

This instrument prepared by and  
after recording return to:

Amanda Gómez Esq.  
GOLDBERG KOHN LTD.  
55 East Monroe Street  
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(312) 201-4000



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Skagit County Auditor      \$281.00  
9/11/2013 Page      1 of      45 12:09PM

**DEED OF TRUST, ASSIGNMENT OF RENTS AND LEASES  
AND SECURITY AGREEMENT**  
(Skagit County, Washington)

<b>Grantor:</b>	1) <u>AFI BURLINGTON OWNER LLC</u>		
<input type="checkbox"/> Additional on page	_____		
<b>Grantees:</b>	<b>Beneficiary:</b>	<u>BB&amp;T REAL ESTATE FUNDING LLC</u>	
	<b>Trustee:</b>	<u>LAND TITLE AND ESCROW COMPANY</u>	
<b>Legal Description (abbreviated):</b>	<u>Lot 3, Burlington SP No. 3-00 &amp; PTN TR 79 Burlington Acreage Property</u>		
<input checked="" type="checkbox"/> Additional on :	<u>Exhibit A</u>		
<b>Assessor's Tax Parcel ID #:</b>	<u>3867-000-079-0101 P62822 AND 3867-000-079-0600 P116952</u>		
<b>Reference Nos. of Documents Released or Assigned:</b>	<u>N/A</u>		

LAND TITLE OF SKAGIT COUNTY

147447-S

**AFI Burlington Owner LLC**  
(Grantor)  
to  
**BB&T Real Estate Funding LLC**  
(Beneficiary)

Dated: As of September 10, 2013  
Location: 400 Gilkey Road and  
419-421 Alissa Road  
Burlington, Washington 98233

**NOTICE TO RECORDER.** *This Deed of Trust is a Security Agreement and Financing Statement under Article 9 of the Uniform Commercial Code, with Grantor as Debtor and Grantee/Beneficiary as Secured Party*

This DEED OF TRUST, ASSIGNMENT OF RENTS AND LEASES AND SECURITY AGREEMENT (the "**Security Instrument**") is made as of the 10th day of September, 2013, by **AFI Burlington Owner LLC**, a Delaware limited liability company, as grantor ("**Grantor**" or "**Borrower**"), to **Land Title and Escrow Company**, as trustee ("**Trustee**"), for the benefit of **BB&T Real Estate Funding LLC**, a North Carolina limited liability company, as beneficiary ("**Beneficiary**" or "**Lender**").

To secure the payment of an indebtedness (the "**Loan**") in the principal sum of Fourteen Million and No/100 Dollars (\$14,000,000.00), lawful money of the United States of America, to be paid with interest according to that certain Promissory Note executed by Borrower in favor of Lender of even date herewith (together with all extensions, renewals or modifications thereof, the "**Note**"), and the fulfillment of all of Borrower's obligations (the "**Obligations**") under the Note, this Security Instrument and the other Loan Documents (hereinafter defined), Borrower hereby irrevocably and unconditionally grants, transfers, bargains, conveys, sets over and assigns to Trustee, in trust, and for the uses and purposes set forth herein forever, with power of sale and right of entry and possession, and grants a security interest in all estate, right, title and interest that Borrower now has or may later acquire in and to the real property described in Exhibit A attached hereto and incorporated herein (the "**Premises**") and the buildings, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter located thereon (the "**Improvements**");

Together with all right, title, interest and estate of Borrower now owned, or hereafter acquired, in and to the following property, rights, interests and estates (the Premises, the Improvements and the following property, rights, interests and estates being hereinafter collectively referred to as the "**Property**");

(a) all easements, rights-of-way, 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, tenements, hereditaments and appurtenances of any nature whatsoever, in any way belonging, relating or pertaining to the Premises and the Improvements and the reversion and reversions, remainder and remainders, and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Premises, 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 Borrower of, in and to the Premises and the Improvements and every part and parcel thereof, with the appurtenances thereto;

(b) all goods, machinery, Equipment, Inventory, Contracts, fixtures (including but not limited to all heating, air conditioning, plumbing, lighting, communications and elevator fixtures) and other property of every kind and nature



whatsoever owned by Borrower, or in which Borrower has or shall have an interest, now or hereafter located upon (or arising from or used in connection with) the Premises and the Improvements, or appurtenant thereto, and usable or arising in connection with the present or future operation and occupancy of the Premises and the Improvements and all building equipment, materials and supplies of any nature whatsoever owned by Borrower, or in which Borrower has or shall have an interest, now or hereafter located upon the Premises and the Improvements, or appurtenant thereto, or usable in connection with the present or future operation and occupancy of the Premises and the Improvements (hereinafter collectively called the "**Personal Property**"), and the right, title and interest of Borrower in and to any of the Personal Property which may be subject to any security interests, as defined in the Uniform Commercial Code, as adopted and enacted by the state or states where any of the Property is located (the "**Uniform Commercial Code**"), superior in lien to the lien of this Security Instrument;

(c) all awards or payments, including interest thereon, which may heretofore and hereafter be made with respect to the Property, whether from the exercise of the right of eminent domain (including but not limited to any transfer made in lieu of or in anticipation of the exercise of said right), or for a change of grade, or for any other injury to or decrease in the value of the Property;

(d) all leases and other agreements, including without limitation any residency, occupancy, admission and care agreements pertaining to residents of the Property and any Operating Lease, and any guaranties related thereto, affecting the use, enjoyment or occupancy of the Premises and the Improvements heretofore or hereafter entered into (the "**Leases**") and all Rents, Accounts and deposits from the Premises and the Improvements, whether paid or accruing before or after the filing by or against Borrower of any petition for relief under 11 U.S.C. §101 *et. seq.* and all proceeds from the sale or other disposition of the Leases and the right to receive and apply the Rents to the payment of the Obligations; and all proceeds from the sale or other disposition of the Leases and the right to receive and apply the Rents to the payment of the Obligations;

(e) all proceeds of and any unearned premiums on any insurance policies covering the Property, including, without limitation, the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the Property;

(f) the right, in the name and on behalf of Borrower, 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 Lender in the Property;

(g) all plans and specifications, contracts, licenses, approvals, consents, subcontracts, service contracts, management contracts, permits and other agreements of any nature whatsoever now or hereafter obtained or entered into by or in favor of Borrower, or

any managing agent of the Premises and the Improvements on behalf of Borrower, with respect to the ownership and/or operation of the Premises and the Improvements;

(h) any agreement which provides for an interest rate, credit, commodity or equity swap, cap, floor, collar, spot or forward foreign exchange transaction, currency swap, cross-currency rate swap, currency option, or any similar transaction or any combination of, or option with respect to, these or similar transactions, for the purpose of hedging Borrower's exposure to fluctuations in interest or exchange rates, loan, credit, exchange, security or currency valuations or commodity prices in connection with the Loan;

(i) the appraisals, surveys, property condition reports and environmental reports relating to the Premises and the Improvements;

(j) any and all other personal property of any nature or type whatsoever constituting an asset of the Borrower; and

(k) all proceeds (including contract and tort claims) and products of all of the foregoing Property.

To have and to hold the above granted and described Property unto Lender, and the successors and assigns of Lender, forever.

Provided, however, these presents are upon the express condition that if Borrower shall well and truly fulfill and satisfy the Obligations at the time and in the manner provided in the Note, this Security Instrument and the other Loan Documents, and all of Lender's obligations under the Loan Documents have terminated, these presents and the estate hereby granted shall cease, terminate and be void.

Borrower represents and warrants to and covenants and agrees with Lender as follows:

1. Payment of Obligations and Incorporation of Covenants, Conditions and Agreements. Borrower will pay the Obligations at the time and in the manner provided in the Note, this Security Instrument and the other Loan Documents. All the covenants, conditions and agreements contained in the Note and any of the other Loan Documents are hereby made a part of this Security Instrument to the same extent and with the same force as if fully set forth herein. The Note, the Loan Agreement of even date herewith between Borrower and Lender (the "**Loan Agreement**"), this Security Instrument and all other documents now or hereafter executed by Borrower and/or Guarantor (hereinafter defined), but excluding the Environmental Indemnity Agreement, and by or in favor of Lender in connection with the Loan shall be collectively referred to as the "**Loan Documents.**" For the sake of clarity and the avoidance of doubt, Obligations includes without limitation the obligation to timely repay the Loan.



2. Warranty of Title. Borrower warrants that Borrower has good title to the Property and has full power, authority and the right to execute, deliver and perform its obligations under this Security Instrument and to mortgage, give, grant, bargain, sell, alien, enfeoff, convey, confirm, pledge, assign and hypothecate and grant a security interest in the same, and that Borrower possesses an unencumbered fee simple estate in the Premises and the Improvements and that it owns the Property free and clear of all liens, encumbrances and charges whatsoever except for those exceptions shown in the title insurance policy insuring the lien of this Security Instrument (the "**Permitted Exceptions**"). Borrower shall forever warrant, defend and preserve such title and the validity and priority of the lien of this Security Instrument and shall forever warrant and defend the same to Lender against the claims of all persons whomsoever, subject to the Permitted Exceptions.

3. Insurance.

(a) Borrower will effect and maintain, or cause to be effected and maintained, insurance policies (the "**Policies**") covering the Property as follows:

(1) "All Risk" property insurance, including sprinkler leakage (to the extent the Improvements are served by a fire sprinkler system), in an amount sufficient to prevent Borrower from being or becoming a co-insurer in any loss under the policy but in no event less than the Full Replacement Value (hereinafter defined) of the Property; and earthquake insurance (if available) in such amount as Lender may from time to time reasonably require;

(2) Rental Value Insurance for loss occasioned by the perils commonly insured in the Broad-Form All Risk Policy in an aggregate amount equal to but not less than the "annual gross rent", with co-insurance in such percentage as may be acceptable to Lender. "Annual gross rent" shall mean for a twelve month period the sum of (i) the total anticipated gross rental from tenant occupancy of the Property, (ii) the amount of all charges which are the legal, contractual or other obligations of tenants and which would otherwise be obligations of Borrower, and (iii) the fair rental value of any portions of the Property occupied by Borrower or any of its affiliates;

(3) Comprehensive General Liability Insurance, including blanket contractual liability, professional liability, products liability, premises liability, and personal injury coverage with a combined single limit for bodily injury and property damage of not less than \$3,000,000. Such requirement may be satisfied by a layering of Comprehensive General Liability, Umbrella and Excess Liability policies, but in no event will the Comprehensive General Liability policy be written for an amount less than \$1,000,000 combined single limit for bodily injury and property damage liability;



(4) Worker's Compensation and Employer's Liability Insurance, as required by statute and subject to the statutory limits of the state in which the Property is located, in respect of any work or other operations on, about or in connection with the Property and covering all employees of Borrower (but only to the extent Borrower has any employees in such state). Borrower agrees to require its Property Manager (hereinafter defined) and any other agents of Borrower in Borrower's contracts with such agents to maintain such insurance for the employees of such agents;

(5) To the extent the Improvements are served by a steam boiler, Steam Boiler and Machinery Breakdown Direct Damage Insurance and third party liability coverage (if not covered under the Comprehensive General Liability Policy) with full comprehensive coverage on a repair and replacement basis for all boilers and machinery which form a part of the Property including Rental Value Insurance in connection therewith in accordance with Section 3(a)(2) hereof;

(6) If at any time the Property or any part thereof is within an area designated "flood prone" pursuant to the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973 (42 U.S.C. §§ 4001-4128) (collectively the "**National Flood Insurance Program**") or any amendments or supplements thereto or substitutions therefor, Borrower shall obtain flood insurance in such total amount as Lender may from time to time reasonably require and shall in any event comply with the National Flood Insurance Program as set forth in the legislation; and

(7) Such other insurance with respect to the Property and in such amounts as Lender may reasonably request in writing from time to time against such other insurable hazards which, at the time, are commonly insured against in respect of property similar to the Property. Notwithstanding the foregoing, Borrower shall, under no circumstances, provide insurance in amounts in excess of those allowed pursuant to Section 48.27.010 and 48.27.020 of the Revised Code of Washington.

