

WHEN RECORDED MAIL TO:

Phil & Alexia Heidt
10143 NE 62nd St.
Kirkland, WA 98033



201701090120

Skagit County Auditor

\$318.00

1/9/2017 Page

1 of

26 1:20PM

GUARDIAN NORTHWEST TITLE CO

113194

**DEED OF TRUST, ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING**

113216

Reference Number(s) of Related Documents (if applicable): *n/a*

Grantor/Borrower: *Alliance Construction LLC, a Washington limited liability company, as to Parcel A, and Paula D. Sager, as her separate estate, as to Parcel B*

Beneficiary: *Phil & Alexia Heidt, husband & wife*

Trustee: *Morton McGoldrick, P.S.*

Legal Description: *Lot 1, Eden's Acres Plat; and
Ptn. Lots 23-24, Block 118, Burlington*

Additional legal on page 26 of this document.

Assessor's Tax Parcel Numbers: *P130511, 4999-000-000-0001;
P72045, 4076-118-024-0003*

NOTE: THIS DEED OF TRUST CONSTITUTES A SECURITY AGREEMENT AND FINANCING STATEMENT FOR PURPOSES OF ARTICLE 9 OF THE UNIFORM COMMERCIAL CODE (RCW 62.A.9) WITH GRANTOR BEING THE DEBTOR AND BENEFICIARY/LENDER BEING THE SECURED PARTY.

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING ("Deed of Trust") is made as of the ____ day of January, 2017, by and among:

GRANTOR: Alliance Construction LLC, a Washington limited liability company
Attention: Addison Sager, Member
608 S. 1st Street #208
Mount Vernon, WA 98273

Paula D. Sager, as her separate estate
17643 West Big Lake Blvd.
Mount Vernon, WA 98274

Grantor is also sometimes referred to hereinafter as "Borrower").

TRUSTEE: Morton McGoldrick, P.S.
820 A Street, #600
Tacoma, WA 98402

BENEFICIARY: Phil & Alexia Heidt, husband & wife
10143 NE 62nd St.
Kirkland, WA 98033

(Beneficiary is also sometimes referred to hereinafter as "Lender").

Borrower hereby irrevocably GRANTS, TRANSFERS, CONVEYS AND ASSIGNS to trustee, IN TRUST, WITH POWER OF SALE, all of Borrower's present and future estate, right, title, claim and interest, either in law or in equity, in and to its respective Properties (defined below) TO SECURE THE FOLLOWING (collectively, the "Secured Obligations"):

(1) Payment of the sum of TWO HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$250,000.00), with interest thereon, according to the terms of a Promissory Note ("Note") of even date, made by Borrower jointly and severally and payable to Lender, including any and all modifications, extensions, renewals and replacements thereof, plus costs and other charges as provided in such Note. The Note may provide for adjustments of the interest rate, and/or may contain a provision authorizing negative amortization, and if negative amortization occurs, the loan amount may increase.

(2) Payment of all sums advanced to protect the security of this Deed of Trust, together with interest thereon as herein provided;

(3) Payment and performance of all other sums and obligations that are or which may become owing under the Loan Documents; and

(4) Payment and performance of all amounts due and obligations existing under any other agreement or instrument that specifically provides it is secured by this Deed of Trust.

"Loan Documents" means the Note, this Deed of Trust, any Loan Agreement, any construction loan agreement and Uniform Commercial Code Financing Statement executed in connection herewith, and any other instrument or document evidencing or securing the Secured Obligations or otherwise executed in connection therewith, including any and all modifications, extensions, renewals and replacements thereof.

GRANTOR HEREBY REPRESENTS, WARRANTS, COVENANTS AND AGREES AS FOLLOWS:

I. **PROPERTY.**

1.1. **Property Defined:** As used herein, the term "Property" includes all of the following:

(a) The real property described on Exhibit A hereto and all interest therein, and all accessions thereto, and all rights to the alleys, streets and roads adjoining or abutting the real property (the "Land");

(b) All buildings, improvements and tenements now or hereafter located on the Land, or appurtenant thereto, and all fixtures and materials (and renewals, substitutions and replacements thereof) that are now or hereafter affixed to, placed on or used in connection with the Land (collectively, the "Improvements").

(c) To the extent the same are not Improvements, all articles of property now or hereafter attached to, or used or adapted for use in the ownership, development, operation or maintenance, of the Land and/or Improvements (whether such items be leased, owned absolutely or subject to any title-retaining or security instrument, or otherwise used or possessed), including without limitation all heating, cooling, incinerating, lifting, fire prevention and extinguishing, security and access control, cooking, gas, electric and communication fixtures, equipment and apparatus; all engines, motors, conduits, pipes, pumps, tanks, ducts, shrubbery and plants; all of which items shall be deemed part of the real property and not severable wholly or in part without material injury to the freehold; PROVIDED, HOWEVER, personal property and trade

fixtures owned or supplied by tenants of the Property with the right of removal on or before the termination of the tenancy shall not be included within the scope of this paragraph.

(d) All easements, all access, air and development rights, all minerals and oil, gas and other hydrocarbon substances, all royalties, all water, water rights and water stock, and all other rights, hereditaments, privileges, permits, licenses, franchises, and appurtenances now or hereafter belonging or in any way appertaining to the Land.

(e) All of the rents, revenues, issues, profits and income of the Property, and all right, title and interest of Grantor in and to all present and future leases and other agreements for the occupancy or use of all or any part of the Land, and all right, title and interest of Grantor thereunder, including without limitation all cash or security deposits, advance rentals and deposits or payments of similar nature, and all guarantees of tenants' or occupants' performance under any and all leases or agreements of occupancy or use of all or part of the Land; SUBJECT, HOWEVER, to the assignment to Lender of rents and other property herein contained.

(f) All intangible personal property used or useful in connection with the ownership, development, operation or maintenance of the Land or Improvements (including without limitation, permits, licenses, franchises, the right to use any trade names, contract rights, accounts receivable, leases and rental agreements, escrow accounts, insurance policies, tenant and other deposits, instruments, documents of title, general intangibles, and business records pertaining to the Land or Improvements).

(g) Materials, supplies, and other goods (collectively, "Materials") now owned or hereafter acquired, wherever located, whether in the possession of Grantor, a warehouseman, bailee, or any other person, purchased for use in the construction or furnishing of Improvements on the Land, together with any documents covering such Materials, all contract rights and general intangibles relating thereto, and proceeds thereof.

(h) All site plans, plats, architectural plans, specifications, working drawings, surveys, engineering reports, test borings, market surveys, and other work products relating to the development of the Property.

(i) All of Grantor's rights under the construction contract (if any) relating to Improvements and all amendments thereto, together with all of the right, title and interest of Grantor in, to and under any and all performance, payment, completion or other surety bonds now or hereafter issued by any surety in connection with or related to the aforesaid construction contract, insofar as the same may be transferable without breach of such agreement or bond.

(j) All proceeds of the foregoing.

