

Prepared by and
after recording mail to: Katten Muchin Rosenman LLP
550 S. Tryon St. Suite 2900
Charlotte, NC 28202
Attn: J. Hayden Harrell, Esq.

Abbreviated Legal Description: ptn NE NW, 24-35-4
Parcel Number(s): 35042420030208, 35042420031300 and p134086

DEED OF TRUST AND SECURITY AGREEMENT
(Deed of Trust)

DEED OF TRUST AND SECURITY AGREEMENT dated August 17, 2023, (together with any amendments or modifications hereto in effect from time to time, the "**Deed of Trust**"), by MINA PROPERTIES VI LLC, a Washington limited liability company, having an office at 1418 Market St., Kirkland, WA 98033 ("**Grantor**"), to KATTEN MUCHIN ROSENMAN LLP, having an office at 550 S. Tryon Street, Charlotte, NC 28202 ("**Trustee**"), for the benefit of RED FOX CAPITAL MORTGAGE FUND, LP, having an office at P.O. Box 11065, Charlotte, NC 28220 ("**Beneficiary**").

WITNESSETH:

WHEREAS, Borrower is indebted to Beneficiary in the principal sum of Eleven Million, Five Hundred Thousand and No/Dollars (\$11,500,000.00) (the "**Loan**"), together with interest thereon, as evidenced by a certain Promissory Note of even date herewith (as amended, supplemented, replaced or otherwise modified from time to time, the "**Note**") and advanced in accordance with the terms and conditions of that certain Term Loan Agreement of even date herewith by and between Beneficiary and Mina Properties VIII LLC, a Washington limited liability company ("**Borrower**") ("**Loan Agreement**");

WHEREAS, Grantor has common ownership with Borrower and will benefit from the transaction contemplated herein and the making of the Loan to Borrower;

WHEREAS, Grantor recognizes that this Security Instrument is a material inducement for Lender to make the Loan to Borrower, and hereby acknowledges adequate consideration for offering its interest in the subject property as collateral for the Loan from Lender to Borrower;

WHEREAS, Grantor is the owner of fee simple title to those certain parcels of real property located in City of Sedro Woolley, County of Skagit, State of Washington, as more particularly described in Exhibit "**A**" attached hereto and made a part hereof (the "**Real Estate**"); and

WHEREAS, to induce Beneficiary to make the Loan and to secure payment of the Note and the other obligations described below, Grantor has agreed to execute and deliver this Deed of Trust.

GRANTING CLAUSES

NOW, THEREFORE, to secure to Beneficiary (i) the repayment of all sums due under this Deed of Trust, the Note (and all extensions, renewals, replacements and amendments thereof) and the other Loan Documents (as such term is defined in the Note, the "**Loan Documents**"); (ii) the performance of all terms, conditions and covenants set forth in the Loan Documents; (iii) the repayment of all sums due or that may become due under or in connection with any present or future swap agreements (as defined in 11 U.S.C. §101) between Grantor and

Beneficiary: (iv) the repayment of all reimbursement obligations due or that may become due under or in connection with any present or future letters of credit issued by Beneficiary for the account of Grantor; and (v) all other obligations or indebtedness of Grantor to Beneficiary of whatever kind or character and whenever borrowed or incurred, including without limitation, principal, interest, fees, late charges and expenses, including attorneys' fees (subsections (i), (ii), (iii), (iv) and (v) collectively, the "**Liabilities**"). Grantor has granted and conveyed and by these presents **DOES HEREBY GRANT AND CONVEY TO TRUSTEE, ITS SUCCESSORS AND ASSIGNS, in fee simple**, all of Grantor's right, title and interest now owned or hereafter acquired in and to each of the following (collectively, the "**Property**"):

(A) The Real Estate;

(B) Any and all buildings and improvements now or hereafter erected on, under or over the Real Estate (the "**Improvements**");

(C) Any and all fixtures, machinery, equipment and other articles of real, personal or mixed property, belonging to Grantor, at any time now or hereafter installed in, attached to or situated in or upon the Real Estate, or the buildings and improvements now or hereafter erected thereon, or used or intended to be used in connection with the Real Estate, or in the operation of the buildings and improvements, plant, business or dwelling situate thereon, whether or not such real, personal or mixed property is or shall be affixed thereto, and all replacements, substitutions and proceeds of the foregoing (all of the foregoing herein called the "**Service Equipment**"), including without limitation: (i) all appliances, furniture and furnishings; all articles of interior decoration, floor, wall and window coverings; all office, restaurant, bar, kitchen and laundry fixtures, utensils, appliances and equipment; all supplies, tools and accessories; all storm and screen windows, shutters, doors, decorations, awnings, shades, blinds, signs, trees, shrubbery and other plantings; (ii) all building service fixtures, machinery and equipment of any kind whatsoever; all lighting, heating, ventilating, air conditioning, refrigerating, sprinkling, plumbing, security, irrigating, cleaning, incinerating, waste disposal, communications, alarm, fire prevention and extinguishing systems, fixtures, apparatus, machinery and equipment; all elevators, escalators, lifts, cranes, hoists and platforms; all pipes, conduits, pumps, boilers, tanks, motors, engines, furnaces and compressors; all dynamos, transformers and generators; (iii) all building materials, building machinery and building equipment delivered on site to the Real Estate during the course of, or in connection with any construction or repair or renovation of the buildings and improvements; (iv) all parts, fittings, accessories, accessions, substitutions and replacements therefor and thereof; and (v) all files, books, ledgers, reports and records relating to any of the foregoing;

(D) Any and all leases, subleases, tenancies, licenses, occupancy agreements or agreements to lease all or any portion of the Real Estate, Improvements, Service Equipment or all or any other portion of the Property and all extensions, renewals, amendments, modifications and replacements thereof, and any options, rights of first refusal or guarantees relating thereto (collectively, the "**Leases**"); all rents, income, receipts, revenues, security deposits, escrow accounts, reserves, issues, profits, awards and payments of any kind payable under the Leases or otherwise arising from the Real Estate, Improvements, Service Equipment or all or any other portion of the Property including, without limitation, minimum rents, additional rents, percentage rents, parking, maintenance and deficiency rents (collectively, the "**Rents**"); all of the following personal property (collectively referred to as the "**Contracts**"): all accounts, general intangibles and contract rights (including any right to payment thereunder, whether or not earned by performance) of any nature relating to the Real Estate, Improvements, Service Equipment or all or any other portion of the Property or the use, occupancy, maintenance, construction, repair or operation thereof; all management agreements, franchise agreements, utility agreements and deposits, building service contracts, maintenance contracts, construction contracts and architect's agreements; all maps, plans, surveys and specifications; all warranties and guaranties; all permits, licenses and approvals; and all insurance policies, books of account and other documents, of whatever kind or character, relating to the use, construction upon, occupancy, leasing, sale or operation of the Real Estate, Improvements, Service Equipment or all or any other portion of the Property.

