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12/15/2022 02:51 PM Pages: 1 of 27 Fees: \$841.00
Skagit County Auditor

AFTER FILING RETURN TO:

Mechanics Bank
c/o Loan Servicing
P. O. Box 9362
Walnut Creek, CA 94596

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

Grantor(s):

1. CEP III – Cascade 22, LLC, a Washington limited liability company

☐ Additional names on page ____ of document

Grantee(s):

1. Mechanics Bank
2. Chicago Title Company of Washington

☐ Additional names on page ____ of document

Abbreviated Legal Description (lot, block and plat name, or section-township-range):

Entire Condominium, Cascade Estates Condominium

All units in Building #1-5 of Cascade Estates Condo.
☒ Additional legal description is on page 27 of document

Assessor's Property Tax Parcel Account Number(s): P126756 / 4930-001-101-0000, P126757 / 4930-001-102-0000, P126758 / 4930-001-103-0000, P126759 / 4930-001-104-0000, P126760 / 4930-001-105-0000, P126761 / 4930-001-106-0000, P126762 / 4930-001-107-0000, P126763 / 4930-001-108-0000, P126764 / 4930-001-201-0000, P126765 / 4930-001-202-0000, P126766 / 4930-001-203-0000, P126767 / 4930-001-204-0000, P126768 / 4930-001-205-0000, P126769 / 4930-001-206-0000, P126770 / 4930-001-207-0000, P126771 / 4930-001-208-0000, P126772 / 4930-001-301-0000, P126773 / 4930-001-302-0000, P126774 / 4930-001-303-0000, P126775 / 4930-001-304-0000, P126776 / 4930-001-305-0000, P126777 / 4930-001-306-0000, P126778 / 4930-001-307-0000, P126779 / 4930-001-308-0000, P126780 / 4930-001-999-0000, P126781 / 4930-002-109-0000, P126782 / 4930-002-110-0000, P126783 / 4930-002-111-0000, P126784 / 4930-002-112-0000, P126785 / 4930-002-113-0000, P126786 / 4930-002-114-0000, P126787 /

4930-002-115-0000, P126788 / 4930-002-116-0000, P126789 / 4930-002-209-0000, P126790 / 4930-002-210-0000, P126791 / 4930-002-211-0000, P126792 / 4930-002-212-0000, P126793 / 4930-002-213-0000, P126794 / 4930-002-214-0000, P126795 / 4930-002-215-0000, P126796 / 4930-002-216-0000, P126797 / 4930-002-309-0000, P126798 / 4930-002-310-0000, P126799 / 4930-002-311-0000, P126800 / 4930-002-312-0000, P126801 / 4930-002-313-0000, P126802 / 4930-002-314-0000, P126803 / 4930-002-315-0000, P126804 / 4930-002-316-0000, P126805 / 4930-002-900-0000, P126806 / 4930-002-900-0100, P126808 / 4930-003-117-0000, P126809 / 4930-003-118-0000, P126810 / 4930-003-119-0000, P126811 / 4930-003-120-0000, P126812 / 4930-003-121-0000, P126813 / 4930-003-122-0000, P126814 / 4930-003-123-0000, P126815 / 4930-003-124-0000, P126816 / 4930-003-217-0000, P126817 / 4930-003-218-0000, P126818 / 4930-003-219-0000, P126819 / 4930-003-220-0000, P126820 / 4930-003-221-0000, P126821 / 4930-003-222-0000, P126822 / 4930-003-223-0000, P126823 / 4930-003-224-0000, P126824 / 4930-003-317-0000, P126825 / 4930-003-318-0000, P126826 / 4930-003-319-0000, P126827 / 4930-003-320-0000, P126828 / 4930-003-321-0000, P126829 / 4930-003-322-0000, P126830 / 4930-003-323-0000, P126831 / 4930-003-324-0000, P126832 / 4930-003-999-0000, P126833 / 4930-003-999-0100, P126834 / 4930-004-125-0000, P126835 / 4930-004-126-0000, P126836 / 4930-004-127-0000, P126837 / 4930-004-128-0000, P126838 / 4930-004-129-0000, P126839 / 4930-004-130-0000, P126840 / 4930-004-131-0000, P126841 / 4930-004-132-0000, P126842 / 4930-004-225-0000, P126843 / 4930-004-226-0000, P126844 / 4930-004-227-0000, P126845 / 4930-004-228-0000, P126846 / 4930-004-229-0000, P126847 / 4930-004-230-0000, P126848 / 4930-004-231-0000, P126849 / 4930-004-232-0000, P126850 / 4930-004-325-0000, P126851 / 4930-004-326-0000, P126852 / 4930-004-327-0000, P126853 / 4930-004-328-0000, P126854 / 4930-004-329-0000, P126855 / 4930-004-330-0000, P126856 / 4930-004-331-0000, P126857 / 4930-004-332-0000, P126858 / 4930-004-999-0000, P126859 / 4930-005-234-0100, P126860 / 4930-005-133-0000, P126861 / 4930-005-233-0000, P126862 / 4930-005-234-0000, P126863 / 4930-005-999-0000 and P126807 / 4930-002-900-0200

Reference Numbers of Documents Assigned or Released (if applicable):

☐ Additional reference numbers on page ____ of document

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



This DEED OF TRUST, ASSIGNMENT OF RENTS, LEASES AND PROFITS, SECURITY AGREEMENT AND FIXTURE FILING (this "Security Instrument") is entered into as of December 9, 2022 by and among **CEP III – Cascade 22, LLC, a Washington limited liability company** ("Borrower") with an address of 2829 Rucker Avenue, Everett, WA 98201; **Mechanics Bank** (referred to below sometimes as "Lender" and sometimes as "Beneficiary"), whose address is c/o Loan Servicing, P.O. Box 9362, Walnut Creek, CA 94596; and **Chicago Title Company of Washington** (referred to below as "Trustee"), whose address is 425 Commercial St., Mount Vernon, WA 98273.