1.2. Warranty of Title: Grantor represents and warrants that: (a) Grantor is lawfully seized of the fee title or leasehold estate, whichever the case may be, hereby conveyed and has the right to grant, convey and assign the Property; (b) the Property is free from liens, encumbrances, exceptions and other charges of any kind whatsoever other than those accepted by Lender in writing (the "Permitted Exceptions"); (c) no other liens, or encumbrances, whether superior or inferior to this Deed of Trust, will be created or suffered to be created by Grantor during the life of this Deed of Trust without the prior written consent of Lender; (d) that no default on the part of Grantor or any other person exists under any of the Permitted Exceptions and, as applicable, all are in full force and effect and in good standing, and without modification except as disclosed in writing to Lender; and (e) Grantor will forever warrant and defend the Property unto Lender against all claims and demands of any other person whoever, subject only to the non-delinquent installments of taxes and assessments and Permitted Exceptions. As to any mortgages, deeds of trust, real estate contracts or other liens that are Permitted Exceptions ("Liens"), Grantor covenants and warrants that (i) Complete and current copies of the agreements relating to those Liens have been furnished to Lender, and none have been or will be modified in any way without Lender's prior written consent; (ii) Grantor is not in default with respect to those Liens and the outstanding balance of the Lien, as set forth in Grantor's application for credit or other document delivered to Lender, is accurate; (iii) Grantor will fully comply with all agreements relating to the Liens and will deliver a copy of any notice of default or non-performance related thereto to Lender; (iv) Lender has the right at any time and from time to time to contact the holder of any Lien to confirm the status of or obtain other information related to the Lien, and Grantor will, from time to time, at the request of Lender, request of the lienholder a certificate stating that any agreements pertaining to a Lien are in full force and effect, are unmodified, that no notice of default thereunder has been served on the Grantor, and specifying any defaults thereunder, if any.

1.3. For Agricultural Use: Grantor represents and warrants that the Property is not used principally for agricultural or farming purposes.

1.4. Hazardous Substances:

(a) Representations and Warranties. Grantor represents and warrants that to the best of its knowledge after due inquiry and inspections, (i) no asbestos has ever been used in the construction, repair or maintenance of any building, or other Improvement located on the Property; (ii) no Hazardous Substance (defined below) is being generated, processed, stored, transported, handled or disposed of, on, under or in the Property, except in accordance with all applicable laws; (iii) neither Grantor nor any other person or entity has ever caused or permitted any Hazardous Substance to be generated, processed, stored, transported, handled or disposed of, on, under or in the

Property, except in compliance with all applicable laws; (iv) there is no actual or alleged violation with respect to the Property of any federal, state or local statute, ordinance, rule, regulation or other law pertaining to Hazardous Substances, and there is no action or proceeding pending before or appealable from any court, quasi-judicial body or administrative agency relating to Hazardous Substances affecting or alleged to be affecting the Property. Grantor covenants and agrees that during the term of this Deed of Trust, Hazardous Substances will not be generated, processed, stored, transported, handled or disposed of on the Property by any person or entity, except in accordance with all applicable laws. "Hazardous Substance" means any substance that is or becomes regulated under any federal, state or local statute, ordinance, rule, regulation or other law now or hereafter in effect pertaining to environmental protection, contamination or cleanup.

(b) Indemnity. Grantor shall defend, hold harmless and indemnify Lender and its directors, officers, employees, and agents from and against any claims, demands, penalties, fees, liens, damages, losses, expenses or liabilities arising out of or in connection with any alleged or actual past or future presence on or emissions from the Property of any Hazardous Substance for any reason whatsoever; it being intended that Grantor's obligations under this section shall be strict and absolute without regard to any fault by Grantor. This indemnity shall survive full payment of all amounts secured by this Deed of Trust and the reconveyance or foreclosure of this Deed of Trust.

(c) Notification; Cleanup. Grantor shall immediately notify Lender if Grantor (i) becomes aware of any Hazardous Substance problem or liability with respect to the Property, (ii) receives any notice of or becomes aware of any actual or alleged violation with respect to the Property of any federal, state or local statute, ordinance, rule, regulation or other law pertaining to Hazardous Substance, or (iii) becomes aware of any lien or action with respect to any of the foregoing. Grantor will, at its sole expense, take all actions as may be necessary or advisable for the cleanup of Hazardous Substances with respect to the Property, including without limitations, all removal, containment and remedial actions in accordance with all applicable laws and in all events in a manner satisfactory to Lender, and shall further pay or cause to be paid all cleanup, administrative and enforcement costs of governmental agencies if obligated to do so by contract or by law.

(d) Right of Entry. Lender is hereby authorized to enter the Property, including the interior of any structure, at reasonable times, and from time to time, after reasonable notice, for the purpose of inspecting the Property to ascertain the accuracy of all representations and warranties in this Deed of Trust relating to Hazardous Substances, and the observances of all covenants contained in this section.

1.5. Payment of Taxes, Utilities, Liens and Charges. Except as the same may otherwise be paid out of Reserves (defined below), Grantor will pay when due all taxes

and assessments (including without limitation, non-governmental levies and assessments) levied, assessed or charged against or with respect to the Property or this Deed of Trust. Upon request, Grantor shall promptly furnish to Lender all notices of amounts due under this subsection and all receipts evidencing such payments. Grantor will pay when due the claims of all persons supplying labor or materials to or in connection with the Property. Without waiving the restrictions against liens and encumbrances set forth herein, Grantor will promptly discharge any lien or other charge, whether superior or inferior to this Deed of Trust, claimed against the Property; PROVIDED THAT Grantor shall have the right to contest the amount or validity in whole or in part of any lien or other charge against the Property by appropriate proceedings conducted in good faith and with due diligence, in which event Grantor, upon prior written notice to Lender, may postpone or defer payment of such encumbrances, lien or charge if, and so long as, (i) such proceedings shall operate to prevent the collection of the encumbrances, lien or charge; (ii) neither the Property nor any party thereof will by reason of such postponement or deferment be in danger of being forfeited or lost; and (iii) Grantor, before the date such encumbrance, lien or charge becomes delinquent, gives such reasonable security as may be requested by Lender to ensure payment of such encumbrance, lien or charge and prevent any forfeiture or loss of the Property or any part thereof. If at any time there shall be assessed or imposed on Lender any tax (except income tax), assessment, or other charge secured by or based on any portion of the indebtedness secured by this Deed of Trust, Grantor shall pay such amount to Lender on demand; provided that if any such payment would be unlawful, Lender may declare the entire principal balance and all accrued interest immediately due and payable.

1.6. Maintenance of Property; Alterations; Right of Entry. Grantor (i) will maintain and preserve the Property in good condition and repair, and will not commit or permit any waste, impairment or deterioration of the Property, (ii) will not abandon the Property, (iii) will restore or repair promptly and in a good and workmanlike manner all or any part of the Property to the equivalent of its original condition, or such other condition as Lender may approve in writing, in the event of any damage, injury or loss thereto, whether or not insurance proceeds are available to cover the costs of such restoration or repair, and (iv) will generally operate and maintain the Property in a manner to ensure maximum revenue. No building or other Improvement on the Land will be structurally altered, removed or demolished, in whole or in part, without Lender's prior written consent, nor will any fixture or chattel covered by this Deed of Trust be removed at any time without like consent unless actually replaced by an article of equal suitability, owned by Grantor free and clear of any lien or security interest except such as may be approved in writing by Lender. Lender is hereby authorized to enter the Property, including the interior of any structures, at reasonable times and after reasonable notice, for the purpose of inspecting the Property, ascertaining compliance with this Deed of Trust, or for the purpose of performing any of the acts it is authorized to perform hereunder.