(b) Borrower may effect such coverage under blanket insurance policies, provided that (i) any such policy of blanket insurance either shall specify therein or Borrower shall furnish to Lender a written statement from the insurer under such policy so specifying: (x) the maximum amount of the total insurance afforded by the blanket policy available to the Property and (y) any sublimits in such blanket policy applicable to the Property, which amounts shall not be less than the amounts required pursuant to Section 3(a); (ii) any policy of blanket insurance hereunder shall comply in all respects with the other provisions of this Section 3; and (iii) the protection afforded Borrower under any policy of blanket insurance hereunder shall be no less than that which would have been afforded under a separate policy or policies relating only to the Property.

(c) The insurance maintained by Borrower under Section 3(a) (1), (2), (6) and (7) shall bear a standard non-contributory first Lender endorsement in favor of Lender



and shall provide that all property losses insured against shall be adjusted by Borrower (subject to Lender's approval of final settlement of all estimated losses of \$100,000.00 or more) and that the proceeds thereof shall be paid directly to Lender. The insurance maintained by Borrower under Section 3(a)(3) and (7) shall name Lender or such other entity or account as Lender may designate in the future, as additional insureds. The insurance maintained by Borrower under Section 3(a)(1) and (2) shall contain no aggregate limit of liability. The insurance maintained by Borrower under Section 3(a)(1) shall contain an "Ordinance or Law Coverage" or "Enforcement" endorsement. All insurance maintained by Borrower shall provide that:

(1) no cancellation, material change or reduction thereof with respect to the coverage in connection with the Property shall be effective until at least thirty (30) days after receipt by Lender of written notice thereof; and

(2) all losses shall be payable to or on behalf of Lender notwithstanding any act or negligence of Borrower or its agents or employees which might, absent such agreement, result in a forfeiture of all or part of such insurance payment and notwithstanding (i) the occupation or use of the Property for purposes more hazardous than permitted by the terms of such policy, (ii) any foreclosure or other action or proceeding taken pursuant to any provision of this Security Instrument, or (iii) any change in title or ownership of the Property or any part thereof.

(d) Borrower shall not take out separate insurance concurrent in form or contributing in the event of loss with that required by this Section 3 to be furnished by Borrower unless:

(1) The policies are submitted to Lender for its approval and are approved by Lender;

(2) The insurers thereunder and the terms thereof are acceptable to Lender in accordance with the requirements of this Section 3; and

(3) Lender is included therein as an additional named insured, or as lender with loss payable as provided in this Section 3.

Borrower shall notify Lender within thirty (30) days before any such separate insurance is taken out and shall deliver the policy or policies or copies thereof certified by the insurance carrier or broker, or certificates evidencing the same, as provided in this Section 3.

(e) Borrower shall pay the premiums for the insurance required by this Section 3 (the "**Insurance Premiums**") as they become due and payable. On or before the



anniversary or inception dates of the insurance policies required by this Section 3, Borrower shall furnish Lender with (i) original copies of all such Policies, endorsements and renewals, or (ii) copies thereof certified by the insurance carrier, or (iii) certificates or binders evidencing the same and evidence of payment of premiums therefor.

(f) For purposes of this Section 3, the term "**Full Replacement Value**" shall mean the actual cost of replacing the property in question, exclusive of the cost of excavations, foundations and footings, as determined from time to time (but not less often than once every calendar year) by the insurance company or companies holding such insurance or by an independent appraiser, engineer, architect or contractor proposed by Borrower and approved by said company or companies and Lender. Lender's consent to such proposed independent appraisers, engineers, architects and contractors shall not be unreasonably withheld, conditioned or delayed.

(g) Upon Lender's request, Borrower will assign and deliver to Lender all Policies of insurance which insure against any loss or damage to the Property as collateral and further security for the payment of the Obligations. In the event of a foreclosure of this Security Instrument or other transfer of title in extinguishment, in whole or in part, of the Obligations, the purchaser of the Property shall succeed to all the rights of Borrower, including any right to unearned premiums, in and to all policies of insurance assigned or delivered to Lender pursuant to the provisions of this Section 3. In the event that prior to the extinguishment of the Obligations any claim under any Policy has not been paid and distributed in accordance with the terms of this Security Instrument and any such claim shall be paid after the extinguishment of the Obligations, and the foreclosure of this Security Instrument, or other transfer of title to the Property shall have resulted in extinguishing the Obligations for an amount less than the total of the Obligations, then and in that event that portion of the payment in satisfaction of the claim which is equal to the difference between the total amount above referred to and the amount theretofore paid to Lender shall belong to and be the property of Lender and shall be paid to Lender, and Borrower hereby assigns, transfers and sets over to Lender all of Borrower's right, title and interest in and to said sum. The balance, if any, shall be paid to Borrower. Notwithstanding the above, Borrower shall retain an interest in the insurance Policies above described during any redemption period.

(h) In order to meet the requirements of Lender, the insurance companies affording insurance required pursuant to this Section 3 must, among other things:

(1) have a minimum rating according to Best's Key Rating Guide for Property - Liability of A-VII or have sufficient surplus that the amount of coverage provided on the Property does not represent more than 5% of its policyholders' surplus;

(2) be a stock company or non-assessable mutual company which must be organized under the laws of the United States of America or any state thereof



having at least \$25,000,000.00 paid-up capital and surplus for the protection of its policyholders; and

(3) be licensed to do business in the state where the Property is located.

(i) Borrower shall not, without the prior written consent of Lender, which consent shall not be unreasonably withheld or delayed, settle or waive any claim in excess of \$100,000.00.

(j) In the event that Borrower fails to keep the Property insured in compliance with this Section 3, Lender may, but shall not be obligated to, obtain insurance and pay the premiums therefor and Borrower shall, on demand, reimburse Lender for all sums advanced and expenses incurred in connection therewith. Such sums and expenses, together with interest thereon at the Default Rate (hereinafter defined) provided for herein, shall be part of the Obligations and secured by the lien of this Security Instrument.

(k) Nothing contained in this Section 3 shall relieve Borrower of its duty to, and Borrower shall, at its sole cost and expense, maintain, repair, replace or restore the Property or rebuild the Property, from time to time, following damage thereto or destruction thereof whether or not sufficient proceeds of insurance are available to defray the cost of such repairs or restoration, or following any condemnation of all or any portion of the Property.

(l) Borrower further covenants and agrees that in any suit or action for damages arising from the alleged negligence of Borrower in which action Lender is included or made a defendant, Borrower agrees to assume all of the burden, cost and expense of the defense or settlement of such action or claim and will well and truly pay any judgment which may be obtained against Lender as provided in this Section 3. Notwithstanding anything to the contrary set forth above, Lender may in its discretion retain its own counsel, at Borrower's expense, to defend or settle any such action or claim.

(m) No approval by Lender of any insurance company shall be construed to be a representation, certification or warranty of its solvency and no approval by Lender as to the amount, type and/or form of any insurance shall be construed to be a representation, certification or warranty of its sufficiency.

(n) If the Property shall be damaged or destroyed, in whole or in part, by fire or other casualty, Borrower shall give prompt written notice thereof to Lender. The net amount of all insurance proceeds received by Lender with respect to such damage or destruction, after deduction of the costs and expenses incurred by Lender in collecting the same (the "Net Proceeds"), shall, in the event that the amount of the Net Proceeds does not exceed the then unpaid principal balance of the Note, be disbursed by Lender in accordance



with the terms and conditions set forth herein to pay for the costs and expenses of the Restoration (hereinafter defined) provided (i) no Event of Default nor any event which with the passage of time or the giving of notice or both would constitute an Event of Default has occurred and remains uncured under any of the Loan Documents, (ii) Borrower proceeds promptly after the damage or destruction of the Property with the restoration, replacement, rebuilding or repair thereof as nearly as possible to the condition the Property was in immediately prior to such fire or other casualty with such modifications as may be approved by Lender (the "**Restoration**"), (iii) the Restoration shall be done in compliance with all applicable laws, rules and regulations, (iv) a set of the plans and specifications in connection with the Restoration shall be submitted to Lender and shall be satisfactory to Lender in all respects in its reasonable judgment, (v) if the Net Proceeds are less than the amount necessary to pay in full the cost of the Restoration in accordance with the terms hereof, Borrower shall deposit the deficiency with Lender to be applied to the Restoration; (vi) Lender shall have determined in its reasonable discretion that the Restoration and the stabilization of the operations at the Property following such Restoration are economically feasible and capable of being accomplished prior to the Maturity Date of the Note, and (vii) all costs and expenses incurred by Lender in connection with making the Net Proceeds available for the Restoration of the Property including, without limitation, counsel fees and inspecting engineer fees incurred by Lender, shall be paid by Borrower, which payment may be made from the Net Proceeds to the extent that the amount of the Net Proceeds is reasonably determined by the Casualty Consultant (hereinafter defined) and Lender to be in excess of the amount necessary to pay in full the cost of the Restoration.

(o) The Net Proceeds shall be held by Lender and shall be paid in a series of disbursements as provided below by Lender to, or as directed by, Borrower from time to time during the course of the Restoration, upon receipt of evidence, satisfactory to Lender in its reasonable judgment, including but not limited to a certification from an independent consulting engineer selected by Lender (the "**Casualty Consultant**") that for each requested payment (i) all materials installed and work and labor performed (except to the extent they are to be paid for out of the requested payment) in connection with the Restoration have been paid for in full, (ii) no mechanics' or other unbonded liens or encumbrances on the Property arising out of the Restoration exist, (iii) the progress of the Restoration is in substantial conformity with the approved plans and specifications, and (iv) the balance of the Net Proceeds plus the balance of any deficiency deposits given by Borrower to Lender pursuant to the provisions of Section 3(n) shall be sufficient to pay in full the balance of the cost of the Restoration. Borrower shall have the right to receive funds from the Net Proceeds no more frequently than once per month and in minimum increments of \$10,000.00 for actual costs incurred. Any funds held by Lender shall not constitute a trust fund, shall not earn interest for the benefit of Borrower, and may be commingled with other monies held by Lender.

(p) All plans and specifications required in connection with the Restoration shall be subject to prior review and acceptance in all respects by Lender and by the Casualty



Consultant. Lender shall have the use of the plans and specifications and all permits, licenses and approvals required or obtained in connection with the Restoration. The identity of the contractors, subcontractors and materialmen engaged in the Restoration, as well as the contracts under which they have been engaged, shall be subject to prior review and acceptance by Lender and the Casualty Consultant. All costs and expenses incurred by Lender in connection with making the Net Proceeds available for the Restoration including, without limitation, reasonable counsel fees and disbursements and the Casualty Consultant's fees, shall be paid by Borrower.

(q) In no event shall Lender be obligated to make disbursements of the Net Proceeds in excess of an amount equal to the costs actually incurred from time to time for work in place as part of the Restoration, as certified by the Casualty Consultant, minus the Casualty Retainage. The term "**Casualty Retainage**" as used in this Section 3 shall mean an amount equal to 10% of the costs actually incurred for work in place as part of the Restoration, as certified by the Casualty Consultant. The Casualty Retainage shall in no event, and notwithstanding anything to the contrary set forth above in this Section 3, be less than the amount actually held back by Borrower from contractors, subcontractors and materialmen engaged in the Restoration. The Casualty Retainage shall not be released until the Casualty Consultant certifies to Lender that the Restoration has been completed in accordance with the provisions of this Section 3 and that all approvals necessary for the re-occupancy and use of the Property have been obtained from all appropriate governmental and quasi-governmental authorities, and Lender receives evidence satisfactory to Lender that the costs of the Restoration have been paid in full or will be paid in full out of the Casualty Retainage, provided, however, that Lender will release the portion of the Casualty Retainage being held with respect to any contractor, subcontractor or materialman engaged in the Restoration as of the date upon which the Casualty Consultant certifies to Lender that the contractor, subcontractor, or materialman has satisfactorily completed all work and has supplied all materials in accordance with the provisions of the contractor's, subcontractor's or materialman's contract, and the contractor, subcontractor or materialman delivers the lien waivers and evidence of payment in full of all sums due to the contractor, subcontractor or materialman as may be reasonably requested by Lender, or by the title company insuring the lien of this Security Instrument. If required by Lender, the release of any such portion of the Casualty Retainage shall be approved by the surety company, if any, which has issued a payment or performance bond with respect to the contractor, subcontractor or materialman.