CONVEYANCE AND GRANT. For valuable consideration, Borrower irrevocably grants, mortgages, bargains, sells, assigns and conveys to Trustee, and its successors and substitutes in trust hereunder, with power of sale, and right of entry and possession to the extent provided herein or by law, and mortgages, pledges, assigns and creates, for the benefit of Lender as Beneficiary a security interest and mortgage lien upon all of Borrower's right, title, and interest in and to the following described real property, together with all existing or subsequently erected or affixed buildings, improvements and fixtures; all easements, rights of way, and appurtenances; all water, water rights and ditch rights (including stock in utilities with ditch or irrigation rights); and all other rights, royalties, and profits relating to the real property, including without limitation all minerals, oil, gas, geothermal and similar matters (the "Real Property") 310 Cascade Place, Burlington, WA 98233 and described as:

See Exhibit "A", which is attached to this Security Instrument and made a part of this Security Instrument as if fully set forth herein ("Land").

Borrower presently assigns to Lender (also known as Beneficiary in this Security Instrument) all of Borrower's right, title, and interest in and to all present and future leases of the Property and all Rents from the Property. This assignment of Rents is intended as security for the obligations secured hereby, pursuant to RCW 7.28.230 and, upon recording of this Deed of Trust, shall immediately perfect the security interest in the Rents in Beneficiary and shall not require any further action by Beneficiary to be perfected as to any subsequent purchaser, mortgagee, or assignee of any interest in the Property. The lien created by this assignment shall, when recorded, be deemed specific, perfected, and choate. In addition, Borrower grants to Lender a Uniform Commercial Code security interest in the Personal Property and Rents, together with all interest which Borrower now has or may hereafter acquire in or to the Property and in and to: (a) all claims, demands and causes of action of every kind which Borrower now has or may hereafter acquire arising out of acquisition or ownership of the Land, including insurance proceeds of any kind whatsoever (whether or not from insurance specifically required by the Loan Documents), and any award of damages or compensation for injury to or in connection

with any condemnation for public use of the Land or any part thereof (whether or not eminent domain proceeding have been instituted), it being agreed however, that the Trustee shall have no duty to prosecute any such claim, demand or cause of action; (b) all sales agreements, deposits, escrow agreements, and other documents and agreements entered into by Borrower with respect to the sale of all or any part of the Land or any interest therein; (c) all accounts, deposit accounts, instruments, chattel paper, documents, letters of credit, letters of credit rights, supporting obligations, permits, governmental approvals and entitlements, licenses; (d) all agreements now or hereafter entered into between Borrower and contractors, any subcontractors, material suppliers, managers or others in connection with the Land or the Property, if any (such assignments to be effective upon the execution thereof); together with all amendments, and work product prepared, obtained or furnished pursuant to any of the such contracts, and any licenses, certificates, permits, franchises, governmental approvals, authorizations and the like relating to the Property, all contracts and/or agreements relating to the Property or pursuant to which services or goods are rendered to or for the Property, and all payment and performance bonds relating to the Property (but without Lender assuming or incurring any obligation or liability of Borrower arising thereunder or relating thereto), and all general intangibles arising out of or relating to the acquisition, development, ownership, management, or use of the Property; and (e) all profits, royalties, tolls, earnings, income and other benefits from the Land or Improvements and installments of money payable pursuant to any agreement for sale of the Land or any part thereof or interest therein and any release, termination or "buy-out" consideration now or hereafter payable to Borrower with respect to any lease, rental, tenancy, occupancy or other agreement pertaining to the Land or the Improvements.

THIS SECURITY INSTRUMENT IS GIVEN FOR THE PURPOSE OF SECURING: (1) Payment in the sum of **Seventeen Million Eight Hundred Seventy-Five Thousand and 00/100 Dollars (\$17,875,000.00) BEARING A VARIABLE INTEREST RATE** thereon, according to the terms of that certain Promissory Note of even date herewith made by Borrower and other co-makers, if any, named therein, payable to Lender or order, together with all modifications, extensions, renewals, and/or replacements thereof (the "Note"); (2) Payment of such additional sums with interest thereon: (a) as may be hereafter borrowed from Lender evidenced by a promissory note or other debt instrument reciting it is or they are secured by this Security Instrument, and all modifications, extensions, renewals and/or replacements thereof, and (b) as may be incurred, paid out, or advanced by Lender or may otherwise be due to Trustee or Lender under any provisions of this Security Instrument; (3) Performance of each agreement or obligation of Borrower contained herein or incorporated herein by reference or contained in any papers executed by Borrower relating to the loan of money by Lender to Borrower as evidenced by the Note and any future notes secured hereby (individually, and collectively if more than one note, the "Loan"), including without limitation, performance (if the Loan secured hereby or any part thereof is for the purpose of constructing improvements on the Property (defined below)) of each provision or agreement of Borrower contained in any construction loan agreement between Borrower and Lender relating to the Property (all of such documents and agreements as they may be amended from time to time, are herein called the "Loan Documents"). Notwithstanding the foregoing, this Security Instrument shall not be

construed to secure any agreement or obligation of Borrower contained in any such papers or agreements which expressly provide that the same either are unsecured or are not secured by this Security Instrument; (4) Performance and keeping by Borrower of each of the covenants and agreements required to be kept and performed by Borrower pursuant to the terms of the lease, if this Security Instrument encumbers a leasehold estate, and any and all other instruments creating Borrower's interest in or defining Borrower's rights in the Property; (5) Payment by Borrower of each and every monetary provision to be performed by Borrower under any declaration of covenants, conditions, and restrictions pertaining to the Property and upon written request of Lender, the enforcement by Borrower of any covenant to pay maintenance or other charges, which enforcement shall include, if the same have not been paid within 30 days after such written request is made, valid legal steps to enforce such payment; (6) Payment of all fees and charges owing to Lender in connection with the Loan whether or not herein set forth, except where the documents or agreement relating to such fees and charges expressly provides that payment of the same is an unsecured obligation of Borrower or is otherwise not intended to be secured by this Security Instrument; and (7) Payment of charges, as allowed by law when such charges are made, for any statement regarding the obligations secured hereby.

THIS SECURITY INSTRUMENT IS GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:

PAYMENT AND PERFORMANCE. Except as otherwise provided in this Security Instrument, Borrower shall pay to Lender all amounts secured by this Security Instrument as they become due, and shall strictly and in a timely manner perform all of Borrower's obligations under the Note, this Security Instrument, and the other Loan Documents.

