

**THIS INSTRUMENT PREPARED BY
AND WHEN RECORDED, RETURN
TO:**

Seth W. Eaton, Esq.
Winstead PC
500 Winstead Building
2728 N. Harwood Street
Dallas, Texas 75201

This Space Provided for Recorder's Use

**TO BE RECORDED IN THE REAL PROPERTY RECORDS OF
SKAGIT COUNTY, WASHINGTON**

Chicago Title
500161052

DOCUMENT TITLE: **CONSTRUCTION DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING**

GRANTORS (TRUSTORS): **LAVENTURE GROUP'S THE LOFTS LLC,**
a Delaware limited liability company

GRANTEE (TRUSTEE): **CHICAGO TITLE COMPANY OF WASHINGTON,**
a Washington corporation

GRANTEE (BENEFICIARY): **DELPHI CRE FUNDING LLC,**
a Delaware limited liability company, in its capacity as lender and as
Administrative Agent for the lenders referred to herein

ABBREVIATED LEGAL DESCRIPTION: Ptn SE SE 20-34-4, Skagit County, Washington. The complete legal description is shown on Exhibit A, page 19.

ASSESSOR'S PROPERTY PARCEL NOS.: P26686 / 340420-4-007-0300

For purposes of Article 9 of the Uniform Commercial Code (RCW 62A.9A), this Security Instrument constitutes a Security Agreement and Financing Statement with the Trustor being the Debtor and the Beneficiary being the Secured Party. This Security Instrument shall constitute a Financing Statement filed as a fixture filing pursuant to Article 9 of the Uniform Commercial Code (RCW 62A.9A-502(c)).

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

THIS CONSTRUCTION DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING (this "Security Instrument") is made as of this 4th day of September, 2025, by **LAVENTURE GROUP'S THE LOFTS LLC**, a Delaware limited liability company, having its principal place of business at 20505 Olympic Pl NE, Suite 101, Arlington, Washington 98223, as trustor ("Trustor"), to **CHICAGO TITLE COMPANY OF WASHINGTON**, having an address at 3002 Colby Avenue, Suite 200, Everett, Washington 98201, as trustee (together with its successors and/or assigns, "Trustee"), for the benefit of **DELPHI CRE FUNDING LLC**, a Delaware limited liability company, in its capacity as lender and as Administrative Agent for the lenders from time to time party to the Loan Agreement defined below, having an address at 39 Mesa Street, Suite 109, San Francisco, California 94129, as beneficiary (together with its successors and/or assigns, "Beneficiary").

RECITALS:

WHEREAS, pursuant to that certain Loan Agreement dated of even date herewith among Trustor, **GRANDVIEW'S IRONWOOD PLACE LLC**, **GRANDVIEW'S RIVERFRONT VILLAGE I LLC**, and **GRANDVIEW'S RIVERFRONT II LLC** (collectively, "Borrower"), the Lender defined therein, and Beneficiary, Beneficiary has agreed to make a Loan to Borrower in the original principal amount of up to EIGHTY-SIX MILLION FIVE HUNDRED SIXTY THOUSAND FIVE HUNDRED AND NO/100 DOLLARS (\$86,560,500.00) (as the same may be amended, the "Loan Agreement"); capitalized terms not defined herein shall have the respective meanings set forth in the Loan Agreement; and

WHEREAS, Beneficiary is not willing to make the Loan to Borrower unless Trustor executes and delivers this Security Instrument.

NOW, THEREFORE, as an inducement to Beneficiary to make the Loan to Borrower, and for other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, Trustor hereby agrees as follows:

1. Grant of Security. Trustor does hereby irrevocably grant, pledge, and collaterally assign, transfer and convey to Trustee in trust for the benefit and security of Beneficiary, and its successors and assigns, WITH THE POWER OF SALE (to the extent permitted by applicable law), all of its right, title, and interest in and to the property, rights, interests and estates described on Schedule 1 attached hereto, whether now owned, or hereafter acquired (collectively, the "Property"), to secure the payment to Beneficiary of the Loan and the Debt (including, without limitation, all additional advances of the Loan made by Lender from time to time under any of the Loan Documents) in the manner provided for in the Loan Agreement and performance of the other obligations of Trustor. This Security Instrument secures future advances, both obligatory and optional (the foregoing, collectively, the "Future Advances"), made from time to time by Beneficiary, Lender or other secured parties under the Loan Agreement to or for the benefit of

Trustor, which Future Advances shall be secured by this Security Instrument. The term "Future Advances" includes, without limitation, the following: (a) all proceeds of the Loan advanced by the Lenders pursuant to the Loan Documents following the date hereof; (b) all advances by Beneficiary (or Lender or the other secured parties) to or for the benefit of Trustor 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 (or Lender or the other secured parties) for the payment of real estate taxes, assessments or other governmental charges, ground lease rent (if applicable), maintenance charges, insurance premiums, appraisal charges, environmental inspection, audit, testing or compliance costs, private assessments or maintenance costs, and costs incurred by Beneficiary for the enforcement, protection and/or preservation of the Property or the lien and security of this Security Instrument; and (d) all legal fees, costs and other expenses incurred by Beneficiary (or Lender or the other secured parties) by reason of any default or otherwise in connection with the obligations secured hereunder. Trustor agrees that if, at any time during the term of this Security Instrument or following a foreclosure hereof (whether before or after the entry of a judgment of foreclosure), Trustor fails to perform or observe any covenant or obligation under this Security Instrument 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 (including, without limitation, making protective advances), which amounts shall be added to the amount secured by this Security Instrument and the other Loan Documents (and, if advanced after the entry of a judgment of foreclosure, by such judgment of foreclosure), and shall be due and payable on demand, together with interest at the Default Rate (as defined in the Loan Agreement), such interest to be calculated from the date of such advance to the date of repayment thereof.