1.7. Parking. Grantor will take all actions as are necessary to provide parking facilities in kind, size and location to comply with all governmental, zoning and other regulations, and all leases.

1.8. Use of Property. Grantor will comply with all laws, ordinances, regulations and requirements of any governmental body, and all other covenants, conditions and restrictions, applicable to the Property, and pay all fees and charges in connection therewith. Unless required by applicable law or unless Lender has otherwise agreed in writing, Grantor will not allow changes in the use for which all or any part of the Property was intended at the time this Deed of Trust was executed. Grantor will not initiate or acquiesce in a change in the zoning classification of the Property without Lender's prior written consent. Grantor will not cause, conduct, or permit any nuisance, nor commit, permit, or suffer any stripping of or waste on or to the Property or any portion of the Property. Without limiting the generality of the foregoing, Grantor will not remove or grant to any other party the right to remove any timber, minerals (including oil and gas), soil, gravel or rock products without the prior written consent of Lender.

1.9. Insurance Coverage Required. Grantor will keep the following insurance coverages in effect with respect to the Property:

(a) Insurance against loss by fire and the hazards now or hereafter covered by the standard "extended coverage" form of insurance, in an amount equal at all times to the fully insurable value of the Improvements then located on the Property, which during any construction of the Improvements that occurs during the term of this Deed of Trust shall be an "all risk/builder's risk" special form policy. All insurance coverage shall contain a "replacement cost endorsement" without reduction for depreciations, and loss of rents and/or business interruption insurance coverage, a fluctuating value endorsement with a waiver of the co-insurance clause (or an agreed amount endorsement with an inflation guard endorsement), and such other endorsements as Lender may reasonably request. The policy shall not contain a co-insurance clause, unless permitted by Lender.

(b) Comprehensive public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the property.

(c) Flood insurance, if the Property is located in a designated flood hazard area.

(d) Insurance against such similar or other hazards, casualties, liabilities and contingencies, as Lender may from time to time reasonably require.

(e) Each insurance policy will be with a company, in a form, and with terms and amounts acceptable to Lender. All policies will provide for at least thirty (30)

days' written notice to Lender prior to the effective date of any cancellation or material amendment (including reduction in the scope or limits of coverage). Grantor shall furnish to Lender the original of each required insurance policy, or a certified copy thereof or certificate of insurance setting forth the coverage, the limits of liability, the carrier, the policy number and the expiration date. As security for the Secured Obligations, Grantor hereby assigns to Lender all required insurance policies, together with all proceeds thereof, rights thereto and all unearned premiums returnable upon cancellation. Grantor shall promptly furnish to Lender all renewal notices relating to insurance policies. Except as the same may otherwise be paid out of Reserves, Grantor will pay all premiums on insurance policies directly to the carrier. At least thirty (30) days prior to the expiration date of each such policy, Grantor shall furnish to Lender a renewal policy in a form acceptable to Lender, together with evidence that the renewal premium has been paid.

1.10. Insurance Proceeds. In the event of any loss, Grantor will give prompt written notice thereof to the insurance carrier and to Lender. Grantor hereby authorizes Lender as Grantor's attorney-in-fact to make proof of loss, to adjust and compromise any claim, to commence, appear in and prosecute, in Lender's or Grantor's name, any action relating to any claim, and to collect and receive insurance proceeds; PROVIDED, HOWEVER, that Lender shall have no obligation to do so. Lender shall apply any insurance proceeds received by it hereunder first to the payment of the costs and expenses incurred in the collection of the proceeds and then, in its absolute discretion (excepted as provided below) and without regard to the adequacy of its security, to: (i) the payment of indebtedness secured hereby, whether then due and payable or not, and any application of proceeds to principal shall be without the imposition of any prepayment premium or penalty, but shall not extend or postpone the due dates of the installment payments under the Note, or change the amounts thereof; or (ii) the reimbursement of Grantor, under Lender's prescribed disbursement control procedures, for the cost of restoration or repair of the Property. Lender may, at its option, condition the reimbursement on Lender's approval of the plans and specifications of the reconstruction, contractor's cost estimates, architect's certificates, waivers of liens, sworn statements of mechanics and materialmen, and such other evidence of costs, percentage completion of construction, application of payments and satisfaction of liens as Lender may reasonably require. Except to the extent that insurance proceeds are applied to payment of the indebtedness secured hereby under clause (i) above, nothing herein contained shall be deemed to excuse Grantor from restoring, repairing or maintaining the Property, regardless of whether or not there are insurance proceeds available or whether any such proceeds are sufficient in amount. If the Property is foreclosed and sold or if Lender otherwise acquires title to the Property, Lender shall have all of the right, title and interest of Grantor in and to any insurance policies and unearned premiums thereon and in and to the proceeds resulting from any damage to the Property occurring prior to such sale or acquisition.

1.11. Condemnation. Grantor will promptly notify Lender of any action or proceeding relating to any condemnation or other taking (including without limitation any change in the grade of the Property), whether direct or indirect, of the Property or part thereof or interest therein, and Grantor will appear in and prosecute any such action or proceeding unless otherwise directed by Lender in writing. Grantor authorizes Lender, at Lender's option, as attorney-in-fact for Grantor to commence, appear in and prosecute, in Lender's or Grantor's name, any action or proceeding relating to any such condemnation or other taking, and to settle or compromise any claim in connection with such condemnation or other taking; PROVIDED, HOWEVER, that Lender shall have no obligation to do so. All awards, payments, damages (direct, consequential and otherwise) claims, and proceeds thereof, in connection with any such condemnation, are hereby assigned to Lender, and all proceeds of any such awards, payments, damages or claims shall be paid to Lender. Lender shall apply any such proceeds in the manner and upon the terms and conditions set forth in Section 1.10 relating to the application of insurance proceeds.

1.12. Grantors' Right to Direct Application of Insurance/Condemnation Proceeds. Notwithstanding the provisions of Sections 1.10 and 1.11 above, Grantor, rather than Lender, shall have the right to direct the application of insurance or condemnation proceeds to payment of the indebtedness secured by this Deed of Trust or to repair or restore the Property provided there are at least three (3) years remaining until the maturity date for the Secured Obligations, and on the following conditions:

(a) There is then no uncured default hereunder nor any event or condition that with notice or the passage of time or both would be an event or default hereunder.

(b) If the proceeds are to be applied against the indebtedness, the proceeds are sufficient to pay the indebtedness in full.

