

**AFTER RECORDING RETURN TO:**

Duane Morris LLP  
190 South LaSalle Street  
Suite 3700  
Chicago, Illinois 60603  
Attn: Michael A. Witt, Esq.

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

401079-LT

GRANTOR(S): **1119 26<sup>TH</sup> ST ALF REAL ESTATE LLC and 1105 27<sup>TH</sup> ST SNF REAL ESTATE, LLC**, each, a Delaware limited liability company

GRANTEE/BENEFICIARY: **POPULAR BANK**, a New York state chartered commercial bank

GRANTEE/TRUSTEE: **LAND TITLE AND ESCROW COMPANY**, as trustee

ABBREVIATED LEGAL: Parcel A: Lots 1, 2 and 3, City of Anacortes SP# 91-005; AFN: 9111040088; being a ptn. SE ¼ SE ¼, Sec 24-35N-R1 EWM  
Parcel B & C: Ptn. SE ¼ SE ¼, Sec 24-35N-R1 EWM

TAX PARCEL NO(S): 350124-0-091-0000/P31871  
350124-0-091-0100/P111715  
350124-0-091-0200/P111716  
350124-0-106-0003/P31885  
350124-0-107-0002/P31886

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

**1119 26<sup>th</sup> St and 1105 27<sup>th</sup> St, Anacortes, Skagit County, Washington**

**THIS DEED OF TRUST, ASSIGNMENT OF RENTS AND LEASES, SECURITY AGREEMENT AND FIXTURE FILING** is made as of the 27th day of March, 2026, by **1119 26<sup>th</sup> ST ALF REAL ESTATE LLC**, a Delaware limited liability company, as a grantor, whose address is 1119 26<sup>th</sup> St., Anacortes, WA 98221, Attention: Next Cascadia, and whose telephone number is (212) 227-6465 ("**1119 26<sup>TH</sup> ST Propco**"), and **1105 27<sup>TH</sup> ST SNF REAL ESTATE, LLC**, a Delaware limited liability company, as a grantor, whose address is 1105 27<sup>th</sup> St., Anacortes, WA 98221, Attention: Next Cascadia, and whose telephone number is (212) 227-6465 ("**1105 27<sup>TH</sup> ST Propco**", and together with 1119 26<sup>TH</sup> ST Propco, individually and collectively, "**Grantor**"), **LAND TITLE AND ESCROW COMPANY**, as trustee ("**Trustee**"), whose address is 111 E. George Hopper Road, Burlington, WA 98233, and whose telephone number is (360) 707-2158, in favor of **POPULAR BANK**, a New York state chartered commercial bank, as beneficiary ("**Beneficiary**"), its successors and its assigns, whose address is 85 Broad Street, 10<sup>th</sup> Floor, New York, New York 10004, Attention: Tyler H. Lipperman, and whose telephone number is (914) 815-7058, for itself as a Lender (as hereinafter defined) and as the administrative agent for the Lenders.

**RECITALS:**

**A.** Beneficiary and the other Lenders (as hereinafter defined) have agreed to make a certain term loan to Grantor and the additional borrowers listed on Schedule 1 attached hereto (the "**Other Borrowers**"; Grantor and the Other Borrowers are sometimes hereinafter collectively referred to as "**Borrowers**") in the original maximum principal amount of Sixteen Million Six Hundred Seven Thousand Five Hundred and No/100 Dollars (\$16,607,500.00) (the "**Term Loan A**"). The Term Loan A shall be evidenced by a certain Term Loan and Security Agreement dated as of even date herewith (as amended, modified, restated or supplemented from time to time, the "**Loan Agreement**"), made by and among Borrowers, Beneficiary, as a Lender (as hereinafter defined) and as administrative agent, and the other Lenders, if any described therein (each a "**Lender**" and collectively, the "**Lenders**"). Capitalized terms used herein but not defined herein shall have the meanings ascribed to such terms in the Loan Agreement. The Term Loan A has an original stated maturity date of March 27, 2031, as it may be extended or accelerated in accordance with the terms of the Loan Agreement.

**B.** A condition precedent to the Lenders' making the Term Loan A to Borrowers is the execution and delivery by Grantor of this Deed of Trust to Trustee, to and for the benefit of Beneficiary, to and for the benefit of the Lenders.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor agrees as follows:

Grantor hereby mortgages, grants, bargains, sells, pledges, assigns, remises, releases, warrants, transfers and conveys to Trustee, its successors and its assigns, **IN TRUST, WITH POWER OF SALE AND RIGHT OF ENTRY AND POSSESSION** for the benefit of Beneficiary for the benefit of the Lenders, as provided below, all of its present and future estate, right, title and interest in and to the real estate legally described on **Exhibit A** attached hereto (the "**Real Estate**"), including all rights, interests and privileges appertaining to land beneath the surface and all air rights to space above the surface, together with the other property described in the following paragraph (the Real Estate and such other property being hereinafter referred to as the "**Premises**") **IN TRUST TO SECURE**: (i) the payment of the Term Loan A and all interest, late charges and other indebtedness evidenced by or owing under the Loan Agreement, the Term Loan A Note or any of the other Financing Agreements and by any extensions, modifications, renewals or refinancings thereof; (ii) the performance and observance of the covenants, conditions, agreements, representations, warranties and other liabilities and obligations of Grantor or any other obligor to or benefiting Beneficiary which are evidenced or secured by or otherwise provided in the Loan Agreement, this Deed of Trust or any of the other Financing Agreements; (iii) the payment of any hedging obligation under any Hedging Agreement or any Bank Product; and (iv) the reimbursement of Beneficiary for any and all sums expended or advanced by Beneficiary pursuant to any term or provision of or constituting additional indebtedness under or secured by this Deed of Trust or any of the other Financing Agreements, with interest thereon as provided herein or therein.

In addition to the Real Estate, the Premises hereby encumbered includes all buildings, structures and improvements now or hereafter constructed or erected upon or located on or under the Real Estate, all tenements, easements, rights-of-way and rights used as a means of access thereto, all fixtures and appurtenances thereto now or hereafter belonging or pertaining to the Real Estate, and all rents, issues, royalties, income, revenue, proceeds, profits, security deposits, real estate tax refunds, and all accounts relating to the Premises and all other benefits thereof, and any after-acquired title, franchise, or license and the reversions or remainders thereof, for so long and during all such times as Grantor may be entitled thereto (which are pledged primarily and on a parity with said Real Estate and not secondarily), and all machinery, apparatus, equipment, appliances, floor covering, furniture, furnishings, supplies, materials, fittings, fixtures and other personal property of every kind and nature whatsoever, and all proceeds thereof, now or hereafter located thereon or therein and which are owned by Grantor. All of the land, estate and property hereinabove described, real, personal and mixed, whether or not affixed or annexed, and all rights hereby conveyed are intended so to be as a unit and are hereby understood, agreed and declared, to the maximum extent permitted by law, to form a part and parcel of the Real Estate and to be appropriated to the use of the Real Estate, and shall be for the purposes of this Deed of Trust deemed to be conveyed hereby; provided, however, as to any of the property aforesaid which does not so form a part and parcel of the Real Estate, this Deed of Trust is hereby deemed also to be a "Security Agreement" under the Uniform Commercial Code of the State of Washington (the "**Code**"), or if applicable, the Uniform Commercial Code in effect in the State where the Real Estate is located, for purposes of granting a security interest in such property, which Grantor hereby grants to Beneficiary, as secured party (as defined in the Code), provided that, with respect to any item of personal property secured by this Deed of Trust, to the extent the terms of this Deed of Trust are inconsistent with the terms of the Loan Agreement, the terms of the Loan Agreement shall control.