(E) Any and all estates, rights, tenements, hereditaments, privileges, easements, reversions, remainders and appurtenances of any kind benefiting or appurtenant to the Real Estate, Improvements or all or any other portion of the Property; all means of access to and from the Real Estate, Improvements or all or any other portion of the Property, whether public or private; all streets, alleys, passages, ways, water courses, water and mineral rights relating to the Real Estate, Improvements or all or any other portion of the Property; all rights of

Grantor as declarant or unit owner under any declaration of condominium or association applicable to the Real Estate, Improvements or all or any other portion of the Property including, without limitation, all development rights and special declarant rights; and all other claims or demands of Grantor, either at law or in equity, in possession or expectancy of, in, or to the Real Estate, Improvements or all or any other portion of the Property (all of the foregoing described in this subsection E herein called the "Appurtenances"); and

(F) Any and all "proceeds" of any of the above-described Real Estate, Improvements, Service Equipment, Leases, Rents, Contracts and Appurtenances, which term "proceeds" shall have the meaning given to it in the Uniform Commercial Code (the "Code") of the State in which the Property is located (collectively, the "Proceeds") and shall additionally include whatever is received upon the use, lease, sale, exchange, transfer, collection or other utilization or any disposition or conversion of any of the Real Estate, Improvements, Service Equipment, Leases, Rents, Contracts and Appurtenances, voluntary or involuntary, whether cash or non-cash, including proceeds of insurance and condemnation awards, rental or lease payments, accounts, chattel paper, instruments, documents, contract rights, general intangibles, equipment and inventory.

TO HAVE AND TO HOLD the above granted and conveyed Property unto and to the proper use and benefit of Trustee, its successors and assigns, in fee simple, forever.

The terms of the Loan Documents are hereby made a part of this Deed of Trust to the same extent and with the same effect as if fully set forth herein. All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Loan Documents.

AND Grantor covenants and agrees with and represents to Beneficiary as follows:

1. PROTECTION OF PROPERTY. This Deed of Trust shall secure all advances to the fullest extent permitted by applicable law, including, without limitation: (a) principal, interest, late charges, fees and other amounts due under the Liabilities or this Deed of Trust; (b) all advances by Beneficiary to Grantor or any other person to pay costs of erection, construction, alteration, repair, restoration, maintenance and completion of any improvements on the Property; (c) all advances made or costs incurred by Beneficiary for the payment of real estate taxes, assessments or other governmental charges, maintenance charges, insurance premiums, appraisal charges, environmental inspection, audit, testing or compliance costs, and costs incurred by Beneficiary for the enforcement and protection of the Property or the lien of this Deed of Trust; (d) all legal fees, costs and other expenses incurred by Beneficiary by reason of any default or otherwise in connection with the Liabilities; and (e) as otherwise permitted pursuant to applicable law. This Deed of Trust secures all obligations, and all other sums owing to the Beneficiary by the Grantor under the Loan Documents (including without limitation any existing Liabilities incurred or any advances made at or prior to the filing of this Deed of Trust of record in the real estate records of the county where the Property is situated).

Grantor agrees that if, at any time during the term of this Deed of Trust or following a foreclosure hereof (whether before or after the entry of a judgment of foreclosure), Grantor fails to perform or observe any covenant or obligation under this Deed of Trust including, without limitation, payment of any of the foregoing, Beneficiary may (but shall not be obligated to) take such steps as are reasonably necessary to remedy any such nonperformance or nonobservance and provide payment thereof. The amount secured by this Deed of Trust and the other Loan Documents, and shall be due and payable on demand, together with interest at the Default Rate set forth in the Note, such interest to be calculated from the date of such advance to the date of repayment thereof.

2. REPRESENTATIONS, WARRANTIES AND COVENANTS.

2.1. Payment and Performance. Grantor shall (a) pay to Beneficiary all sums required to be paid by Grantor under the Loan Documents, in accordance with their stated terms and conditions; (b) perform and comply with all terms, conditions and covenants set forth in each of the Loan Documents by which Grantor is bound; and (c) perform and comply with all of Grantor's obligations and duties as landlord under any Leases.

2.2. Seisin and Warranty. Grantor hereby warrants that (a) Grantor is seized of an indefeasible estate in fee simple in, and warrants the title to, the Property; (b) Grantor has the right, full power and lawful authority to

grant, convey and assign the same to Trustee in the manner and form set forth herein; and (c) this Deed of Trust is a valid and enforceable second lien on the Property. Grantor hereby covenants that Grantor shall (a) preserve such title and the validity and priority of the lien of this Deed of Trust and shall forever warrant and defend the same to Trustee against all lawful claims whatsoever; and (b) execute, acknowledge and deliver all such further documents or assurances as may at any time hereafter be required by Trustee or Beneficiary to protect fully the lien of this Deed of Trust.

2.3. **Insurance.** (a) Grantor shall obtain and maintain at all times throughout the term of this Deed of Trust the following insurance: (i) comprehensive general public liability insurance covering all operations of Grantor; (ii) Once completed, "All-Risk" fire and extended coverage hazard insurance covering the Property in an aggregate amount not less than 100% of the agreed upon full insurable replacement value of the Property, (iii) during the course of any construction, reconstruction, remodeling or repair of any Improvements, builders' all-risk extended coverage insurance in amounts based upon the completed replacement value of the Improvements (excluding roads, foundations, parking areas, paths, walkways and like improvements); (iv) if the Property is required to be insured pursuant to the National Flood Insurance Reform Act of 1994, and the regulations promulgated thereunder, flood insurance in an amount at least equal to the lesser of the agreed upon full insurable replacement value of the Property (less any value attributable to the Real Estate) or the maximum limit of coverage available; (v) insurance which complies with the workers' compensation and employers' liability laws of all states in which Grantor shall be required to maintain such insurance; and (vi) such other insurance as Beneficiary may reasonably require.