2. Assignment of Leases and Rents. Trustor hereby absolutely and unconditionally assigns to Beneficiary all of Trustor's right, title and interest in and to all current and future Leases and Rents; it being intended by Trustor that this assignment constitutes a present, absolute and unconditional assignment and not an assignment for additional security only. Nevertheless, subject to the terms of the Loan Agreement, the Assignment of Leases and Section 6 of this Security Instrument, Beneficiary grants to Trustor a revocable license (which shall be automatically revoked during the continuance of an Event of Default) to collect, receive, use and enjoy the Rents and otherwise deal with the Leases in accordance with the terms and conditions of the Loan Agreement.

3. Security Agreement. This Security Instrument is a real property deed of trust, a "security agreement," a "financing statement" and a "fixture filing" within the meaning of the Uniform Commercial Code in effect in the State where the Land is located (the "UCC"). The Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Trustor in the Property. By executing and delivering this Security Instrument, Trustor hereby grants to Beneficiary, as security for the Debt and other Obligations, a security interest in the Fixtures, the Equipment, and the UCC Collateral (as defined on Schedule 1). Trustor's (debtor's) principal place of business is as set forth on the first page hereof and the address of Beneficiary (secured party) is as set forth on the first page hereof. Trustor

and Beneficiary agree that the foregoing is intended to grant in favor of Beneficiary a first priority continuing lien and security interest in the Property. Trustor authorizes the Beneficiary to file UCC financing statements in form and substance satisfactory to the Beneficiary describing the Property and the UCC Collateral. Such financing statements may describe as the property covered thereby "all assets of the debtor, whether now owned or hereafter acquired" or words to that effect, notwithstanding that such UCC Collateral description may be broader in scope than the UCC Collateral described in this Security Instrument. The organizational identification number of Trustor is 10285786.

4. Fixture Filing. Certain of the Property is or will become "fixtures" (as that term is defined in the UCC) on the Land, and this Security Instrument, upon being filed for record in the real estate records of the city or county wherein such fixtures are situated, shall operate also as a financing statement (naming Trustor as the debtor and Beneficiary as the secured party) filed as a fixture filing in accordance with the applicable provisions of the UCC upon such of the Property that is or may become fixtures.

5. Due on Sale/Encumbrance. Trustor shall not cause or suffer to occur a Transfer of the Property or any interest therein, or any direct or indirect interest in Trustor, other than as may be permitted pursuant to the Loan Agreement.

6. Default; Remedies. During the existence of an Event of Default, the license granted to Trustor under Section 2 hereof shall automatically be revoked, and Trustor agrees that Beneficiary may take such action, without notice, presentment, demand, protest, or notice or action of any kind whatever (each of which is hereby expressly waived by Trustor), as it deems advisable to protect and enforce its rights against Trustor and the Property, including, but not limited to, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Beneficiary may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of Beneficiary (personally or by causing the Trustee to do so):

(a) accelerate the Maturity Date of the Debt and declare any or all of the Debt to be immediately due and payable, whereupon the same shall become immediately due and payable. Upon any such acceleration, payment of such accelerated amount shall constitute a prepayment of the principal balance of the Debt and any applicable prepayment fee, if any, provided for in the Loan Agreement shall then be immediately due and payable;

(b) institute proceedings (judicial or otherwise) for the full or partial foreclosure of this Security Instrument under any applicable provision of law, in which case the Property or any interest therein may be sold for cash or upon credit in one or more parcels or in several interests or portions and in any order or manner as Beneficiary shall elect in its sole and absolute discretion;

(c) sell for cash or upon credit the Property or any part thereof and all estate, claim, demand, right, title and interest of Trustor therein and rights of redemption thereof, pursuant to power of sale or otherwise, at one or more sales, as an entirety or in parcels, at such time and

place, upon such terms and after such notice thereof, all as may be required or permitted by law, and, without limiting the foregoing, Beneficiary may: (i) elect to treat any of the Property which consists of (x) a right in action, or (y) which is property that can be severed from the Land covered hereby, or (z) any Improvements (without causing structural damage thereto), as if the same were UCC Collateral, and dispose of the same in accordance with applicable law, separate and apart from the sale of the Land; (ii) from time to time postpone any sale hereunder by making public announcement thereof at the time and place noticed for any such sale; and/or (iii) to the extent the Property consists of several lots, parcels, condominium units or items of property, (A) designate the order in which such lots, parcels, condominium units or items shall be offered for sale or sold, and/or (B) elect to sell such lots, parcels, condominium units or items through a single sale, or through two or more successive sales, or in any other manner Beneficiary (or Trustee) designates. No sale (whether conducted pursuant to a judicial action or otherwise) of less than all of the Property shall operate to terminate or otherwise affect the lien of this Security Instrument on any part of the Property not sold until the Debt has been satisfied in full (exclusive of any indemnification or other obligations which are expressly stated in any of the Loan Documents to survive repayment of the Debt);

(d) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained in the Loan Documents;

(e) recover judgment on the Note either before, during or after any proceedings for the enforcement of this Security Instrument or the other Loan Documents;