TO HAVE AND TO HOLD the Premises unto Trustee, its successors and its assigns, forever, for the purposes and uses herein set forth, together with all right to retain possession of the Premises after any Event of Default (as hereinafter defined).

IT IS FURTHER UNDERSTOOD AND AGREED THAT:

1. **Title.** Grantor represents, warrants and covenants that (a) Grantor is the holder of the fee simple title to the Premises, free and clear of all liens and encumbrances, except those liens and encumbrances of record and such other Permitted Liens and to those exceptions contained in the title policy obtained by Grantor in connection with the Term Loan A (collectively, the “Permitted Exceptions”); and (b) Grantor has legal power and authority to encumber and convey the Premises. Grantor represents that the Premises is not used principally for agricultural purposes.

2. **Maintenance; Repair and Restoration of Improvements; Payment of Prior Liens.** Grantor shall: (a) promptly repair, restore or rebuild any buildings or improvements now or hereafter on the Premises which may become damaged or be destroyed, subject to the provisions of the Loan Agreement; (b) keep the Premises in good condition and repair, ordinary wear and tear excepted but without waste, and free from mechanics’ liens or other similar liens (excluding Permitted Exceptions) except to the extent such liens are being contested by Grantor in good faith, and Grantor has set aside adequate reserves; (c) pay prior to delinquency any amounts which may be secured by a lien or charge on the Premises superior or inferior to or at parity with the lien hereof (no such superior, inferior or parity lien to be permitted hereunder which is not a Permitted Exception), except to the extent such liens are being contested by Grantor in good faith, and Grantor has set aside adequate reserves, and upon request exhibit reasonably satisfactory evidence of the discharge of, or reserve for, any such lien which is not a Permitted Exception to Beneficiary; (d) complete within a reasonable time any buildings or any other improvements now or at any time in process of construction upon the Premises; (e) materially comply with all requirements of law, municipal ordinances and restrictions of record with respect to the Premises and the use thereof, including without limitation, those relating to building, zoning, environmental protection, health, fire and safety; (f) unless in connection with a casualty or condemnation event, make no material structural alterations to the Premises or any buildings or other improvements now or hereafter constructed thereon, without the prior written consent of Beneficiary, which consent may not be unreasonably withheld, delayed or conditioned, it being understood and agreed that no such consent shall be required for non-structural alterations, such as painting, landscaping, flood coverings and other interior or exterior non-structural alterations; (g) not suffer or permit any change in the general nature of the use of the Premises without the prior written consent of Beneficiary; (h) not initiate or acquiesce in any zoning reclassification that would adversely affect the Property without the prior written consent of Beneficiary; (i) pay each item of indebtedness secured by this Deed of Trust when due or within any applicable cure period according to the terms of the Loan Agreement and the Financing Agreements; and (j) duly perform and observe all of the covenants, terms, provisions and agreements herein, in the Loan Agreement and the Financing Agreements on the part of Grantor to be performed and observed when due or within any applicable cure period. As used in this Section and elsewhere in this Deed of Trust, the term “indebtedness” shall mean the then outstanding aggregate principal sum of the Term Loan A, together with all interest thereon and all other amounts payable to Beneficiary thereunder, and all other sums at any time secured by this Deed of Trust.

**3. Payment of Taxes and Assessments.** Grantor shall (or shall cause the applicable lessee to) pay all general taxes, special taxes, special assessments, water charges, sewer service charges, and all other liens or charges levied or assessed against the Premises, or any interest therein, of any nature whatsoever prior to delinquency and, at the request of Beneficiary, shall furnish to Beneficiary duplicate receipts of payment therefor. If any special assessment is permitted by applicable law to be paid in installments, Grantor (and/or the applicable lessee) shall have the right to pay such assessment in installments, so long as all such installments are paid prior to delinquency. Notwithstanding anything contained herein to the contrary, Grantor (and/or the applicable lessee) shall have the right to protest any taxes assessed against the Premises, so long as such protest is conducted in good faith by appropriate legal proceedings diligently prosecuted and, to the extent reasonably required by Beneficiary, Grantor shall furnish to the title insurer such security or indemnity as said insurer requires to induce it to issue an endorsement, in form and substance reasonably acceptable to Beneficiary, insuring over any exception created by such protest.

**4. Tax Deposits.** Upon the occurrence and during the continuation of an Event of Default, upon receipt of a written demand from Beneficiary, Grantor covenants to deposit with Beneficiary on the first (1<sup>st</sup>) day of each month until the indebtedness secured by this Deed of Trust is fully paid, a sum equal to one-twelfth (1/12<sup>th</sup>) of the annual taxes and assessments (general and special) on the Premises, as reasonably determined by Beneficiary. Upon the occurrence and during the continuation of an Event of Default, upon receipt of a written demand from Beneficiary, Grantor shall also deposit with Beneficiary an amount of money which, together with the aggregate of the monthly deposits to be made pursuant to the preceding sentence as of one month prior to the date on which the next installment of annual taxes and assessments for the current calendar year become due, shall be sufficient to pay in full such installment of annual taxes and assessments, as estimated by Beneficiary. Such deposits are to be held without any allowance of interest and are to be used for the payment of taxes and assessments on the Premises next due and payable when they become due, it being understood and agreed that to the extent that real property taxes can be paid installments, the amount required to be escrowed by Grantor and the amount paid by Beneficiary from time to time from such escrowed funds shall be limited to any installments which are then due and payable. Beneficiary may, at its option, pay such taxes and assessments when the same become due and payable (upon submission of appropriate bills therefor from Grantor) or shall release sufficient funds to Grantor for the payment thereof. If the funds so deposited are insufficient to pay any such taxes or assessments for any year (or installments thereof, as applicable) when the same shall become due and payable, Grantor shall, within ten (10) days after receipt of demand therefor, deposit additional funds as may be necessary to pay such taxes and assessments in full. If the funds so deposited exceed the amount required to pay such taxes and assessments for any year, the excess shall be applied toward subsequent deposits. Said deposits need not be kept separate and apart from any other funds of Beneficiary.

**5. Beneficiary's Interest In and Use of Deposits.** Upon the occurrence and during the continuation of an Event of Default, Beneficiary may, at its option, apply any monies at the time on deposit pursuant to Section 4 hereof toward any of the indebtedness secured hereby in such order and manner as Beneficiary may elect. When such indebtedness has been fully paid, or if an Event of Default has been cured, any remaining deposits shall be returned to Grantor. Such deposits are hereby pledged as additional security for the indebtedness hereunder and shall not be subject to the direction or control of Grantor. Beneficiary shall not be liable for any failure to

apply to the payment of taxes, assessments and insurance premiums any amount so deposited unless Grantor, so long as no Event of Default exists, shall have requested Beneficiary in writing to make application of such funds to the payment of such amounts, accompanied by the bills for such taxes, assessments and insurance premiums. Beneficiary shall not be liable for any act or omission taken in good faith or pursuant to the instruction of Grantor.

**6. Insurance.**

(a) Grantor agrees to at all times keep all buildings, improvements, fixtures and articles of personal property now or hereafter situated on the Premises, to the extent owned by Grantor, insured against loss or damage by fire and such other hazards as may reasonably be required by Beneficiary, in accordance with the terms, coverages and provisions described in the Loan Agreement (in each case, a "Loss"). Unless Grantor provides Beneficiary evidence of the insurance coverages required hereunder, Beneficiary may purchase insurance at Grantor's expense to cover Beneficiary's interest in the Premises. The insurance that Beneficiary purchases may, but need not, protect Grantor's interest. The coverages that Beneficiary purchases may not pay any claim that Grantor makes or any claim that is made against Grantor in connection with the Premises. Grantor may later cancel any insurance purchased by Beneficiary, but only after providing Beneficiary with evidence that Grantor has obtained insurance as required by this Deed of Trust. If Beneficiary purchases insurance for the Premises, Grantor will be responsible for the reasonable costs of such insurance, including, without limitation, interest and any other charges which Beneficiary may impose in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance may be added to the indebtedness due and owing under the Term Loan A. The cost of the insurance may be more than the cost of insurance Grantor may be able to obtain on its own.