USE OF PROPERTY. The Real Property conveyed is not used principally for agricultural purposes.

POSSESSION AND MAINTENANCE OF THE PROPERTY. Borrower agrees that Borrower's possession and use of the Property shall be governed by the following provisions:

Possession and Use. Until an Event of Default beyond any applicable notice and cure periods, Borrower may (1) remain in possession and control of the Property; (2) use, operate or manage the Property; and (3) collect the Rents from the Property.

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

Nuisance, Waste. Borrower shall 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, Borrower will not remove, or grant to any other party the right to remove, any timber, minerals (including oil and gas), coal, clay, scoria, soil, gravel or rock products without Lender's prior written consent.

Removal of Improvements. Borrower shall not demolish or remove any Improvements from the Real Property without Lender's prior written consent. As a condition to the removal of any Improvements, Lender may require Borrower to make

arrangements satisfactory to Lender to replace such Improvements with Improvements of at least equal value.

Lender's Right to Enter. Upon 48 hours prior notice to Borrower, Lender and Lender's agents and representatives may enter upon the Real Property at all reasonable times to attend to Lender's interests and to inspect the Real Property for purposes of Borrower's compliance with the terms and conditions of this Security Instrument, provided however in the event of an emergency where entry upon the Real Property is necessary to preserve and/or protect the Real Property or if the Loan has been accelerated as a result of an Event of Default, no such prior notice shall be required.

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

Duty to Protect. Borrower agrees neither to abandon nor leave unattended the Property. Borrower shall do all other acts, in addition to those acts set forth above in this section, which from the character and use of the Property are reasonably necessary to protect and preserve the Property.

Management. Borrower shall not enter into or maintain any contract or agreement for management of the Property unless cancellable by Borrower upon 30 days' or less notice.

DUE ON SALE, TRANSFER, FURTHER ENCUMBRANCES AND OTHER EVENTS. Lender shall have the right, at its option, to declare all sums secured hereby immediately due and payable if (a) Borrower or any successor in interest to Borrower conveys, transfers or assigns the Property or any part thereof, or interest therein, or agrees to do so whether by deed, contract of sale, lease with option to buy, or otherwise, and whether such conveyance, transfer or assignment is to an unrelated third party or a related entity, including without limitation an entity that shares a common ownership with Borrower or an entity that is a subsidiary of Borrower; or (b) Borrower or any successor in interest to Borrower further encumbers or alienates the Property or any part thereof, or interest therein; or (c) Borrower suffers its title or any interest therein to be divested, whether voluntarily or involuntarily; or (d) without the written consent of Lender, Borrower or any successor in interest to Borrower changes or permits to be changed the character or use of the Property from the character or use contemplated by Borrower and Lender upon execution of this Security Instrument, as specified in Borrower's application to Lender and other documents executed by Borrower in connection with the Loan, including, without limitation, drilling or extracting oil, gas, or other hydrocarbon substances, or any mineral of any kind or character; or (e) suit is commenced to condemn the Property as being unfit

for human use and occupancy or to abate as a nuisance activities or conditions found thereon (and Lender reasonably believes that its security under this Security Instrument may be impaired by such suit or the activities or conditions which are the subject of such suit) or for the partition or sale of the Property; or (f) Borrower or any successor in interest to Borrower has made any oral or written material misrepresentations or failed to disclose any material fact, in order to induce Lender to enter into the transaction evidenced by the Note or any agreements or indebtedness which this Security Instrument secures; or (g) Borrower or any successor in interest to Borrower has disbursed funds collected from Rents and Profits to itself or its equity owners for personal use to the detriment of the Property; or (h) Borrower ceases to exist as a result of revocation, termination, cancellation or otherwise; or (i) in the event that Borrower is a general partnership or limited liability company, any of the partners' or members' interest in Borrower or any portion thereof are sold, transferred or assigned, whether voluntarily or involuntarily, other than to such partners' or members' respective family revocable trusts; or (j) in the event that Borrower is a limited partnership, any limited partnership interest or any portion thereof consisting of more than twenty percent (20%) ownership interest in Borrower are sold, transferred or assigned, whether voluntarily or involuntarily, other than to such partners' respective family revocable trusts, or any of the general partners' general partnership interest or the general partners' limited partnership interest in Borrower or any portion thereof are sold, transferred or assigned, whether voluntarily or involuntarily, other than to such general partners' respective family revocable trusts; or (k) in the event that Borrower is a corporation, more than twenty percent (20%) of the capital stock thereof is sold, transferred or assigned, whether voluntarily or involuntarily, other than to the shareholders' respective family revocable trusts. If any of the events described in this section occur and if Lender consents to the same, then such consent must be in writing and signed by Lender to be effective. Such written consent shall not be deemed or construed as a waiver of any of Lender's rights or as a cure of any default by Borrower pertaining to any subsequent occurrences of any event described in section and the written consent of Lender shall be required on all subsequent occurrences. Furthermore, if any event described in this section occurs and if Lender does not give its written consent to the same but fails to exercise its right to declare all sums secured hereby due and payable, such failure shall not be deemed or construed as a waiver of any of Lender's rights or as a cure of any default of Borrower pertaining to the occurrence of such event or any subsequent occurrences of any event described in this section. The right of Lender to declare all sums secured hereby immediately due and payable if any of the events described in this section occur shall not be construed or deemed to be exclusive of any other rights of Lender set forth in this Security Instrument or the Loan Documents, or any rights at law or in equity now or hereafter existing, to declare all sums secured hereby immediately due and payable, but all such rights shall be cumulative.

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

Payment. Borrower shall pay when due (and in all events at least five (5) days prior to delinquency) all taxes, special taxes, assessments, charges (including water and sewer), fines and impositions levied against or on account of the Property, and shall

pay when due all claims for work done on or for services rendered or material furnished to the Property. Borrower shall maintain the Property free of all liens having priority over or equal to the interest of Lender under this Security Instrument, except for the lien of taxes and assessments not due and except as otherwise provided in this Security Instrument.