(c) If the proceeds are to be applied to repair or restoration, then in addition to the matters required under Subsection 1.10 above, Lender must have approved each of the following with respect to the repair or restoration: (i) construction contract, and if required by Lender, payment and performance bonds with dual obligee rider; (ii) evidence that the insurance proceeds are adequate to restore the Property to its condition immediately prior the casualty; and if insufficient, the deficiency is deposited with Lender by Grantor to be disbursed prior to disbursement of insurance proceeds; (iii) proof that Grantor has funds sufficient to pay operating expenses, taxes, debt service, and other carrying costs of the Property through the period of repair or restoration; (iv) evidence that the Property can be restored to a functional, architectural and economically viable unit, that upon such repair or restoration the Property will be in compliance with all applicable laws, ordinances and regulations, and that upon the completion of any such repair or restoration, the Property will produce substantially the same or greater rental

income as before the casualty, loss or other taking. In the case of a partial taking in condemnation, this condition will be deemed satisfied if the remaining property produces enough rental income to provide the same or better debt service coverage ratio as before the partial taking.

(d) Each disbursement shall be made in accordance with Lender's standard construction loan disbursement procedures and requirements.

(e) Grantor executes and delivers to Lender such additional security documents and instruments as Lender deems necessary to continue and to perfect Lender's security interest in the Property.

1.13. Advances to Protect Lender's Security. Grantor will give notice to Lender of and will, at its expense, appear in and defend any action or proceeding that might affect the Property or title thereof or the interest or rights of Lender or Trustee. If any such action or proceeding is commenced or if Lender or Trustee is made a party to any such action or proceeding by reason of this Deed of Trust, or if Grantor fails to perform any obligation on its part to be performed hereunder, then Lender and/or Trustee, each in its own discretion, may make any appearances, disburse any sums, make any entries upon the Property and take any action as may be necessary or desirable to protect or enforce the security of this Deed of Trust, to remedy Grantor's failure to perform (without, however, waiving any default by Grantor) or otherwise to protect Lender's or Trustee's interests. Grantor agrees to pay all loss, damage, costs and expenses, including reasonable attorneys' fees, of Lender and Trustee thus incurred. This paragraph shall not be construed to require Lender or Trustee to incur any expenses, make any appearances or take any actions. All amounts disbursed by Lender and Trustee pursuant to this section, or any other provision of this Deed of Trust, plus interest thereon, shall be additional indebtedness of Grantor secured by this Deed of Trust. All such amounts shall accrue interest from the date of disbursement at the interest rate in effect on the Note from time to time.

1.14. Books and Records; Financial Statements. Grantor will keep and maintain at Grantor's address stated above, or such other place as Lender may approve in writing, accounts and records adequate to reflect correctly the results of the operation of the Property and copies of all written contracts, leases and other instruments that affect the Property. Such items shall be subject to examination, inspection and copying at any reasonable time by Lender. Grantor shall provide to Lender within sixty (60) days after the end of Grantor's fiscal year, a balance sheet for Grantor, Grantor's most recent federal income tax return (if that is not available within the sixty (60) days, then it shall be provided as soon thereafter as it is available), a statement of income and expenses of the Property, and a statement of changes in financial position with respect to the Property for the prior year, each in reasonable detail and certified by Grantor, and if Lender shall require, by an independent certified public accountant. At the same time, Grantor shall

also furnish a rental summary for the Property, certified by Grantor, showing the name of each tenant, the space occupied, the lease expiration date, the monthly rent, the date to which rent has been paid, and any deposit Grantor is holding. In addition, Grantor will furnish to Lender within twenty (20) days after Lender's request therefore, a complete and current financial statement, in reasonable detail on any general partner and any guarantor of all or any part of the Secured Obligations, together with a true and correct copy of such person's most recent federal income tax return.

II. RESERVES.

If Lender so requires, Grantor will, at the time of making each installment payment under the Note, deposit with Lender a sum, as estimated by Lender, equal to (i) the rents under any ground lease; (ii) the taxes and special assessments next due on the Property, and (iii) the premiums that will next become due on insurance policies as may be required under this Deed of Trust, less all sums already deposited therefor, divided by the number of months to elapse before two months prior to the date when such rents, taxes, special assessments and premiums will become delinquent ("Reserves"). Lender may require Grantor to deposit with Lender, in advance, such other sums for other taxes, assessments, premiums, charges and impositions in connection with Grantor or the Property as Lender reasonably deems necessary to protect Lender's interests, and such sums shall be deposited in a lump sum or in periodic installments, at Lender's option, and shall become part of the Reserves. If requested by Lender, Grantor will promptly deliver to Lender all bills and notices with respect to any rents, taxes, assessments, premiums and other impositions. If at any time the Reserves held by Lender are less than the amount deemed necessary by Lender to provide for the payment thereof as the same fall due, then Grantor will deposit the deficiency with Lender within thirty (30) days after written notice to Grantor stating the amount of the deficiency. Unless Grantor and Lender otherwise agree in writing, Lender shall not be required to pay Grantor any interest, earnings or profits on any sums deposited with Lender. All sums deposited with Lender under this section are hereby pledged as security for the Secured Obligations. Reserves shall be held by Lender and applied in such order as Lender elects to pay rents, taxes, assessments, premiums and other impositions or, in the event of default hereunder, may be applied in whole or in part, to indebtedness secured hereby. Any waiver by Lender of the Reserves requirement may be revoked by Lender in Lender's sole discretion, at any time upon written notice to Grantor. The arrangement provided for in this section is solely for the added protection of Lender and entails no responsibility on Lender's part beyond the allowing of due credit, without interest, for the sums actually received by it. Upon any assignment of this Deed of Trust by Lender, any Reserves on hand shall be turned over to the assignee and any responsibility of Lender with respect thereto shall terminate. Transfer of the Property shall automatically transfer to the transferee all rights of Grantor with respect to any Reserves accumulated hereunder. Upon payment in full of the Secured Obligations, Lender shall promptly refund to Grantor the remaining balance of any Reserves then held by Lender.

III. RESTRICTIONS OF TRANSFER OR ENCUMBRANCE.

Grantor acknowledges and agrees that the Secured Obligations are personal to Grantor or any successor-in-interest approved by Lender, and neither the Property nor the ground lease nor any part thereof or interest therein shall be encumbered, sold (by contract or otherwise), conveyed, or otherwise transferred by Grantor; nor shall there be any change in (i) the ownership or control of any of Grantor's stock if Grantor is a corporation; (ii) the ownership or control of any general partnership interest in Grantor if Grantor is a general or limited partnership; (iii) the ownership of any beneficial interests if Grantor is not otherwise a natural person or persons; or (iv) the ownership of stock or any general partnership interest in any corporation or partnership that has an ownership interest in Grantor. Any such action without Lender's prior written consent shall be deemed to increase the risk of Lender, and shall constitute a default if not corrected within five (5) days after Lender's delivery of written demand to Grantor. Lender may, in its sole discretion, consent to any such action, subject to such terms and conditions as Lender may require, including without limitation the payment of a transfer review fee and/or an assumption fee equal to one percent (1%) of the principal balance, and/or an increase in the interest rate on the indebtedness secured hereby (such increase not to exceed an additional two percent (2%) per annum). In such event Lender shall not be required to release the original obligor or any other party liable for the Secured Obligation.