(b) Grantor shall not take out separate insurance concurrent in form or contributing in the event of loss with that required to be maintained hereunder unless Beneficiary is included thereon as the loss payee, under a standard mortgage clause reasonably acceptable to Beneficiary and such separate insurance is otherwise reasonably acceptable to Beneficiary.

(c) In case of any Loss, Grantor shall immediately give Beneficiary and the insurance companies that have insured against such risks, notice of such Loss and Grantor is authorized, with Beneficiary's prior written consent, which shall be granted in Beneficiary's sole but reasonable discretion, to settle and adjust any claim under insurance policies which insure against such risks. Notwithstanding the foregoing, in the event of a total casualty or in the event of an Event of Default, or event or condition which with the giving of notice or passage of time would constitute an Event of Default, shall have occurred hereunder or under any of the other Financing Agreements, Beneficiary (or after entry of decree of foreclosure, purchaser at the sale, or the decree creditor, as the case may be) is, subject to the provisions hereof, hereby authorized to either: (1) settle, adjust or compromise any claim under any insurance policies and Beneficiary shall act in its sole and absolute discretion without the consent of Grantor; or (2) allow Grantor to settle, adjust or compromise any claims for Loss with the insurance company or companies on the amount to be paid upon the Loss. In all cases Beneficiary is authorized to collect and receipt for any such insurance proceeds and the reasonable expenses incurred by Beneficiary in the adjustment and collection of insurance proceeds shall be such additional indebtedness secured hereby and shall be reimbursed to Beneficiary within twenty (20) Business Days of written demand

with interest thereon at the interest rate set forth in the Loan Agreement, or if not timely paid, then at the Default Rate (as defined in the Loan Agreement) or may be deducted by Beneficiary from said insurance proceeds prior to any other application thereof.

The insurance proceeds shall be made available to Grantor to repair and restore the Premises if, and only if, all of the following conditions and Section 19 are satisfied:

- (i) no Event of Default shall have occurred hereunder or under any of the other Financing Agreements;
- (ii) the insurance proceeds shall, in Beneficiary's sole but reasonable judgment, be sufficient to complete the repair and restoration of the buildings, structures and other improvements on the Premises to an architectural and economic unit of substantially the same character and materially similar value as existed immediately prior to such casualty, or, if Beneficiary shall determine, in its sole but reasonable discretion, that the insurance proceeds are insufficient, Grantor shall have deposited with Beneficiary the amount of the deficiency in cash within twenty (20) Business Days after Beneficiary's demand therefor;
- (iii) after such repair or restoration, the Premises shall, in Beneficiary's sole but reasonable judgment, adequately secure the outstanding balance of the Term Loan A;
- (iv) the insurers do not deny liability to the insureds; and
- (v) with respect to any claims for any Loss arising out of a single occurrence, the aggregate amount of such Loss shall not exceed One Hundred Thousand and No/100 Dollars (\$100,000.00).

In all other cases, the insurance proceeds may, at the option of Beneficiary, be applied in the reduction of the indebtedness secured hereby, whether due or not, without premium or penalty, in such order as Beneficiary shall determine in its sole and absolute discretion, or be held by Beneficiary and use to reimburse Grantor for the cost of rebuilding or restoring buildings or improvements on the Premises.

Nothing contained in this Deed of Trust shall create any responsibility or obligation on Beneficiary to collect any amount owing on any insurance policy, to rebuild, repair or replace any damaged or destroyed portion of the Premises, or to perform any act hereunder..

(d) Upon Grantor's request, and provided all of the conditions of the second paragraph of this Section 6(c) have been satisfied or upon Beneficiary's election to apply such insurance proceeds toward repairing, restoring, and rebuilding such improvements, such insurance proceeds shall be made available therefor, by Beneficiary, or such other depository designated by Beneficiary, from time to time, to Grantor or at Beneficiary's option directly to contractors, sub-contractors, material suppliers and other persons entitled to payment in accordance with and subject to such conditions to disbursement as Beneficiary may impose to ensure that the work is fully completed in a good and workmanlike manner and paid for and that no liens or claims arise by reason thereof, provided that Beneficiary is furnished with evidence reasonably satisfactory to Beneficiary of the estimated cost of such repairs, restoration and rebuilding and with architect's and other certificates, waivers of lien, certificates, contractors' sworn statements, and other

evidence of the estimated cost thereof and of payments as Beneficiary may require and approve in its reasonable discretion. In addition to the foregoing, if the estimated cost of the work exceeds ten percent (10%) of the original principal amount of the indebtedness secured hereby, Grantor shall also deliver to Beneficiary for its prior approval (i) evidence satisfactory to Beneficiary in its reasonable discretion that the appraised value of the Premises after such work will not be materially less than its appraised value established in the appraisal delivered to Beneficiary on or prior to the date hereof, and (ii) all plans and specifications for such repairs, restoration and rebuilding as Beneficiary may require and approve in its sole but reasonable discretion. No payment made prior to the final completion of the work shall exceed ninety-five percent (95%) of the value of the repair, restoration or rebuilding work performed, from time to time, and at all times the undisbursed balance of such proceeds remaining in the custody or control of Beneficiary shall be, in Beneficiary's sole but reasonable discretion, at least sufficient to pay for the cost of completion of the work, free and clear of any liens. Beneficiary may, at any time after the occurrence of an Event of Default hereunder, and in its reasonable discretion if the insurance required under this Deed of Trust is no longer in full force and effect, procure such other policies of insurance in such reasonable amounts and carried in such companies as Beneficiary may reasonably select. Beneficiary may commingle any such funds held by it hereunder and shall not be obligated to pay any interest with respect to any such funds held by or on behalf of Beneficiary.

(e) Subject to any force majeure event (provided such delay may not exceed ninety (90) days in the aggregate), if Grantor shall fail to restore, repair or rebuild the Improvements within such time as would be considered reasonable to complete such restoration, repair or rebuilding, then Beneficiary, at its option, may (i) commence and perform all necessary acts to restore, repair or rebuild the said Improvements for or on behalf of Grantor, or (ii) declare an Event of Default. If insurance proceeds shall exceed the amount necessary to complete the repair, restoration or rebuilding of the Improvements, such excess shall be applied on account of the Indebtedness irrespective of whether such Indebtedness is then due and payable without payment of any premium or penalty.

(f) If the Premises are now or hereafter located in an area which has been identified by the Secretary of Housing and Urban Development as a flood hazard area and in which flood insurance has been made available under the National Flood Insurance Act of 1968 (the "Act"), Grantor, at its sole cost and expense shall keep the Premises insured by flood insurance in an amount not less than the maximum limit of coverage available under the Act.

(g) In the event of foreclosure of this Deed of Trust or other transfer of title or assignment of the Trust Estate in extinguishment, in whole or in part, of the debt secured hereby, all right, title and interest of Grantor in and to all policies of insurance required herein and covering solely the Trust Estate or any portion thereof shall inure to the benefit of and pass to the successor in interest to Grantor or to the purchaser or grantee of the Trust Estate.