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

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

Notice of Construction. Borrower shall notify Lender at least fifteen (15) days before any work is commenced, any services are furnished, or any materials are supplied to the Property, if any mechanic's lien, materialmen's lien, or other lien could be asserted on account of the work, services, or materials and if the cost of such work, services or materials could reasonably be expected to exceed \$50,000.00. Borrower will upon request of Lender furnish to Lender advance assurances satisfactory to Lender that Borrower can and will pay the cost of such improvements.

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

Maintenance of Insurance. Borrower shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement basis for the full insurable value covering all Improvements on the Real Property in an amount sufficient to avoid application of any coinsurance clause, and with a standard mortgagee clause in favor of Lender. Borrower shall also procure and maintain comprehensive general liability insurance in such coverage amounts as Lender may request with Trustee and Lender being named as additional insured in such liability insurance policies. Additionally, Borrower shall maintain such other insurance, including but not limited to hazard, business interruption, and boiler insurance, as Lender may reasonably require. Notwithstanding the foregoing, in no event shall Borrower be required to provide hazard insurance in excess of the replacement value of the improvements on the Real Property. Policies shall be written in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or

companies reasonably acceptable to Lender. Borrower, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Borrower or any other person. Should the Real Property be located in an area designated by the Director of the Federal Emergency Management Agency as a special flood hazard area, Borrower agrees to obtain and maintain Federal Flood Insurance, if available, within 45 days after notice is given by Lender that the Property is located in a special flood hazard area, for the full unpaid principal balance of the loan and any prior liens on the property securing the loan, up to the maximum policy limits set under the National Flood Insurance Program, or as otherwise required by Lender, and to maintain such insurance for the term of the loan.

Application of Proceeds. Borrower shall promptly notify Lender of any loss or damage to the Property if the estimated cost of repair or replacement exceeds \$100,000.00. Lender may make proof of loss if Borrower fails to do so within fifteen (15) days of the casualty. If in Lender's sole judgment Lender's security interest in the Property has been impaired, Lender may, at Lender's election, receive and retain the proceeds of any insurance and apply the proceeds to the reduction of the Indebtedness, payment of any lien affecting the Property, or the restoration and repair of the Property. If the proceeds are to be applied to restoration and repair, Borrower shall repair or replace the damaged or destroyed Improvements in a manner satisfactory to Lender. Lender shall, upon satisfactory proof of such expenditure, pay or reimburse Borrower from the proceeds for the reasonable cost of repair or restoration if Borrower is not in default under this Security Instrument. Any proceeds which have not been disbursed within 180 days after their receipt and which Lender has not committed to the repair or restoration of the Property shall be used first to pay any amount owing to Lender under this Security Instrument, then to pay accrued interest, and the remainder, if any, shall be applied to the principal balance of the Indebtedness. If Lender holds any proceeds after payment in full of the Indebtedness, such proceeds shall be paid to Borrower as Borrower's interests may appear.

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

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Property or if Borrower fails to comply with any provision of this Security Instrument or any other Loan Documents, including but not limited to Borrower's failure to discharge or pay when due any amounts Borrower is required to discharge or pay under this Security Instrument or any other Loan Documents,

Lender on Borrower's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Property and paying all costs for insuring, maintaining and preserving the Property. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Borrower. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note maturity. The Security Instrument also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon an Event of Default.

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

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

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

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

Survival of Representations and Warranties. All representations, warranties, and agreements made by Borrower in this Security Instrument shall survive the execution and delivery of this Security Instrument, shall be continuing in nature, and shall remain in full force and effect until such time as Borrower's Indebtedness shall be paid in full.

CONDEMNATION. The following provisions relating to eminent domain and inverse condemnation proceedings are a part of this Security Instrument:

Proceedings. If any eminent domain or inverse condemnation proceeding is commenced affecting the Property, Borrower shall promptly notify Lender in writing, and Borrower shall promptly take such steps as may be necessary to pursue or defend

the action and obtain the award. Borrower may be the nominal party in any such proceeding, but Lender shall be entitled, at its election, to participate in the proceeding and to be represented in the proceeding by counsel of its own choice, and Borrower will deliver or cause to be delivered to Lender such instruments and documentation as may be requested by Lender from time to time to permit such participation.

Application of Net Proceeds. If any award is made or settlement entered into in any condemnation proceedings affecting all or any part of the Property or by any proceeding or purchase in lieu of condemnation, Lender may at its election, and to the extent permitted by law, require that all or any portion of the award or settlement be applied to the Indebtedness and to the repayment of all reasonable costs, expenses, and attorneys' fees incurred by Trustee or Lender in connection with the condemnation proceedings.

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

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

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

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

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

Security Agreement. This instrument shall constitute a Security Agreement to the extent any of the Property constitutes fixtures, and Lender shall have all of the rights

of a secured party under the Uniform Commercial Code as amended from time to time.

Security Interest. Upon request by Lender, Borrower shall take whatever action is requested by Lender to perfect and continue Lender's security interest in the Rents and Personal Property. Borrower shall reimburse Lender for all expenses incurred in perfecting or continuing this security interest. Upon default, Borrower shall not remove, sever or detach the Personal Property from the Property. Upon default, Borrower shall assemble any Personal Property not affixed to the Property in a manner and at a place reasonably convenient to Borrower and Lender and make it available to Lender within three (3) days after receipt of written demand from Lender to the extent permitted by applicable law.

Addresses. The mailing addresses of Borrower (debtor) and Lender (secured party) from which information concerning the security interest granted by this Security Instrument may be obtained (each as required by the Uniform Commercial Code) are as stated on Page 3 of this Security Instrument.

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

Further Assurances. At any time, and from time to time, upon request of Lender, Borrower will make, execute and deliver, or will cause to be made, executed or delivered, to Lender or to Lender's designee, and when requested by Lender, cause to be filed, recorded, refiled, or rerecorded, as the case may be, at such times and in such offices and places as Lender may deem appropriate, any and all such mortgages, deeds of trust, security deeds, security agreements, financing statements, continuation statements, instruments of further assurance, certificates, and other documents as may, in the sole opinion of Lender, be necessary or desirable in order to effectuate, complete, perfect, continue, or preserve (1) Borrower's obligations under the Note, this Security Instrument, and the other Loan Documents, and (2) the liens and security interests created by this Security Instrument as first and prior liens on the Property, whether now owned or hereafter acquired by Borrower. Unless prohibited by law or Lender agrees to the contrary in writing, Borrower shall reimburse Lender for all costs and expenses incurred in connection with the matters referred to in this paragraph.

