

When recorded, mail to:
Farm Bureau Life Insurance Company of
Michigan
Attn: Mortgage and Real Estate Department
7373 West Saginaw Highway
Lansing, MI 48917

DEED OF TRUST SUBORDINATION AGREEMENT

First American NCS 1222615-LJ

This Deed of Trust Subordination Agreement dated as of August 21, 2024, is made by (i) Farm Bureau Life Insurance Company of Michigan, a Michigan insurance corporation (“Senior Lender”), and (ii) First Fed Bank, a Washington bank corporation (“Junior Lender”), with the consent of Mount Vernon Center Associates LLP, a Washington limited liability partnership (“Borrower”).

RECITALS

A. Borrower owns certain real property located in Skagit County, Washington, more particularly described on the attached Exhibit “A” (the “Project”). Senior Lender provided a loan (the “Senior Lender Loan”) to enable Borrower to refinance the Project, which is secured by, among other things, a *Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing* for the benefit of Lender dated November 24, 2020, which was recorded in the records of auditor of Skagit County, Washington with record number 202011300236 on November 30, 2020 and as amended by an *Amendment No. 1 to Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing*, dated October 14, 2021, which was recorded in the records of auditor of Skagit County, Washington with record number 202110180067 on October 18, 2021 (the “Senior Lender Deed of Trust”), which, together with any financing statements naming Borrower as debtor and Senior Lender as secured party, are collectively called the “Senior Lender Security Documents”).

B. Concurrently with the recordation of this Agreement, Borrower will also obtain from Junior Lender secondary financing in the maximum principal amount of \$1,000,000.00 (the “Junior Lender Loan”), the proceeds of which Borrower will use to pay for tenant improvements, leasing commissions and capital improvements at the Project, and which will be secured by a *Deed of Trust* from Borrower in favor of Junior Lender against the Project, recorded concurrently herewith in the records of Skagit County, Washington (the “Junior Lender Deed of Trust”).

C. Senior Lender and Junior Lender desire to enter into this Agreement to establish their relative priorities in the real and personal property interests described in the Senior Lender Deed of Trust (the “Collateral”), including, but not limited to, subordinating the Junior Lender Loan to the Senior Lender Loan, and to set forth certain other agreements between them regarding their relative rights against Borrower, any common guarantors of the Senior Lender Loan and the Junior Lender Loan (“Guarantors”) and the Collateral.

D. Borrower has requested that Senior Lender approve secondary financing and Senior Lender would not be willing to approve secondary financing unless Junior Lender subordinated the Junior Lender Loan and the Junior Lender’s interest in the Collateral, and in the payment and performance of the obligations of Borrower and Guarantors, as provided for in this Agreement. Therefore, Junior Lender

REF: DOT 202408210054 and Assignment of rents 202408210055

desires to subordinate the Junior Lender Loan and the Junior Lender Deed of Trust to the Senior Lender and the Senior Lender Loan as provided for in this Agreement.

AGREEMENT

NOW, THEREFORE, to induce Senior Lender to approve secondary financing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties represent, warrant and agree as follows:

1. **Consent to Junior Lender Loan.** Subject to the terms of this Agreement, and without waiving any rights it may have under the Senior Lender Security Documents to prohibit any further subordinate financing, Senior Lender hereby consents to the Junior Lender Loan, Borrower's execution and acknowledgment of the Junior Lender Deed of Trust, and the existence of Junior Lender's subordinate lien against the Project pursuant to the Junior Lender Deed of Trust, provided that the maximum principal amount secured by the Junior Lender Deed of Trust does not exceed \$1,000,000.00 at any time. If Borrower or Guarantors wish to modify or amend any of the documents evidencing, securing, guaranteeing or otherwise relating to the Junior Lender Loan (the "Junior Lender Loan Documents") prior to satisfaction of all indebtedness and obligations of Borrower and Guarantors under the documents evidencing, securing, and guaranteeing, or otherwise relating to the Senior Lender Loan (the "Senior Lender Loan Documents"), they shall obtain Senior Lender's prior written approval of the modification or amendment from Senior Lender. If a provision of the Senior Lender Loan Documents and the Junior Lender Loan Documents conflict, then the provision of the Senior Lender Loan Documents will prevail and Borrower and Guarantors shall not comply with the conflicting obligations in the Junior Lender Loan Documents.