(b) Each insurance policy required under this Section shall: (i) be written by an insurance company authorized or licensed to do business in the state within which the Property is located having an Alfred M. Best Company, Inc. rating of "A-" or higher and a financial size category of not less than IX; (ii) be for terms of a least one year, with premium prepaid; (iii) be subject to the reasonable approval of Beneficiary as to insurance companies, amounts, content, forms of policies and expiration dates; and (iv) name Beneficiary, its successors and assigns: (1) as an additional insured under all liability insurance policies, and (2) as the first mortgagee, under a standard non-contributory mortgage clause, on all property insurance policies and all loss of rents or loss of business income insurance policies.

(c) Grantor further agrees that each insurance policy: (i) shall provide at least thirty (30) days' prior written notice to Beneficiary prior to any policy reduction or cancellation for any reason; (ii) shall contain an endorsement or agreement by the insurer that any loss shall be payable to Beneficiary in accordance with the terms of such policy notwithstanding any act or negligence of Grantor which might otherwise result in forfeiture of such insurance; (iii) shall waive all rights of setoff, counterclaim, deduction or subrogation against Grantor; and (iv) shall exclude Beneficiary from the operation of any coinsurance clause.

(d) At least thirty (30) days prior to the expiration of any insurance policy, Grantor shall furnish evidence satisfactory to Beneficiary that such policy has been renewed or replaced or is no longer required.

(e) Notwithstanding the foregoing, in the event that Grantor fails to maintain insurance in accordance with this Section 2.3., and Beneficiary elects to obtain insurance to protect its interests hereunder, Beneficiary may obtain insurance in any amount and of any type Beneficiary deems appropriate to protect Beneficiary's interest only and Beneficiary shall have no duty or obligation to Grantor to maintain insurance in any greater amount or of any other type for the benefit of Grantor. All insurance premiums incurred or paid by Beneficiary shall be at Grantor's sole cost and expense in accordance with Section 1 hereof. Beneficiary's election to obtain insurance shall not be deemed to waive any Event of Default (as hereinafter defined) hereunder.

2.4. **Taxes and Other Charges.** Grantor shall promptly pay and discharge all taxes, assessments, water and sewer rents, and other governmental charges imposed upon the Property when due, but in no event after interest or penalties commence to accrue thereon or become a lien upon the Property. Grantor shall promptly provide to Beneficiary, upon request, copies of receipted tax bills, canceled checks or other evidence satisfactory to Beneficiary evidencing that such taxes, assessments, water and sewer rents, and other governmental charges have been timely paid. Grantor shall not claim or demand or be entitled to any credit on account of the Liabilities for any part of the taxes paid with respect to the Property or any part thereof and no deduction shall otherwise be made or claimed from the taxable value of the Property, or any part thereof, by reason of this Deed of Trust.

2.5. **Reserved.**

2.6. **Transfer of Title.** Without the prior written consent of Beneficiary in each instance, Grantor shall not cause or permit any transfer of the Property or any part thereof, whether voluntarily, involuntarily or by operation of law, nor shall Grantor enter into any agreement or transaction to transfer, or accomplish in form or substance a transfer, of the Property. A "transfer" of the Property includes: (a) the direct or indirect sale, transfer or conveyance of the Property or any portion thereof or interest therein; (b) the execution of an installment sale contract or similar instrument affecting all or any portion of the Property; (c) if Grantor, or any general partner or member of Grantor, is a corporation, partnership, limited liability company or other business entity, the transfer (whether in one transaction or a series of transactions) of any stock, partnership, limited liability company or other ownership interests in such corporation, partnership, limited liability company or entity; (d) if Grantor, or any general partner or member of Grantor, is a corporation, the creation or issuance of new stock by which an aggregate of more than 10% of such corporation's stock shall be vested in a party or parties who are not now stockholders; and (e) an agreement by Grantor leasing all or a substantial part of the Property for other than actual occupancy by a space tenant thereunder or a sale, assignment or other transfer of or the grant of a security interest in and to any Leases.

2.7. **No Encumbrances.** Grantor shall not create or permit to exist any mortgage, deed of trust, pledge, lien, security interest (including, without limitation, a purchase money security interest), encumbrance, attachment, levy, distraint or other judicial process on or against the Property or any part thereof (including, without limitation, fixtures and other personalty), whether superior or inferior to the lien of this Deed of Trust, without the prior written consent of Beneficiary. If any lien or encumbrance is filed or entered without Grantor's consent, Grantor shall have it removed of record within fifteen (15) days after it is filed or entered.

2.8. **Removal of Fixtures.** Grantor shall not remove or permit to be removed from the Property any fixtures presently or in the future owned by Grantor as the term "fixtures" is defined by the law of the state where the Property is located (unless such fixtures have been replaced with similar fixtures of equal or greater utility and value).

2.9. **Maintenance and Repair; Alterations.** (a) Grantor shall (i) abstain from and not permit the commission of waste in or about the Property; (ii) keep the Property, at Grantor's own cost and expense, in good and substantial repair, working order and condition; (iii) make or cause to be made, as and when necessary, all repairs and replacements, whether or not insurance proceeds are available therefor; and (iv) not remove, demolish, materially alter, discontinue the use of, permit to become vacant or deserted, or otherwise dispose of all or any part of the Property. All alterations, replacements, renewals or additions made pursuant hereto shall automatically become a part of the Property and shall be covered by the lien of this Deed of Trust.

(b) Beneficiary, and any persons authorized by Beneficiary, shall have the right, but not the obligation, to enter upon the Property at any reasonable time to inspect and photograph its condition and state of repair. In the event any such inspection reveals, in the sole discretion of Beneficiary, the necessity for any repair, alteration, replacement, clean-up or maintenance, Grantor shall, at the discretion of Beneficiary, either: (i) cause such work to be effected immediately; or (ii) promptly establish an interest bearing reserve fund with Beneficiary in an amount determined by Beneficiary for the purpose of effecting such work.