(r) The excess, if any, of the Net Proceeds after payment to Borrower as provided herein shall be applied by Lender in reduction of the Obligations in such priority and proportions as Lender in its discretion shall deem proper. Notwithstanding anything to the contrary contained herein, if the Net Proceeds shall be less than \$100,000.00, only one disbursement shall be required upon the completion of the Restoration to the satisfaction of Lender. If at any time the Net Proceeds, or the undisbursed balance thereof, shall not, in the reasonable opinion of the Casualty Consultant and Lender, be sufficient to pay in full the



balance of the cost of the Restoration, Borrower shall deposit the deficiency with Lender before any further disbursement of the Net Proceeds shall be made.

(s) In the event that the amount of the Net Proceeds exceeds the then unpaid principal balance of the Note, and Lender elects not to apply the Net Proceeds to the Restoration or in the event that there is any amount of the Net Proceeds received by Lender which is not required to be disbursed for the Restoration, pursuant to the provisions of this Section 3, Lender may, in its sole discretion, either (i) retain and apply the Net Proceeds toward the payment of the Obligations whether or not then due and payable in such priority and proportions as Lender in its discretion shall deem proper, or (ii) pay the Net Proceeds in whole or in part to Borrower for such purposes as Lender shall designate. If Lender shall receive and retain such insurance proceeds, the lien of this Security Instrument shall be reduced only by the amount thereof received and retained by Lender and actually applied by Lender in reduction of the Obligations. In the event Lender elects (or is obligated) to make the Net Proceeds available for the Restoration, the requirements for disbursement of the Net Proceeds as set forth in this Section 3 must be satisfied by Borrower as conditions to such disbursements. If Lender shall apply Net Proceeds in reduction of the Obligations pursuant to this Section 3, and provided no Event of Default has occurred and is then continuing, no Prepayment Fee or Exit Fee shall be due.

4. Payment of Taxes, etc. Subject to Section 5 hereof, Borrower shall pay all taxes, assessments, water rates and sewer rents, now or hereafter levied or assessed or imposed against the Property or any part thereof and any interest, penalties and charges thereon (the "Taxes") and all ground rents, maintenance charges, other governmental impositions, and other charges, including without limitation vault charges and license fees for the use of vaults, chutes and similar areas adjoining the Premises, now or hereafter levied or assessed or imposed against the Property or any part thereof (the "Other Charges") as same become due and payable and before any interest, penalty or charge shall become payable. Borrower will deliver to Lender, promptly upon Lender's request, evidence satisfactory to Lender that the Taxes and Other Charges have been so paid or are not then delinquent. Borrower shall not suffer and shall promptly cause to be paid and discharged any lien or charge whatsoever which may be or become a lien or charge against the Property, and shall promptly pay for all utility services provided to the Property. Borrower shall furnish to Lender or its designee receipts for the payment of the Taxes, Other Charges and said utility services prior to the date the same shall become delinquent. Borrower shall have the right to contest Taxes and Other Charges so long as no such claim results in a lien against the Property or Borrower has bonded over such lien to Lender's satisfaction.

5. Escrow Fund. Borrower shall pay to Lender or its designee on the first day of each calendar month (a) one-twelfth of an amount which would be sufficient to pay the Taxes payable, or estimated by Lender to be payable, during the next ensuing twelve (12) months, (b) if Lender so elects by notice to Borrower (which Lender may elect at any time in



its sole and absolute discretion), one-twelfth of an amount which would be sufficient to pay the Insurance Premiums due for the renewal of the coverage afforded by the Policies upon the expiration thereof, and (c) one-twelfth of Lender's \$500 annual inspection fee (said amounts in (a), (b) and (c) above hereinafter called the "Escrow Fund"). The Escrow Fund and the payments of interest or principal or both, payable pursuant to the Note shall be added together and shall be paid as an aggregate sum by Borrower to Lender. Borrower hereby pledges to Lender any and all monies now or hereafter deposited in the Escrow Fund as additional security for the payment of the Obligations. Provided no Event of Default (hereinafter defined) has occurred which has not been cured to Lender's satisfaction, Lender will apply the Escrow Fund to payments of Taxes (and if Lender has collected amounts from Borrower to pay the same, Insurance Premiums) required to be made by Borrower pursuant to Sections 3 and 4 hereof, as applicable. If the amount of the Escrow Fund shall exceed the amounts due for Taxes and, if applicable, Insurance Premiums pursuant to Sections 3 and 4 hereof, Lender shall, in its discretion, return any excess to Borrower or credit such excess against future payments to be made to the Escrow Fund. In allocating such excess, Lender may deal with the person shown on the records of Lender to be the owner of the Property. If the Escrow Fund is not sufficient to pay the items set forth in (a), (b) and (c) above, Borrower shall promptly pay to Lender, upon demand, an amount which Lender shall estimate as sufficient to make up the deficiency. Upon the occurrence of an Event of Default which has not been cured to Lender's satisfaction, Lender may apply any sums then present in the Escrow Fund to the payment of the following items in any order in its sole discretion: (i) Taxes and Other Charges; (ii) Insurance Premiums; (iii) interest on the unpaid principal balance of the Note; (iv) amortization of the unpaid principal balance of the Note; or (v) all other sums payable pursuant to the Loan Documents, including without limitation advances made by Lender pursuant to the terms of this Security Instrument. Until expended or applied as above provided, any amounts in the Escrow Fund shall constitute additional security for the Obligations. The Escrow Fund shall not constitute a trust fund and may be commingled with other monies held by Lender. No earnings or interest on the Escrow Fund shall be payable to Borrower, provided, however, that the Escrow Fund shall be released to Borrower upon repayment of the Obligations.

6. Condemnation. Borrower shall promptly give Lender written notice of the actual or threatened commencement of any condemnation or eminent domain proceeding and shall deliver to Lender copies of any and all papers served in connection with such proceedings. Notwithstanding any taking by any public or quasi-public authority through eminent domain or otherwise (including but not limited to any transfer made in lieu of or in anticipation of the exercise of such taking), Borrower shall continue to pay the Obligations at the time and in the manner provided for its payment in the Note and in this Security Instrument and the Obligations shall not be reduced until any award or payment therefor shall have been actually received and applied by Lender, after the deduction of expenses of collection, to the reduction or discharge of the Obligations. Lender shall not be limited to the interest paid on the award by the condemning authority but shall be entitled to receive out of



the award interest at the rate or rates provided herein and in the Note. Lender may apply any such award or payment to the reduction or discharge of the Obligations whether or not then due and payable. Any reduction of the Obligations pursuant to the terms of this Section 6 shall not be deemed a prepayment of the Obligations, and provided no Event of Default has occurred and is continuing, no Prepayment Fee or Exit Fee shall be due. In the event that prior to the extinguishment of the Obligations any such award or payment has not been paid and distributed in accordance with the terms of this Security Instrument, and any such award or payment shall be paid after the extinguishment of the Obligations, and the foreclosure of this Security Instrument, or other transfer of title to the Property shall have resulted in extinguishing the Obligations for an amount less than the total of the Obligations, then and in that event that portion of the payment in satisfaction of the award or payment which is equal to the difference between the total amount above referred to and the amount theretofore paid to Lender shall belong to and be the property of Lender and shall be paid to Lender, and Borrower hereby assigns, transfers and sets over to Lender all of Borrower's right, title and interest in and to said sum. The balance, if any, shall be paid to Borrower.

7. Leases and Rents.

(a) Borrower does hereby absolutely and unconditionally assign to Lender Borrower's right, title and interest in all current and future Leases and Rents, it being intended by Borrower that this assignment constitutes a present, absolute assignment and not an assignment for additional security only. Such assignment to Lender shall not be construed to bind Lender to the performance of any of the covenants, conditions or provisions contained in any such Lease or otherwise impose any obligation upon Lender. Borrower agrees to execute and deliver to Lender such additional instruments, in form and substance satisfactory to Lender, as may hereafter be requested by Lender to further evidence and confirm such assignment. Nevertheless, subject to the terms of this Section 7, Lender grants to Borrower a revocable license to operate and manage the Property and to collect the Rents (but, other than with respect to 5% of the Rents, not more than one (1) month in advance). Borrower shall hold the Rents, or a portion thereof sufficient to discharge all current sums due on the Obligations, in trust for the benefit of Lender for use in the payment of such sums. Upon and during the continuance of an Event of Default, the license granted to Borrower herein shall automatically be revoked, and Lender shall immediately be entitled to possession of all Rents, whether or not Lender enters upon or takes control of the Property. Lender is hereby granted and assigned by Borrower the right, at its option, upon revocation of the license granted herein, to enter upon the Property in person, by agent or by court-appointed receiver to collect the Rents. Any Rents collected after the revocation of the license may be applied toward payment of the Obligations in such priority and proportions as Lender in its discretion shall deem proper.

(b) Other than the Operating Lease with Tenant and the Resident Agreements (as such terms are defined in the Loan Agreement), Borrower shall not (and



shall not permit Tenant to) enter into any Lease of all or any portion of the Property without Lender's prior written consent thereto. All Leases shall be written on the standard form of lease which has been approved by Lender. Upon request, Borrower shall furnish Lender with executed copies of all Leases. No material changes may be made to the Lender-approved standard lease without the prior written consent of Lender other than those made in the ordinary course of business. In addition, all renewals of Leases and all proposed leases shall provide for rental rates comparable to existing local market rates and shall be arms-length transactions and shall not contain rental or other concessions other than those made in the ordinary course of business. Borrower (i) shall observe and perform all the obligations imposed upon the lessor under the Leases and shall not do or permit to be done anything to impair the value of the Leases as security for the Obligations, (ii) upon the request of Lender, shall promptly send copies to Lender of all notices of default which Borrower shall send or receive thereunder, (iii) other than in the ordinary course of business and consistent with the policies and practices followed by similarly situated lessors of senior housing real estate, shall enforce all of the terms, covenants and conditions contained in the Leases upon the part of the lessee thereunder to be observed or performed, short of termination thereof, (iv) shall not collect more than 5% of the Rents more than one (1) month in advance, (v) shall not execute any other assignment of lessor's interest in the Leases or the Rents, (vi) shall not alter, modify or change the terms of the Leases in any material adverse way without the prior written consent of Lender, or, other than in the ordinary course of business and consistent with the policies and practices followed by similarly situated lessors of commercial real estate, cancel or terminate the Leases or accept a surrender thereof or convey or transfer or suffer or permit a conveyance or transfer of the Premises or of any interest therein so as to effect a merger of the estates and rights of, or a termination or diminution of the obligations of, lessees thereunder, and (vii) shall execute and deliver at the request of Lender all such further assurances, confirmations and assignments in connection with the Property as Lender shall from time to time reasonably require.

8. Maintenance, Management and Use of Property.

(a) Borrower shall cause the Property to be maintained in a good and safe condition and repair. The Improvements and the Personal Property shall not be removed, demolished or materially altered (except for normal replacement of Personal Property or disposal of obsolete Equipment) without the consent of Lender. Borrower shall promptly comply with all laws, orders and ordinances affecting the Property, or the use thereof. Borrower shall promptly repair, replace or rebuild any part of the Property which may be destroyed by any casualty, or become, worn or dilapidated or which may be affected by any proceeding of the character referred to in Section 6 hereof and shall complete and pay for any structure at any time in the process of construction or repair on the Premises. Borrower shall not initiate, join in, acquiesce in, or consent to any change in any private restrictive covenant, zoning law or other public or private restriction, limiting or defining the uses which may be made of the Property or any part thereof. If under applicable zoning provisions the use of all



or any portion of the Property is or shall become a nonconforming use, Borrower will not cause or permit such nonconforming use to be discontinued or abandoned without the express written consent of Lender.