2. **Subordination.** Junior Lender hereby unconditionally and irrevocably agrees and confirms that the Junior Lender Deed of Trust and all indebtedness and obligations secured by the Junior Lender Deed of Trust, and any other lien or interest which Junior Lender may at any time now or hereafter have or acquire in any of the Collateral, are and will at all times remain unconditionally, absolutely, completely and irrevocably subject, subordinate and inferior to the liens and security interests now or hereafter created by the Senior Lender Security Documents and to all advances or charges made or accruing under the Senior Lender Loan Documents. This agreement of subordination extends to and includes, without limitation, unconditional and irrevocable subordination of the Junior Lender Loan and the lien of the Junior Lender Deed of Trust to: (i) the Senior Lender Loan, the liens of the Senior Lender Security Documents and any and all advances under the Senior Lender Loan Documents; (ii) all terms, provisions, covenants, agreements and conditions of, and all claims under or relating to, the Senior Lender Loan Documents, including, but not limited to, the Senior Lender Deed of Trust (including those relating to the determination and disposition of insurance proceeds, condemnation awards, sales proceeds and similar amounts and the obligations of any Guarantor); (iii) all fees, expenses, indemnities and other amounts payable to Senior Lender under the Senior Lender Loan Documents; and (iv) any and all amendments, modifications, extensions, renewals, increases or consolidations of the Senior Lender Loan Documents, including, but not limited to, provisions for the advance of additional principal, subject to a limit of Seven Million Ten Thousand Dollars and 00/100 (\$7,010,000.00), and/or increases in the rate of interest payable to Senior Lender under the Senior Lender Loan (any or all of which may be modified without the consent of or notice to Junior Lender. Junior Lender shall not directly or indirectly receive any principal payments on the Junior Lender Loan prior to payment in full of all of the indebtedness and obligations of the Borrowers and Guarantors under the Senior Lender Loan Documents, except for regularly scheduled principal and interest payments under the Junior Lender Loan.

3. **Statements by Junior Lender.** (a) Junior Lender state that the following facts are accurate as of the date of this Agreement:

- (1) to Junior Lender's knowledge, there currently exists no default or event which, with the giving of notice or the lapse of time, or both, would constitute a default under any of the Junior Loan Documents;
- (2) Junior Lender is the legal and beneficial owner of the entire Junior Loan free and clear of any lien, security interest, option or other charge or encumbrance;
- (3) there are no conditions precedent to the effectiveness of this Agreement that have not been satisfied or waived;
- (4) Junior Lender has, independently and without reliance upon Senior Lender and based on documents and information Junior Lender has deemed appropriate, made its own credit analysis and decision to enter into this Agreement;
- (5) Junior Lender is duly organized and is validly existing under the laws of the jurisdiction under which it was organized with full power to execute, deliver, and perform this Agreement and consummate the transactions contemplated by this Agreement;
- (6) all actions necessary to authorize the execution, delivery, and performance of this Agreement on behalf of Junior Lender have been duly taken, and all of those actions continue in full force and effect as of the date of this Agreement;
- (7) Junior Lender has duly executed and delivered this Agreement and this Agreement constitutes the legal, valid, and binding agreement of Junior Lender enforceable against Junior Lender in accordance with the terms of this Agreement;
- (8) to Junior Lender's knowledge, no consent of any other person or entity, and no consent, license, approval, or authorization of, or exemption by, or registration or declaration or filing with, any governmental entity is required in connection with the execution, delivery or performance by Junior Lender of this Agreement or consummation by Junior Lender of the transactions contemplated by this Agreement;
- (9) None of the execution, delivery or performance of this Agreement nor the consummation of the transactions contemplated by this Agreement will (A) violate or conflict with any provision of the organizational or governing documents of Junior Lender, (B) to Junior Lender's knowledge, violate, conflict with, or result in the breach or termination of, or otherwise give any other Person the right to terminate, or constitute (or with the giving of notice or lapse of time, or both, would constitute) a default under the terms of any contract, mortgage, lease, bond, indenture, agreement, or other instrument to which Junior Lender is a party or to which any of its properties are subject, (C) to Junior Lender's knowledge, result in the creation of any lien, charge, encumbrance, mortgage, lease, claim, security interest, or other right or interest upon the properties or assets of Junior Lender pursuant to the terms of any such contract, mortgage, lease, bond, indenture, agreement, franchise, or other instrument, (D) violate any judgment, order, injunction, decree, or award of any court, arbitrator, administrative agency or governmental or regulatory body of which Junior Lender has knowledge against, or binding upon, Junior Lender or any of the securities, properties, assets, or business of Junior Lender or (E) to Junior Lender's knowledge, constitute a violation by Junior Lender of any statute, law or regulation that is applicable to Junior Lender; and