IV. UNIFORM COMMERCIAL CODE SECURITY AGREEMENT.

This Deed of Trust is a security agreement pursuant to the Uniform Commercial Code with respect to: (i) any of the Property that, under applicable law, is not real property or effectively made part of the real property by the provisions of this Deed of Trust; and (ii) any and all other property now or hereafter described on any Uniform Commercial Code Financing Statement naming Grantor as Debtor and Lender as Secured Party in any way connected with the use and enjoyment of the Property (any and all such other property constituting "Property" for purposes of this Deed of Trust); and Grantor hereby grants Lender a security interest in all property described in clauses (i) and (ii) above as security for the Secured Obligations. Grantor and Lender agree, however, that neither the foregoing grant of a security interest nor the filing of any such financing statement shall ever be construed as in any way derogating from the parties' intent that everything used in or adapted for use on the Property or which is described or reflected in this Deed of Trust in and at all times shall be regarded for all purposes as part of the real property. With respect to Property subject to the foregoing security interest, Lender has all rights and remedies (i) of a secured party under the Uniform Commercial Code, (ii) provided herein, including without limitation the right to cause such Property to be sold by Trustee under the power of sale granted by this Deed of Trust, and (iii) provided by law. In exercising its remedies, Lender may proceed against the items of real property

and any items of personal property separately or together and in any order whatsoever, without in any way affecting the availability of Lender's remedies. Upon demand by Lender following default, Grantor will assemble any items of personal property and make them available to Lender at the Property (a place which is hereby deemed to be reasonably convenient to both parties). Lender shall give Grantor at least five (5) days' prior written notice of the time and place of any public sale or other disposition of such Property or of the time of or after which any private sale or any other intended disposition is to be made. Any person permitted by law to purchase at any such sale may do so. Such Property may be sold at any one or more public or private sales as permitted by applicable law. All expenses incurred in realizing on such Property shall be borne by Grantor.

V. ASSIGNMENT OF RENTS AND LEASES; LEASES ON PROPERTY; APPOINTMENT OF RECEIVER; LENDER IN POSSESSION.

5.1. Assignment of Rents and Leases. As part of the consideration for the indebtedness evidenced by the Note, and not as additional security therefor, Grantor hereby absolutely and unconditionally assigns and transfers to Lender all right, title, and interest of Grantor in and to: (i) any and all present and future leases and other agreements for the occupancy or use of all or any part of the Property, and any and all extensions, renewals and replacements thereof (collectively, "Leases") (including without limitation the leases listed on any schedule of leases that may be attached as an exhibit to this Deed of Trust); (ii) all cash or security deposits, advance rentals and deposits of a similar nature under the Leases; (iii) any and all guarantees of payment and/or performance of tenants or occupants under any Leases; and (iv) all rents, issues, profits and revenues (collectively "Rents") now due or which may become due or to which Grantor may now or shall hereafter become entitled or may demand or claim in connection with the leases or the Property, including without limitation minimum, additional, percentage and deficiency rents and liquidated damages.

5.2. Collection of Rents. Prior to an event of default hereunder, Grantor shall have a revocable license to, and will, collect and receive all Rents of the Property as trustee for the benefit of Lender and Grantor, to apply the Rents so collected first to the payment of taxes, assessments, and other charges on the Property prior to delinquency, second to the cost of insurance, maintenance and repairs required by the terms of this Deed of Trust, third to the costs of discharging any obligation or liability of Grantor under the Leases, and fourth to the indebtedness secured hereby, with the balance, if any, so long as no such event of default exists and that Lender exercises its rights to the Rents, and without the necessity of Lender entering upon and taking control of the Property in person, by agent or by a court-appointed receiver, Lender shall immediately be entitled to possession of all Rents from the Property as the same become due and payable (including without limitation Rents then due and unpaid), and all such Rents shall immediately upon delivery of such notice be held by Grantor as trustee for the benefit of Lender only.

Grantor hereby agrees to direct each tenant or occupant of the Property to pay all Rents to Lender on Lender's written demand therefor, without any liability on the part of said tenant or occupant to inquire further as to the existence of a default by Grantor. Grantor hereby authorizes Lender as Grantor's attorney-in-fact to make such direction to tenants and occupants upon Grantor's failure to do so as required herein. Payments made to Lender by tenants or occupants shall, as to such tenants and occupants, be in discharge of the payors' obligations to Grantor. Lender may exercise, in Lender's or Grantor's name, all rights and remedies available to Grantor with respect to collection of Rents. Nothing herein contained shall be construed as obligating Lender to perform any of Grantor's obligations under any of the Leases.

5.3 Grantor's Representations and Warranties. Grantor hereby represents and warrants to Lender that Grantor has not executed and will not execute any other assignment of said Leases or Rents, that Grantor has not performed and will not perform any acts and has not executed and will not execute any instrument that would prevent Lender from exercising its rights under this Section, and that at the time of execution of this Deed of Trust there has been no anticipation or prepayment of any of the Rents of the Property for more than two (2) months prior to the due dates thereof. Grantor further represents and warrants to Lender that all Leases currently in existence are in good standing and there is no default thereunder, whether by Grantor or lessee, nor to Grantor's knowledge any event or condition which, with motion or the passage of time or both, would be a default thereunder. Grantor will execute and deliver to Lender such further assignments of rents and leases of the Property as Lender may from time to time request.

5.4 Covenants: Grantor will comply with and observe Grantor's obligations as landlord under all Leases and will do all that is necessary to preserve all Leases in force and free from any right of counterclaim, defense or setoff. All Leases (including without limitation any assignments of leases and subleases by tenants of the Property) must be acceptable to Lender. At Lender's request, Grantor will furnish Lender with executed copies of all Leases now existing or hereafter made and all Leases hereafter entered into will be on a form and in substance satisfactory to Lender. All Leases will specifically provide that the tenant attorns to any persons succeeding to the interest of Grantor upon any foreclosure of this Deed of Trust of conveyance in lieu thereof; such attornment shall be in such form as Lender may approve but shall provide that Tenant shall not have the right of setoff or defense to payment of rents for any event or act that occurred prior to such successor obtaining title to Grantor's interest. Tenant must also agree to execute such further evidences of attornment as Lender may from time to time request. Without Lender's written consent, Grantor will not collect or accept payment of any Rents of the Property more than two (2) months prior to the due date thereof; will not execute, modify, surrender or terminate any Lease now existing or hereafter made providing for a term (including any renewal term(s)) of three (3) years or more, will not in any manner waive, discharge, release or modify the obligations of any tenant or other occupant of the Property under any Lease, or request or consent to the subordination of any Lease to any

lien subordinate to this Deed of Trust.