(b) The Property shall be managed and operated at all times by a management company approved in writing by Lender (the "**Property Manager**"), which approval shall not be unreasonably withheld or delayed. The Property Manager shall perform pursuant to a management agreement in form and substance reasonably satisfactory to Lender (the "**Management Agreement**"). Lender hereby approves Artegan At Skagit Valley, LLC, a Washington limited liability company, as an acceptable Property Manager and does hereby approve as an acceptable agreement the Management Agreement entered into with Artegan At Skagit Valley, LLC and that certain agreement described in the Management Fee Subordination Agreement executed contemporaneously herewith. Lender hereby also approves Integral Senior Living, LLC ("**Integral**") as a replacement Property Manager, provided that Lender reserves the right to approve the management agreement with Integral, which approval shall not be unreasonably withheld or delayed, and shall require that Integral execute and deliver a management fee subordination agreement substantially in the form of the Management Fee Subordination Agreement executed contemporaneously herewith. Borrower shall not amend or terminate Property Manager as the property manager of the Property without Lender's prior written consent, which shall not be unreasonably withheld or delayed.

(c) The Property shall be used only in conformance with its usage as of the date of this Security Instrument, and for no other use without the prior written consent of Lender.

9. Transfer or Encumbrance of the Property.

(a) Borrower acknowledges that Lender has examined and relied on the creditworthiness of Borrower and Tenant and experience of Borrower and Tenant in owning, operating and leasing properties such as the Property in agreeing to make the Loan, and that Lender will continue to rely on Borrower's ownership and Tenant's leasing of the Property as a means of maintaining the value of the Property as security for repayment of the Obligations. Borrower acknowledges that Lender has a valid interest in maintaining the value of the Property so as to ensure that, should Borrower default in the repayment of the Obligations, Lender can recover the Obligations by a sale of the Property. Borrower shall not, without the prior written consent of Lender, sell, convey, alien, mortgage, encumber, pledge or otherwise transfer or grant a security interest in the Property or any part thereof or permit the Property or any part thereof to be sold, conveyed, aliened, mortgaged, encumbered, pledged or otherwise transferred, other than in connection with the financing of automobiles, vans and office equipment not to exceed \$100,000 in the aggregate.





(b) A sale, conveyance, alienation, mortgage, encumbrance, pledge or transfer of the Property within the meaning of this Section 9 shall be deemed to include: (i) an installment sales agreement wherein Borrower agrees to sell the Property or any part thereof for a price to be paid in installments; (ii) other than the existing Operating Lease with Tenant, an agreement by Borrower leasing all or a substantial part of the Property for other than actual occupancy by a space tenant thereunder or a sale, assignment or other transfer of, or the grant of a security interest in, Borrower's right, title and interest in and to any Leases or any Rents; (iii) if Borrower, Tenant, any Guarantor or any general partner, manager, sole member or managing member of Borrower, Tenant or Guarantor is a corporation, the voluntary or involuntary sale, conveyance or transfer, pledge or encumbrance of such corporation's stock (or the stock of any corporation directly or indirectly controlling such corporation by operation of law or otherwise) or the creation or issuance of new stock by which an aggregate of more than 50% of such corporation's stock shall be vested in a party or parties who are not stockholders as of the date hereof; (iv) if Borrower, Tenant, any Guarantor or any general partner, manager, sole member or managing member of Borrower, Tenant, or any Guarantor is a general partnership, limited partnership, limited liability partnership, limited liability limited partnership or joint venture, (A) the change, removal or resignation of a general partner or managing partner or the transfer, pledge or encumbrance of the partnership interest of any general partner or managing partner or (B) the transfer, pledge or encumbrance of the partnership interest of any limited partner by which an aggregate of more than 50% of the total interests in such partnership shall be transferred or pledged to a party or parties who are not members as of the date hereof; (v) if Borrower, Tenant, any Guarantor or any general partner, manager, sole member or managing member of Borrower, Tenant or any Guarantor is a limited liability company, the change, removal or resignation of, or the transfer, pledge or encumbrance of the membership interest or any profits or proceeds relating to such membership interest of (X) any manager, managing member or sole member or (Y) any other member by which an aggregate of more than 50% of the total interests in such limited liability company shall be transferred or pledged to a party or parties who are not members as of the date hereof, provided that Focus Artemis Investor LLC, a Delaware limited liability company ("**Investor**"), shall not be permitted to hold a majority of the interests in Artemis Focus Investment II LLC, a Delaware limited liability company ("**AFI II**") or Artemis Focus Investment TRS LLC, a Delaware limited liability company ("**TRS**"); (vi) the removal or resignation of the Property Manager for the Property or the transfer of ownership, management or control of such Property Manager to a person or entity not approved by Lender pursuant to Section 8 hereto; (vii) the termination, revocation, expiration, amendment, assignment or encumbrance (other than in favor of Lender) of the Operating Lease between Borrower and Tenant without Lender's consent; and (viii) Tenant entering into any non-residential Lease of any portion of the Property without Lender's prior written consent (except as may be permitted under the Loan Agreement).

(c) Lender reserves the right to condition the consent required hereunder upon a modification of the terms hereof and on assumption of this Security Instrument as so



modified by the proposed transferee, payment of a transfer fee, or such other conditions as Lender shall determine in its sole discretion to be in the interest of Lender. Lender shall not be required to demonstrate any actual impairment of its security or any increased risk of default hereunder in order to declare the Obligations immediately due and payable upon Borrower's sale, conveyance, alienation, mortgage, encumbrance, pledge or transfer of the Property without Lender's consent. This provision shall apply to every sale, conveyance, alienation, mortgage, encumbrance, pledge or transfer of the Property regardless of whether voluntary or not, or whether or not Lender has consented to any previous sale, conveyance, alienation, mortgage, encumbrance, pledge or transfer of the Property, other than those that do not require Lender's consent hereunder.

(d) Notwithstanding the foregoing, the following shall not be deemed prohibited transfers or encumbrances hereunder, and shall not require the consent or approval of Lender: (i) transfers of direct or indirect interests in TRS and AFI II between Artemis Focus Holdings, LLC, a Delaware limited liability company and Artemis Focus Investors (NR) LLC, a Delaware limited liability company and Investor, provided that Investor shall not be permitted to hold a majority of the interests in AFI II or TRS; or (ii) transfers of limited partnership interests in Artemis Real Estate Partners Fund I, L.P., a Delaware limited partnership and Artemis Real Estate Partners Fund I (NR), L.P., a Delaware limited partnership.

10. Estoppel Certificates.

(a) After request by Lender, Borrower, within ten (10) days, shall furnish Lender with a statement, duly acknowledged and certified, setting forth (i) the amount of the original principal amount of the Note, (ii) the unpaid principal amount of the Note, (iii) the rate of interest of the Note, (iv) the date installments of interest and/or principal were last paid, (v) any offsets or defenses to the payment of the Obligations, if any, and (vi) that the Note and this Security Instrument are valid, legal and binding obligations and have not been modified or if modified, giving particulars of such modification.

(b) After request by Lender, Borrower, within ten (10) days, will furnish Lender with estoppel certificates from any lessees under any commercial Leases as required by their respective Leases.

11. Changes in the Laws Regarding Taxation. If any law is enacted or adopted or amended after the date of this Security Instrument which deducts the Obligations from the value of the Property for the purpose of taxation or which imposes a tax, either directly or indirectly, on the Obligations or Lender's interest in the Property (not including any income or franchise tax), Borrower will pay such tax, with interest and penalties thereon, if any. In the event Lender is advised by counsel chosen by it that the payment of such tax or interest and penalties by Borrower would be unlawful or taxable to Lender or unenforceable or provide the basis for a defense of usury, then in any such event, Lender shall have the



option, by written notice of not less than ninety (90) days, to declare the Obligations immediately due and payable.

12. No Credits on Account of the Obligations. Borrower will not claim or demand or be entitled to any credit or credits on account of the Obligations for any part of the Taxes or Other Charges assessed against the Property, or any part thereof, and no deduction shall otherwise be made or claimed from the assessed value of the Property, or any part thereof, for real estate tax purposes by reason of this Security Instrument or the Obligations. In the event such claim, credit or deduction shall be required by law, Lender shall have the option, by written notice of not less than ninety (90) days, to declare the Obligations immediately due and payable.

13. Documentary Stamps. If at any time the United States of America, any State thereof or any subdivision of any such State shall require revenue or other stamps to be affixed to the Note or this Security Instrument, or impose any other tax or charge on the same, Borrower will pay for the same, with interest and penalties thereon, if any.

14. Usury Laws. This Security Instrument and the Note are subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the Obligations at a rate which could subject the holder of the Note to either civil or criminal liability as a result of being in excess of the maximum interest rate which Borrower is permitted by applicable law to contract or agree to pay. If by the terms of this Security Instrument or the Note, Borrower is at any time required or obligated to pay interest on the Obligations at a rate in excess of such maximum rate, the rate of interest under the same shall be deemed to be immediately reduced to such maximum rate and the interest payable shall be computed at such maximum rate and all prior interest payments in excess of such maximum rate shall be applied and shall be deemed to have been payments in reduction of the principal balance of the Note.

15. Reserved.

16. Performance of Other Agreements. Borrower shall observe and perform each and every term to be observed or performed by Borrower pursuant to the terms of any agreement or recorded instrument affecting or pertaining to the Property.

17. Further Acts, etc. Borrower will, at the cost of Borrower, and without expense to Lender, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignments, transfers and assurances as Lender shall, from time to time, require, for the better assuring, conveying, assigning, transferring, and confirming unto Lender the Property and rights hereby mortgaged, given, granted, bargained, sold, aliened, enfeoffed, conveyed, confirmed, pledged, assigned and hypothecated or intended now or hereafter so to be, or which Borrower may be or may hereafter become bound to convey or assign to Lender, or for



carrying out the intention or facilitating the performance of the terms of this Security Instrument or for filing, registering or recording this Security Instrument. Borrower, on demand, will execute and deliver and hereby authorizes Lender to execute in the name of Borrower or without the signature of Borrower to the extent Lender may lawfully do so, one or more financing statements, chattel mortgages or other instruments, to evidence more effectively the security interest of Lender in the Property. Borrower grants to Lender an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Lender at law and in equity, including without limitation such rights and remedies available to Lender pursuant to this Section 17.

18. Recording of Security Instrument, etc. Borrower, Tenant, and any Guarantor upon the execution and delivery of this Security Instrument and thereafter, from time to time, will cause this Security Instrument, and any security instrument creating a lien or security interest or evidencing the lien hereof upon the Property and each instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect the lien or security interest hereof upon, and the interest of Lender in, the Property. Borrower will pay all filing, registration or recording fees, and all expenses incident to the preparation, execution and acknowledgment of this Security Instrument, any deed of trust or mortgage supplemental hereto, any security instrument with respect to the Property and any instrument of further assurance, and all federal, state, county and municipal, taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Security Instrument, any deed of trust or mortgage supplemental hereto, any security instrument with respect to the Property or any instrument of further assurance, except where prohibited by law so to do. Borrower shall hold harmless and indemnify Lender, its successors and assigns, against any liability incurred by reason of the imposition of any tax on the making and recording of this Security Instrument.