(10) the Junior Loan is not cross-defaulted or cross-collateralized with any loan other than the Senior Loan and the Project does not secure any loan from Junior Lender to Borrower or any other Affiliate of Borrower other than the Junior Loan.

(b) The verb used to introduce a statement of fact in this agreement does not affect the remedies available for an inaccuracy of that statement of fact.

4. **Covenants of Junior Lender.** Junior Lender hereby covenants and agrees with Senior Lender that, regardless of any contrary provisions in the Junior Lender Loan Documents:

(a) Junior Lender shall not assert or exercise subrogation rights with respect to the Senior Lender Security Documents or any claim, right or remedy of Senior Lender under the Senior Lender Loan Documents until such time as the indebtedness and obligations then secured by the Senior Lender Loan Documents have been paid and performed in full and Senior Lender has no further obligation to make advances under the Senior Lender Loan.

(b) Junior Lender shall promptly execute and deliver to Senior Lender from time to time such documents and agreements as Senior Lender may require to confirm the subordination of the Junior Lender Loan and the Junior Lender Loan Documents to the Senior Lender Loan and the Senior Lender Loan Documents, including, without limitation, acknowledgments of subordination, subordination agreements and financing statement amendments.

(c) In the event of a casualty loss to the Collateral, or a condemnation or taking under a power of eminent domain of all or any portion of the Project or improvements to the Project or a threat of such condemnation or taking, any and all payments and settlements of insurance claims and condemnation awards shall be used or applied as provided in the Senior Lender Deed of Trust until the indebtedness and obligations of Borrower and Guarantors under the Senior Lender Loan Documents are satisfied in full. Thereafter, such money shall be used or applied as provided in the Junior Lender Deed of Trust.

(d) Junior Lender acknowledges and agrees that: (i) Senior Lender has no obligation to Junior Lender to advance any money under the Senior Lender Loan or to see to the proper use and application of any money advanced to or at the direction of Borrower; and (ii) Junior Lender has no right to review, approve or question any documentation relating to any advance under the Senior Lender Loan, regardless of whether the advance is capable of being characterized as optional or obligatory, or whether all conditions to the making of the advance under the Senior Lender Loan have been satisfied. Junior Lender acknowledges that real estate loans can involve substantial risks for junior lienholders and agrees that Senior Lender is not a trustee or fiduciary for Junior Lender and that Senior Lender undertakes no duty, obligation, responsibility or special relationship to Junior Lender to see to proper use and application of the Senior Lender Loan or otherwise to protect and not act adversely to Junior Lender's interests. Any application or use of the Senior Lender Loan for purposes other than those provided for in the Senior Lender Loan Documents will not defeat, limit or impair this subordination in whole or in part.