5.5 Lender in Possession; Appointment of Receiver: Upon any event of default hereunder, Lender may, in person, by agent or by a court-appointed receiver, regardless of the adequacy of lender's security, enter upon and take and maintain full control of the Property in order to perform all acts necessary and appropriate for the operation and maintenance thereof in the same manner and to the same extent as Grantor could do the same, including without limitation the execution, enforcement, cancellation and modification of Leases, the collection of all Rents of the Property, the removal and eviction of tenants and other occupants, the making of alternations and repairs to the Property, and the execution and termination of contracts providing for management or maintenance of the Property, all on such terms as are deemed best by Lender to protect the security of this Deed of Trust. From and after the occurrence of any default, if any owners of the Property shall occupy the Property or part thereof, such owner shall pay to Lender in advance on the first day of each month a reasonable rental for the space so occupied, and upon failure so to do Lender shall be entitled to remove such owner from the Property by any appropriate action or proceeding. Following an event of default hereunder, Lender shall be entitled (regardless of the adequacy of Lender's security) to the appointment of a receiver, Grantor hereby consenting to the appointment of such receiver without bond. The receiver shall have, in addition to all the rights and powers customarily given to and exercised by such receivers, all the rights and powers granted to Lender in this Section. Lender or the receiver shall be entitled to receive a reasonable fee for so managing the Property.

5.6 Application of Rents: All rents collected subsequent to delivery of written notice by lender to Grantor of an event of default hereunder shall be applied first to the costs, if any, of taking control of and managing the Property and collecting the Rents, including without limitation attorney's fees, receiver's fees, premiums on receiver's bonds, costs of maintenance and repairs to the Property, premiums on insurance policies, taxes, assessments, and other charges on the Property, and the costs of discharging any obligation or liability of Grantor under the Leases, and then to the indebtedness secured hereby. Lender or the receiver shall be liable to account only for those Rents actually received.

5.7. Deficiencies: To the extent, if any, that the costs of taking control of and managing the Property, collecting the Rents, and discharging obligations and liabilities of Grantor under the Leases, exceed the Rents of the Property, the excess sums expended for such purposes shall be indebtedness secured by this Deed of Trust. Such excess sums shall be payable to lender on demand and shall bear interest from the date of disbursement at the default interest rate under the Note, or the maximum rate which may be collected from Grantor therefor under applicable law if that is less.

5.8. Lender Not Mortgagee in Possession: Nothing herein shall constitute Lender a "mortgagee in possession" prior to its actual entry upon and taking possession of the Property, and entry upon and taking possession by a receiver shall not constitute possession by Lender.

5.9. Enforcement: Lender may enforce this assignment without first restoring to or exhausting any security or collateral for the indebtedness. As used in this Section, the word "lease" shall mean "sublease" if this Deed of Trust is on a leasehold. This assignment shall terminate at such time as this Deed of Trust ceases to secure payment of indebtedness held by Lender.

VI. CONSTRUCTION LOAN PROVISIONS.

The provisions of this Section are applicable only if the Secured Obligations include construction financing. Grantor agrees to comply with covenants and conditions of the construction loan agreement, if any, which provides for the disbursement of loan funds with respect to the construction of Improvements and for other matters described therein. All advances made by Lender pursuant to the construction loan agreement shall be indebtedness of Grantor secured by this Deed of Trust, and such advances shall be deemed to be obligatory. From time to time as Lender deems necessary to protect Lender's interest, Grantor shall, upon request of Lender, execute and deliver to Lender in such form as Lender shall direct, assignments of any and all rights or claims which relate to the construction of the Property, and which Grantor may have against any party supplying or who has supplied labor, materials or services in connection with construction of the Property. In case of breach by Grantor of any of the covenants and conditions of the construction loan agreement, Lender, at its option, with or without entry upon the Property, may invoke any of the rights or remedies provided therein, may declare a default hereunder and exercise any of the rights provided hereunder, or do both. If, after commencement of amortization of the Note, the Note and this Deed of Trust are sold by Lender, from and after such sale, the construction loan agreement shall cease to be a part of this Deed of Trust and Grantor shall not assert any right of setoff, counterclaim or other claim or defense arising out of or in connection with the construction loan agreement against the obligations of the Note and this Deed of Trust. Any sums disbursed by Lender for the purpose of financing tenant improvements for the benefit of Grantor shall be treated as disbursements pursuant to the Note and/or construction loan agreement and secured hereby.

VII. EVENTS OF DEFAULT.

7.1. Definition of Default: The occurrence of any one or more of the following shall constitute a "default" or an "event of default" hereunder:

- (a) Failure to make any payment under the Note, this Deed of Trust, or

any of the other Loan Documents when due.

(b) Failure to perform any other covenant, agreement or obligation under this Deed of Trust, or any of the other Loan Documents, or any breach of warranty thereunder, and the failure to cure such default within the stated cure period (or if none is stated, then failure to cure within fifteen (15) days after Lender's delivery of written notice to Grantor, or if such cure cannot in Lender's opinion be completed within such fifteen (15) day period, failure by Grantor to commence the required cure within such fifteen (15) day period, and thereafter to continue the cure with diligence and to complete the cure within ninety (90) days after Lender's delivery of such demand).

(c) Grantor files a petition in bankruptcy or for a reorganization or any other form of debtor relief; or such a petition is filed against Grantor, or a decree or order is entered for the appointment of a trustee, receiver or liquidator for Grantor or Grantor's property; or Grantor commences any proceeding for dissolution or liquidation; or any such proceeding is commenced against Grantor; and any of the same are not dismissed within forty-five (45) days after the date of commencement.

(d) Grantor makes an assignment for the benefit of its creditors, or admits in writing its inability to pay its debts generally as they become due, or there is an attachment, garnishment, execution or other judicial seizure of any portion of Grantor's assets and such seizure is not discharged within ten (10) days.

(e) Any representation or disclosure made to Lender by Grantor or any guarantor in connection with the Loan proves to be materially false or misleading when made, whether or not that representation or disclosure is expressly set forth in the Loan Documents.

(f) A default occurs under any other indebtedness now or hereafter owing to Lender on which Grantor or any other maker of the Note or any guarantor of the Note is a maker or a guarantor, and such default is not cured within the applicable cure period, if any, under the instrument(s) evidencing such indebtedness.

7.2. Acceleration Upon Default; Additional Remedies: Upon any default, Lender may, at its option and without notice to or demand upon Grantor, exercise any one or more of the following actions: Declare all amounts secured by this Deed of Trust immediately due and payable; bring a court action to enforce the provisions of this Deed of Trust or any of the other Loan Documents; foreclose this Deed of Trust as a mortgage; cause any or all of the Property to be sold under the power of sale granted by this Deed of Trust in any manner permitted by applicable law; exercise its rights with respect to the Leases and the Rents; and/or exercise any or all of the other rights and remedies under this Deed of Trust and the other Loan Documents or available under law or in equity. To the extent permitted by law, every right and remedy provided in this Deed of Trust is

distinct and cumulative to all other rights or remedies under this Deed of Trust or afforded by law or equity or any other agreement between Lender and Grantor, and may be exercised concurrently, independently or successively, in any order whatsoever. Lender may exercise any of its rights and remedies at its option without regard to the adequacy of its security.