7. **Other Insurance.** Grantor shall obtain such other insurance as is reasonably required by Beneficiary pursuant to the terms of the Loan Agreement.

8. **Condemnation.** If all or any material part of the Premises are damaged, taken or acquired, either temporarily or permanently, in any condemnation proceeding, or by exercise of the right of eminent domain, the amount of any award or other payment for such taking or damages

made in consideration thereof is hereby assigned to Beneficiary, which is empowered to collect and receive the same and to give proper receipts therefor in the name of Grantor and the same shall be paid forthwith to Grantor if the award or payment is less than One Hundred Thousand and No/100 Dollars (\$100,000.00) (the "**Loss Threshold**") and to Beneficiary if the award or payment is greater than the Loss Threshold and, notwithstanding the foregoing, in either case, held or applied in accordance with the terms of Section 6 of this Deed of Trust as adjusted to apply to condemnation awards or payments.

9. **Stamp Tax.** If, by the laws of the United States of America, or of any state or political subdivision having jurisdiction over Grantor, any tax is due or becomes due in respect of the execution and delivery of this Deed of Trust, the Loan Agreement or any of the other Financing Agreements, Grantor covenants and agrees to pay such tax in the manner required by and to the extent allowed by any such law. Grantor further covenants to reimburse Beneficiary for any reasonable sums which Beneficiary may expend by reason of the imposition of any such tax. Notwithstanding the foregoing, Grantor shall not be required to pay any income or franchise taxes of Beneficiary.

10. **Lease Assignment.** Grantor acknowledges that, concurrently herewith, Grantor is delivering to Beneficiary, as additional security for the repayment of the Term Loan A, an Assignment of Rents and Leases (the "**Assignment**") pursuant to which Grantor has assigned to Beneficiary interests in the rents and income from the Premises. All of the provisions of the Assignment are hereby incorporated herein as if fully set forth at length in the text of this Deed of Trust. Grantor agrees to abide by all of the provisions of the Assignment.

11. **Effect of Extensions of Time.** If the payment of the Liabilities (as defined in the Loan Agreement) and any other indebtedness secured hereby or any part thereof is extended or varied or if any part of any security for the payment of the Liabilities and such indebtedness are released, all persons now or at any time hereafter liable therefor, or interested in the Premises or having an interest in Grantor, shall be held to assent to such extension, variation or release, and their liability and the lien and all of the provisions hereof shall continue in full force, any right of recourse against all such persons being expressly reserved by Beneficiary, notwithstanding such extension, variation or release.

12. **Effect of Changes in Laws Regarding Taxation.** If any law is enacted after the date hereof requiring (a) the imposition upon Beneficiary of the payment of the whole or any part of the taxes or assessments, charges or liens herein required to be paid by Grantor, or (b) a change in the method of taxation of mortgages or debts secured by mortgages or Beneficiary's interest in the Premises, or the manner of collection of taxes, so as to affect this Deed of Trust or the Liabilities and the indebtedness secured hereby or the holders thereof, then Grantor, upon written demand by Beneficiary, shall pay, to the extent allowed by law, such taxes or assessments, or reimburse Beneficiary therefor; provided, however, that, except as otherwise specified in the Loan Agreement, Grantor shall not be deemed to be required to pay any income or franchise taxes of Beneficiary.

13. **Beneficiary's Performance of Defaulted Acts and Expenses Incurred by Beneficiary.** If an Event of Default has occurred and is continuing after all applicable cure periods have elapsed, Beneficiary may, after thirty (30) days' prior written notice and demand to Grantor,

but need not (a) make any payment or perform any act herein required of Grantor in any form and manner deemed expedient by Beneficiary, (b) make full or partial payments of principal or interest on prior encumbrances, if any, (c) purchase, discharge, compromise or settle any tax lien or other prior lien or title or claim thereof (other than Permitted Exceptions), (d) redeem the Premises from any tax sale or forfeiture affecting the Premises or (e) cure any default of Grantor in any lease of the Premises. All monies paid for any of the purposes authorized under this Section 13 and, to the extent required under the Loan Agreement, all reasonable expenses paid or incurred in connection therewith, including reasonable attorney's fees and costs, and any other monies advanced by Beneficiary in regard to any tax referred to in Section 9 above or to protect the Premises or the lien hereof, shall be so much additional indebtedness secured hereby, and may become immediately due and payable by Grantor to Beneficiary under the terms specified in the Loan Agreement. If an Event of Default has occurred and is continuing, in addition to the foregoing, any reasonable costs, expenses and fees, including reasonable attorney's fees and costs, incurred by Beneficiary in connection with (i) sustaining the lien of this Deed of Trust or its priority, (ii) protecting or enforcing any of Beneficiary's rights hereunder, (iii) recovering any indebtedness secured hereby, (iv) any litigation or proceedings affecting the Loan Agreement, this Deed of Trust, any of the other Financing Agreements or the Premises, including without limitation, bankruptcy and probate proceedings, but excluding any such litigation or proceeding related to a breach of any Financing Agreement by Beneficiary or Trustee as determined by a final non-appealable judgment by a court of competent jurisdiction, or (v) preparing for the commencement, defense or participation in any threatened litigation or proceedings affecting the Loan Agreement, this Deed of Trust, any of the other Financing Agreements or the Premises, but excluding any such litigation or proceeding related to a breach of any Financing Agreement by Grantor as determined by a final non-appealable judgment by a court of competent jurisdiction, shall be so much additional indebtedness secured hereby, which may become immediately due and payable by Grantor to Beneficiary in accordance with the terms specified in the Loan Agreement. Should any amount paid out or advanced by Beneficiary hereunder, or pursuant to any agreement executed by Grantor in connection with the Term Loan A, be used directly or indirectly to payoff, discharge or satisfy, in whole or in part, any lien or encumbrance upon the Premises or any part thereof, then Beneficiary shall be subrogated to any and all rights, equal or superior titles, liens and equities, owned or claimed by any owner or holder of said outstanding liens, charges and indebtedness, regardless of whether said liens, charges and indebtedness are acquired by assignment or have been released of record by the holder thereof upon payment.

**14. Beneficiary's Reliance on Tax Bills and Claims for Liens.** Beneficiary, in making any payment hereby authorized: (a) relating to taxes and assessments, may do so according to any bill, statement or estimate procured from the appropriate public office without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim thereof; or (b) during the existence and continuance of an Event of Default, for the purchase, discharge, compromise or settlement of any other prior lien, may do so without inquiry as to the validity or amount of any claim for lien which may be asserted and, absent gross negligence or willful misconduct shall have no liability to Grantor with respect thereto.

**15. Event of Default; Acceleration.** An "Event of Default" shall mean an "Event of Default" as defined in the Loan Agreement. If an Event of Default occurs and is continuing,

Beneficiary may, at its option, pursuant to the terms of the Loan Agreement, declare the whole of the Liabilities and other indebtedness hereby secured to be immediately due and payable.

