises is located, to have and make the lien hereof prior, paramount and superior to, or, alternatively, junior, subordinate and inferior to, any lease of all or any part of the Premises and whether or not such lease is dated, executed or recorded before or after this Deed of Trust.

Furthermore, the failure of State Farm to perfect any lien granted herein or in any other Loan Document, to take any action to obtain payment or performance of the Obligations or to exercise any rights or remedies available hereunder shall not relieve Grantor or any other person from liability for the payment or performance of the Obligations nor effect a discharge of the lien, security interest or assignment herein granted; it being intended that all "impairment of recourse" and "impairment of collateral" defenses are hereby waived.

7.17 No Waiver.

No waiver by the Trustee or State Farm shall be construed as a waiver of a subsequent similar default or any other default by the Grantor. No delay by State Farm or by the Trustee in exercising any right or remedy hereunder, or otherwise afforded by law, shall operate as a waiver thereof or preclude the exercise thereof during the continuance of any default hereunder. No failure of State Farm to exercise any option herein given to declare the maturity of the Obligations hereby secured, nor forbearance by State Farm after the exercise of such option, and no withdrawal or abandonment of foreclosure proceedings by State Farm after the exercise of such option, shall be taken or construed as a waiver of its right to exercise such option or to declare such maturity by reason of any past, present, or future default on the part of the Grantor. Acceptance by State Farm of partial payments shall not constitute a waiver of the default by failure to make full payments.

7.18 Expenses.

Grantor acknowledges and agrees that State Farm may impose certain administrative processing fees (the "**Servicing Fees**") in connection with (i) the extension, renewal, modification, amendment and termination of the Loan Documents; (ii) the release or substitution of collateral therefor; (iii) the consideration of any consents, waivers and approvals with respect to the Premises or the Grantor; (iv) the review of any Lease or proposed Lease or the preparation or review of any tenant estoppel certificate or any subordination, nondisturbance and attornment agreement; or (v) any other services provided by State Farm or any of its agents to or on behalf of Grantor in connection with the Premises, the Loan Documents or the Indebtedness secured thereby (the occurrence of any of the foregoing shall hereinafter be referred to as a "**Servicing Action**"). Grantor hereby acknowledges and agrees to pay, immediately, upon demand, all such Servicing Fees (as the same may be increased or decreased from time to time), and any additional fees of a similar type or nature

that may be imposed by State Farm from time to time, in connection with a Servicing Action. Grantor shall also be responsible for the payment of all reasonable fees and expenses of State Farm's outside attorneys in the event that State Farm, in its sole discretion, shall determine that the assistance of an outside attorney is necessary or appropriate to accomplish the Servicing Action.

7.19 Subrogation.

To the extent that proceeds of the Obligations are used to pay any outstanding lien, charge or encumbrance affecting the Premises (including, without limiting the generality of the foregoing, any prior lien) State Farm shall be subrogated to all rights, interests and liens owned or held by any owner or holder of such outstanding liens, charges and encumbrances, irrespective of whether such liens, charges or encumbrances are released of record; provided, however, that the terms and provisions hereof shall govern the rights and remedies of State Farm and, to the extent permitted by law without impairing any of State Farm's rights of subrogation, shall supersede the terms, provisions, rights, and remedies under the lien or liens to which State Farm is subrogated hereunder.

7.20 Greater Estate.

In the event that Grantor is the owner of a leasehold estate or any other estate less than a fee simple with respect to any portion of the Premises and/or Personal Property and, prior to the satisfaction of the Obligations and the cancellation of this Deed of Trust of record, Grantor obtains a greater estate or interest in such portion of the Premises and/or Collateral, then, such greater estate or interest shall automatically and without further action of any kind on the part of Grantor be and become subject to the lien of this Deed of Trust.

7.21 Modifications and Extensions.

Grantor and State Farm may agree to extend the time for payment of all or any part of the Obligations or reduce, rearrange or otherwise modify the terms of payment thereof, or accept a renewal note or notes therefor, or otherwise deal with the Premises or the Loan Documents, all without notice to or the consent of any junior lienholder or any other person having an interest in the Premises and/or Collateral subordinate to the lien of this Deed of Trust, and without the consent of Grantor if Grantor has then parted with title to the Premises and/or Collateral. No such extension, reduction, modification or renewal or dealing shall affect the priority of this Deed of Trust, or release any liability of Grantor or any other person or entity, or impair the security hereof in any manner whatsoever.

7.22 Attorneys' Fees.

If a suit or an action is instituted in connection with any controversy arising out of this Deed of Trust or any other Loan Document or to enforce any rights thereunder, the prevailing party shall be entitled to recover such amount as the court may adjudge reasonable as attorneys' or paralegals'

fees and costs of litigation at trial or on any appeal or review, in addition to all other amounts provided by law.

7.23 Borrower's Notice.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW. (RCW 19.36)

7.24 No Agricultural Use; Commercial Purposes Only.

Grantor represents and warrants to State Farm that (a) the Premises is not used principally for agricultural purposes, and (b) the proceeds of the loan secured by this Deed of Trust shall be used for business or commercial purposes and not for personal, family or household purposes.

[Signature on following page]

Signature Page

EXHIBIT A

Legal Description of Real Estate

Lot 1 of City of Burlington Binding Site Plan No. 1-14, recorded under Auditor's File No. 201411130039, as amended by Revision 1 of Binding Site Plan No. 1-14, recorded under Auditors File No. 201512230077, Records of Skagit County, Washington, being a portion of Section 8, Township 34 North, Range 4 East, W.M.

Situate in the County of Skagit, State of Washington