(f) apply for the appointment of a receiver, trustee, liquidator or conservator of the Property, without notice and without regard for the adequacy of the security for the Debt and without regard to the solvency of Trustor, any guarantor or indemnitor with respect to the Loan or any Person otherwise liable for the payment of the Debt or any part thereof, it being agreed that Beneficiary shall be entitled to appointment of such receiver, trustee, liquidator or conservator as a matter of right;

(g) enter into or upon the Property, either personally or by its agents, nominees or attorneys, and dispossess Trustor and its agents therefrom, without liability for trespass, damages or otherwise, and exclude Trustor and its agents wholly therefrom, and take possession of all books, records and accounts relating thereto and Trustor agrees to surrender possession of the Property and of such books, records and accounts to Beneficiary upon demand, and thereupon Beneficiary may (i) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Property and conduct the business thereat, (ii) complete any construction on the Property in such manner and form as Beneficiary deems advisable, (iii) make alterations, additions, renewals, replacements and improvements to or on the Property, (iv) exercise all rights and powers of Trustor with respect to the Property, whether in the name of Trustor or otherwise, including, without limitation, the right to make, cancel, enforce or modify Leases, obtain and evict tenants, and demand, sue for, collect and receive all Rents of the Property and every part thereof, (v) require Trustor to pay monthly in advance to Beneficiary, or any receiver appointed to collect the Rents, the fair and reasonable rental value for the use and

occupation of such part of the Property as may be occupied by Trustor, (vi) require Trustor to vacate and surrender possession of the Property to Beneficiary or to such receiver and, in default thereof: Trustor may be evicted by summary proceedings or otherwise, and (vii) apply the receipts from the Property to the payment of the Debt and the performance of the Obligations, in such order, priority and proportions as Beneficiary shall deem appropriate in its sole discretion after deducting therefrom all third-party, out of pocket costs and expenses (including, without limitation, reasonable attorneys' fees and costs) incurred by Beneficiary in connection with the aforesaid operations and all amounts necessary to pay the Property Taxes, Insurance Premiums and other expenses in connection with the Property, as well as just and reasonable compensation for the services of Beneficiary, its counsel, agents and employees;

(h) exercise any and all rights and remedies granted to a secured party upon default under the UCC, including, without limiting the generality of the foregoing: (i) the right to take possession of the Fixtures, the Equipment and/or the other UCC Collateral or any part thereof, and to take such other measures as Beneficiary may deem necessary for the care, protection and preservation of the Fixtures, the Equipment and/or the other UCC Collateral; and (ii) require Trustor at its sole cost and expense to assemble the Fixtures, the Equipment and/or the other UCC Collateral and make it available to Beneficiary at a convenient place acceptable to Beneficiary. Any notice of sale, disposition or other intended action by Beneficiary with respect to the Fixtures, the Equipment and/or the UCC Collateral sent to Trustor in accordance with the provisions hereof at least ten (10) days prior to such action, shall constitute commercially reasonable notice to Trustor. The proceeds of any disposition of the UCC Collateral, or any part thereof, may, except as otherwise required by applicable law, be applied by Beneficiary to the repayment of the Debt in such priority and proportions as Beneficiary in its sole discretion shall deem proper;

(i) apply any sums then deposited or held in Reserve Accounts, escrow or otherwise by or on behalf of Beneficiary in accordance with the terms of the Loan Agreement to the payment of the Debt in such order, priority and proportions as Beneficiary shall deem to be appropriate in its sole and absolute discretion; and/or

(j) pursue such other remedies as Beneficiary may have under applicable law and/or in equity.

7. Application of Proceeds. The purchase money, proceeds and avails of any disposition of the Property (after deducting all costs, fees and expenses of Beneficiary and Lender, Trustee, and of this Security Instrument), and or any part thereof, or any other sums collected by Beneficiary pursuant to the Loan Documents, may be applied by Beneficiary to the payment of the Debt in such priority and proportions as Beneficiary in its discretion shall deem proper, to the extent consistent with law.

8. Actions and Proceedings. Beneficiary and Lender have the right to appear in and defend any action or proceeding brought with respect to the Property and to bring any action or proceeding, which Beneficiary or Lender, in its sole and absolute discretion, decides should be brought to protect its interest in the Property.

9. Other Rights, etc. The failure of Beneficiary or Lender to insist upon strict performance of any term hereof shall not be deemed to be a waiver of any term of this Security Instrument. Trustor shall not be relieved of Trustor's obligations hereunder by reason of (i) the failure of Beneficiary or Lender to comply with any request of Trustor or any guarantor or indemnitor with respect to the Loan to take any action to foreclose this Security Instrument or otherwise enforce any of the provisions hereof or of the Note or the other Loan Documents, (ii) the release, regardless of consideration, of the whole or any part of the Property, or of any Person liable for the Obligations or any portion thereof, or (iii) any agreement or stipulation by Beneficiary extending the time of payment or otherwise modifying or supplementing the terms of the Loan Documents except as expressly set forth therein. It is agreed that the risk of loss or damage to the Property is on Trustor, and Beneficiary and Lender shall have no liability whatsoever for any decline in value of the Property, for failure to maintain the Required Policies, or for failure to determine whether insurance in force is adequate as to the amount of risks insured. Possession by Beneficiary shall not be deemed an election of judicial relief if any such possession is requested or obtained with respect to any Property or collateral not in Beneficiary's possession. Beneficiary may resort for the payment of the Debt and the performance of the Obligations to any other security held by Beneficiary in connection with the Loan in such order and manner as Beneficiary, in its sole discretion, may elect. The rights of Beneficiary and Lender under this Security Instrument shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of Beneficiary shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision.