**16. Foreclosure.**

(a) **Remedies for Default.** At any time following an Event of Default which is continuing, Beneficiary may, at its option, pursue any or all of the following remedies with respect to the Premises and, if the Premises is comprised of facilities and improvements or multiple parcels or at multiple locations, Beneficiary may pursue such remedies at one location or multiple locations, and need not (but shall retain the right to) pursue such remedies against the entire Premises (if comprised of multiple locations):

(i) Declare any or all indebtedness or the Liabilities to be due and payable immediately;

(ii) Subject to any requirements of local, state or federal applicable law, including any laws governing the rights of the residents and employees of the Premises, enter onto the Premises, in person or by agent or by court appointed receiver, and take any and all steps which may be desirable in Beneficiary's reasonable judgment to complete any unfinished construction and/or to manage, operate, preserve, develop, maintain and protect the Premises, and Beneficiary may apply any rents, royalties, income or profits collected against the Liabilities and the indebtedness secured by this Deed of Trust without in any way curing or waiving any default of Grantor;

(iii) As a matter of right and without regard to the then value of the Premises or the interest of Grantor therein, but subject to any requirements of law governing the operation of the Premises as a licensed detox facility, have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Premises, and Grantor hereby irrevocably consents to such appointment and waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers and duties of Beneficiary in case of entry as provided herein and shall continue as such and exercise all such powers until the later of the date of confirmation of sale of the Premises or the date of expiration of any redemption period unless such receivership is sooner terminated;

(iv) Cause Grantor to assemble any personal property owned by Grantor and deliver it to Beneficiary at a place designated by Beneficiary;

(v) Bring a court action to foreclose this Deed of Trust or to enforce its provisions or any of the Liabilities and the indebtedness secured by this Deed of Trust;

(vi) Cause any or all of the Premises to be sold under the power of sale granted by this Deed of Trust in any manner permitted by applicable law; and

(vii) Exercise any other right or remedy available under the Financing Agreements or otherwise available under law or in equity, including without limitation, rights and remedies with respect to the Personal Property that are available to a Secured Party under the Code.

(b) **Personal Property.** It is the express understanding and intent of the parties that as to any personal property interests subject to Chapter 9 of the Code, as amended from time to time as adopted in the State of Washington, except to the extent that the Code provides for application of the law of the State in which property is located or a different State (as applicable, the “**State Code**”), during the continuance of an Event of Default, Beneficiary may proceed under such State Code or may proceed as to both real and personal property interests in accordance with the provisions of this Deed of Trust and its rights and remedies in respect to real property and treat both real and personal property interests as one parcel or package of security.

(c) **Sale of Premises.**

(i) For any sale under the power of sale granted by this Deed of Trust, Beneficiary shall cause Trustee to record and give all notices required by law and the Loan Agreement. After compliance with such notice requirements, and upon the expiration of such time as is required by law, Trustee may sell the Premises upon any terms and conditions specified by Beneficiary and permitted by applicable law.

(ii) Trustee may postpone any sale by public announcement at the time and place noticed for the sale.

(iii) If the Premises consists of several lots or parcels, Beneficiary in its discretion may designate their order of sale or may elect to sell them through a single sale, or through two (2) or more successive sales, or in any other manner Beneficiary may elect. In the event Beneficiary elects to dispose of the Premises through more than one (1) sale, Grantor shall pay the costs and expenses of each such sale and of any judicial proceedings wherein the same may be made.

(iv) Any Person, including Grantor and Beneficiary, may purchase at any sale, and Beneficiary shall have the right to purchase at any sale hereunder by crediting upon the bid price the amount of all or any part of the Liabilities and the indebtedness secured hereby.

(v) Upon the completion of the sale, Trustee shall execute and deliver to the purchaser or purchasers a deed or deeds conveying the Premises sold, but without any covenant or warranty, express or implied, and the recitals in the deed or deeds of any facts affecting the regularity or validity of the sale shall be conclusive against all Persons except as otherwise specifically set forth in RCW 61.24.040.

(d) **Expenses.** In any suit to foreclose or partially foreclose the lien hereof, there shall be allowed and included as additional indebtedness in the decree for sale all reasonable expenditures and expenses which may be paid or incurred by or on behalf of Beneficiary for reasonable attorney’s fees and costs, appraisers’ fees, environmental audits, property inspections, outlays for documentary and expert evidence, stenographers’ charges, publication costs, and costs (which may be estimated as to items to be expended after entry of the decree) of procuring all such abstracts of title, title searches and examinations, title insurance policies, and similar data and assurances with respect to the title as may be reasonably necessary either to prosecute such suit or to evidence to bidders at any sale which may be had pursuant to such decree the true condition of the title to or the value of the Premises. All expenditures and reasonable expenses of the nature

mentioned in this Section and such other expenses and fees as may be incurred in the enforcement of Grantor's obligations hereunder, the protection of said Premises and the maintenance of the lien of this Deed of Trust, including the reasonable fees and costs of any attorney employed by Beneficiary in any litigation or proceeding affecting this Deed of Trust, the Loan Agreement, or the Premises but excluding any such litigation or proceeding related to a breach of any Financing Agreement by Beneficiary as determined by a final non-appealable judgment by a court of competent jurisdiction, including probate and bankruptcy proceedings, or in preparations for the commencement or defense of any proceeding or threatened suit or proceeding shall be immediately due and payable by Grantor, with interest thereon at the Default Rate and shall be secured by this Deed of Trust.

(e) **Application of Proceeds of Foreclosure Sale.** The proceeds of any foreclosure (or partial foreclosure) sale of the Premises shall be distributed and applied in accordance with the terms of the Loan Agreement and applicable law.

(f) **Waiver of Rights.** Grantor waives all rights to direct the order in which any of the Premises shall be sold in the event of any sale under this Deed of Trust, and also any right to have any of the Premises marshaled upon any sale.

(g) **No Cure or Waiver.** Neither Beneficiary's nor Trustee's nor any receiver's entry upon and taking possession of all or any part of the Premises, nor any collection of rents, issues, profits, proceeds, other security or proceeds of other security, or other sums, nor the application of any collected sums to any indebtedness of Grantor, nor the exercise of any other right or remedy by Beneficiary or Trustee or any receiver shall cure or waive any breach, Event of Default or notice of default under this Deed of Trust, or nullify the effect of any notice of default or sale (unless all Liabilities and indebtedness then due have been paid and performed and Grantor has cured all other defaults), or impair the status of the security, or prejudice Beneficiary or Trustee in the exercise of any right or remedy, or be construed as an affirmation by Beneficiary of any tenancy, lease, or option or a subordination of the lien of this Deed of Trust.

(h) **Power to File Notices and Cure Defaults.** Subject to any notice and cure rights set forth herein or in the Term Loan A Note or any other Financing Agreement, Grantor hereby irrevocably appoints Beneficiary and its successors and assigns as Grantor's attorney-in-fact, which agency is coupled with an interest, (i) to execute and record any notices of completion, cessation of labor, or any other notices that Beneficiary deems appropriate to protect Beneficiary's interest, and (ii) upon the occurrence and during the continuance of an Event of Default, to perform any obligation of Grantor hereunder; provided, that (x) Beneficiary, as such attorney-in-fact, shall only be accountable for such funds as are actually received by Beneficiary, and (y) Beneficiary shall not be liable to Grantor or any other person or entity for any failure to act under this Section.