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

FULL PERFORMANCE. If Borrower pays all the Indebtedness when due, and otherwise performs all the obligations imposed upon Borrower under this Security Instrument, Lender shall execute and deliver to Trustee a request for full reconveyance and shall execute and deliver to Borrower suitable statements of termination of any financing statement on file evidencing Lender's security interest in the Rents and the Personal

Property. Lender may charge Borrower a reasonable reconveyance fee at the time of reconveyance.

GENERAL REPRESENTATIONS, COVENANTS AND WARRANTIES. Borrower represents, covenants and warrants that as of the date hereof and at all times hereafter during the term hereof: (a) Borrower is the lawful owner of good and marketable fee simple title to the Property and has good right and authority to grant, mortgage, bargain, sell, convey, transfer and assign the Property; (b) Borrower will warrant and forever defend the title to the Property against the claims of all persons whomsoever claiming the same or any part thereof, and this warranty of title shall survive the foreclosure of this Security Instrument and shall inure to the benefit of and be enforceable by any person who may acquire title to the Property pursuant to foreclosure; (c) Borrower is now able to meet its debts as they mature, the fair market value of its assets exceeds its liabilities, no bankruptcy or insolvency proceedings are pending or contemplated by or against Borrower, no assignment to creditors has been made by Borrower, and no portion of Borrower's assets are presently subject to any attachment, execution, or judicial seizure, and Borrower covenants immediately to provide notice to Lender in the event that any change in any circumstances described in this sentence should occur; (d) All reports, statements and other data furnished by or on behalf of Borrower, or any partner, officer, employee or agent of Borrower or any guarantor in connection with any Loan are true, correct and complete in all material respects and do not omit to state any fact or circumstance necessary to make the statements contained therein not misleading; (e) Borrower is duly organized, validly existing and in good standing under the laws of the state of its organization and is qualified and authorized to do business in the state where the Property is located, and has full power and authority to own its property, to carry on its business as presently being conducted and as contemplated to be conducted hereunder, and to execute, deliver and perform its obligations under this Security Instrument, the Note and the other Loan Documents; the person(s) executing this Security Instrument, the Note and the other Loan Documents on behalf of Borrower have been duly authorized to execute and deliver this Security Instrument, the Note and other Loan Documents on behalf of Borrower; this Security Instrument, the Note and the other Loan Documents constitute legally valid and binding obligations of Borrower enforceable in accordance with their terms; and the execution, delivery and performance of this Security Instrument, the Note and the other Loan Documents by Borrower will not conflict with, or constitute a breach of, or default under, Borrower's governing instruments or any indenture, mortgage, deed of trust, note, lease commitment, agreement or other instrument or obligation to which Borrower is a party or by which Borrower or its properties is bound; (f) There are no actions, suits or proceedings pending, or, to the knowledge of Borrower threatened, against or affecting Borrower or the Property of any nature; (g) Borrower is not in default under the terms of any instrument evidencing or securing any indebtedness of Borrower and there has occurred no event which would, if uncured or uncorrected, constitute a default under any such instrument with the giving of notice, passage of time, or both; (h) Electric, gas, sewer, water facilities, and any other necessary utilities, are available and shall continue to be available in sufficient capacity to service the Property satisfactorily for its intended uses; and (i) the Property, including, without limitation, the Improvements thereon, comply with and will continue throughout the term hereof to comply with all

applicable restrictive covenants, applicable zoning and subdivision ordinances and building codes, all applicable health, disability and environmental laws and regulations and all other applicable laws, ordinances, rules and regulations, including permits, licenses and/or certificates that may be necessary from time to time to comply with these requirements.

IMPOSITIONS ON DEFAULT. Upon the occurrence of an Event of Default, Borrower shall pay to Lender upon demand the amount that Lender determines necessary as impounds for payment of tax and/or insurance obligations on the Property ("Impositions"). No earnings or interest on the Impositions shall be payable to Borrower. Upon request by Lender, Borrower shall deliver promptly to Lender all bills and notices of such Impositions. In making any payment relating to the Impositions, Lender may do so according to any bill, statement or estimate procured from the appropriate public office (with respect to taxes) or insurer or Lender (with respect to insurance premiums), without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim thereof. In the event of a default in the payment of the Note or any other note secured by this Security Instrument, default of any obligation secured hereby, or default in performance of any of the covenants and obligations of this Security Instrument, then any balance remaining from monies paid Lender under provisions of this Section may, at the option of Lender, be applied to the payment of principal, interest or obligations secured hereby in lieu of being applied to any of the purposes for which the Impositions were obtained. Borrower hereby pledges to Lender and grants to Lender a security interest in any and to all monies comprising Impositions and all proceeds thereof as security for the payment of the Note and performance of all obligations arising under the Note, this Security Instrument and the other Loan Documents. If taxes on the Property become delinquent at any time and if Lender so elects at any time thereafter, Borrower shall provide, at Borrower's expense, a tax service contract for the term of the Note issued by a tax reporting agency acceptable to Lender.

INSPECTION AND BUSINESS RECORDS. Lender or any authorized representative of Lender may enter and inspect the Property upon reasonable notice during the term of the Security Instrument. Within 60 days of the end of each calendar year, Borrower shall deliver to Lender signed and dated financial statements including: a) a rent schedule for the Property showing the name of each tenant, space occupied, lease expiration date, and rent payable for the current month; and b) an itemized statement of income and expenses accurate as of the last day of the prior calendar year, and in form otherwise reasonably acceptable to the Lender. Furthermore, upon written request by Lender, Borrower shall provide additional financial information to Lender which may or may not be limited to a balance sheet, personal financial statement, and/or State and Federal tax returns. Borrower agrees, when requested in writing by Lender, to promptly deliver in writing such additional information as may be required by Lender relating to any such financial statements. Borrower's failure to comply with the foregoing may, at the option of Lender, be deemed a default under this Security Instrument upon which Lender may exercise any and all of its remedies under this Security Instrument.