19. Prepayment. If permitted by the Note, the Obligations may be prepaid in accordance with the terms thereof.

20. Events of Default. The Obligations shall become immediately due and payable at the option of Lender upon any one or more of the following events (each an "Event of Default"):

(a) if (i) any monthly payment due under the Note or any other Loan Document is not paid within ten (10) days of its due date (other than payment required at the Maturity Date, as defined in the Note) or (ii) the Obligations are not paid in full on or before the Maturity Date;

(b) if any of the Taxes are not paid on or prior to the date when the same become delinquent (unless the escrow under Section 5 of this Security Instrument contains sufficient funds therefor, and Lender fails to apply said funds thereto);



(c) if the Policies are not kept in full force and effect, and/or evidence thereof is not delivered to Lender within ten (10) days of Lender's request;

(d) if there is any breach or violation of any of the provisions of Section 9 above;

(e) if any representation or warranty of Borrower, Tenant, or of any other person or entity now or hereafter guaranteeing or indemnifying the payment or performance of any of the Obligations (collectively, the "**Guarantor**"), made herein or in any guaranty, certificate, report, financial statement or other instrument or document furnished to Lender or in any Loan Document shall have been false or misleading in any material respect when made;

(f) if Borrower or any Guarantor violates or does not comply with any of the provisions of that certain Environmental Indemnity Agreement executed by Borrower and Guarantor in favor of Lender of even date herewith (the "**Environmental Indemnity Agreement**");

(g) if Borrower, Tenant or any Guarantor shall make an assignment for the benefit of creditors or if Borrower, Tenant or any Guarantor shall generally not be paying its debts as they become due or admit in writing its inability to generally pay its debts as they become due;

(h) if a receiver, liquidator or trustee of Borrower, Tenant or any Guarantor shall be appointed or if Borrower or any Guarantor shall be adjudicated a bankrupt or insolvent, or if any petition for bankruptcy, reorganization or arrangement pursuant to federal bankruptcy law, or any similar federal or state law, shall be filed by or against, consented to, or acquiesced in by, Borrower, Tenant or any Guarantor or if any proceeding for the dissolution or liquidation of Borrower, Tenant or of any Guarantor shall be instituted; however, if such appointment, adjudication, petition or proceeding was involuntary and not consented to by Borrower, Tenant or any Guarantor upon the same not being discharged, stayed or dismissed within sixty (60) days;

(i) if Borrower, Tenant or any Guarantor fails to preserve its existence as an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization or formation, or if an event occurs which causes the dissolution of Borrower, Tenant or any Guarantor;

(j) if Borrower shall be in default under any other deed of trust, mortgage or security agreement covering any part of the Property whether it be superior or junior in lien to this Security Instrument (provided, nothing herein shall be construed to permit such deed of trust, mortgage or security agreement);



(k) if the Property becomes subject to any mechanic's, materialman's or other lien other than a lien for local real estate taxes and assessments not then delinquent and such lien shall remain undischarged of record (by payment, bonding or otherwise) for a period of thirty (30) days after Borrower or Tenant obtains knowledge thereof;

(l) if Borrower fails, after receipt of notice from the applicable governmental authority, to promptly commence to cure and thereafter diligently pursue to completion (or cause Tenant to do so) any violations of laws or ordinances affecting or which may be interpreted to affect the Property;

(m) if Borrower or Tenant subjects the Property to intentional acts of actual physical waste or arson;

(n) upon the happening of any other default, after the expiration of any applicable notice and grace periods, under the terms of the Note, the Loan Agreement or any of the other Loan Documents; or

(o) if Borrower, Tenant or any Guarantor shall continue to be in default under any term, covenant or condition of the Note, this Security Instrument or any of the other Loan Documents other than those set forth in items (a) through (n) above, for ten (10) days after notice from Lender in the case of any default related to the payment of a sum of money or for thirty (30) days after notice from Lender in the case of any other curable default, provided that if such default cannot reasonably be cured within such thirty (30) day period and Borrower, Tenant or Guarantor (as applicable) shall have commenced to cure such default within such thirty (30) day period and thereafter diligently and expeditiously proceed to cure the same and shall provide Lender with evidence of such efforts to cure, such thirty (30) day period shall be extended for so long as it shall require Borrower, Tenant or Guarantor (as applicable) in the exercise of due diligence to cure such default, it being agreed that no such extension shall be for a period in excess of ninety (90) days.

21. Default Interest. Upon the occurrence and during the continuance of any Event of Default, Borrower will pay interest on the unpaid principal balance of the Note at the rate of five percent (5%) per annum above the Applicable Interest Rate (as defined in the Note), or at the maximum interest rate which Borrower may by law pay, whichever is lower (the "**Default Rate**"). The Default Rate shall be computed from the occurrence of the Event of Default until such Event of Default is cured. This charge shall be added to the Obligations and secured by this Security Instrument.

22. Right to Cure Defaults. Once the Obligations have been accelerated by Lender following an Event of Default in accordance with the Loan Documents, Borrower shall have no further right to cure such Event of Default without Lender's written consent, and no actions taken or attempted by Borrower to cure such Event of Default shall have the effect of doing so without Lender's written consent. Upon the occurrence and during the



continuance of any Event of Default, Lender may, but without any obligation to do so and without notice to or demand on Borrower and without releasing Borrower from any obligation hereunder, make or do the same in such manner and to such extent as Lender may deem necessary to protect the security hereof. Lender is authorized to enter upon the Property for such purposes, or appear in, defend, or bring any action or proceeding to protect its interest in the Property or to foreclose this Security Instrument or collect the Obligations, and the out-of-pocket costs and expense thereof (including reasonable attorneys' fees to the extent permitted by law), with interest as provided in this Section, shall constitute a portion of the Obligations and shall be due and payable to Lender upon demand. All such costs and expenses incurred by Lender in remedying such Event of Default or in appearing in, defending, or bringing any such action or proceeding shall bear interest at the Default Rate, for the period after notice from Lender that such cost or expense was incurred to the date of payment to Lender. All such costs and expenses incurred by Lender together with interest thereon calculated at the Default Rate shall be deemed to constitute a portion of the Obligations and be secured by this Security Instrument and the other Loan Documents and shall be immediately due and payable upon demand by Lender therefor.

23. Late Payment Charge. If any portion of the Obligations is not paid within ten (10) days of the date on which it is due (other than the Maturity Date, as defined in the Note), Borrower shall pay to Lender an amount equal to the lesser of five percent (5%) of such unpaid portion of the Obligations or the maximum amount permitted by applicable law, to defray the expense incurred by Lender in handling and processing such delinquent payment, and such amount shall be secured by this Security Instrument and the other Loan Documents.

24. Prepayment After Event of Default. If following the occurrence and during the continuance of any Event of Default, Borrower shall tender payment of an amount sufficient to satisfy the Obligations in whole or in part at any time prior to a sale of the Property either through foreclosure or the exercise of other remedies available to Lender under this Security Instrument, such tender by Borrower shall be deemed to be a voluntary prepayment under the Note in the amount tendered and the Obligations shall include the Exit Fee and Prepayment Fee, if any, payable in accordance with the Note. If the Note is accelerated by Lender pursuant to the terms thereof, the Obligations shall include the Exit Fee and Prepayment Fee, if any, that would have otherwise been due if the Note was prepaid at the time of such acceleration.

25. Right of Entry. Lender and its agents shall have the right to enter and inspect the Property at all reasonable times upon reasonable notice, and at any time following an Event of Default, subject to the rights of the tenants under the Leases.

26. Remedies.



(a) Upon the occurrence of any Event of Default which has not been cured to Lender's satisfaction, Lender may take such action, without notice or demand, as it deems advisable to protect and enforce its rights against Borrower and in and to 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 Lender may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of Lender:

(i) declare the entire unpaid Obligations to be immediately due and payable;

(ii) institute proceedings for the complete foreclosure of this Security Instrument 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;

(iii) with or without entry, to the extent permitted and pursuant to the procedures provided by applicable law, institute proceedings for the partial foreclosure of this Security Instrument for the portion of the Obligations then due and payable, subject to the continuing lien of this Security Instrument for the balance of the Obligations not then due;

(iv) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained herein or in the Note;

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

(vi) apply for the appointment of a trustee, receiver, liquidator or conservator of the Property, without notice and without regard for the adequacy of the security for the Obligations and without regard for the solvency of Borrower, any Guarantor or of any person, firm or other entity liable for the payment of the Obligations;

(vii) enforce Lender's interest in the Leases and Rents and enter into or upon the Property, either personally or by its agents, nominees or attorneys and dispossess Borrower and its agents and servants therefrom, and thereupon Lender may (A) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Property and conduct the business thereat, (B) complete any construction on the Property in such manner and form as Lender deems advisable, (C) make alterations, additions, renewals, replacements and improvements to or on the Property, (D) exercise all rights and powers of Borrower with respect to the Property, whether in the name of Borrower 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 earnings, revenues, rents, issues, profits and other income of the Property and every part thereof, or (E) apply the receipts from the Property to the payment of the Obligations, after deducting therefrom all expenses (including reasonable attorneys' fees) incurred in connection with the aforesaid operations and all amounts necessary to pay the taxes, assessments insurance and other charges in connection with the Property, as well as just and reasonable compensation for the services of Lender, its counsel, agents and employees; or

(viii) pursue such other rights or remedies as may be available at law or in equity.

In the event of a foreclosure or otherwise, sale of less than all of the Property, this Security Instrument shall continue as a lien on the remaining portion of the Property.

(b) The proceeds of any foreclosure sale made under or by virtue of this Section, together with any other sums which then may be held by Lender under this Security Instrument, whether under the provisions of this Section or otherwise, shall be applied by Lender to the payment of the Obligations in such priority and proportions as Lender in its discretion shall deem proper.

(c) Except as otherwise provided by any applicable provision of law, Lender, or an officer of any court empowered to do so, may adjourn from time to time any sale by it to be made under or by virtue of this Security Instrument by announcement at the time and place appointed for such foreclosure sale or for such adjourned foreclosure sale or sales; and, except as otherwise provided by any applicable provision of law, Lender, or an officer of any court empowered to do so, without further notice or publication, may make such foreclosure sale at the time and place to which the same shall be so adjourned.

(d) Upon the completion of any sale made by virtue of this Section, Lender, or an officer of any court empowered to do so, shall execute and deliver to the accepted purchaser a good and sufficient instrument conveying, assigning and transferring all estate, right, title and interest in and to the property and rights sold. Lender is hereby irrevocably appointed the true and lawful attorney of Borrower, in its name and stead, to make all necessary conveyances, assignments, transfers and deliveries of the Property and rights so sold and for that purpose Lender may execute all necessary instruments of conveyance, assignment and transfer, and may substitute one or more persons with like power, Borrower hereby ratifying and confirming all that its said attorney or such substitute shall lawfully do by virtue hereof. Any sale made under or by virtue of this Section, whether made under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, shall operate to divest all the estate, right, title, interest, claim and demand whatsoever, whether at law or in equity, of Borrower in and to the property and rights so sold, and shall



be a perpetual bar both at law and in equity against Borrower and against any and all persons claiming or who may claim the same, or any part thereof from, through or under Borrower.

(e) Upon any sale made under or by virtue of this Section, whether made under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, Lender may bid for and acquire the Property or any part thereof and in lieu of paying cash therefor may make settlement for the purchase price by crediting upon the Obligations the net sales price after deducting therefrom the expenses of the sale and costs of the action and any other sums which Lender is authorized to deduct under this Security Instrument.

(f) No recovery of any judgment by Lender and no levy of an execution under any judgment upon the Property or upon any other property of Borrower shall affect in any manner or to any extent the lien of this Security Instrument upon the Property or any part thereof, or any liens, rights, powers or remedies of Lender hereunder, but such liens, rights, powers and remedies of Lender shall continue unimpaired as before.

27. Reasonable Use and Occupancy. In addition to the rights which Lender may have herein, upon the occurrence of any Event of Default which has not been cured to Lender's satisfaction, Lender, at its option, may require Borrower to pay monthly in advance to Lender, 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 Borrower or may require Borrower to vacate and surrender possession of the Property to Lender or to such receiver and, in default thereof, Borrower may be evicted by summary proceedings or otherwise.