(i) **Actions By Trustee or Beneficiary.** During the existence of an Event of Default, Beneficiary and/or Trustee, each in its absolute and sole discretion, without obligation so to do, without releasing Grantor from any obligation, and with only such notice to or demand upon Grantor as may be required under the Loan Agreement, may give such notice or make such demand in such manner and to such extent as either may deem necessary or appropriate. In connection therewith (without limiting their general powers under applicable laws, whether confirmed herein or in another Financing Agreement), Beneficiary and Trustee shall have and are hereby given the

right, but not the obligation, (i) to enter upon and take possession of the Premises; (ii) to make additions, alterations, repairs and improvements to the Premises that they or either of them may consider necessary or appropriate to keep the Premises in good condition and repair; (iii) to appear and participate in any action or proceeding affecting or which may affect the security hereof or the rights or powers of Beneficiary or Trustee; (iv) to pay, purchase, contest or compromise any Lien or Encumbrance or alleged Lien or Encumbrance whether superior or junior to this Deed of Trust; and (v) in exercising such powers, to pay necessary reasonable expenses (including, without limitation, reasonable expenses of employment of counsel or other necessary or desirable consultants). Grantor shall immediately upon demand therefor by Beneficiary and Trustee or either of them, pay to Beneficiary and Trustee an amount equal to all respective reasonable costs and expenses incurred by them in connection with the exercise by either Beneficiary or Trustee or both of the foregoing rights (including without limitation, costs of evidence of title, court costs, appraisals, surveys and receiver's, trustee's and reasonable attorneys' fees) together with interest thereon from the date of such expenditures at the Default Rate. "**Lien or Encumbrance**" means (other than Permitted Exceptions) each and all of the following in respect of the Premises: leases, other rights to occupy or use, mortgages, deeds of trust, pledges, security agreements, assignments, assignments as security, conditional sales, title retention arrangements or agreements, conditions, covenants, and restrictions, and other charges, liens, encumbrances, or adverse interests, whether voluntarily or involuntarily created and regardless of whether prior or subordinate (but subject to the terms of any applicable subordination and attornment agreement) to any estate, right, title, or interest granted to Trustee or Beneficiary in this Deed of Trust. "**Person**" means any natural person, any unincorporated association, any corporation, any partnership, any limited liability company, any joint venture, any trust, any other legal entity, or any governmental authority (federal, state, local or foreign).

**17. Rights Cumulative.** Each right, power and remedy herein conferred upon Beneficiary is cumulative and in addition to every other right, power or remedy, express or implied, given now or hereafter existing under any of the Financing Agreements or at law or in equity, and each and every right, power and remedy herein set forth or otherwise so existing may be exercised from time to time as often and in such order as may be deemed expedient by Beneficiary, and the exercise or the beginning of the exercise of one right, power or remedy shall not be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy, and no delay or omission of Beneficiary in the exercise of any right, power or remedy accruing hereunder or arising otherwise shall impair any such right, power or remedy, or be construed to be a waiver of any Event of Default or acquiescence therein.

**18. Beneficiary's Right of Inspection.** Subject to applicable law governing the confidentiality of resident, medical and employee records, Beneficiary and its representatives shall have the right to inspect the Premises and the books and records of Grantor as are set forth in Section 8.2 of the Loan Agreement.

**19. Disbursement of Insurance or Eminent Domain Proceeds.** In the case of any loss exceeding the Loss Threshold and any condemnation, in which the award or payment exceeds

the Loss Threshold, the following provisions shall apply, in addition to those set forth in Sections 6 and 8:

(a) Before commencing to repair, restore or rebuild following material damage to, or destruction of, all or a portion of the Premises, whether by fire or other casualty or by a taking under the power of eminent domain, Grantor shall obtain from Beneficiary its reasonable approval (which reasonable approval shall not be unreasonably withheld, conditioned or delayed) of all site and building plans and specifications pertaining to such repair, restoration or rebuilding;

(b) Prior to each payment or application of any insurance proceeds or a condemnation or eminent domain award to the repair or restoration of the improvements upon the Premises to the extent permitted in Sections 6 and 8 above, respectively, (which payment or application may be made, at Beneficiary's option, through an escrow, the terms and conditions of which are reasonably satisfactory to Beneficiary and Grantor and the cost of which is to be borne by Grantor), Beneficiary shall be entitled to be reasonably satisfied as to the following:

(i) An Event of Default has not occurred which is continuing;

(ii) Either (A) such improvements have been fully restored, or (B) the expenditure of money as may be received from such insurance proceeds or condemnation award is or will be sufficient to repair, restore or rebuild the Premises, free and clear of all liens, claims and encumbrances, except the lien of this Deed of Trust and the Permitted Exceptions, or, in the event such insurance proceeds or condemnation award shall be insufficient to repair, restore and rebuild the Premises, Grantor has deposited with Beneficiary such amount of money which, together with the insurance proceeds or condemnation award, shall be sufficient to restore, repair and rebuild the Premises; and

(iii) Prior to each disbursement of any such proceeds or awards held by Beneficiary in accordance with the terms of this Section 19 for the cost of any repair, restoration or rebuilding, Beneficiary shall be furnished with a statement of Beneficiary's architect (the reasonable cost of which shall be borne by Grantor), certifying the extent of the repair and restoration completed to the date thereof, and that such repairs, restoration, and rebuilding have been performed to date in conformity with the plans and specifications approved by Beneficiary and with all statutes, regulations or ordinances (including building and zoning ordinances) affecting the Premises; and Beneficiary shall be furnished with appropriate evidence of payment for labor or materials furnished to the Premises, and total or partial lien waivers substantiating such payments.

(c) Prior to the payment or application of insurance proceeds or a condemnation award to the repair, restoration or rebuilding of the improvements upon the Premises to the extent permitted in Sections 6 and 8 above, respectively, there shall have been delivered to Beneficiary the following:

(i) With respect to any insurance proceeds, a waiver of subrogation from any insurer with respect to Grantor or the then owner or other insured under the policy of insurance in question; and

(ii) [Reserved].

(d) In the event Grantor shall fail to restore, repair or rebuild the improvements upon the Premises within a time period deemed reasonably satisfactory by Beneficiary, subject to any force majeure events (provided such delay may not exceed ninety (90) days in the aggregate), then Beneficiary, at its option, may commence and perform all necessary acts to restore, repair or rebuild the said improvements for or on behalf of Grantor. In the event insurance proceeds or a condemnation award shall exceed the amount necessary to complete the repair, restoration or rebuilding of the improvements upon the Premises, unless an Event of Default shall exist, such excess shall be paid to Grantor.

**20. Rights of Beneficiary to Release Debtors or Security.** Without affecting Grantor's liability for the payment of any of the Liabilities and indebtedness secured by this Deed of Trust, Beneficiary may from time to time and without notice to Grantor (a) release any Person liable for the payment of the Liabilities and the indebtedness secured hereby, (b) extend or modify the terms of the Liabilities and the indebtedness with the consent of Grantor and, if required, any guarantor of the Liabilities and the indebtedness secured hereby, or (c) accept additional real or personal property of any kind as security, or alter, substitute or release any property securing the Liabilities and the indebtedness secured hereby.

**21. Full Reconveyance.** Upon the payment in full of all Liabilities and the indebtedness secured by this Deed of Trust, Beneficiary agrees to request Trustee to reconvey the Premises, and upon payment by Grantor of the fees and all other sums owing to Trustee under this Deed of Trust, Trustee shall reconvey the Premises without warranty to Grantor or to the person or persons to whom Grantor directs, in writing, or to such other person or persons that are legally entitled to it (as the case may be). Such person or persons must pay all costs of recordation. The grantee in the reconveyance may be described as "the person or persons legally entitled thereto."

**22. Notices.** Any notices, communications and waivers under this Deed of Trust shall be in writing and shall be delivered in accordance with the provisions of the Loan Agreement.

**23. Waiver.** No action for the enforcement of the lien or of any provision hereof shall be subject to any defense which would not be good and available to the party interposing the same in an action at law upon the Loan Agreement. To the fullest extent permitted by law, Grantor hereby covenants and agrees that Grantor shall not apply for or avail itself of any appraisal, valuation, stay, extension or exemption laws, or any so-called "Moratorium Laws," now existing or hereafter enacted, in order to prevent or hinder the enforcement or foreclosure of this Deed of Trust, but hereby waives the benefit of such laws. To the fullest extent permitted by law, Grantor, for itself and all who may claim through or under it, waives any claims based on allegations that Beneficiary has failed to act in a commercially reasonable manner (except as otherwise expressly provided in this Deed of Trust or the other Financing Agreements) and any and all rights to have the property and estates comprising the Premises marshalled upon any foreclosure of the lien hereof and further agrees that any court having jurisdiction to foreclose such lien may order the Premises sold as an entirety. Grantor waives, to the extent permitted by law, all rights and remedies that Grantor may have or be able to assert by reason of applicable laws pertaining to the rights and remedies of sureties.