NON RECOURSE. Borrower's personal liability for the payment and performance of Borrower's obligations secured by this Security Instrument is limited pursuant to the terms and conditions set forth in those certain nonrecourse provisions of the Note, which terms and conditions are incorporated herein by reference.

ASSUMPTION OF LOAN. Notwithstanding anything to the contrary in this Security Instrument, Lender will consent to a one-time transfer of the entire Property subject to the Loan Documents if: (1) the transferee's creditworthiness, financial strength and management ability are satisfactory to Lender, in its sole discretion; (2) the Property meets Lender's underwriting criteria in effect at the time of the transfer of the Property, including, without limitation, a debt service ratio, loan to value ratio and loan to purchase price ratio, all satisfactory to Lender in its sole discretion; (3) the transferee has executed the form of Assumption Agreement provided by Lender containing such terms as Lender may require; (4) such transferee pays Lender an assumption fee equal to one percent (1.0%) of the remaining principal balance of the Note; (5) the Loan is current and there exists no event of default under this Security Instrument or any other Loan Document, and there exist no other event, which, with the giving of notice or the passage of time or both, would constitute an event of default under this Security Instrument or any other Loan Document; (6) Lender receives a new Lender's policy of title insurance or endorsements insuring the continued existing lien status of this Security Instrument; (7) all guarantors of the Loan remain jointly and severally obligated under their guaranties or are replaced with new obligors whose assets, income, net worth and financial condition satisfy the underwriting requirements of Lender to qualify for a comparable loan with comparable security, and who execute and deliver to Lender replacement guaranties on substantially similar terms as those in effect at origination of the Loan; and (8) the transferee pays all costs relating to the transaction (credit report fees, notary fees, recording fees, escrow fees, title fees, title insurance premiums, legal fees, costs for appraisal and environmental reports, and any other costs incurred by Lender). In the event the above conditions are met, all existing terms of the Loan Documents will remain in effect. The obligations of Lender stated herein are expressly conditioned upon the assumption transaction being in compliance with the applicable laws and regulations of all government agencies having jurisdiction over Lender at the time of the transfer. The provisions of this Paragraph shall apply to the transfer of the Property by Borrower only and it shall not apply to a subsequent transfer by Borrower's transferee.

FAILURE OF BORROWER TO COMPLY WITH SECURITY INSTRUMENT. Should Borrower fail to make any payment or to do any act as provided in this Security Instrument, the Note, or any other Loan Document or fail to perform any obligation secured by this Security Instrument, or should Borrower do any act Borrower agreed not to do, or should any of the representations and warranties made by Borrower be untrue in any material respect, or if any of the following shall occur, such events shall constitute an "Event of Default" hereunder: (i) a petition is filed by Borrower, or any settlor of Borrower or any guarantor, co-maker or endorser of the Note seeking or acquiescing to any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any law relating to bankruptcy or insolvency or an involuntary petition under such law is filed against Borrower and is still in effect 60 days from the date of such filing; or (ii) a

receiver, trustee, master, or liquidator is appointed with respect to the Property or the rents, issues, profits, security deposits, royalties, tolls, earnings, income and other benefits therefrom; or (iii) Borrower, or any settlor of Borrower or any guarantor, co-maker or endorser of the Note is "insolvent" (unable to pay its debts as they become due and/or unable to pay or perform under the Loan Documents), or (iv) Borrower or any settlor of Borrower makes an assignment for the benefit of Borrower's creditor's; or (v) any material portion of Borrower's assets is attached, executed upon or judicially seized in any manner and such attachment, execution or seizure is not discharged within 10 days, then, in any such event, Borrower shall be in default under this Security Instrument, and Lender (but without obligation so to do and without notice to or demand upon Borrower and without releasing Borrower from any obligation hereof, and without contesting the validity or amount of the same) shall have the right, at its option, to declare all sums secured hereby immediately due and payable, and may take any action as it may deem necessary to protect the security hereof, Lender being authorized to enter upon the Property for such purposes, and in exercising any such power, pay necessary expenses, employ counsel and pay attorneys' fees. Furthermore, at any time after a default by Borrower, Lender shall have the following rights and remedies, all of such rights and remedies, together with the rights and remedies set forth in the previous sentence, shall be cumulative, and the exercise of any one or more of them shall not constitute an election of remedies: (a) Lender may apply to any court of competent jurisdiction for, and obtain appointment of, a receiver for the Property; (b) Lender may exercise any or all of the remedies granted to a secured party under the Uniform Commercial Code; (c) Lender may choose, in its sole and absolute discretion, to dispose of some or all of the Property, in any combination consisting of both real and personal property, together in one sale to be held in accordance with the law and procedures applicable to real property, as permitted by RCW 62A.9A-604, and Borrower agrees that such a sale of personal property together with real property constitutes a commercially reasonable sale of the personal property; and/or (d) Lender may exercise any other right or remedy which is set forth in this Security Instrument or any other Loan Document or which is otherwise available at law or in equity.

RIGHT TO CURE. If any default is curable and if Borrower has not been given a notice of a similar default within the preceding twelve (12) months, it may be cured if Borrower, after Lender sends written notice to Borrower demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure, other than the cure of a default in payment, requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practicable.

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

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

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

Accelerate Indebtedness. Lender shall have the right at its option to declare the entire Indebtedness secured by this Security Instrument immediately due and payable.

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

UCC Remedies. With respect to all or any part of the Personal Property, Lender shall have all the rights and remedies of a secured party under the Uniform Commercial Code, including without limitation the right to recover any deficiency in the manner and to the full extent provided by law.

Collect Rents. Lender shall have the right, with the delivery of such notice to Borrower as applicable laws or regulation may require, to take possession of and manage the Property and collect the Rents, including amounts past due and unpaid, and apply the net proceeds, over and above Lender's costs, against the Indebtedness. In furtherance of this right, Lender may require any tenant or other user of the Property to make payments of rent or use fees directly to Lender. If the Rents are collected by Lender, then Borrower irrevocably designates Lender as Borrower's attorney-in-fact to endorse instruments received in payment thereof in the name of Borrower and to negotiate the same and collect the proceeds. Payments by tenants or other users to Lender in response to Lender's demand shall satisfy the obligations for which the payments are made, whether or not any proper grounds for the demand existed. Lender may exercise its rights under this subparagraph either in person, by agent, or through a receiver.