7.3. Exercise of Power of Sale: For any sale under the power of sale granted by this Deed of Trust, Lender or Trustee shall record and give all notices required by law and then, upon the expiration of such time as is required by law, Trustee may sell the Property upon any terms and conditions specified by Lender and permitted by applicable law. Trustee may postpone any sale by public announcement at the time and place noticed for the sale. If the Property includes several lots or parcels, Lender in its discretion may designate their order of sale or may elect to sell all of them as an entirety. The Property, real, personal and mixed, may be sold in one parcel. To the extent any of the Property sold by the Trustee is personal property, then Trustee shall be acting as the agent of the Lender in selling such Property. Any person permitted by law to do so may purchase at any sale. Upon any sale, Trustee will execute and deliver to the purchaser or purchasers a deed or deed conveying the Property sold, but without any covenant or warranty, express or implied, and the recitals in the Trustee's deed showing that the sale was conducted in compliance with all the requirements of law shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrances for value.

7.4. Application of Sale Proceeds: The proceeds of any sale under this Deed of Trust will be applied in the following manner: FIRST, payment of the costs and expenses of the sale, including without limitation Trustee's fees, legal fees and disbursements, title charges and transfer taxes, and payment of all expenses, liabilities, and advances of Trustee, together with interest on all advances made by Trustee from date of disbursement at the applicable interest rate under the Note from time to time; SECOND, payment of all sums expended by Lender under the terms of this Deed of Trust and not yet repaid, together with interest on such sums from date of disbursement at the applicable interest rate under the Note from time to time; THIRD, payment of all other indebtedness secured by this Deed of Trust in any order that the Lender chooses; and, FOURTH, the remainder, if any, to the person or persons legally entitled to it.

7.5. Waiver of Order of Sale and Marshalling: Lender shall have the right to determine the order in which any or all portions of the secured indebtedness are satisfied from the proceeds realized upon the exercise of any remedies provided herein. Grantor, any party who consents to this Deed of Trust and any party who now or hereafter acquires a security interest in the Property and who has actual or constructive notice hereof, hereby waives any and all right to require marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein, or to direct the order in which any of the Property will be sold in the event of any sale

under this Deed of Trust.

7.6. Non-Waiver of Defaults: The entering upon and taking possession of the Property, the collection of Rents or the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the Property, and the application or release thereof as herein provided, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

7.7. Expenses During Redemption Period: If this Deed of Trust is foreclosed as a mortgage and the Property sold at a foreclosure sale, the Purchaser may during any redemption period allowed, make such repairs or alterations on the Property as may be reasonably necessary for the proper operation, care, preservation, protection and insuring thereof. Any sums so paid, together with interest thereon from the time of such expenditure at the default rate of interest stated in the Note shall be added to and become a part of the amount required to be paid for redemption from such sale.

7.8. Foreclosure Subject to Tenancies: Lender shall have the right at its option to foreclose this Deed of Trust subject to the rights of any tenant or tenants of the Property.

7.9. Lender's and Trustee's Expenses: Grantor will pay all of Lender's and Trustee's expenses incurred in any efforts to enforce any terms of this Deed of Trust, whether or not any suit is filed, including without limitation legal fees and disbursements, foreclosure costs and title charges. All such sums, with interest thereon, shall be additional indebtedness of Grantor secured by this Deed of Trust. Such sums shall be immediately due and payable and shall bear interest from the date of disbursement at the default rate of interest stated in the Note, or the maximum rate which may be collected from Grantor under applicable law if that is less.

VIII. GENERAL PROVISIONS.

8.1. Application of Payments: Except as expressly provided otherwise herein or in any of the other Loan Documents, or as required under law, amounts received under the Note or otherwise in connection with the Secured Obligations shall be applied against the Secured Obligations as Lender may elect, in its sole discretion.

8.2. Reconveyance: Upon payment of all sums secured by this Deed of Trust, Lender shall request Trustee to reconvey the Property and shall surrender this Deed of Trust and all notes evidencing indebtedness secured by this Deed of Trust to Grantor. Trustee shall reconvey the Property without warranty to the person or persons legally entitled thereto. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any matters or facts shall be conclusive proof of the truthfulness thereof. Such persons shall pay all costs of

reconveyance and recordation, including any fee charged by Trustee.

8.3. Successor Trustee: In accordance with applicable law, Lender may from time to time appoint a successor trustee to any Trustee appointed hereunder. The successor trustee shall succeed to all the title, power and duties conferred upon the Trustee herein and by applicable law.

8.4. Lender's Powers and Obligations: Without affecting the liability of any person for payment or performance of the secured obligations or any of Lender's rights or remedies, Lender, at its option, may extend the time for payment of the indebtedness secured hereby or any party thereof, reduce payment thereon, release anyone liable on any or said indebtedness, permit an assumption of the secured obligations and/or transfer of the Property, release the lien of this Deed of Trust on any part of the Property, or consent and/or cause Trustee to consent to the making of any map or plat of the Property, consent or cause Trustee to consent to the granting of any easement or creating any restriction on the Property, or join or cause Trustee to join in any subordination or other agreement affecting this Deed of Trust or the lien hereof. Grantor shall pay Lender a reasonable service charge, together with such title insurance premiums and attorneys' fees as may be incurred at Lender's option, for any such action if taken at Grantor's request. This Deed of Trust is intended to benefit Lender and provide security to it, and no third party shall be deemed to be owed any obligations or to have any rights or benefits by reason of any provisions herein or by Lender's election to exercise or not exercise any right or remedy set forth herein or to take any other action permitted hereunder.

8.5. Subrogation: Lender shall be subrogated for further security to the lien, although released of record, of any and all encumbrances discharged, in whole or in part, by the proceeds of the Note or any other indebtedness secured hereby.

8.6. No Violation of Usury Laws: Interest, fees and charges collected or to be collected in connection with the indebtedness secured hereby shall not exceed the maximum, if any, permitted by any applicable law. If any such law is interpreted so that said interest, fees and/or charges would exceed any such maximum, and Grantor is entitled to the benefit of such law, then (a) such interest, fees and/or charges shall be reduced by the amount necessary to reduce the same to the permitted maximum; and (b) any sums already paid to Lender which exceeded the permitted maximum will be refunded. Lender may choose to make the refund either by treating the payments, to the extent of the excess, as prepayments of principal or by making a direct payment to the person(s) entitled thereto. No prepayment premium shall be assessed on prepayments under this paragraph. The provisions of this paragraph shall control over any inconsistent provision of this Deed of Trust or the Note or any other Loan Documents.

8.7. Subdivision: Grantor hereby consents to a subdivision of the Property if Lender, in its sole discretion, determines that such subdivision or boundary line

adjustment is necessary or desirable to preserve Lender's lien or the value of its security (including but not limited to the situation in which part but not all of the Property may be subject to environmental contamination and Lender wishes to foreclose on part, but not all, of the Property, or wishes to convey its interest as to part, but not all of the Property).