2.10. **Compliance with Applicable Laws.** Grantor agrees to observe, conform and comply, and to cause its tenants to observe, conform and comply with all federal, state, county, municipal and other governmental or quasi-governmental laws, rules, regulations, ordinances, codes, requirements, covenants, conditions, orders, licenses, permits, approvals and restrictions, including without limitation, Environmental Laws (as defined below) and the Americans with Disabilities Act of 1990 (collectively, the "Legal Requirements"), now or hereafter affecting all or any part of the Property, its occupancy or the business or operations now or hereafter conducted thereon and the personalty contained therein, within such time as required by such Legal Requirements. Grantor represents and warrants that it has caused the Property to be designed, and the Property currently is, in compliance with all Legal Requirements applicable to the Property.

2.11. **Damage, Destruction and Condemnation.** (a) If all or any part of the Property shall be damaged or destroyed, or if title to or the temporary use of the whole or any part of the Property shall be taken or

condemned by a competent authority for any public or quasi-public use or purpose, there shall be no abatement or reduction in the amounts payable by Grantor under the Loan Documents and Grantor shall continue to be obligated to make such payments.

(b) If all or any part of the Property is partially or totally damaged or destroyed, Grantor shall give prompt notice thereof to Beneficiary, and Beneficiary may make proof of loss if not made promptly by Grantor. Grantor hereby authorizes and directs any affected insurance company to make payment under such insurance, including return of unearned premiums, to Beneficiary instead of to Grantor and Beneficiary jointly, and Grantor appoints Beneficiary as Grantor's attorney-in-fact to endorse any draft thereof, which appointment, being for security, is coupled with an interest and irrevocable. Beneficiary is hereby authorized and empowered by Grantor to settle, adjust or compromise, in consultation with Grantor, any claims for loss, damage or destruction to the Property. Grantor shall pay all costs of collection of insurance proceeds payable on account of such damage or destruction. Grantor shall have no claim against the insurance proceeds, or be entitled to any portion thereof, and all rights to the insurance proceeds are hereby assigned to Beneficiary as security for payment of the Liabilities. Beneficiary shall have the option, in its sole discretion, of paying or applying all or any part of the insurance proceeds to: (i) reduction of the Liabilities; (ii) restoration, replacement or repair of the Property in accordance with Beneficiary's standard construction loan disbursement conditions and requirements; or (iii) Grantor.

(c) Immediately upon obtaining knowledge of the institution of any proceeding for the condemnation of all or any part of the Property, Grantor shall give notice to Beneficiary. Grantor shall, at its sole cost and expense, diligently prosecute any such proceeding and shall consult with Beneficiary, its attorneys and experts, and shall cooperate with it in the defense of any such proceeding. Beneficiary and Trustee may participate in any such proceeding and Grantor shall from time to time deliver to Beneficiary all instruments requested by it to permit such participation. Grantor shall not, without Beneficiary's prior written consent, enter into any agreement (i) for the taking or conveyance in lieu thereof of all or any part of the Property, or (ii) to compromise, settle or adjust any such proceeding. All awards and proceeds of condemnation are hereby assigned to Beneficiary, and Grantor, upon request by Beneficiary, agrees to make, execute and deliver any additional assignments or documents necessary from time to time to enable Beneficiary to collect the same. Such awards and proceeds shall be paid or applied by Beneficiary, in its sole discretion, to: (i) reduction of the Liabilities; (ii) restoration, replacement or repair of the Property in accordance with Beneficiary's standard construction loan disbursement conditions and requirements; or (iii) Grantor.

(d) Nothing herein shall relieve Grantor of its duty to repair, restore, rebuild or replace the Property following damage or destruction or partial condemnation if no or inadequate insurance proceeds or condemnation awards are available to defray the cost of repair, restoration, rebuilding or replacement.

(e) Notwithstanding the provisions of subparagraphs (b) and (c) above, in the event that all or any part of the Property is damaged by fire or other casualty, and Grantor promptly notifies Beneficiary of its desire to repair and restore the same, then provided that the following terms and conditions are and remain fully satisfied by Grantor, Beneficiary shall disburse insurance proceeds for repair and restoration of the Property against completed work in accordance with Beneficiary's standard construction loan disbursement conditions and requirements (which may be contained in an agreement which Beneficiary may require Grantor to sign); otherwise, and to the extent of any excess proceeds, Beneficiary shall have the right to apply the proceeds toward reduction of the Liabilities:

(i) no Event of Default or Default Condition under any of the Loan Documents shall have occurred;

(ii) there has been no material adverse change in the financial viability of the construction or operation of the Improvements,

(iii) Grantor shall have delivered evidence satisfactory to Beneficiary that the Property can be fully repaired and restored at least three (3) months prior to the Maturity Date of the Note;

(iv) the work is performed under a stipulated sum or guaranteed maximum price contract satisfactory to Beneficiary in accordance with plans and specifications and a budget satisfactory to Beneficiary and in compliance with all Legal Requirements;

(v) Grantor shall have deposited with Beneficiary for disbursement in connection with the restoration the greater of: (1) the applicable deductible under the insurance policies covering the loss; or (2) the amount by which the cost of restoration of the Property to substantially the same value, condition and character as existed prior to such damage is estimated by Beneficiary to exceed the net insurance proceeds available for restoration; and

(vi) Grantor has paid as and when due all of Beneficiary's costs and expenses incurred in connection with the collection and disbursement of insurance proceeds, including without limitation, inspection, monitoring, engineering and legal fees. If not paid on demand, and at Beneficiary's option, such costs may be deducted from the disbursements made by Beneficiary or added to the sums secured by this Deed of Trust in accordance with the provisions of Section 1 hereof.

2.12. **Required Notices.** Grantor shall notify Beneficiary within three (3) days of: (a) receipt of any notice from any governmental or quasi-governmental authority relating to the structure, use or occupancy of the Property or alleging a violation of any Legal Requirement; (b) a substantial change in the occupancy or use of all or any part of the Property; (c) receipt of any notice from the holder of any lien or security interest in all or any part of the Property; (d) commencement of any litigation affecting or potentially affecting the financial ability of Grantor or the value of the Property; (e) a pending or threatened condemnation of all or any part of the Property; (f) a fire or other casualty causing damage to all or any part of the Property; (g) receipt of any notice with regard to any Release of Hazardous Materials (as such terms are defined in the Loan Agreement) or any other environmental matter affecting the Property or Grantor's interest therein; (h) receipt of any request for information, demand letter or notification of potential liability from any entity relating to potential responsibility for investigation or clean-up of Hazardous Materials on the Property or at any other site owned or operated by Grantor; (i) receipt of any notice from any tenant of all or any part of the Property alleging a default, failure to perform or any right to terminate its lease or to set-off rents; or (j) receipt of any notice of the imposition of, or of threatened or actual execution on, any lien on or security interest in all or any part of the Property.