10. Right to Release Any Portion of the Property. Beneficiary may release any portion of the Property for such consideration as Beneficiary may require without, as to the remainder of the Property, in any way impairing or affecting the lien or priority of this Security Instrument, or improving the position of any subordinate lienholder with respect thereto, except to the extent that the Debt shall have been reduced by the actual monetary consideration, if any, received by Beneficiary for such release, and may accept by assignment, pledge or otherwise any other property in place thereof as Beneficiary may require without being accountable for so doing to any other lienholder. This Security Instrument shall continue as a lien and security interest in the remaining portion of the Property.

11. Recourse and Choice of Remedies. Beneficiary and other Indemnified Parties are entitled to enforce the obligations of Trustor, any guarantor and indemnitor contained in any other Loan Document without first resorting to or exhausting any security or collateral for the Debt, and in the event Beneficiary commences a foreclosure action against the Property, Beneficiary is entitled to pursue a deficiency judgment with respect to such obligations against Trustor and any guarantor or indemnitor with respect to the Loan to the extent permitted under applicable law and under the Loan Documents. The liability of Trustor and any guarantor or indemnitor with respect to the Loan pursuant to any other Loan Document is not limited to the original principal amount of the Loan. Notwithstanding any other provision of this Security Instrument, however, Trustor's obligations hereunder are subject to the terms and conditions of Section 7.3 of the Loan Agreement, which terms are incorporated herein by reference.

12. Waivers. Trustor hereby waives (in each case to the full extent permitted by applicable law): (a) the benefit of all appraisal, valuation, stay, extension, reinstatement and redemption laws now or hereafter in force and all rights of marshalling in the event of any sale hereunder of the Property or any part thereof or any interest therein; (b) any and all rights of redemption from sale under any order or decree of foreclosure of this Security Instrument on behalf of Trustor, and on behalf of each and every Person acquiring any interest in or title to the Property subsequent to the date of this Security Instrument and on behalf of all persons to the extent permitted by applicable law; (c) any notices of any nature whatsoever from Beneficiary (except as otherwise required by the Loan Documents or applicable law); and (d) any right to plead any statute of limitations as a defense to payment of the Debt or performance of the Obligations.

13. GOVERNING LAW; JURISDICTION; SERVICE OF PROCESS. WITH RESPECT TO MATTERS RELATING TO THE CREATION, PERFECTION AND PROCEDURES RELATING TO THE ENFORCEMENT OF THE LIENS CREATED PURSUANT TO THIS SECURITY INSTRUMENT (INCLUDING, WITHOUT LIMITATION, FORECLOSURE), THIS SECURITY INSTRUMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE IN WHICH THE PROPERTY IS LOCATED (WITHOUT REGARD TO CONFLICT OF LAW PROVISIONS THEREOF), IT BEING UNDERSTOOD THAT, EXCEPT AS EXPRESSLY SET FORTH IN THIS PARAGRAPH AND TO THE FULLEST EXTENT PERMITTED BY THE LAW OF THE STATE IN WHICH THE PROPERTY IS LOCATED, AND EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THE LOAN DOCUMENTS, THE LAW OF THE STATE OF NEW YORK (WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS (OTHER THAN §§ 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW)) SHALL GOVERN ALL MATTERS (INCLUDING, WITHOUT LIMITATION, INTERPRETATION AND ENFORCEMENT) RELATING TO THIS SECURITY INSTRUMENT AND THE OTHER LOAN DOCUMENTS AND ALL OF THE INDEBTEDNESS OR OBLIGATIONS ARISING HEREUNDER OR THEREUNDER PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW. ALL PROVISIONS OF THE LOAN AGREEMENT INCORPORATED HEREIN BY REFERENCE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO CONFLICT OF LAW PROVISIONS THEREOF) PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW. TRUSTOR (A) AGREES THAT ANY SUIT, ACTION OR OTHER LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS SECURITY INSTRUMENT MAY BE BROUGHT IN A COURT OF RECORD IN THE COUNTY WHERE THE PROPERTY IS LOCATED OR IN THE COURTS OF THE UNITED STATES OF AMERICA LOCATED IN SAID COUNTY, (B) CONSENTS TO THE JURISDICTION OF EACH SUCH COURT IN ANY SUCH SUIT, ACTION OR PROCEEDING AND (C) WAIVES ANY OBJECTION WHICH IT MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING IN ANY OF SUCH COURTS AND ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TRUSTOR IRREVOCABLY CONSENTS TO THE SERVICE OF

ANY AND ALL PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING BY SERVICE OF COPIES OF SUCH PROCESS TO TRUSTOR AT ITS ADDRESS PROVIDED HEREIN. NOTHING CONTAINED IN THIS SECURITY INSTRUMENT SHALL PREVENT BENEFICIARY OR LENDER FROM BRINGING AN ACTION, ENFORCING ANY AWARD OR JUDGMENT, OR EXERCISING ANY RIGHT OR REMEDY AGAINST TRUSTOR, OR AGAINST ANY SECURITY OR COLLATERAL FOR THE DEBT, WITHIN ANY OTHER COUNTY, STATE OR ANY OTHER FOREIGN OR DOMESTIC JURISDICTION.

14. WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, TRUSTOR AND BENEFICIARY (BY ITS ACCEPTANCE OF THIS SECURITY INSTRUMENT) HEREBY AGREE NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND FOREVER WAIVE ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST, WITH REGARD TO THE NOTE, THIS SECURITY INSTRUMENT OR THE OTHER LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY TRUSTOR AND BENEFICIARY AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. THE PARTIES HERETO ARE HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER.

15. Subrogation. If any or all of the proceeds of the Loan have been used to extinguish, extend or renew any indebtedness heretofore existing against the Property, then, to the extent of the funds so used, Beneficiary shall be subrogated to all of the rights, claims, liens, titles, and interests existing against the Property heretofore held by, or in favor of, the holder of such indebtedness and such former rights, claims, liens, titles, and interests, if any, are not waived but rather are continued in full force and effect in favor of Beneficiary and are merged with the lien and security interest created herein as cumulative security for the payment of the Debt, the performance and discharge of Trustor's obligations hereunder, under the Loan Agreement, the Note and the other Loan Documents and the performance and discharge of the Obligations.

16. Limitation on Beneficiary's Responsibility. No provision of this Security Instrument shall operate to place any obligation or liability for the control, care, management or repair of the Property upon Beneficiary or Lender, nor shall it operate to make Beneficiary or Lender responsible or liable for any waste committed on the Property by the tenants or any other Person, or for any dangerous or defective condition of the Property, or for any negligence in the management, upkeep, repair or control of the Property resulting in loss or injury or death to any tenant, licensee, employee or stranger. Nothing herein contained shall be construed as constituting Beneficiary or Lender as a "mortgagee in possession" unless Beneficiary or Lender actually elects in writing to become a "mortgagee in possession."

17. After-Acquired Property. All property and rights acquired by Trustor after the date of this Security Instrument which by the terms of this Security Instrument shall be subject to the lien and the security interest created hereby, shall immediately upon the acquisition thereof by Trustor and without further amendment, modification, supplement, conveyance or assignment become subject to the lien and security interest created by this Security Instrument. Nevertheless, Trustor shall execute, acknowledge, deliver and record or file, as appropriate, all and every such further amendments, modifications, supplements, security agreements, financing statements, assignments and assurances as Beneficiary shall require for accomplishing the purposes of this Security Instrument.

18. Release. If Trustor shall pay to Beneficiary the Debt in the manner provided in the Note, the Loan Agreement and this Security Instrument, and shall perform the Obligations then outstanding as set forth in this Security Instrument and shall abide by and comply with each and every covenant and condition set forth herein and in the Note, the Loan Agreement and the other Loan Documents, this Security Instrument shall terminate.

19. Miscellaneous. All notices, consents, approvals and requests required or permitted hereunder shall be given (and shall be deemed effective) in the manner described in Section 8.10 of the Loan Agreement. No failure to exercise, and no delay in exercising, on the part of Beneficiary or Lender, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right. This Security Instrument shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, Trustor may not assign any of its rights, powers, duties or obligations hereunder. This Security Instrument embodies the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all prior commitments, agreements, representations, and understandings, whether written or oral, relating to the subject matter hereof. There are no oral agreements between or among Trustor, Lender and/or Beneficiary. If any provision of this Security Instrument is held to be illegal, invalid, or unenforceable under present or future laws, such provision shall be fully severable and all other provisions of this Security Instrument shall remain in full force and effect. This Security Instrument may be amended only by an instrument in writing executed by the party against whom such amendment is sought to be enforced. If Trustor consists of more than one Person, the obligations and liabilities of each such Person shall be joint and several. This Security Instrument may be executed in counterparts.

20. Trustee Provisions. Trustee accepts this trust when this Security Instrument, duly executed and acknowledged, is made a public record as provided by law, and by its acceptance hereof, Trustee covenants faithfully to perform and fulfill the trusts herein created, being liable, however, only for illegal acts, willful misconduct and bad faith, and Trustee hereby waives any statutory fee and agrees to accept reasonable compensation, in lieu thereof, for any services rendered by it in accordance with the terms hereof. Trustee may resign at any time upon giving thirty (30) days' notice in writing to Trustor and to Beneficiary. Beneficiary may, from time to time, by written instrument executed and acknowledged by Beneficiary, mailed to Trustor and recorded in the county in which the Real Property is located, and by otherwise complying with the