28. Security Agreement. This Security Instrument is both a real property mortgage and a "security agreement" within the meaning of the Uniform Commercial Code. The Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Borrower in the Property. Borrower by executing and delivering this Security Instrument has granted and hereby grants to Lender, as security for the Obligations, a security interest in the Personal Property to the full extent that the Personal Property may be subject to the Uniform Commercial Code. If an Event of Default shall have occurred which has not been cured to Lender's satisfaction, Lender, in addition to any other rights and remedies which it may have, shall have and may exercise immediately and without demand, any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing, the right to take possession of the Personal Property or any part thereof, and to take such other measures as Lender may deem necessary for the care, protection and preservation of the Personal Property. Upon request or demand of Lender, Borrower shall at its expense assemble the Personal Property and make it available to Lender at a convenient place acceptable to Lender. Borrower shall pay to Lender on demand any and all expenses, including legal expenses and reasonable attorneys' fees, incurred or paid by Lender in



protecting its interest in the Personal Property and in enforcing its rights hereunder with respect to the Personal Property. Any notice of sale, disposition or other intended action by Lender with respect to the Personal Property sent to Borrower in accordance with the provisions hereof at least five (5) days prior to such action, shall constitute commercially reasonable notice to Borrower. The proceeds of any disposition of the Personal Property, or any part thereof, may be applied by Lender to the payment of the Obligations in such priority and proportions as Lender in its discretion shall deem proper. This Security Instrument is intended to be a fixture filing covering goods that are or will become fixtures related to the Property.

29. Actions and Proceedings. Lender has the right to appear in and defend any action or proceeding brought with respect to the Property and to bring any action or proceeding, in the name and on behalf of Borrower, which Lender, in its discretion, decides should be brought to protect their interest in the Property. Lender shall, at its option, be subrogated to the lien of any deed of trust, mortgage or other security instrument discharged in whole or in part by the Obligations, and any such subrogation rights shall constitute additional security for the payment of the Obligations. Borrower shall pay all legal fees in connection with the exercise of Lender's rights under this Section. Without limiting the foregoing, Lender is hereby authorized to do any one or more of the following, irrespective of whether an Event of Default has occurred: (a) appear in and defend any action or proceeding purporting to affect the security hereof or the Lender's rights or powers hereunder; (b) purchase such insurance policies covering the Property as it may elect if the Borrower fails to maintain the insurance coverage required hereunder; and (c) take such action as the Lender may determine to pay, perform or comply with any real estate taxes, documents of record or legal requirements, to cure any Events of Default and to protect its security in the Property.

30. Appointment of Lender as Attorney-in-Fact. The Lender, or any of its officers, is hereby irrevocably appointed attorney-in-fact for the Borrower (without requiring any of them to act as such), such appointment being coupled with an interest, to do any or all of the following: (a) collect the Rents after the occurrence of an Event of Default; (b) settle for, collect and receive any awards payable under Section 6 from the authorities making the same; and (c) execute, deliver and file, at Borrower's sole cost and expense such financing, continuation or amendment statements and other instruments as the Lender may require in order to perfect, protect and maintain its security interest under the UCC on any portion of the Property.

31. Certain Waivers. The Borrower hereby waives and releases all benefit that might accrue to the Borrower by virtue of any present or future law exempting the Property, or any part of the proceeds arising from any sale thereof, from attachment, levy or sale on execution, or providing for any stay of execution, exemption from civil process or extension of time for payment or any rights of marshalling in the event of any sale hereunder



of the Property, and, unless specifically required herein, all notices of the Borrower's default or of the Lender's election to exercise, or the Lender's actual exercise of any option under this Security Instrument or any other Loan Document.

32. Further Acts. By its signature hereon, the Borrower hereby irrevocably authorizes the Lender to execute (on behalf of the Borrower) and file against the Borrower one or more financing, continuation or amendment statements pursuant to the UCC in form satisfactory to the Lender, and the Borrower will pay the cost of preparing and filing the same in all jurisdictions in which such filing is deemed by the Lender to be necessary or desirable in order to perfect, preserve and protect its security interests. If required by the Lender, the Borrower will execute all documentation necessary for the Lender to obtain and maintain perfection of its security interests in the Property. The Borrower will, at the cost of the Borrower, and without expense to the Lender, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, Security Instruments, assignments, notices of assignment, transfers and assurances as the Lender shall, from time to time, require for the better assuring, conveying, assigning, transferring or confirming unto the Lender the property and rights hereby mortgaged, or which Borrower may be or may hereafter become bound to convey or assign to the Lender, or for carrying out the intent of or facilitating the performance of the terms of this Security Instrument or for filing, registering or recording this Security Instrument. The Borrower grants to the Lender an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to the Lender under the Note, this Security Instrument, the other Loan Documents, at law or in equity, including, without limitation, the rights and remedies described in this section.

33. Changes in the Laws Regarding Taxation. If any law is enacted or adopted or amended after the date of this Security Instrument which deducts the Obligations from the value of the Property for the purpose of taxation or which imposes a tax, either directly or indirectly, on the Borrower or the Lender's interest in the Property, the Borrower will pay such tax, with interest and penalties thereon, if any. If the Lender determines that the payment of such tax or interest and penalties by the Borrower would be unlawful or taxable to the Lender or unenforceable or provide the basis for a defense of usury, then the Lender shall have the option, by written notice of not less than ninety (90) days, to declare the entire Obligations immediately due and payable.

34. Documentary Stamps. If at any time the United States of America, any State thereof or any subdivision of any such State shall require revenue or other stamps to be affixed to the Note or this Security Instrument, or impose any other tax or charge on the same, Borrower will pay for the same, with interest and penalties thereon, if any.

35. Preservation of Rights. No delay or omission on the Lender's part to exercise any right or power arising hereunder will impair any such right or power or be



considered a waiver of any such right or power, nor will the Lender's action or inaction impair any such right or power. The Lender's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Lender may have under other agreements, at law or in equity.

36. Illegality. If any provision contained in this Security Instrument should be invalid, illegal or unenforceable in any respect, it shall not affect or impair the validity, legality and enforceability of the remaining provisions of this Security Instrument.

37. Changes in Writing. No modification, amendment or waiver of, or consent to any departure by the Borrower from, any provision of this Security Instrument will be effective unless made in a writing signed by the Lender, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Borrower will entitle the Borrower to any other or further notice or demand in the same, similar or other circumstance.

38. Fixture Filing. This Security Instrument, to the extent that it conveys or otherwise deals with personal property or with items of personal property which are or may become fixtures, shall also be construed as a security agreement under the UCC, with Borrower, as debtor and Lender, as secured party, as in effect in the state in which the Premises is located, and this Security Instrument constitutes a financing statement filed as a fixture filing in the Official Records of the County Recorder of the County in which the Premises is located with respect to any and all fixtures included within the term "Property" as used herein and with respect to any equipment or other personal property that may now be or hereafter become such fixtures. The information required for a sufficient fixture filing financing statement pursuant to RCW 62A.9A.502 is as follows:

Debtor's legal name:	AFI Burlington Owner LLC
Type of legal entity (Corp, LLC, etc.):	Limited Liability Company
Mailing address:	10 South Riverside Drive Suite 1465 Chicago, Illinois 60606
Organizational identification number:	5147411
State of Organization of Debtor(s):	Delaware
Name of Secured Party:	BB&T Real Estate Funding LLC



Mailing address:

c/o Grandbridge Real Estate Capital LLC  
3000 Riverchase Galleria, Suite 1020  
Birmingham, AL 35244  
Attention: Head of Servicing Department

Description of the collateral:

All "Property" defined in this Security Instrument

Description of real estate to which the collateral is attached or upon which it is or will be located:

The Land described on Exhibit A hereto

39. Waiver of Counterclaim and Trial by Jury. BORROWER, IN CONJUNCTION WITH ITS REPRESENTATION BY COMPETENT LEGAL COUNSEL OF ITS CHOICE, HEREBY WAIVES THE RIGHT TO ASSERT A COUNTERCLAIM, OTHER THAN A MANDATORY OR COMPULSORY COUNTERCLAIM, IN ANY ACTION OR PROCEEDING BROUGHT AGAINST IT BY LENDER, AND WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING BROUGHT BY EITHER PARTY HERETO AGAINST THE OTHER OR IN ANY COUNTERCLAIM ASSERTED BY LENDER AGAINST BORROWER, OR IN ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS SECURITY INSTRUMENT, THE NOTE, ANY OF THE OTHER LOAN DOCUMENTS, THE PROPERTY OR THE OBLIGATIONS.

40. Recovery of Sums Required To Be Paid. Lender shall have the right from time to time to take action to recover any sum or sums which constitute a part of the Obligations as the same become due, without regard to whether or not the balance of the Obligations shall be due, and without prejudice to the right of Lender thereafter to bring an action of foreclosure, or any other action, for a default or defaults by Borrower existing at the time such earlier action was commenced.

41. Marshalling and Other Matters. Borrower hereby waives, to the extent permitted by law, 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. Further, Borrower hereby expressly waives its equity of redemption and any and all rights of redemption from sale under any order or decree of foreclosure of this Security Instrument on behalf of Borrower, 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.

42. Indemnification. Borrower shall protect, defend, indemnify and save harmless Lender from and against all liabilities, obligations, claims, damages, penalties,



causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) imposed upon or incurred by or asserted against Lender ("Losses") by reason of: (a) ownership of this Security Instrument, the Property or any interest therein or receipt of any Rents; (b) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about the Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (c) any use, nonuse or condition in, on or about the Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (d) any failure on the part of Borrower to perform or comply with any of the terms of this Security Instrument; (e) performance of any labor or services or the furnishing of any materials or other property in respect of the Property or any part thereof; (f) the failure of any person to file timely with the Internal Revenue Service an accurate Form 1099-B, Statement for Recipients of Proceeds from Real Estate, Broker and Barter Exchange Transactions, which may be required in connection with this Security Instrument, or to supply a copy thereof in a timely fashion to the recipient of the proceeds of the transaction in connection with which this Security Instrument is made; (g) [intentionally omitted]; (h) the payment of any commission, charge or brokerage fee to anyone which may be payable in connection with the funding of the Loan; or (i) the liabilities and obligations set forth in Section 13 of the Loan Agreement. Any amounts payable to Lender by reason of the application of this Section shall become immediately due and payable and shall bear interest at the Default Rate from the date loss or damage is sustained by Lender until paid. The obligations and liabilities of Borrower under this Section shall survive any termination, satisfaction or assignment of this Security Instrument and the exercise by Lender of any of its rights or remedies hereunder, including without limitation, the entry of a judgment of foreclosure or the acquisition of the Property by foreclosure or a conveyance in lieu of foreclosure.

43. Notices. All notices or other communications hereunder shall be in writing and shall be deemed to have been properly given (i) upon delivery, if delivered in person, or (ii) one (1) Business Day (defined below) after having been deposited for overnight delivery with any reputable overnight courier service, addressed as follows:

If to Borrower:

AFI Burlington Owner LLC  
10 South Riverside Drive  
Suite 1465  
Chicago, Illinois 60606  
Attn: Curt P. Schaller and Paul A. Froning

And:

c/o Artemis Real Estate Partners  
5404 Wisconsin Avenue, Suite 410  
Chevy Chase, Maryland 20815  
Attn: Alex Gilbert and Gerald R. Best



With a copy to:

Pircher, Nichols & Meeks  
900 North Michigan Avenue, Suite 1050  
Chicago, Illinois 60611  
Attn: Real Estate Notices (JDL/RCG)

If to Lender:

BB&T Real Estate Funding LLC  
c/o Grandbridge Real Estate Capital LLC  
3000 Riverchase Galleria, Suite 1020  
Birmingham, Alabama 35244  
Attention: Head of Servicing Department

With a copy to:

BB&T Real Estate Funding LLC  
c/o Grandbridge Real Estate Capital LLC  
3000 Riverchase Galleria, Suite 1020  
Birmingham, Alabama 35244  
Attention: Corporate Counsel

With a copy to:

Goldberg Kohn Ltd.  
55 East Monroe Street, Suite 3300  
Chicago, Illinois 60603  
Attention: Jami L. Brodey, Esq.

or addressed as such party may from time to time designate by written notice to the other parties. Either party by notice to the other may designate additional or different addresses for subsequent notices or communications. "**Business Day**" shall mean a day upon which commercial banks are not authorized or required by law to close in Alabama or Washington.

44. Authority.

(a) Borrower (and the undersigned representative of Borrower, if any, in the capacity set forth below, but not individually) has full power, authority and legal right to execute, deliver and perform its obligations pursuant to this Security Instrument, and to mortgage, give, grant, bargain, sell, alien, enfeoff, convey, confirm, pledge, hypothecate, assign and grant a security interest in the Property pursuant to the terms hereof and to keep and observe all of the terms of this Security Instrument on Borrower's part to be performed.