2.13. **Books and Records; Inspection.** Grantor shall keep and maintain (a) complete and accurate books and records, in accordance with generally accepted accounting principles consistently applied, reflecting all items of income and expense in connection with the operation of the Property, and (b) copies of all written contracts, leases and other agreements affecting the Property. Beneficiary or its designated representatives shall, upon reasonable prior notice to Grantor, have (a) the right of entry and free access to the Property during business hours (which may be without notice in any case of emergency) to inspect the Property, and (b) the right to examine and audit all books, contracts and records of Grantor relating to the Property.

2.14. **Right to Reappraise.** Beneficiary shall have the right to conduct or have conducted by an independent appraiser acceptable to Beneficiary appraisals of the Property in form and substance satisfactory to Beneficiary at the sole cost and expense of Grantor, provided, however, that Grantor shall not be obligated to bear the expense of such appraisals so long as (a) no Default Condition or Event of Default exists, and (b) such appraisals are not required by applicable law, rule or regulation of any governmental authority having jurisdiction over Beneficiary. The cost of such appraisals, if chargeable to Grantor as aforesaid, shall be added to the Liabilities and shall be secured by this Deed of Trust in accordance with the provisions of Section 1 hereof.

3. **SECURITY AGREEMENT.** This Deed of Trust constitutes a security agreement under the Code and shall be deemed to constitute a fixture financing statement. Grantor hereby grants to Beneficiary a security interest in the personal and other property (other than real property) included in the Property, and all replacements of, substitutions for, and additions to, such property, and the proceeds thereof. Grantor shall, at Grantor's own expense, execute, deliver, file and refile any financing or continuation statements or other security agreements Beneficiary may require from time to time to perfect, confirm or maintain the lien of this Deed of Trust with respect to such property. A photocopy of an executed financing statement shall be effective as an original. Without limiting the foregoing, Grantor hereby irrevocably appoints Beneficiary attorney-in-fact for Grantor to execute, deliver and file

such instruments for or on behalf of Grantor at Grantor's expense, which appointment, being for security, is coupled with an interest and shall be irrevocable.

4. **ASSIGNMENT OF LEASES.** Grantor irrevocably, absolutely and unconditionally assigns, transfers, and sets over to Beneficiary, its successors and assigns, all of the right, title, interest, and estate that Grantor may now or later have in, to and under (a) the Leases now or hereafter entered into; (b) the Rents; (c) all proceeds from the cancellation, surrender, sale or other disposition of the Leases, including, but not limited to, any Termination Fee (as defined in the Note); (d) the right to collect and receive all the Rents; and (e) the right to enforce and exercise, whether at law or in equity or by any other means, all terms and conditions of the Leases. This Assignment is intended by Grantor and Beneficiary to constitute a present, absolute assignment and not a collateral assignment for additional security only. Upon full payment and satisfaction of the Loan and written request by Grantor, Beneficiary shall transfer, set over, and assign to Grantor all right, title, and interest of Beneficiary in, to, and under the Leases and the Rents.

5. **DECLARATION OF NO OFFSET.** Grantor represents to Beneficiary that Grantor has no knowledge of any offsets, counterclaims or defenses to the Liabilities either at law or in equity. Grantor shall, within three (3) days upon request in person or within seven (7) days upon request by mail, furnish to Beneficiary or Beneficiary's designee a written statement in form satisfactory to Beneficiary stating the amount due under the Liabilities and whether there are offsets or defenses against the same, and if so, the nature and extent thereof.

6. **RESERVED.**

7. **EVENTS OF DEFAULT.** An Event of Default as defined in the Loan Agreement shall constitute an Event of Default herein.

8. **REMEDIES.** If an Event of Default shall have occurred, Beneficiary may take any of the following actions:

8.1. **Acceleration.** Beneficiary may declare the entire amount of the Liabilities immediately due and payable, without presentment, demand, notice of any kind, protest or notice of protest, all of which are expressly waived, notwithstanding anything to the contrary contained in any of the Loan Documents. Beneficiary may charge and collect interest from the date of default on the unpaid balance of the Liabilities, at the Default Rate set forth in the Note. In addition, any and all accelerations of any portion of the remaining principal balance of the Liabilities (including, without limitation, foreclosure by Beneficiary under this Deed of Trust) shall be subject to any prepayment consideration required by the Note, if any.

8.2. **Possession.** Beneficiary may enter upon and take possession of the Property, with or without legal action, lease the Property, collect therefrom all rentals and, after deducting all costs of collection and administration expense, apply the net rentals to any one or more of the following items in such manner and in such order of priority as Beneficiary, in Beneficiary's sole discretion, may elect: the payment of any sums due under any prior lien, taxes, water and sewer rents, charges and claims, insurance premiums and all other carrying charges, to the maintenance, repair or restoration of the Property, or on account of the Liabilities. Beneficiary is given full authority to do any act which Grantor could do in connection with the management and operation of the Property. This covenant is effective either with or without any action brought to foreclose this Deed of Trust and without applying for a receiver of such rents. In addition to the foregoing, upon the occurrence of an Event of Default, Grantor shall pay monthly in advance to Beneficiary or to any receiver appointed to collect said rents the fair and reasonable rental value for Grantor's use and occupation of the Property, and upon default in any such payment Grantor shall vacate and surrender the possession of the Property to Beneficiary or to such receiver. If Grantor does not vacate and surrender the Property then Grantor may be evicted by summary proceedings.