provisions of applicable law of the state in which the Real Property is located, substitute a successor or successors to the person or persons then named herein or acting hereunder as Trustee. Beneficiary, with or without cause, is authorized either in its own name or through an attorney or attorney-in-fact appointed for the purpose by written instrument duly recorded and without any formality other than a designation in writing of a successor substitute trustee, to appoint a successor or substitute trustee who shall thereupon become vested with and succeed to all the rights, title and powers given to Trustee herein named, the same as if the successor or substitute trustee had been named original Trustee herein. Such right to appoint a successor or substitute trustee shall exist as often and whenever Beneficiary desires. Trustee, or anyone acting in its stead, shall have, in its discretion, authority to employ all proper agents and attorneys in the execution of this trust and in the conducting of any sale made pursuant to the terms hereof, and to pay for such services rendered out of the proceeds of the sale of the Property, should any be realized. If no sale be made or if the proceeds of sale be insufficient to pay the same, then Trustor hereby undertakes and agrees to pay the reasonable costs of such services rendered to Trustee. If Trustee shall be made a party to or shall intervene in any action or proceeding affecting the Property or the title thereto, or the interest of Trustee or Beneficiary under this Security Instrument, except for any action or proceeding arising out of the willful misconduct or, to the extent prohibited by law, the bad faith or illegal acts of Trustee or Beneficiary, Trustee and Beneficiary shall be reimbursed by Trustor, promptly within ten (10) days of written demand, for all reasonable costs, charges and attorneys' fees incurred by them or any of them in any case, and the same shall become so much additional indebtedness secured hereby. At any time and from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Security Instrument for endorsement, and without affecting the personal liability of any person with respect to any of the Obligations or the effect of this Security Instrument upon the remainder of the Property, Trustee may (i) reconvey any part of the Property, (ii) consent in writing to the making of any map or plat thereof, (iii) join in granting any easement thereon, or (iv) join in any extension agreement, agreement subordinating the lien or charge hereof, or other agreement or document relating hereto or to the Property.

TRUSTOR SHALL INDEMNIFY TRUSTEE AGAINST ALL CLAIMS, ACTIONS, LIABILITIES, JUDGMENTS, THIRD PARTY, OUT OF POCKET COSTS, REASONABLE ATTORNEYS' FEES OR OTHER CHARGES OF WHATSOEVER KIND OR NATURE MADE AGAINST OR INCURRED BY TRUSTEE, AND ARISING OUT OF THE PERFORMANCE BY TRUSTEE OF THE DUTIES OF TRUSTEE HEREUNDER, OTHER THAN THOSE ARISING SOLELY DUE TO TRUSTEE'S ILLEGAL ACTS, OR WILLFUL MISCONDUCT, TRUSTEE'S BREACH OF THE LOAN DOCUMENTS, OR THAT FIRST ARISE AFTER A FORECLOSURE OR A DEED IN LIEU OF FORECLOSURE OF THE PROPERTY.

21. State-Specific Provisions. The terms and conditions of this Section 21 shall control over any inconsistent terms and conditions elsewhere in this Security Instrument.

(a) Power of Sale. Trustor acknowledges that the power of sale herein granted may be exercised by Trustee without prior judicial hearing. Trustor has the right to bring an action to assert the non-existence of a breach or any other defense of Trustor to acceleration and sale to the fullest extent permitted by applicable law:

(b) Upon the occurrence and during the continuance of any Event of Default, all sums secured hereby shall become immediately due and payable, without notice or demand, at the option of Beneficiary and Beneficiary may (a) foreclose this Security Instrument judicially, in the same manner as a mortgage; (b) cause Trustee to exercise its power of sale in accordance with the procedures set forth herein and in the Deed of Trust Act of the State of Washington RCW 61.24, as now existing or hereafter amended, or (c) sue on the Note, this Security Instrument or the other Loan Documents according to law. To the extent permitted by law, including, without limitation RCW 61.24.100, Beneficiary shall have the right to seek and obtain a deficiency judgment following the completion of a judicial foreclosure or a Trustee's sale of all or part of the Property. If Trustee invokes the power of sale after notice from Beneficiary of Beneficiary's election to cause the Property to be sold, Trustee shall give, and, as required, record, all notices as the laws of the State of Washington may require to Trustor and any Guarantor and to such other persons as the laws of the State of Washington prescribe, and after the lapse of such time as may be required by applicable law, Trustee shall sell the Property according to the laws of the State of Washington. Trustee may sell the Property at the time and place and under the terms designated in the notice of sale, as provided by statute, in one or more parcels and in such order as Trustee may determine and as permitted by applicable law, at public auction to the highest and best bidder for cash in lawful money of the United States, payable at the time of the sale. Trustee may postpone sale of all or any parcel of the Property, and from time to time thereafter may postpone the sale, as provide by statute. Beneficiary or Beneficiary's designee may purchase the Property at any sale.

(c) Trustee shall deliver to the purchaser a Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all costs and expenses of the sale, including, but not limited to, Trustee's and attorney's fees and costs of title evidence; (b) to all sums secured by this Security Instrument in such order as Beneficiary, in Beneficiary's sole discretion, directs; and (c) the excess, if any, to the clerk of the superior court of the county in which the sale took place, as provide by statute.

(d) Reconveyance to Trustee. Upon written request of Beneficiary stating that all sums and obligations secured hereby have been paid and satisfied, and upon surrender of this Security Instrument and the Note to Trustee for cancellation and retention and upon payment by Trustor of Trustee's fees, Trustee shall reconvey to Trustor, or the person or persons legally entitled thereto, without warranty, any portion of the Property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in any reconveyance may be described as "the person or persons legally entitled thereto."

(e) Limitation. Notwithstanding anything contained herein to the contrary, this Security Instrument does not secure any guaranty or indemnification of Trustor or any third party to the extent the instrument evidencing the same states that such obligations are not so secured. Any obligations that are secured by this Security Instrument that are the substantial equivalent of Trustor's or Guarantor's indemnities in the Environmental Indemnity or of Guarantor's indemnities or guaranties in the Guaranty, in each case, shall be limited to the actual damages incurred by

Beneficiary, including all advances or payments paid or agreed to be paid by Beneficiary pursuant to its rights to require environmental assessments, join or participate in any proceedings, cure an Event of Default or enforce its remedies (a) prior to and after any judicial foreclosure of this Security Instrument or the date a deed is delivered and accepted in lieu thereof, or (b) prior to any non-judicial foreclosure of this Security Instrument or the date a deed is delivered and accepted in lieu thereof. (x) The obligations of Trustor and Guarantor under the Environmental Indemnity, (y) the obligations of Guarantor under the Guaranty, or (z) the substantial equivalent of clauses (x) and (y) immediately above, shall, in each case, be mutually exclusive of any liabilities arising after a non-judicial foreclosure of this Security Instrument or the delivery and acceptance of a deed in lieu of such non judicial foreclosure.