(b) Borrower represents and warrants that Borrower is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended and the related Treasury Department regulations, including temporary regulations.

45. Waiver of Notice. Borrower shall not be entitled to any notices of any nature whatsoever from Lender except with respect to matters for which this Security Instrument or any other Loan Document specifically and expressly provides for the giving of





notice by Lender to Borrower and except with respect to matters for which Lender is required by applicable law to give notice, and Borrower hereby expressly waives the right to receive any notice from Lender with respect to any matter for which this Security Instrument or any other Loan Document does not specifically and expressly provide for the giving of notice by Lender to Borrower.

46. Sole Discretion of Lender. Wherever pursuant to this Security Instrument or any other Loan Document, Lender exercises any right given to it to approve or disapprove, or any arrangement or term is to be satisfactory to Lender, the decision of Lender to approve or disapprove or to decide that arrangements or terms are satisfactory or not satisfactory shall be in the sole discretion of Lender and shall be final and conclusive, except as may be otherwise expressly and specifically provided herein or in such other Loan Document.

47. Non-Waiver. The failure of 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. Borrower shall not be relieved of Borrower's obligations hereunder by reason of (a) the failure of Lender to comply with any request of Borrower or any Guarantor to take any action to foreclose this Security Instrument or otherwise enforce any of the provisions of the Loan Documents, (b) 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 (c) any agreement or stipulation by Lender extending the time of payment or otherwise modifying or supplementing the terms of the Note, this Security Instrument or the other Loan Documents. Lender may resort for the payment of the Obligations to any other security held by Lender in such order and manner as Lender, in its discretion, may elect. Lender may take action to recover the Obligations, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of Lender thereafter to foreclose this Security Instrument. The rights and remedies of 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 Lender shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision. Lender shall not be limited exclusively to the rights and remedies herein stated but shall be entitled to every right and remedy now or hereafter afforded at law or in equity.

48. No Oral Change. This Security Instrument, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

49. Joint and Several Liability; Successors and Assigns. If Borrower consists of more than one person, the obligations and liabilities of each such person



hereunder shall be joint and several. This Security Instrument shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns forever; however, nothing in this Section shall be deemed to modify the provisions of Section 9 of this Security Instrument regarding a transfer of the Property.

50. Inapplicable Provisions. If any term, covenant or condition of the Note or this Security Instrument is held to be invalid, illegal or unenforceable in any respect, the Note and this Security Instrument shall be construed without such provision.

51. Headings, etc. The headings and captions of various sections of this Security Instrument are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

52. Duplicate Originals. This Security Instrument may be executed in any number of duplicate originals and each such duplicate original shall be deemed to be an original.

53. Definitions. Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Security Instrument may be used interchangeably in singular or plural form and the word "Borrower" shall mean "each Borrower and any subsequent owner or owners of the Property or any part thereof or any interest therein," the word "Lender" shall mean "Lender and any subsequent holder of the Note," the word "Note" shall mean "the Note and any other evidence of indebtedness secured by this Security Instrument," the word "person" shall include an individual, corporation, partnership, trust, unincorporated association, government, governmental authority, and any other entity, and the words "Property" shall include any portion of the Property and any interest therein. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa. All terms used herein which are defined in the Uniform Commercial Code, as in effect from time to time in the jurisdiction in which the Property is located, shall have the same meanings when used herein (unless expressly defined herein). All capitalized but undefined terms used herein shall have the meanings ascribed to such terms in the Loan Agreement. The following terms, when used in this Security Instrument, shall have the following meanings:

(i) **"Accounts"** means all money, funds, investment property, accounts (including health-care-insurance receivables and credit card receivables), general intangibles, deposit accounts, chattel paper, documents, instruments, judgments, claims, settlements of claims, causes of action, refunds, rebates, reimbursements, reserves, deposits, subsidies, proceeds, products, rents and profits, now or hereafter arising, received or receivable, from or on account of Borrower's ownership, management and/or operation of the Property.



(ii) **"Contracts"** means any contract or other agreement for the provision of goods or services at or otherwise in connection with the operation, use or management of the Property, including cash deposited to secure performance by parties of their obligations.

(iii) **"Equipment"** means all right, title and interest of Borrower in and to all machinery, equipment, computer equipment (hardware and software), tools, furniture, furnishings, kitchen or restaurant supplies and facilities, office equipment, dining room supplies and facilities, medical supplies and facilities, appliances, supplies, books, records, fixtures, leasehold improvements, all tangible and intangible property, and goods now owned and hereafter acquired, used in connection with the operation of the Property, together with all present and future parts, additions, accessories, replacements, attachments, accessions, replacement parts and substitutions therefore, and the proceeds thereof (cash and non-cash including insurance proceeds).

(iv) **"Inventory"** means all right, title and interest of Borrower in and to inventory of every type and description, now owned and hereafter acquired, including, without limitation, raw materials, work in process, finished goods, goods returned or repossessed or stopped in transit, goods used for demonstration, promotion, marketing or similar purposes, property in, on or with which any of the foregoing may be stored or maintained, all materials and supplies usable or used or consumed at the Property, and all documents and documents of title relating to any of the foregoing, together with all present and future parts, additions, accessories, attachments, accessions, replacements, replacement parts and substitutions therefor or thereto in any form whatsoever.

(v) **"Licenses"** means any operating licenses, certificates of occupancy, health department licenses, food service licenses, certificates of need, business licenses, permits, registrations, certificates, authorizations, approvals, and similar documents required by applicable laws and regulations for the operation of the Property as a Seniors Housing Facility, including replacements and additions thereto.

(vi) **"Operating Lease"** means any master lease, operating agreement, operating lease or similar document, preapproved by Lender, under which control of the occupancy, use, operating, maintenance and administration of the Property as a Seniors Housing Facility has been granted to any individual or entity other than Borrower, including without limitation, the "Operating Lease" as defined in the Loan Agreement.

(vii) **"Rents"** means all rents (whether from residential or non-residential space), revenues, issues and profits (including all oil and gas or other mineral royalties and bonuses) and other income of the Property, including subsidy



payments received from any sources, parking fees, laundry and vending machine income and fees and charges for food, physical therapy, healthcare and other services provided at the Property, whether now due, past due, or to become due, resident and tenant security deposits, entrance fees, application fees, processing fees, community fees and any other amounts or fees deposited by any resident or tenant (whether forfeited or not) together with and including all proceeds from any private insurance for residents to cover rental charges and charges for services at or in connection with the Property, and the right to Third Party Payments due for the rents or services of residents at the Property, whether paid or accruing before or after the filing by or against Borrower of any petition for relief under 11 U.S.C. § 101 *et seq.*

(viii) **"Seniors Housing Facility"** means a residential housing facility which qualifies as "housing for older persons" under the Fair Housing Amendments Act of 1988, as amended, and the Housing for Older Persons Act of 1995, as amended, comprised of assisted living units and Alzheimer's/memory care/dementia care units.

(ix) **"Third Party Payments"** means all payments and the rights to receive such payments from Medicaid or Medicare programs or similar federal, state or local programs, boards bureaus or agencies, and from residents, private insurers or others.

54. Assignments. Lender shall have the right to assign (in whole or in part), transfer or sell participations in its rights under this Security Instrument without limitation. Any Assignee or transferee shall be entitled to all the benefits afforded Lender under this Security Instrument.

55. Appointment of Co-Trustee. If Lender deems it necessary or desirable for the purpose of meeting any legal requirements applicable to it in the performance of its duties hereunder, Lender may appoint a co-trustee or sub-trustee with such powers of Lender as may be designated by Lender at the time of such appointment. The rights, powers, duties and obligations conferred or imposed upon the co-trustee shall be limited to those rights, powers, duties and obligations to be exercised or performed under this Security Instrument as required by the law of the state in which the Property is located with respect to the Property, which, to the extent required by the law of such state, need to be exercised or performed exclusively by a co-trustee. All other rights, powers, duties and obligations with respect to this Security Instrument shall remain with the Lender.

56. Performance at Borrower's Expense. Borrower acknowledges and confirms that Lender shall impose certain administrative processing and commitment fees in connection with (a) the extension, renewal, modification or amendment of the Loan, (b) the release or substitution of collateral therefor, (c) obtaining certain consents, waivers and approvals with respect to the Property, or (d) the review of any commercial Lease or



proposed Lease or the preparation or review of any subordination, non-disturbance agreement (the occurrence of any of the above shall be called an "Event"). Borrower further acknowledges and confirms that it shall be responsible for the payment of all costs of reappraisal of the Property or any part thereof required by law, regulation, or any governmental or quasi-governmental authority. Borrower hereby acknowledges and agrees to pay, immediately, on demand, all such fees (as the same may be increased or decreased from time to time), and any additional fees of a similar type or nature which may be imposed by Lender from time to time, upon the occurrence of any Event or otherwise.

57. Attorney's Fees for Enforcement. (a) Borrower shall pay all out-of-pocket legal fees incurred by Lender in connection with (i) the preparation of the Note, this Security Instrument and the other Loan Documents and (ii) the collection or enforcement of the liabilities and obligations of the Note, this Security Instrument and the other Loan Documents, and (b) Borrower shall pay to Lender on demand any and all expenses, including out-of-pocket legal expenses and reasonable attorneys' fees, incurred or paid by Lender in protecting its interest in the Property, or in collecting any amount payable hereunder or in enforcing its rights hereunder with respect to the Property, whether or not any legal proceeding is commenced hereunder or thereunder and whether or not any default or Event of Default shall have occurred and is continuing, together with interest thereon at the Default Rate from the date paid or incurred by Lender until such expenses are paid by Borrower.

58. Governing Law. This Security Instrument shall be deemed to be a contract entered into pursuant to the laws of the state in which the Property is located and shall in all respects be governed, construed, applied and enforced in accordance with the laws of such State, without regard to its conflicts of law principles.

59. Non-Recourse Liability. The Loan shall be non-recourse indebtedness, and Borrower and its successors and assigns shall not be personally liable for the Obligations. Notwithstanding the foregoing or anything contained in this Security Instrument or the other Loan Documents to the contrary, Borrower shall be fully and personally liable to Lender and its successors and assigns for the liabilities and obligations set forth in Section 13 of the Loan Agreement, including without limitation, any amounts for which Borrower is now or hereafter personally liable under the Environmental Indemnity Agreement. The provisions of Section 13 of the Loan Agreement are incorporated by reference into this Security Instrument as if fully set forth herein.

60. Waiver of Homestead. Borrower hereby waives all right of homestead exemption in the Property.

61. Waiver of Appraisal, Valuation, Stay, Extension, and Redemption Laws. Borrower agrees to the full extent permitted by law that in case of a default on its part hereunder, neither Borrower nor anyone claiming through or under it shall or will set up, claim or seek to take advantage of any appraisal, valuation, stay, extension or redemption



laws now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of this Security Instrument, or the absolute sale of the Property or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereat, and Borrower, for itself and all who may at any time claim through or under it, hereby waives, to the full extent that it may lawfully so do, the benefit of all such laws, and any and all right to have the assets comprising the Property marshalled upon any foreclosure of the lien hereof or appraised for the purpose of reducing any deficiency judgment obtained by Lender against Borrower and agrees that Borrower or any court having jurisdiction to foreclose such lien may sell the Property in part or as an entirety. Borrower further waives, to the full extent permitted by law, the right to petition for the appointment of appraisers following foreclosure for the purpose of seeking to reduce a deficiency judgment or for any other reason.

62. Priority of Security Instrument. The terms of the Loan secured by this Security Instrument provide that the interest rate, payment terms or balance due may be indexed, adjusted or renewed. The priority of this Security Instrument shall not be affected by renegotiation or adjustment of the interest rate provided in the Note or the Loan Agreement (which may increase or decrease the amount of period payments or extend or shorten the term of this Security Instrument), any increase in the underlying obligations as a result of deferment of all or a portion of interest payments and the addition of such payments to the outstanding balance of the obligations, or the execution of new agreements which reflect such changes.