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

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

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

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

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

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

Rights of Trustee. Trustee shall have all of the rights and duties of Lender as set forth in this section.

POWERS AND OBLIGATIONS OF TRUSTEE. The following provisions relating to the powers and obligations of Trustee are part of this Security Instrument:

Powers of Trustee. In addition to all powers of Trustee arising as a matter of law, Trustee shall have the power to take the following actions with respect to the Property upon the written request of Lender and Borrower: (a) join in preparing and filing a map or plat of the Real Property, including the dedication of streets or other rights to the public; (b) join in granting any easement or creating any restriction on the Real Property; and (c) join in any subordination or other agreement affecting this Security Instrument or the interest of Lender under this Security Instrument.

Obligations to Notify. Trustee shall not be obligated to notify any other party of a pending sale under any other trust deed or lien, or of any action or proceeding in which Borrower, Lender, or Trustee shall be a party, unless the action or proceeding is brought by Trustee.

Trustee. Trustee shall meet all qualifications required for Trustee under applicable law. In addition to the rights and remedies set forth above, with respect to all or any part of the Property, the Trustee shall have the right to foreclose by notice and sale, and Lender shall have the right to foreclose by judicial foreclosure, in either case in accordance with and to the full extent provided by applicable law.

Successor Trustee. Lender, at Lender's option, may from time to time appoint a successor Trustee to any Trustee appointed under this Security Instrument by an instrument executed and acknowledged by Lender and recorded in the office of the recorder of the County where the Property is located. The instrument shall contain, in addition to all other matters required by state law, the names of the original Lender, Trustee, and Borrower, the book and page where this Security Instrument is recorded, and the name and address of the successor trustee, and the instrument shall be executed and acknowledged by Lender or its successors in interest. The successor trustee, without conveyance of the Property, shall succeed to all the title, power, and duties conferred upon the Trustee in this Security Instrument and by applicable law. This procedure for substitution of Trustee shall govern to the exclusion of all other provisions for substitution.

Acceptance by Trustee. Trustee accepts this Trust when this Security Instrument, duly executed and acknowledged, is made a public record as provided by law.

NOTICES. Any notice required to be given under this Security Instrument shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Security Instrument. Borrower requests that copies of any notices of default and sale be directed to Borrower's address shown near the beginning of this Security Instrument. All copies of notices of foreclosure from the holder of any lien which has priority over this Security Instrument shall be sent to Lender's address, as shown near the beginning of this Security Instrument. Any party may change its address for notices under this Security Instrument by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Borrower agrees to keep Lender informed at all times of Borrower's current address. Unless otherwise provided or required by law, if there is more than one Borrower, any notice given by Lender to any Borrower is deemed to be notice given to all Borrowers.

STATEMENT OF OBLIGATION. Lender may charge a fee equal to fifty dollars (\$50.00) or such greater amount as maybe authorized by law for furnishing each statement of obligation.

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

Amendments. This Security Instrument, together with any other Loan Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Security Instrument. No alteration of or amendment to this Security

Instrument shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

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

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

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

Choice of Venue. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of the County, where the Real Property is located.

Joint and Several Liability. All obligations of Borrower under this Security Instrument shall be joint and several, and all references to Borrower shall mean each and every Borrower. This means that each Borrower signing below is responsible for all obligations in this Security Instrument.

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

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

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

Time is of the Essence. Time is of the essence in the performance of this Security Instrument.

Counterparts. This Security Instrument may be simultaneously executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

WAIVER OF JURY TRIAL. To the fullest extent permitted by law, Borrower and Lender HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY in any action, proceeding and /or hearing on any matter whatsoever arising out of, or in any way connected with, the Note, this Security Instrument or any of the Loan Documents, or the enforcement of any remedy under any law, statute, or regulation (each, a "Claim"). Neither party will seek to consolidate any such action in which a jury has been waived, with any other action in which a jury trial cannot or has not been waived. Each party acknowledges that: (i) it has received the advice of counsel with respect to this waiver of trial by jury, (ii) this waiver of trial by jury is made knowingly and voluntarily, and (iii) no person on behalf of Lender or Borrower has made any representation of fact to induce this waiver of trial by jury. Each Borrower and Lender is hereby authorized to file this document with the clerk or judge of any court of competent jurisdiction as a statutory written consent to waiver of trial by jury of the parties.

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

Beneficiary. The word "Beneficiary" has the meaning set forth in the introductory paragraph of this Security Instrument, together with each such party's successors and assigns.

Borrower. The word "Borrower" means has the meaning ascribed such term in the introductory paragraph of this Security Instrument, together with any and all other co-makers of the Note, if any.

Event of Default. The words "Event of Default" means an Event of Default set forth in this Security Instrument in the section titled "Failure of Borrower to Comply with Security Instrument".

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

Indebtedness. The word "Indebtedness" means all principal, interest, and other amounts, costs and expenses payable under the Note or other Loan Documents, together with all renewals of, extensions of, modifications of, consolidations of and substitutions for the Note or other Loan Documents and any amounts expended or advanced by Lender to discharge Borrower's obligations or expenses incurred by Trustee or Lender to enforce Borrower's obligations under this Security Instrument, together with interest on such amounts as provided in this Security Instrument, together with any and all other amounts secured hereby.

Lender. The word "Lender" means has the meaning set forth in the introductory paragraph of this Security Instrument, together with each such party's successors and assigns.

Loan Documents. The words "Loan Documents" mean all promissory Note, credit agreements, loan agreements, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness; except that the words do not mean any guaranty or environmental agreement, whether now or hereafter existing, executed in connection with the Indebtedness.

Note. The word "Note" has the meaning ascribed such term on or about Page 4 of this Security Instrument, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for such Promissory Note.