**24. Additional Indebtedness Secured.** All persons and entities with any interest in the Premises or about to acquire any such interest should be aware that this Deed of Trust secures

more than the stated principal amount of the Term Loan A Note and interest thereon; this Deed of Trust secures any and all other amounts which may become due under the Loan Agreement, any Note or any other document or instrument evidencing, securing or otherwise affecting the Liabilities and the indebtedness secured hereby, including, without limitation, any and all amounts expended by Beneficiary to operate, manage or maintain the Premises or to otherwise protect the Premises or the lien of this Deed of Trust.

**25. Waiver of Rights of Redemption and Reinstatement.** Grantor hereby releases and waives, to the fullest extent permitted by law, any and all rights of reinstatement and redemption as may be provided in the Washington Codes (as defined in Section 27(a) of this Deed of Trust).

**26. Fixture Filing.** Grantor and Beneficiary agree that this Deed of Trust shall constitute a financing statement and fixture filing under the Code with respect to all “fixtures” (as defined in the Code) attached to or otherwise forming a part of the Premises and that a security interest in and to such fixtures is hereby granted to Beneficiary. For purposes of the foregoing, Beneficiary is the secured party and Grantor is the debtor and the collateral covered by this financing statement shall be all items of property contained within the definition of the “Premises” which is or becomes a fixture on the Real Estate or any other real estate contained within the definition of the Premises. Grantor is a Delaware limited liability company.

**27. Compliance with Applicable Laws.**

(a) **Prevailing Codes.** In the event that any provision in this Deed of Trust shall be inconsistent with any provision of the codes of the State of Washington governing or relating to foreclosure of mortgage or deed of trust liens (herein called “**Washington Codes**”), the provisions of Washington Codes shall take precedence over the provisions of this Deed of Trust, but shall not invalidate or render unenforceable any other provision of this Deed of Trust that can be construed in a manner consistent with Washington Codes.

(b) **Codes Governing Receivers.** If any provision of this Deed of Trust shall grant to Beneficiary (including Beneficiary acting as a mortgagee-in-possession) or a receiver appointed pursuant to the provisions of Section 16 of this Deed of Trust any powers, rights or remedies prior to, upon or following the occurrence and continuance of an Event of Default which are more limited than the powers, rights or remedies that would otherwise be vested in Beneficiary or in such receiver under Washington Codes in the absence of said provision, Beneficiary and such receiver shall be vested with the powers, rights and remedies granted in Washington Codes to the full extent permitted by law.

(c) **Acceptance of Trust; Powers and Duties of Trustee.** Trustee accepts this trust when this Deed of Trust is recorded. From time to time upon written request of Beneficiary and presentation of this Deed of Trust for endorsement, and without affecting the personal liability of any Person for payment of any Liabilities and any indebtedness or performance of any Liabilities and any indebtedness secured hereby, Trustee may, without liability therefor and without notice and upon the direction of Beneficiary (and **further provided** Beneficiary has the right to otherwise take or direct such actions under this Deed of Trust or under the Loan Agreement): (i) reconvey all or any part of the Premises; (ii) consent to the making of any map or

plat thereof; (iii) join in any grant of easement thereon or any declaration of covenants, conditions and restrictions; or (iv) join in any extension agreement or any agreement subordinating the lien or charge hereof.

(d) **Substitution/Removal of Trustee.** Beneficiary may remove Trustee or any successor Trustee at any time or times and appoint a successor Trustee by providing written notice of such substitution to Grantor in accordance with the Loan Agreement and by recording a written substitution in the county where the Premises are located, and in accordance with applicable law. Upon that appointment, all of the powers, rights and authority of Trustee will immediately become vested in its successor.

(e) **Subrogation.** Beneficiary shall be subrogated to the lien of all encumbrances, whether released of record or not, paid in whole or in part by Beneficiary pursuant to this Deed of Trust or by the proceeds of any loan secured by this Deed of Trust.

(f) **Construction Liens.** Any and all references in this Deed of Trust to mechanic's or materialman's liens or claims shall include "construction" liens or claims as governed by Washington law.

(g) **Oral Agreements.** ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FOREBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR REVIEW SUCH DEBT MAY NOT BE ENFORCEABLE. TO PROTECT YOU (GRANTOR) AND US (BENEFICIARY) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS GRANTOR AND BENEFICIARY REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN GRANTOR AND BENEFICIARY, EXCEPT AS GRANTOR AND BENEFICIARY MAY LATER AGREE IN WRITING TO MODIFY IT.

(h) **Deficiency Judgment.** In the event that this Deed of Trust is foreclosed by judicial procedure or sold at a trustee's sale, Beneficiary shall be entitled, to the extent permitted by law, to seek a deficiency judgment in accordance with RCW Chapter 61 and/or other applicable law for any amounts by which the unpaid balance of the obligations secured by this Deed of Trust exceeds the net sale proceeds payable to Beneficiary.

(i) **Commercial Loans.** The following disclosure is made pursuant to RCW Section 19.36.140:

**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.**

**28. Miscellaneous.**

(a) **Successors and Assigns.** This Deed of Trust and all provisions hereof shall be binding upon and enforceable against Grantor and its assigns and other successors. This Deed

of Trust and all provisions hereof shall inure to the benefit of Beneficiary, its successors and assigns and any holder or holders, from time to time, of the Term Loan A Note.

(b) **Invalidity of Provisions; Governing Law.** In the event that any provision of this Deed of Trust is deemed to be invalid by reason of the operation of law, or by reason of the interpretation placed thereon by any administrative agency or any court, Grantor and Beneficiary shall negotiate an equitable adjustment in the provisions of the same in order to effect, to the maximum extent permitted by law, the purpose of this Deed of Trust and the validity and enforceability of the remaining provisions, or portions or applications thereof, shall not be affected thereby and shall remain in full force and effect. Grantor agrees that this Deed of Trust is to be construed, governed by and enforced in accordance with the laws of the State of New York, without regard to its conflict of laws rules; provided, however, that with respect to issues relating to the creation, perfection, priority and enforcement of the liens on and security interest in the Real Estate, the laws of the state in which the Real Estate is located shall govern.

(c) **Mortgagee in Possession.** Nothing herein contained shall be construed as constituting Beneficiary a mortgagee in possession in the absence of the actual taking of possession of the Premises by Beneficiary pursuant to this Deed of Trust.

(d) **Relationship of Beneficiary and Grantor.** Beneficiary shall in no event be construed for any purpose to be a partner, joint venturer, agent or associate of Grantor or of any lessee, operator, concessionaire or licensee of Grantor in the conduct of their respective businesses, and, without limiting the foregoing, Beneficiary shall not be deemed to be such partner, joint venturer, agent or associate on account of Beneficiary becoming a mortgagee in possession or exercising any rights pursuant to this Deed of Trust, any of the other Financing Agreements, or otherwise.

(e) **Time of the Essence.** Time is of the essence of the payment by Grantor of all amounts due and owing to Beneficiary under the Loan Agreement, the Term Loan A Note and the other Financing Agreements and the performance and observance by Grantor of all terms, conditions, obligations and agreements contained in this Deed of Trust and the other Financing Agreements.