5. **Default.** Any breach or default of Junior Lender's duties and obligations under this Agreement or any claim or assertion by or on behalf of Junior Lender that the priority of the Junior Lender Deed of Trust, or any other security document in favor of Junior Lender that purports to encumber all or any part of the Collateral (collectively, the "Junior Lender Security Documents"), is equal to or greater than the priority of any Senior Lender Security Document shall, at Senior Lender's option, constitute an "Event of Default" (as defined in the Senior Loan Documents) under the Senior Lender

Loan. Any breach or default of the duties and obligations of Borrower under the Junior Lender Loan, or the maturity for any reason of the Junior Lender Loan, shall, at Senior Lender's option, constitute an Event of Default under the Senior Lender Loan. The giving of any notice of breach or default under this paragraph will constitute notice to the recipient (to the extent such notice is required under this Agreement) that the party giving the notice may incur enforcement expenses.

6. **Junior Lender's Right to Cure Defaults under Senior Lender Loan.** Senior Lender shall provide Junior Lender with written notice of any Event of Default under the Senior Lender Loan at approximately the same time Senior Lender provides notice of the Event of Default to Borrower. Junior Lender shall have the same cure period as Borrower with respect to any cure of the Event of Default available under the Senior Loan Documents, and Senior Lender shall accept Junior Lender's cure of the Event of Default as if it had been made by Borrower. If Junior Lender exercises its right under the Junior Lender Loan Documents to enter and clean up or remediate the Project, it shall first notify Senior Lender in writing of the specific steps Junior Lender proposes to take in that regard and obtain Senior Lender's consent to the proposed course of action, which consent shall not be unreasonably (from the perspective of a reasonable lender in Senior Lender's position) withheld.

7. **Enforcement of Junior Lender Loan.**

(a) Except as otherwise expressly provided in this Agreement, unless and until the obligations and indebtedness of Borrower and Guarantors under the Senior Loan Documents have been satisfied in full, Junior Lender shall not, without written notice to Senior Lender and Senior Lender's prior written consent, which will not be unreasonably (from the perspective of a reasonable lender in Senior Lender's position) withheld, (i) directly or indirectly, by set-off or in any other manner, demand, sue for, accelerate, demand, receive or accept any payment on account of the Junior Lender Loan, in whole or in part; (ii) institute any suit, action or other loan enforcement proceeding (including, without limitation, any trustee's sale or judicial foreclosure), to enforce any of the terms, covenants, or conditions in the Junior Lender Loan Documents, whether judicial or non-judicial, including the declaration of an event of default under, the acceleration of the indebtedness secured by, or the foreclosure of, the Junior Lender Security Documents; or (iii) commence or join in the commencement of any bankruptcy, insolvency, receivership or similar proceeding by or against Borrower or any Guarantor (a "**Borrower Bankruptcy**"). Borrower shall not make, give or permit, directly or indirectly, in any manner (including by way of loan, set-off, offset, sale of participating interest, or otherwise), any payment (except as expressly permitted in this Agreement), prepayment or additional security of or for all or any part of the Junior Lender Loan.

(b) If Senior Lender consents to Junior Lender's commencement of a judicial or non-judicial enforcement proceeding or other exercise of rights or remedies under the Junior Lender Loan Documents (including any such consent contained in this Agreement, if applicable), then: (i) Junior Lender shall take no action that, in Senior Lender's judgment, could terminate any lease, except as permitted by Senior Lender in writing in its sole discretion; (ii) if Senior Lender so requests, in any lien enforcement proceeding, Junior Lender shall promptly apply to a court of competent jurisdiction for the appointment of a receiver with written notice to Senior Lender, and shall cause any such receiver to comply with this Agreement and to apply proceeds and other revenues of the Project in accordance with this Agreement (provided that no such action will prevent Senior Lender from thereafter commencing or conducting a loan or lien enforcement proceeding or having a receiver appointed under the Senior Lender Security Documents, in which event Senior Lender may request that any Project revenues then held by Junior Lender's receiver shall be promptly turned over to Senior Lender's receiver); and (iii) no Project revenues shall be collected by or on behalf of Junior Lender without written notice to Senior Lender and Senior

Lender's prior written consent and subject to terms acceptable to Senior Lender. Senior Lender may require that all Project operating expenses, the Senior Lender Loan and costs and expenses incurred by Senior Lender in connection with the Senior Lender Loan be paid or prepaid prior to the payment of any Project revenues to Junior Lender.