Personal Property. The words "Personal Property" mean all equipment, inventory, fixtures, appliances, machinery, goods, and other articles of personal property of any kind and nature (other than consumable goods and any items of personal property owned by tenants of the Real Property), whether or not physically attached or affixed to the Real Property and now or hereafter installed or placed thereon, and/or used in connection with any existing or future operation thereof and other articles of personal property now or hereafter owned by Borrower, and now or hereafter attached or affixed or used in connection with the Real Property; together with all accessions, parts, and additions to, all replacements of, and all substitutions for, any of such property; and together with all proceeds (including without limitation all insurance proceeds and refunds of premiums) from any sale or other disposition of the Property.

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

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

Rents. The word "Rents" means all present and future leases, rents, revenues, income, issues, royalties, profits, and other benefits derived from the Property together with the cash proceeds of the Rents.

Security Instrument. The words "Security Instrument" mean this Security Instrument among Borrower, Lender, and Trustee, and includes without limitation all assignment and security interest provisions relating to the Personal Property and Rents.

Trustee. The word "Trustee" has the meaning ascribed such term in the introductory paragraph of this Security Instrument and any substitute or successor trustees.

EXCLUSION. Notwithstanding anything to the contrary herein, this Security Instrument does not secure any environmental indemnity (including, without limitation, the Continuing Indemnity Agreement being executed concurrently herewith) or any guaranty of the Note and none of the covenants, representations, or other obligations of Borrower set forth in this Security Instrument are intended by the parties to be the substantial equivalent of obligations of Borrower and/or any guarantor arising under such agreements. To the extent any such representations, covenants, or obligations may nonetheless subsequently be determined to be the substantial equivalent of obligations arising under such agreements, without in any way limiting or affecting the other rights and remedies of Borrower, Lender, or Trustee hereunder, this Security Instrument will cease to secure any such provisions of such agreements, and a default under any such provision shall not constitute a basis for a non-judicial foreclosure hereunder. Nothing in this provision shall be construed as affecting, diminishing, or abrogating any other security for any such agreement of Borrower or any guarantor.

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.

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS SECURITY INSTRUMENT, AND BORROWER AGREES TO ITS TERMS.

BORROWER:

CEP III – Cascade 22, LLC, a Washington limited liability company

By: CEP WORKFORCE HOUSING FUND, LLC, a Washington limited liability company, Manager

By: Coast Equity Partners III, LLC, a Washington limited liability company, Manager

By: Hoban Realty Interests, L.L.C., a Washington limited liability company,
Manager

By: 
Thomas P. Hoban, Jr., Manager

By: 
Shawn A. Hoban, Manager

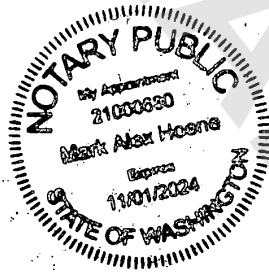
DOCUMENT IS NOT TO BE EXECUTED UNDER A POWER OF ATTORNEY
ALL SIGNATURES MUST BE ACKNOWLEDGED

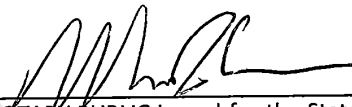
ACKNOWLEDGEMENTS

STATE OF WASHINGTON)
COUNTY OF SNOHOMISH) ss.

On this 14 day of DECEMBER, 2022, before me, a Notary Public in and for the State of Washington, personally appeared **Thomas P. Hoban, Jr.**, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that he was authorized to execute the instrument, and acknowledged it as the **Manager of Hoban Realty Interests, L.L.C., a Washington limited liability company, the Manager of Coast Equity Partners III, LLC, a Washington limited liability company, the Manager of CEP WORKFORCE HOUSING FUND, LLC, a Washington limited liability company, the Manager of CEP III – Cascade 22, LLC, a Washington limited liability company,** to be the free and voluntary act and deed of said limited liability company for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.




NOTARY PUBLIC in and for the State of Washington,
residing at SNOHOMISH
My appointment expires 11.1.2024
Print Name MARK ALEX HOENE

STATE OF WASHINGTON)
COUNTY OF Snohomish) ss.

On this 14 day of December, 2022, before me, a Notary Public in and for the State of Washington, personally appeared **Shawn A. Hoban**, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that he was authorized to execute the instrument, and acknowledged it as the **Manager of Hoban Realty Interests, L.L.C., a Washington limited liability company, the Manager of Coast Equity Partners III, LLC, a Washington limited liability company, the Manager of CEP WORKFORCE HOUSING FUND, LLC, a Washington limited liability company, the Manager of CEP III – Cascade 22, LLC, a Washington limited liability company,** to be the free and voluntary act and deed of said limited liability company for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.



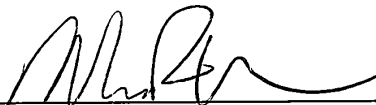

NOTARY PUBLIC in and for the State of Washington,
residing at Snohomish
My appointment expires 11.1.2024
Print Name MARK ALEX HOSNE

EXHIBIT "A"**LEGAL DESCRIPTION OF PROPERTY**

PARCEL "X": All Units in Building Nos. 1 through 5, inclusive and common areas, "CASCADE ESTATES CONDOMINIUM", as per Survey Map and Plans recorded June 11, 2007, under Auditor's File No. 200706110218 and amended by instrument recorded November 15, 2007 under Auditor's File No. 200711150014; and described in that certain Condominium Declaration recorded June 11, 2007 under Auditor's File No. 200706110219 and amended by instrument recorded November 15, 2007 under Auditor's File No. 200711150015. Situated in Skagit County, Washington.

PARCEL "Y": All those portions of the following described Parcel "Z", if any, not incorporated into the legal description of Parcel "X" as described above: Situated in Skagit County, Washington.

PARCEL "Z": All those portions of Parcels 4, 5, 6 and 9 of Binding Site Plan No. 2-95 of Cascade Place/Cascade Meadows, approved January 18, 1996 and recorded January 18, 1996 as Auditor's File No. 9601180033, in Volume 12 of Short Plats, at Pages 66, 67 and 68, more fully described as Parcels "A" and "B" on that certain deed in favor of Queens Plate Development, Inc. recorded as Auditor's File No. 200608280248; TOGETHER WITH appurtenant rights of access as set forth on said Binding Site Plan. Situated in Skagit County, Washington.