8.3. **Foreclosure and Sale.** Beneficiary may (a) direct Trustee to sell (and Trustee is hereby empowered to sell) all or any part of the Property at public auction to the last and highest bidder for cash (free of any equity of redemption, homestead, dower, courtesy or other exemption, all of which are expressly waived by Grantor) at such time and place and upon such terms and conditions as may be required by Washington law or rule of court and after having complied with applicable law applicable to power of sale foreclosures (a "Power of Sale Foreclosure"); (b) elect to foreclose this Deed of Trust pursuant to a judicial foreclosure action; or (c) take such

other action at law, equity or by contract for the enforcement of this Deed of Trust and realization on the security herein or elsewhere provided for, as the law may allow. In any action or proceeding to foreclose this Deed of Trust or to collect the sums secured hereby, Beneficiary may proceed therein to final judgment and execution for the entire unpaid balance of the Liabilities, together with all future advances and any other sums due by Grantor in accordance with the provisions of this Deed of Trust, together with interest from the date of default at the Default Rate set forth in the Note and all expenses of sale and of all proceedings in connection therewith, including reasonable attorneys' fees. The unpaid balance of any judgment shall bear interest at the greater of (a) the statutory rate provided for judgments, or (b) the Default Rate.

In the event that Beneficiary elects to direct the Trustee to sell the Property pursuant to a Power of Sale Foreclosure, the following provisions shall apply: (a) in exercising the power of sale and selling the Property, the Trustee shall comply with the provisions of Washington law governing power of sale foreclosures and shall give such notice of hearing as to the commencement of foreclosure proceedings, obtain such findings and leave of court, and give such notice of and advertise such foreclosure sale all as may then be required by such law; (b) upon such foreclosure sale or any required resale, it shall be lawful for the Trustee to convey the Property (or such portion thereof as may have been sold) to the successful bidder by way of a Trustee's deed without any covenant or warranty and any recitals of fact in such Trustee's deed shall be prima facie evidence of such facts; (c) the Trustee shall be entitled to a reasonable Trustee's fee, not to exceed the maximum fee allowed by applicable law (the "Commission") as well as reimbursement for any attorney's fees incurred by Trustee; (d) the Trustee shall apply the proceeds of the sale first to the payment of all expenses and costs incurred in connection with such sale, including without limitation, advertising costs, title examination fees, transfer taxes, and court costs; second to the payment of the Trustee's Commission; third to payment of any taxes or governmental assessments which may be a lien against the Property, unless Trustee advertised and sold the Property subject to such taxes or assessments; and fourth, to the payment of the Liabilities and sums secured hereby, with the excess, if any, of such proceeds after the payment in full of the Liabilities and secured sums being distributed to the person or persons entitled thereto as their interests may appear; (e) if the Trustee commences a Power of Sale Foreclosure and such proceeding is terminated prior to the completion thereof, Grantor shall pay to Trustee all expenses incurred by Trustee in connection with such proceeding and sale and a reasonable commission or compensation for services rendered by such Trustee but not more than the maximum fee allowed by applicable law; (f) at any sale conducted by the Trustee, Beneficiary may bid for and become the purchaser of the Property or such portion thereof as has been offered for sale and in lieu of paying cash therefor Beneficiary may take settlement of the purchase price by a credit upon the Liabilities due and payable and secured by this Deed of Trust; (g) any sale scheduled by the Trustee may be adjourned by announcement at the time and place appointed for such sale without further notice except as may be required by law; and (h) the sale by Trustee of less than the whole of the Property shall not exhaust the right to sell any remainder of the Property and Trustee is specifically empowered to make a successive sale or sales until the whole of the Property shall be sold; and if the proceeds of such sale of less than the whole of the Property shall be less than the aggregate of the Liabilities, this Deed of Trust and the lien hereof shall remain in full force and effect as to the unsold portion of the Property just as though no sale had been made.

8.4. **Appointment of Receiver.** Beneficiary may petition a court of competent jurisdiction to appoint a receiver of the Property. Such appointment may be made either before or after sale, without notice, without regard to the solvency or insolvency of Grantor at the time of application for such receiver, without regard to the then value of the Property or whether the Property shall be then occupied as a homestead or not, and without regard to whether Grantor has committed waste or allowed deterioration of the Property, and Beneficiary or any agent of Beneficiary may be appointed as such receiver. Grantor hereby agrees that Beneficiary has a special interest in the Property and absent the appointment of such receiver the Property shall suffer waste and deterioration and Grantor further agrees that it shall not contest the appointment of a receiver and hereby so stipulates to such appointment pursuant to this paragraph. Such receiver shall have the power to perform all of the acts permitted Beneficiary pursuant to Section 8.2 above and such other powers which may be necessary or customary in such cases for the protection, possession, control, management and operation of the Property during such period.

8.5. **Rights as a Secured Party.** Beneficiary shall have, in addition to other rights and remedies available at law or in equity, the rights and remedies of a secured party under the Code. Beneficiary may elect to foreclose such of the Property as then comprise fixtures pursuant either to the law applicable to foreclosure of an interest in real estate or to that applicable to personal property under the Code. To the extent permitted by law, Grantor waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

8.6. **Excess Monies.** Beneficiary may apply on account of the Liabilities any unexpended monies still retained by Beneficiary that were paid by Grantor to Beneficiary: (a) for the payment of, or as security for the payment of taxes, assessments or other governmental charges, insurance premiums, or any other charges; or (b) to secure the performance of some act by Grantor.

8.7. **Other Remedies.** Beneficiary shall have the right, from time to time, to bring an appropriate action to recover any sums required to be paid by Grantor under the terms of this Deed of Trust, as they become due, without regard to whether or not any other Liabilities shall be due, and without prejudice to the right of Beneficiary thereafter to bring an action of foreclosure, or any other action, for any default by Grantor existing at the time the earlier action was commenced. In addition, Beneficiary shall have the right to set-off all or any part of any amount due by Grantor to Beneficiary under any of the Liabilities, against any indebtedness, liabilities or obligations owing by Beneficiary in any capacity to Grantor, including any obligation to disburse to Grantor any funds or other property on deposit with or otherwise in the possession, control or custody of Beneficiary.

9. **MISCELLANEOUS.**

9.1. **Substitute Trustee.** Beneficiary may, at any time and from time to time, without notice, at the Beneficiary's discretion, remove Trustee and appoint a substitute trustee (the "Substitute Trustee") by filing in the records where this Deed of Trust is recorded an instrument affecting such removal and appointment. A Substitute Trustee shall be vested with title to the Property and with all rights, powers, and duties of the original Trustee herein and all provisions hereof pertaining to the Trustee shall similarly affect any Substitute Trustee. The necessity of Trustee, or any Substitute Trustee, making oath or giving bond is expressly waived.