(f) **No Merger.** It being the desire and intention of the parties hereto that the Deed of Trust and the lien hereof do not merge in fee simple title to the Premises, it is hereby understood and agreed that should Beneficiary acquire any additional or other interest in or to the Premises or the ownership thereof, then, unless a contrary intent is manifested by Beneficiary as evidenced by an express statement to that effect in an appropriate document duly recorded, this Deed of Trust and the lien hereof shall not merge in the fee simple title and this Deed of Trust may be foreclosed as if owned by a stranger to the fee simple title.

(g) **Conflict with Loan Agreement.** In the event there is a conflict between the terms of this Deed of Trust and the terms of the Loan Agreement, the terms of the Loan Agreement shall control.

(h) **Jurisdiction and Venue.** GRANTOR HEREBY AGREES THAT ALL ACTIONS OR PROCEEDINGS INITIATED BY GRANTOR AND ARISING DIRECTLY

OR INDIRECTLY OUT OF THIS DEED OF TRUST SHALL BE LITIGATED IN NEW YORK, NEW YORK, OR IF BENEFICIARY INITIATES SUCH ACTION, ANY COURT IN WHICH BENEFICIARY SHALL INITIATE SUCH ACTION AND WHICH HAS JURISDICTION, PROVIDED, HOWEVER, THAT ANY JUDICIAL FORECLOSURE SHALL BE COMMENCED IN THE APPROPRIATE COURT IN THE STATE OF WASHINGTON. GRANTOR HEREBY EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTIONS IN ANY ACTION OR PROCEEDING COMMENCED BY BENEFICIARY IN ANY OF SUCH COURTS, AND HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS AND COMPLAINT, OR OTHER PROCESS OR PAPERS ISSUED THEREIN, AND AGREES THAT SERVICE OF SUCH SUMMONS AND COMPLAINT OR OTHER PROCESS OR PAPERS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED AT THE ADDRESS TO WHICH NOTICES ARE TO BE SENT PURSUANT TO THIS DEED OF TRUST. GRANTOR WAIVES ANY CLAIM THAT NEW YORK, NEW YORK, OR ANY SUCH OTHER JURISDICTION, IS AN INCONVENIENT FORUM OR AN IMPROPER FORUM BASED ON LACK OF VENUE. THE CHOICE OF FORUM FOR GRANTOR SET FORTH IN THIS SECTION SHALL NOT BE DEEMED TO PRECLUDE THE ENFORCEMENT, BY BENEFICIARY, OF ANY JUDGMENT OBTAINED IN ANY OTHER FORUM OR THE TAKING, BY BENEFICIARY, OF ANY ACTION TO ENFORCE THE SAME IN ANY OTHER APPROPRIATE JURISDICTION, AND GRANTOR HEREBY WAIVES THE RIGHT, IF ANY, TO COLLATERALLY ATTACK ANY SUCH JUDGMENT OR ACTION.

(i) Waiver of Right to Jury Trial. BENEFICIARY (BY ITS ACCEPTANCE) AND GRANTOR (BY ITS EXECUTION) ACKNOWLEDGE AND AGREE THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THE FINANCING AGREEMENTS OR WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED HEREIN AND THEREIN WOULD BE BASED UPON DIFFICULT AND COMPLEX ISSUES AND THEREFORE, THE PARTIES AGREE THAT ANY COURT PROCEEDING ARISING OUT OF ANY SUCH CONTROVERSY WILL BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

(j) Maximum Indebtedness. This Deed of Trust secures payment of, and the Liabilities and indebtedness secured by this Deed of Trust shall include, any unpaid balances of Term Loan A, advances which Beneficiary may make or be obligated to make to Grantor under this Deed of Trust, the Loan Agreement, or any other Financing Agreement at any time after this Deed of Trust is delivered to the recorder for record to the extent that the total unpaid Liabilities and indebtedness of the Term Loan A, exclusive of interest thereon, does not exceed the maximum amount of Sixteen Million Six Hundred Seven Thousand Five Hundred and No/100 Dollars (\$16,607,500.00) which may be outstanding at any time and from time to time.

(k) Use of Term Loan A Proceeds. This Deed of Trust was granted to secure a commercial loan. Grantor represents and warrants that the proceeds of the loan shall be used for business or commercial purposes and not for personal, family or household purposes.

(Signature page follows.)



SCHEDULE 1

Other Borrowers

Emmett 1013 Realty, LLC, an Idaho limited liability company  
911 21<sup>ST</sup> ST SNF Real Estate LLC, a Delaware limited liability company

EXHIBIT A

## Legal Description

## Parcel A:

Lots 1, 2 and 3, City of Anacortes Short Plat No. 91-005, approved October 24, 1991, recorded November 4, 1991 in Book 10 of Short Plats, pages 24 and 25, under Auditor's File No. 9111040088 and being a portion of the Southeast 1/4 of the Southeast 1/4 of Section 24, Township 35 North, Range 1 East of the Willamette Meridian Situate in the County of Skagit, State of Washington.

## Parcel B:

That portion of the Southeast Quarter of the Southeast Quarter of Section 24, Township 35 North, Range 1 East of the Willamette Meridian, described as follows:

Beginning at the intersection of the East line of said subdivision with the North line of 28th Street as laid out in the plat of Hensler's First Addition to the City of Anacortes, according to the plat thereof recorded in Volume 3 of Plats, page 46, records of Skagit County, Washington; thence North 89°02'15" West along the projection of 28th Street, a distance of 248 feet, more or less, to the East line of that certain tract conveyed to Anna Allard by Deed recorded in Volume 101 of Deeds, page 587, records of Skagit County, Washington, and the true point of beginning of this description; thence North along the East line of said Allard Tract, a distance of 100.00 feet; thence South 89°02'15" East, 72 feet; thence South parallel with the East line of said subdivision, 100.00 feet; thence North 89°02'15" West along the said projection of 28th Street, 72.0 feet to the point of beginning;

EXCEPT that portion of said premises, if any, lying West of the East line of those premises conveyed by Russel Martin, et ux, to Lester Still deed dated June 2, 1951, filed June 6, 1951 under Auditor's File No. 461781 and recorded in Volume 245 of Deeds at page 549, records of Skagit County, Washington.

Situate in the County of Skagit, State of Washington.

## Parcel C:

A tract of land in the Southeast Quarter of the Southeast Quarter of Section 24, Township 35 North, Range 1 East of the Willamette Meridian, described as follows:

Beginning at the intersection of the East line of said subdivision with the North line of Twenty-eighth Street as laid out in the Plat of Hensler's First Addition to the City of Anacortes, according to the plat recorded Volume 3 of Plats, page 46, records of Skagit County, Washington; thence North 89°02'15" West along the projection of said Twenty-eighth Street, 248 feet, more or less, to the East line of that certain tract conveyed to Anna Allard by Deed recorded in Volume 101 of Deeds, Page 587; thence South 89°02'15" East 72 feet to the true point of beginning of this description: (said point being the Southeast corner of that certain tract conveyed to Urban E. Layton, a bachelor by

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deed dated August 31, 1955 and recorded under Auditor's File No. 524300, records of Skagit County, Washington);  
thence North parallel with the East line of said subdivision 100 feet;  
thence South 89°02'15" East 81 feet, more or less, to the Northwest corner of that certain tract conveyed to Lewis A. Willis and Janice M. Willis, his wife, by deed dated July 14, 1955 and recorded under Auditor's File No. 522157, records of Skagit County, Washington;  
thence South along the West line of said Willis tract 100 feet;  
thence North 89°02'15" West along the projection of the North line of Twenty-eighth Street, a distance of 81 feet, more or less, to the point of beginning.

Situate in the County of Skagit, State of Washington.