8.8. Additional Documents; Power of Attorney: Grantor, from time to time, will execute, acknowledge and deliver to Lender upon request, and hereby irrevocably appoints Lender its attorney-in-fact to execute, acknowledge, deliver and if appropriate file and record, such security agreements, assignments for security purposes, assignments absolute, financing statements, affidavits, certificates and other documents, in form and substance satisfactory to Lender, as Lender may request in order to perfect, preserve, continue, extend or maintain the assignments herein contained, the lien and security interest under this Deed of Trust, the priority thereof, and/or accomplish a subdivision as provided in the prior subsection. Grantor will pay to Lender upon request therefor all costs and expenses incurred in connection with the preparation, execution, recording and filing of any such document.

8.9. Waiver of Statute of Limitations: To the full extent Grantor may do so, Grantor hereby waives the right to assert any statute of limitations as a defense to the enforcement of the lien of this Deed of Trust or to any action brought to enforce the Note or any other obligation secured by this Deed of Trust.

8.10. Forbearance by Lender Not a Waiver: Any forbearance by Lender is exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy, and no waiver by Lender of any particular default shall constitute a waiver of any other acceptance by Lender of payment of any sum secured by this Deed of Trust after the due date thereof shall not be a waiver of Lender's right to either require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust, nor shall Lender's receipt of any awards, proceeds or damages operate to cure or waive Grantor's default in payment of sums secured by this Deed of Trust.

8.11. Modifications and Waivers: This Deed of Trust cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge or termination is sought.

8.12. Notice: Any notice to Grantor under this Deed of Trust shall be to the address noted above or such other address as may be designated by Grantor in writing and shall be deemed to have been given on the date delivered in the case of personal or

messenger delivery or, if mailed, three (3) days after being placed in the U.S. mail.

8.13. Governing Law; Severability: This Deed of Trust shall be governed by the laws of the State of Washington. If any provision or clause of this Deed of Trust conflicts with applicable law, such conflicts shall not affect other provisions of clauses hereof which can be given effect without the conflicting provision, and to this end the provisions hereof are declared to be severable.

8.14. Interpretations: As used herein, the term "Grantor" means the Grantor herein named, together with any subsequent owner of the Property or any part thereof or interest therein; the term "Trustee" means the Trustee herein named, together with any successor Trustee; and the term "Lender" means the Lender herein named, together with any subsequent owner or holder of the Note or any interest therein, including pledgees, assignees and participants. This Deed of Trust shall be construed so that wherever applicable the use of the singular number shall include the plural number, and vice versa, and the use of any gender shall be applicable to all genders. Captions and headings of the paragraphs and articles of this Deed of Trust are for convenience only and are not to be used to interpret or define the provisions hereof.

8.15. Successors and Assigns Bound; Joint and Several Liability, Agents: This Deed of Trust shall bind and inure to the benefit of the parties hereto and their respective heirs, devisees, legatees, administrators, executors, successors and assigns, subject to the restrictions on transfer set forth herein. All obligations of Grantor hereunder are joint and several. In exercising any rights hereunder or taking actions provided for herein, Lender and Trustee may act through their respective employees, agents or independent contractors as authorized by Lender and Trustee.

8.16. Deed Release. As long as Borrower has not been in Default (as defined above), Lender agrees to release its security interest in Parcel B upon (i) receipt of payment to the principal amount of the obligation of not less than Sixty Thousand and 00/100 Dollars (\$60,000.00) ("Release Payment"), plus Lender's cost to partially reconvey the Deed of Trust, and (ii) receipt of a Certificate of Occupancy from Skagit County for Parcel A. In the event Lender advances additional funds from the original loan amount, the Release Payment shall increase in the amount of such additional advances. This paragraph shall not be construed as an obligation of Lender to advance additional funds.

8.17. Time: Time is of the essence in connection with all obligations of Grantor herein.

8.18. Estoppel Certificate: Borrower shall, within ten (10) days of a written request from Lender and at no charge to Lender, furnish Lender or any other party designated by Lender with a written statement, duly acknowledged, setting forth the sums secured hereby and any right of set-off, counterclaim or other defense that may exist with

UNOFFICIAL
regard to the Secured Obligations.

IN WITNESS WHEREOF, Grantor has executed this Deed of Trust as of the date first above written.

GRANTOR:

Alliance Construction LLC, a Washington limited liability company

By: Addison Sager
Print Name: Addison Sager
Its: Member

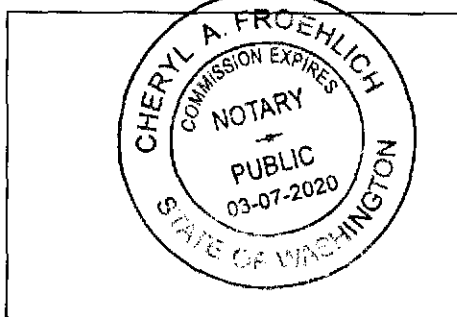
Paula D. Sager
Paula D. Sager

STATE OF WASHINGTON

COUNTY OF King

)
) ss.
)
I certify that I know or have satisfactory evidence that Addison Sager is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Member of **Alliance Construction LLC, a Washington limited liability company**, to be the free and voluntary act for the uses and purposes mentioned in the instrument.

DATED this 9 day of January, 2017.



Notary Seal

Cheryl A. Froehlich (Name)
NOTARY PUBLIC in and for the State of
Washington residing at: Seattle, WA
My Commission Expires: 03/07/20

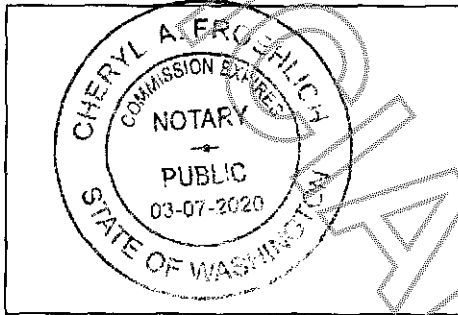
STATE OF WASHINGTON)

) ss.

COUNTY OF Skagit)

I certify that I know or have satisfactory evidence that **Paula D. Sager** is the person who appeared before me, and said person acknowledged that she signed this instrument and acknowledged it to be her free and voluntary act for the uses and purposes mentioned in the instrument.

DATED this 10 day of January, 2017.



Notary Seal

Cheryl A. Froehlich (Name)
NOTARY PUBLIC in and for the State of
Washington residing at: Schubert
My Commission Expires: 3/7/20

EXHIBIT "A"

LEGAL DESCRIPTION

Parcel A

Parcel No.:

P130511, 4999-000-000-0001

Abbreviated Legal:

Lot 1, Eden's Acres Plat

Legal Description:

Lot 1, Eden's Acres Plat No. LP-6-08, according to the plat thereof recorded January 18, 2011 under Auditor's File No. 201101180064, records of Skagit County, Washington.

Parcel B

Parcel No.:

P72045, 4076-118-024-0003

Abbreviated Legal:

Ptn. Lots 23-24, Block 118, Burlington

Legal Description:

The East ½ of Lot 23 and all of Lot 24, Block 118, "AMENDED PLAT OF BURLINGTON, SKAGIT COUNTY, WASH.", as per Plat recorded in Volume 3 of Plats, page 17, records of Skagit County, Washington.