9.2. **Notices.** All notices and communications under this Deed of Trust shall be in writing and shall be given by either (a) hand-delivery, (b) first class mail (postage prepaid), or (c) reliable overnight commercial courier (charges prepaid), to the addresses listed in this Deed of Trust. Notice shall be deemed to have been given and received: (a) if by hand delivery, upon delivery; (b) if by mail, three (3) calendar days after the date first deposited in the United States mail; and (c) if by overnight courier, on the date scheduled for delivery. A party may change its address by giving written notice to the other party as specified herein.

9.3. **Remedies Cumulative.** The rights and remedies of Beneficiary as provided in this Deed of Trust or in any other Loan Document shall be cumulative and concurrent, may be pursued separately, successively or together, may be exercised as often as occasion therefor shall arise, and shall be in addition to any other rights or remedies conferred upon Beneficiary at law or in equity. The failure, at any one or more times, of Beneficiary to assert the right to declare the Liabilities due, grant any extension of time for payment of the Liabilities, take other or additional security for the payment thereof, release any security, change any of the terms of the Loan Documents, or waive or fail to exercise any right or remedy under any Loan Document shall not in any way affect this Deed of Trust or the rights of Beneficiary.

9.4. **No Implied Waiver.** Beneficiary shall not be deemed to have modified or waived any of its rights or remedies hereunder unless such modification or waiver is in writing and signed by Beneficiary, and then only to the extent specifically set forth therein. A waiver in one event shall not be construed as continuing or as a waiver of or bar to such right or remedy on a subsequent event.

9.5. **Partial Invalidity.** The invalidity or unenforceability of any one or more provisions of this Deed of Trust shall not render any other provision invalid or unenforceable. In lieu of any invalid or unenforceable provision, there shall be added automatically a valid and enforceable provision as similar in terms to such invalid or unenforceable provision as may be possible.

9.6. **Binding Effect.** The covenants, conditions, waivers, releases and agreements contained in this Deed of Trust shall bind, and the benefits thereof shall inure to, the parties hereto and their respective heirs, executors, administrators, successors and assigns and are intended and shall be held to be real covenants running with the land; provided, however, that this Deed of Trust cannot be assigned by Grantor without the prior written consent of Beneficiary, and any such assignment or attempted assignment by Grantor shall be void and of no effect with respect to Beneficiary.

9.7. **Modifications.** This Deed of Trust may not be supplemented, extended, modified or terminated except by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

9.8. **Intentionally omitted.**

9.9. **Governing Law.** With respect to matters relating to the creation, perfection and procedures relating to the enforcement of the liens created pursuant to this Deed of Trust, this Deed of Trust shall be governed by, and construed in accordance with, the laws of Washington, it being understood that, except as expressly set forth above in this paragraph and to the fullest extent permitted by the laws of Washington, the laws of North Carolina shall govern any and all matters, claims, controversies or disputes arising under or related to this Deed of Trust, the relationship of the parties, and/or the interpretation and enforcement of the rights and duties of the parties relating to this Deed of Trust, the Loan Agreement and the other Loan Documents and all of the indebtedness or obligations arising thereunder or hereunder. Grantor hereby consents to the jurisdiction of any federal or state court within North Carolina having proper venue and also consent to service of process by any means authorized by North Carolina or federal law.

9.10. **Joint and Several Liability.** If Grantor consists of more than one person or entity, the word "Grantor" shall mean each of them and their liability shall be joint and several.

10. STATE-SPECIFIC PROVISIONS.

10.1. **Principles Of Construction.** In the event of any inconsistencies between the terms and conditions of this Article 10 and the other terms and conditions of this Security Instrument, the terms and conditions of this Article 10 shall control and be binding.

10.2. **Substitution of Trustee.** Pursuant to RCW 61.24.010(2), the powers of Trustee may be exercised by any successor Trustee with the same effect as if exercised by Trustee. Grantor hereby grants to Beneficiary, in its sole discretion, the right and power to appoint a substitute trustee or trustees for any reason whatsoever. Such substitution shall be made by an instrument duly executed and acknowledged and recorded where this Security Instrument is recorded.

10.3. **Performance of Duties: Liability.** Trustee shall perform and fulfill faithfully its obligations hereunder, but it shall be under no duty to act until it receives notice of the occurrence of an Event of Default from Lender and arrangements have been made which are satisfactory to it for the indemnification to which it is entitled, the payment of its compensation and the reimbursement of any expenses it may incur in the performance of its duties. It shall have no liability for its acts unless it is guilty of willful misconduct or gross negligence.

10.4. **Trustee's Fees.** Grantor shall pay Trustee reasonable compensation for any and all services performed and all its reasonable expenses, charges, attorneys' fees and other obligations incurred in the administration and execution of the trusts hereby created and the performance of its duties and powers hereunder, which compensation, expenses, fees and disbursements shall constitute a part of the obligations secured hereby.

10.5. **Reconveyance.** Trustee shall reconvey all or any part of the Property covered by this Deed of Trust to the person entitled thereto, upon written request of Beneficiary and Grantor, or upon full satisfaction of the obligations secured hereby and written request of Beneficiary or the person entitled thereto.

10.6. **Procedure of Trustee's Power of Sale.** Except as otherwise prescribed by applicable law, the procedure for exercise of the Trustee's power of sale under this Deed of Trust shall be as follows:

10.7. Upon written request therefor by Beneficiary specifying the nature of the Event of Default, or the nature of the several Events of Default, and the amount or amounts due and owing, Trustee shall execute a written notice of breach and of its election to cause the Property to be sold to satisfy the obligation secured hereby, and shall cause such notice to be recorded and otherwise given according to law.