- (f) Additional Washington Provisions.
- (i) This Security Instrument shall constitute a Financing Statement filed as a fixture filing pursuant to Article 9 of the Uniform Commercial Code (RCW 62A.9A-502(c)). Parts of the Property are or are to become fixtures or improvements.
- (ii) Trustor represents and warrants to Beneficiary that none of the Property is presently, or will be during the term of the Loan, used for agricultural or farming purposes, and that the Property does not constitute the homestead of Trustor. The loan secured by this Security Instrument is a "commercial loan" as that term is defined in RCW 61.24.005. The proceeds of the Loan secured by this Security Instrument will be used exclusively for business and commercial purposes, and the Property will not be used as a principal residence of Trustor or Trustor's spouse or children.
- (iii) At Beneficiary's option, any written notice of default given to Trustor under this Security Instrument may be given in the form of a statutory notice of default under the Washington Deed of Trust Act or any other form as Beneficiary may elect.
- (iv) In accordance with Washington law, Beneficiary or its loan servicer or agent may from time to time appoint a successor trustee to any Trustee appointed under this Security Instrument who has ceased to act. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon the predecessor Trustee and by applicable law.
- (v) With respect to any contractual matters that Trustor establishes in any action within the scope of RCW Section 4.24.115, Trustor expressly waives Trustor's immunity under RCW Title 51 and acknowledges that such waiver was mutually negotiated by the parties. In the case of concurrent negligence of Trustor or Trustor's agents or employees and of Beneficiary or

Beneficiary's agents or employees, Trustor agrees to indemnify Beneficiary to the extent of the negligence (but not gross negligence) of Trustor or Trustor's agents or employees. Nothing herein shall be deemed to require Trustor 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, Trustor shall indemnify Beneficiary to the fullest extent not prohibited by law, including, without limitation, in the event of the sole or concurrent negligence (but not gross negligence) of Beneficiary or of any other person or entity.

(g) Notwithstanding the characterization of the assignment of leases and rents herein as an absolute assignment, the assignment of rents shall be perfected by recording of this Security Instrument, and Lender shall have all rights of a holder of a security assignment of rents under applicable law, including, without limitation, RCW 7.28.230. For purposes of RCW 61.24.140, the assignment of leases and rents herein constitutes written consent by Trustor, as landlord under the leases, to the payment of rents directly from the tenants to Beneficiary.

(h) Construction Mortgage. This Security Instrument secures advances to be used for the construction of improvements on the Land, and constitutes a "construction mortgage" under RCW 62A.9A-334.

(i) NOTICE REGARDING ORAL AGREEMENTS. 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.

22. Cross-Collateralization. In accordance with the terms and conditions of the Loan Agreement, without limitation to any other right or remedy provided to Beneficiary or Lender in this Security Instrument or any of the other Loan Documents, Trustor acknowledges and agrees that (i) an Event of Default occurring under the Loan Documents (regardless as to whether the same constitutes a breach by Trustor of its obligations under this Security Instrument) constitutes an Event of Default for purposes of this Security Instrument, and upon the occurrence and continuance of an Event of Default, to the fullest extent permitted by law, Beneficiary and Lender shall have the right to pursue all of its rights and remedies under this Security Instrument and/or under any of the other Loan Documents, in one proceeding, or separately and independently in separate proceedings which Beneficiary or Lender, in its sole and absolute discretion, shall determine from time to time; (ii) neither Beneficiary nor Lender shall be required to either marshal assets, sell any collateral for the Loan in any inverse order of alienation, or be subjected to any "one action" or "election of remedies" law or rule; (iii) the exercise by Beneficiary or Lender of any remedies against any of the collateral for the Loan shall not impede Beneficiary or Lender from subsequently or simultaneously exercising remedies against other collateral for the Loan; (iv) all liens and other rights, remedies and privileges provided to Beneficiary or Lender in the

Loan Documents or otherwise shall remain in full force and effect until Beneficiary and Lender have exhausted all of their remedies against the collateral for the Loan and all of the collateral for the Loan has been foreclosed, sold and/or otherwise realized upon in satisfaction of the Loan; and (v) all of the Properties shall remain security for the performance of all of Trustor's obligations hereunder, under the Note and under any of the other Loan Documents. Trustor acknowledges that it shall be jointly and severally liable for the obligations of all Trustors under the Loan Documents.