63. Special Washington Provisions. The following special Washington provisions shall apply to this Security Instrument. In the event of any inconsistency between any provisions of this Security Instrument and this Section 63, the provisions of this Section 63 shall control. At any time after the occurrence of an Event of Default, Lender and/or Trustee shall have all of the rights and remedies described below, in addition to any other rights and remedies of Lender under the other Loan Documents. To the fullest extent permitted by law, all of such rights and remedies shall be cumulative and the exercise of any one or more of them shall not constitute an election of remedies:

(a) To issue a written notice and demand the tenants and guarantors under any and all Leases of any portion of the Premises, Improvements, or the Property, requiring that all further rental payments be paid directly to Lender, for application to the Obligations outstanding under the Loan, even though Lender may not elect to enter and take possession of the Property.

(b) Without regard to the then-current value of the Property or the interest of Borrower therein, Lender may apply to any court having jurisdiction to appoint a receiver for the Property or any portion thereof, and Borrower hereby irrevocably consents to the appointment of a receiver upon an Event of Default. Any such receiver shall have the usual powers and duties of receivers in like or similar cases and all the powers and duties of



Lender set forth in this Security Instrument or any of the other Loan Documents, and shall continue as such and exercise all such powers until the date of confirmation of the sale of the Property, unless such receivership is sooner terminated. Employment by Lender shall not disqualify a person from serving as receiver.

(c) With or without notice, and without releasing Borrower from any obligation hereunder, Lender may (but shall not be obligated to) cure any breach or default of Borrower, and, if it chooses to do so in connection with any such cure, do any and all other things that it may in its sole discretion consider necessary and appropriate to protect the security of this Security Instrument. Such actions may include: appearing in or defending any action or proceeding that purports to affect the security of, or the rights or powers of Lender under, this Security Instrument; paying, purchasing, contesting or compromising any tax, encumbrance, charge, lien or claim of lien that, in Lender's sole judgment, is or may be senior in priority to this Security Instrument; obtaining insurance or paying any premiums or charges for insurance required to be carried under the Loan Documents; otherwise caring for and protecting any and all of the Property; making and pursuing any claim against any third party and defending against any claim by any third party; or employing counsel, accountants, contractors and other appropriate persons to assist Lender.

(d) Lender, in person, by agent, or by court-appointed receiver, with or without bringing any action or proceeding, may terminate Borrower's right to collect the Rents and to administer the Leases, and enter, take possession of, manage and operate, and lease or sell, all or any part of the Property, and may also do any and all other things in connection with those actions that Lender may in its sole discretion consider necessary or appropriate to protect the security of this Security Instrument or that are otherwise permitted to be taken or conducted by Lender under the Loan Documents. Such actions may include, without limitation: entering into, enforcing, modifying, or canceling Leases or sales agreements on such terms and conditions as Lender may consider proper; obtaining and evicting tenants; fixing or modifying rents or sales prices; entering into contracts of sale and selling all or any portion of the Property; and contracting for and making repairs and alterations. If Lender so requests, Borrower shall assemble any Property that has been removed from the Property and make all of it available to Lender at the Premises. The entering upon and taking possession of the Property, the collection of the Rents and the application thereof as aforesaid, or any of such acts, shall not cure or waive any default or notice of default hereunder or invalidate any other right or remedy that Lender may have in response to such default or pursuant to such notice and, notwithstanding the continued possession of the Property or the collection, receipt, and application of the Rents by Lender, Trustee, or Lender's receiver or agent, Trustee or Lender shall be entitled to exercise every right provided for in any of the Loan Documents or by law upon the occurrence of any Event of Default.



(e) Lender may commence and maintain an action or actions in any court of competent jurisdiction to foreclose this instrument as a mortgage or to obtain specific enforcement of the covenants of Borrower hereunder, and Borrower agrees that such covenants shall be specifically enforceable by injunction or any other appropriate equitable remedy and that, for the purposes of any suit brought under this Section, Borrower waives the defense of laches and any applicable statute of limitations. If this Security Instrument is foreclosed by judicial action, Lender will be entitled to a judgment providing that, if the foreclosure sale proceeds are insufficient to satisfy the judgment, execution may issue for the deficiency.

(f) Lender may resort to and realize upon or waive the security hereunder and any other security now or hereafter held by Lender in such order and manner as Trustee and Lender or either of them may, in their sole discretion, determine; which resort to such security may be taken concurrently or successively and in one or several consolidated or independent judicial actions or lawfully taken non-judicial proceedings, or both.

(g) Lender may execute a written notice of such Event of Default and of its election to invoke this power of sale to cause all or part of the Property to be sold to satisfy the Obligations and other obligations under the Loan Documents. Under this power of sale, Lender shall have the discretionary right to cause some or all of the Property, including any Property that constitutes personal property, to be sold or otherwise disposed of in any combination and in any manner permitted by applicable law, as further described and set forth in this subsection (g).

(h) For purposes of this power of sale, Lender may elect to treat as personal property any Property that is intangible or that can be severed from the Premises without causing structural damage. If it chooses to do so, Lender may dispose of any personal property separately from the sale of real property, in any manner permitted by the Code, including any public or private sale, or in any manner permitted by any other applicable law. Any proceeds of any such disposition shall not cure any Event of Default.

(i) Lender may also choose to dispose of some or all of the Property that consists solely of real property in any manner then permitted by applicable law. In its discretion, Lender may also or alternatively choose to dispose of some or all of the Property in any combination consisting of both real and personal property, together in one sale to be held in accordance with the law and procedures applicable to real property, if and as permitted by the Code. Borrower agrees that such a sale of personal property constitutes a commercially reasonable sale of the personal property. For purposes of this power of sale, either a sale of real property alone, or a sale of both real and personal property together, will sometimes be referred to as a "Trustee's Sale".

(j) Before any Trustee's Sale, Lender or Trustee shall give and record such notice of default and election to sell as may then be required by law. When all legally





mandated time periods have elapsed, and after such notice of sale as may then be legally required has been given, Trustee shall sell the property being sold at a public auction to be held at the time and place specified in the notice of sale, and Lender may impose such terms and conditions of sale as are permitted or allowed by applicable law. Neither Trustee nor Lender shall have any obligation to make demand on Borrower before any Trustee's Sale. From time to time in accordance with then applicable law, Trustee may, and in any event at Lender's request shall, continue any Trustee's Sale by public announcement at the time and place scheduled for that sale, or may, in its discretion, give a new notice of sale. Also, Lender may from time to time discontinue or rescind any notice of default or notice of sale before any Trustee's Sale as provided above, by executing and delivering to Trustee a written notice of such discontinuance or rescission. The exercise by Lender of such right of rescission shall not constitute a waiver of any breach or default then existing or subsequently occurring, or impair the right of Lender to execute and deliver to Trustee, as above provided, other declarations or notices of default to satisfy the Obligations, nor otherwise affect any provision, covenant, or condition of any Loan Document, or any of the rights, obligations, or remedies of Trustee or Lender hereunder or thereunder.

(k) At any Trustee's Sale, Trustee shall sell to the highest bidder at public auction for cash in lawful money of the United States, unless other terms and conditions of sale are prescribed by Lender in accordance with and as permitted by applicable law. Any person, including, without limitation, Borrower or Lender, may purchase at such sale. Trustee shall execute and deliver to the purchaser(s) at such sale a deed or deeds conveying the property being sold without any covenant or warranty whatsoever, express or implied. The recitals in any such deed of any matters or facts, including any facts bearing upon the regularity or validity of any Trustee's Sale, shall be conclusive proof of their truthfulness.

(l) Without affecting the liability of any person for payment of any of the Obligations, Lender may make any agreement or take any action extending the maturity or otherwise altering the terms or increasing the amount of any of the Obligations, and accept additional security or release all or a portion of the Property and/or other security for the Obligations.

(m) Lender may take any of the actions permitted under this Section 63, regardless of the adequacy of the security for the Obligations, or whether any or all of the Obligations has been declared to be immediately due and payable, or whether notice of default and election to sell has been given under this Security Instrument.

(n) All costs and expenses reasonably incurred by Trustee and Lender in enforcing the remedies available to them hereunder or otherwise protecting Lender's rights or interests (including, without limitation, court costs and attorneys' fees, whether incurred in litigation or not, expenses for evidence of title, appraisals and surveys and trustees' fees, and costs and fees relating to any bankruptcy, reorganization, or insolvency proceeding) shall



constitute an additional obligation of Borrower to Lender and bear interest at the Default Rate from the date of expenditure until said sums have been paid.

(o) Trustee and/or Lender shall be entitled to enforce the payment of the Obligations and performance of any obligations secured hereby, and to exercise any and all rights and powers under this Security Instrument or any other Loan Document, notwithstanding the fact that some or all of such Indebtedness and obligations may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. Trustee and/or Lender shall be entitled to enforce all such rights concurrently or separately, in such order and manner as they or either of them may in their absolute discretion determine. No remedy is intended to be exclusive of any other remedy, but each shall be cumulative and in addition to the others, to the fullest extent permitted by law.

(p) The Loan is being made primarily for commercial, investment or business purposes.

(q) Borrower represents and warrants to Lender that the Loan or extension of credit evidenced and secured hereby is made exclusively for commercial, investment or business purposes, and no portion thereof will be used by Borrower for any consumer, personal, family or household purposes. Additionally, Borrower represents that this is not a consumer transaction and that the Property does not constitute the homestead of Borrower or any of its principals.

(r) The Property is not used principally for agricultural purposes.

**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.**

**[Signature page to follow.]**



**GRANTOR:**

**AFI BURLINGTON OWNER LLC,**  
a Delaware limited liability company

By: **Artemis Focus Investment II LLC,**  
a Delaware limited liability company,  
its Sole Member

By: **Focus Artemis Manager LLC,**  
a Delaware limited liability company,  
its Asset Manager

By:   
Name: Curt P. Schaller  
Its: Manager



ACKNOWLEDGMENT

STATE OF IL  
COUNTY OF Cook

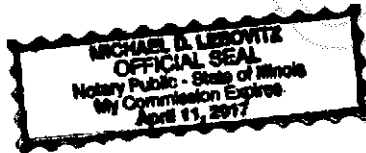
I certify that I know or have satisfactory evidence that Curt P. Schaller is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Manager of Focus Artemis Manager LLC, a Delaware limited liability company, the Asset Manager of Artemis Focus Investment II LLC, a Delaware limited liability company, the Sole Member of AFI Burlington Owner LLC, a Delaware limited liability company, to be the free and voluntary act of such parties for the uses and purposes mentioned in the instrument.

Dated: 8/27/13

[Signature]  
(Signature)

[STAMP OR SEAL]

(Title)  
My Appointment Expires: 4/11/17



201309110034

Schedule "A-1"

EXHIBIT A

147447-S

DESCRIPTION:

PARCEL "A":

That portion of the North ½ of the West ½ of Tract 79, "PLAT OF THE BURLINGTON ACREAGE PROPERTY", as per plat recorded in Volume 1 of Plats, page 49, records of Skagit County, Washington, lying Westerly of the Great Northern Railway Company right of way.

EXCEPT that portion conveyed to the City of Burlington by instrument recorded March 1, 2001, under Auditor's File No. 200103010083.

Situate in the City of Burlington, County of Skagit, State of Washington.

PARCEL "B":

Lot 3 of Burlington Short Plat No. 3-00, recorded June 23, 2000, under Auditor's File No. 200006230084, records of Skagit County, Washington, being a portion of Tract 79, "PLAT OF THE BURLINGTON ACREAGE PROPERTY", as per plat recorded in Volume 1 of Plats, page 49, records of Skagit County, Washington.

EXCEPT that portion conveyed to the City of Burlington by instrument recorded March 1, 2001, under Auditor's File No. 200103010083.

Situate in the City of Burlington, County of Skagit, State of Washington.



201309110034

Skagit County Auditor

\$281.00

9/11/2013 Page

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