10.8. Notice of sale having been given as then required by law and not less than the time then required by law having elapsed after recordation of such notice of breach, Trustee, without demand on Grantor, shall sell the Property at the time and place of sale specified in the notice, as provided by statute, either as a whole or in separate parcels and in such order as it may determine, at public auction to the highest and best bidder for cash in lawful money of the United States, payable at time of sale. Grantor agrees that such sale (or a sheriff's sale pursuant to judicial foreclosure) of all the Property as real estate constitutes a commercially reasonable disposition thereof, but that with respect to all or any part of the Property which may be personal property, Trustee shall have and exercise, at Beneficiary's sole election, all the rights and remedies of a secured party under the Uniform Commercial Code (the "UCC"). Whatever notice is permitted or required hereunder or under the UCC, ten (10) days shall be deemed reasonable. Trustee may postpone sale of all or any portion of the Property, and from time to time thereafter may postpone such sale, as provided by statute. Trustee shall deliver to the purchaser its deed and bill of sale conveying the Property so sold, but without any covenant or warranty, express or implied. The recital in such deed and bill of sale of any matters or facts shall be conclusive proof of the truthfulness thereof. Any Person other than Trustee, including Grantor or any one or more Beneficiary, may purchase at such sale.

10.9. After deducting all costs, fees and expenses of Trustee, and of this Deed of Trust, including the cost of evidence of title search and reasonable counsel fees in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof not then repaid, with accrued interest at the Default Rate of interest specified in the Loan Documents; all other sums then secured hereby; and the remainder, if any, to the clerk of the superior court of the county in which the sale took place, as provided in RCW 61.24.080.

10.10. Commercial Loan. Grantor warrants that the proceeds of the Loan are for commercial purposes only and not for personal, family or household purposes pursuant to RCW 19.52.080.

10.11. Non-Agricultural Use. The Property is not presently, and will not during the term of this Deed of Trust be, used principally or at all for agricultural or farming purposes.

10.12. Washington Statute of Frauds Notice. ORAL AGREEMENTS OR ORAL COMMITMENTS TO LEND MONEY, EXTEND CREDIT, OR FOREBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

10.13. Waiver of Immunity Under RCW Title 51. With respect to any contractual matters that Grantor establishes in any action within the scope of RCW Section 4.24.115, Grantor expressly (1) waives Grantor's immunity under RCW tit. 51 and acknowledges that such waiver was mutually negotiated by the parties; and (2) agrees to indemnify Beneficiary. The scope of this indemnity shall be limited with regard to damages for bodily injury to persons or damage to property resulting from the concurrent negligence of Grantor or Grantor's agents or employees and of Beneficiary or Beneficiary's agents or employees, as to which Grantor agrees to indemnify Beneficiary to the extent of the negligence of Grantor or Grantor's agents or employees. Nothing herein shall be deemed to require Grantor to indemnify Beneficiary against the sole or concurrent negligence of Beneficiary or Beneficiary's agents or employees if such indemnity would be prohibited under RCW Section 4.24.115. The parties intend that under indemnity provisions herein, unless otherwise expressly limited herein, Grantor shall indemnify Beneficiary to the fullest extent not prohibited by law, including, without limitation, in the event of the sole or concurrent negligence of Beneficiary or of any other person or entity.

10.14. Excluded Obligations. Any provision of this Deed of Trust or any other Loan Document to the contrary notwithstanding, this Deed of Trust does not secure (collectively, the "Excluded Obligations"): (i) any guaranty of the obligations of Borrower under the Note or the Loan Agreement; (ii) any environmental indemnification agreement executed by Borrower or any other party in connection with the Loan secured hereby; or (iii) any provision of this Deed of Trust, the Loan Agreement or any other Loan Document that would, under RCW Ch. 61.24, be considered the "substantial equivalent" of an environmental indemnification agreement described in (ii) above.

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EXHIBIT A**DESCRIPTION OF PROPERTY**

That part of the Northeast Quarter of the Northwest Quarter of Section 24, Township 35 North, Range 4 East, W.M., lying West of the Northern Pacific Railway right-of-way and South of the Puget Sound and Baker River Railway right-of-way:

TOGETHER WITH that portion of the Northeast Quarter of the Northwest Quarter of Section 24, Township 35 North, Range 4 East, W.M. described as follows:

Beginning at the Northeast corner of that certain tract conveyed by Patrick A. Rimmer Family Limited Partnership to the City of Sedro-Woolley by deed filed under Skagit County Auditor's File No. 200912220005;

thence N 2°42'09"W, a distance of 57.45 feet;

thence S 88°22'21"W, a distance of 70.53 feet;

thence S 2°25'31"E, a distance of 194.38 feet to a point on the North line of Michael Street at a curve concave to the Northwest which radius point lies N 17°47'52"W, a distance of 15.50 feet;

thence Northeasterly along said curve through a central angle of 74°54'04", and an arc distance of 20.26 feet to a point on the West line of Patrick Street;

thence N 2°42'11"W along the West line of Patrick Street, a distance of 120.62 feet to the Northwest corner of said City of Sedro-Woolley parcel.

thence N 87°17'51"E, a distance of 60.00 feet to the point of beginning. EXCEPT ditch rights-of-way;

ALSO EXCEPT road rights-of-way including those known as the Sapp Road and the East Jones Road along the Easterly and North lines thereof.

AND EXCEPT that portion conveyed to the City of Sedro Woolley by deed recorded November 25, 2008 under Auditor's File No. 200811250087.

AND EXCEPT that portion of the Northeast Quarter of the Northwest Quarter of Section 24, Township 35 North, Range 4 East, W.M. described as follows:

Commencing at the Northeast corner of Lot 4, Block 1, Moore's Addition to Woolley, as per plat recorded in Volume 2 of Plats, page 62, records of Skagit County, Washington:

running thence East along the north lines of Block 1 and 2, a distance of 355 feet to the point of beginning of this description;

thence North and parallel with the West line of the Northeast Quarter of the Northwest Quarter, a distance of 245 feet;

thence West and parallel with the North line of Moore's Addition, a distance of 284.47 feet;

thence South and parallel with the West line of the Northeast Quarter of the Northwest Quarter, a distance of 341.73 feet to a curve concave to the East which radius point lies N 78°57'09"E, a distance of 74.50 feet;

thence Southeasterly along said curve through a central angle of 31°41'04", and an arc distance of 41.20 feet to a point on the North line of State Route 20;

thence N 87°55'35"E along said North line, a distance of 255.51 feet;

thence N 2°26'37"W, a distance of 136.81 feet;

thence N 88°22'21"E, a distance of 5.35 feet to the point of beginning.

Situate in Skagit County, Washington.