[NO FURTHER TEXT ON THIS PAGE]

SCHEDULE 1

THE PROPERTY

The term "Property" shall mean all of the following:

(a) Land. The real property described on Exhibit A attached hereto and made a part hereof (the "Land"), and all additional lands, estates and development rights hereafter acquired by Trustor for use in connection with the Land and all additional lands and estates therein which may, from time to time owned by Trustor;

(b) Improvements. The buildings, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter erected or located on the Land (collectively, the "Improvements");

(c) Fixtures. All Equipment (as defined below) and other items attached to and/or related to the Land and/or the Improvements forming part of the Property that are deemed "fixtures" and/or "real property" under the law of the state where the Land is located (including, without limitation, all building or construction materials intended for construction, alteration, or repair of the Property) (collectively, the "Fixtures"); it being understood and agreed that the Improvements and the Fixtures are part and parcel of the Land appropriated to the use thereof and, whether affixed or annexed to the Land or not, shall for the purposes of this Security Instrument be deemed conclusively to be real estate and encumbered hereby;

(d) Easements. All easements, rights-of-way or use, rights, strips and gores of land, streets, ways, alleys, passages, sewer rights, water, water courses, water rights and powers, air rights and development rights, and all estates, rights, titles, interests, privileges, liberties, servitudes, tenements, hereditaments and appurtenances of any nature whatsoever, in any way now or hereafter belonging, relating or pertaining to the Land and/or the Improvements and the reversions and remainders, and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Land, to the center line thereof and all the estates, rights, titles, interests, dower and rights of dower, curtesy and rights of curtesy, property, possession, claim and demand whatsoever, both at law and in equity, of Trustor of, in and to the Land and the Improvements and every part and parcel thereof, with the appurtenances thereto (collectively, the "Easements");

(e) Equipment. All "equipment" as such term is defined in the UCC (as hereinafter defined) used or installed (or intended to be used or installed) at or in connection with the Improvements or the Land (wherever located) (including, but not limited to, all machinery, equipment, furnishings, furniture, tools, appliances, fittings, apparatuses, engines, devices, pumps, pipes, plumbing, conduits, tanks, structures, and any and all systems and related items for cleaning, sprinklers, fire extinguishing, heating, cooling, ventilating, laundry, incinerating, electrical, lighting, sound, pollution control, security, disposal, sewer, utilities, data transmission, communications, paging, internet, television, and all other structures, together with all accessions,

appurtenances, additions, replacements, betterments and substitutions for any of the foregoing (collectively, the "Equipment");

(f) UCC Collateral. All personal property, intangibles, general intangibles, documents, instruments, chattel paper, and accounts, as such terms are defined in the UCC (including, without limitation, all furniture, furnishings, objects of art, Equipment, supplies, contract rights, entitlements, the Clearing Account, the Cash Management Account, the Reserve Accounts (and any sums, cash, checks, drafts, securities, certificates and instruments, if any, from time to time deposited or held therein or credited thereto), money, accounts receivable, credit card receivables, franchises, licenses, certificates, permits, claims, suits, choses, approvals, plans, specifications, drawings, surveys, reports, trademarks, trade names, servicemarks, logos, copyrights, goodwill, books and records, any interest rate cap agreements or other interest rate hedging contracts or products, and any other property or rights constituting to the full extent that the same may be subject to the UCC, now or hereafter owned by Trustor, whether used in connection with or relating to the Property or otherwise, together with all accessories, replacements and substitutions thereto (collectively, the "UCC Collateral");

(g) Leases and Rents. All Leases, together with all extensions and amendments thereto, all income, rents, fees, payments, revenues, issues profits, royalties bonuses and other amounts payable thereunder, all guaranties of the lessees' obligations thereunder, all security deposits (whether in cash, letter of credit, securities or otherwise) provided in connection therewith (collectively, the "Rents");

(h) Condemnation Awards. All proceeds or awards in connection with any Condemnation which may heretofore and hereafter be made with respect to the Property;

(i) Insurance Proceeds. All proceeds and other payments payable under or in respect of any insurance policies covering or relating to the Property;

(j) Tax Certiorari. All refunds, rebates or credits in connection with reduction in Property Taxes or any other charges or assessments levied against the Property;

(k) Conversion. All proceeds of the conversion, voluntary or involuntary, of any of the foregoing including, without limitation, insurance proceeds and awards, into cash or liquidation claims;

(l) Rights. The right, in the name and on behalf of Trustor, to appear in and defend any action or proceeding brought with respect to the Property and to commence any action or proceeding to protect the interest of Beneficiary and Lender in the Property;

(m) Proceeds. All "proceeds" as such term is defined in the UCC of any of the foregoing (collectively called the "Intangibles"); and

(n) Other Rights. Any and all other rights of Trustor in and to the items set forth in Sections (a) through (m) above.

EXHIBIT A

(Legal Description of the Land)

Parcel A:

That portion of the Southeast quarter of the Southeast quarter of section 20, Township 34 North, Range 4 East w.m., described as follows:

Beginning at a point on the North line of the road along the South line of said subdivision, commonly known as section street, at a point 297 feet East of the West line of the East 30 rods of said subdivision; Thence East along said North line to the West line of the East 30 feet of said subdivision, as conveyed to the City of Mount Vernon by deed recorded as Auditor's File No. 869709 for Laventure Street;
Thence North along said West line 660 feet;
Thence West to a point North of the Point of Beginning;
Thence South to the Point of Beginning.

EXCEPT the South 215 feet thereof;

Situated in the County of Skagit, State of Washington.

Parcel B:

A non-exclusive easement for sewer line over the 10 foot wide strip of land as described in and created by Easement, upon and subject to the provisions therein contained, dated June 12, 1991, recorded on June 13, 1991, under Auditor's File No. 9106130010, records of Snohomish County, Washington, EXCEPT any portion thereof lying within Parcel A.

Situated in the County of Skagit, State of Washington.

For APN/Parcel ID(s): P26686 / 340420-4-007-0300