(c) Any payment or distribution, whether in cash or otherwise, to which Junior Lender would otherwise be entitled on account of any interest or claim of Junior Lender in or with respect to a Borrower Bankruptcy (a "Junior Lender Claim") shall instead be paid over to Senior Lender for application to the Senior Lender Loan; Junior Lender hereby transfers and assigns all Junior Lender Claims to Senior Lender, and irrevocably authorizes Senior Lender (without obligation) to demand, enforce, collect and receive all payments and distributions on account of the Junior Lender Claim and to make any elections and exercise any voting rights in any Borrower Bankruptcy with respect to the Junior Lender Claim. Junior Lender shall not provide any debtor-in-possession financing to Borrower without written notice to Senior Lender and Senior Lender's advance written consent to such financing and all terms of the financing.

(d) If Junior Lender is otherwise entitled to enforce, or has enforced, its rights under the Junior Lender Loan Documents, Junior Lender will not be entitled to obtain advances under the Senior Lender Loan. However, Senior Lender shall allow Junior Lender to purchase the Senior Lender Loan at par (i.e., for an amount equal to all principal, interest, expenses and other amounts then owing under the Senior Lender Loan Documents) at any time prior to Senior Lender's acquisition of title to the Project; upon Senior Lender's receipt of the purchase price for the Senior Lender Loan, Senior Lender shall assign its right, title and interest under the Senior Lender Loan Documents to Junior Lender, without recourse, representation or warranty and at the expense of Junior Lender. If Junior Lender exercises its right under the Junior Lender Loan Documents to enter and clean up or remediate the Project, it shall notify Senior Lender in writing of the specific steps it propose to take in that regard and obtain Senior Lender's written consent to the proposed course of action, which consent shall not be unreasonably (from the perspective of a reasonable lender in Senior Lender's position) withheld or delayed.

8. Miscellaneous.

(a) Junior Lender waives any right to require Senior Lender to proceed against assets other than the Collateral before proceeding against the Collateral in exercising any rights and remedies under the Senior Lender Loan Documents. Junior Lender waives any right to require a "marshaling of assets" with respect to Borrower. In addition, Junior Lender waives any requirement that any person exhaust any right or take any action against Borrower or any other person or entity or any collateral before proceeding against the Collateral, and all rights and obligations of Senior Lender and Junior Lender under this Agreement shall remain in full force and effect regardless of any invalidity or unenforceability of any of the Senior Lender Loan Documents or any other circumstance (other than payment in full in cash) that might otherwise constitute a defense available to Borrower. Junior Lender further acknowledges that in reliance upon, and in consideration of, Junior Lender's execution and delivery of this Agreement, Senior Lender will modify and extend the Senior Lender Loan, which Senior Lender would not do but for its reliance on this Agreement.

(b) Junior Lender represents and warrants to Senior Lender that Junior Lender is and will remain adequately informed of the financial condition of Borrower and all Guarantors and of Borrower's plans and resources for the development and operation of the Project, and agrees that Senior Lender need not provide any such information to Junior Lender in the future, including any adverse information about Borrower, Guarantors or the Project that Senior Lender may

possess or acquire and which may not be available to Junior Lender. Junior Lender acknowledges that it has had an adequate opportunity to examine the Senior Lender Loan Documents, all of which Junior Lender approves and consents to.

(c) This Agreement will remain in full force and effect unless and until such time, if any, as Senior Lender has: (i) recorded a deed of full release and reconveyance or termination of the Senior Lender Deed of Trust; or (ii) acknowledged and confirmed to Junior Lender in writing that the Borrower and Guarantors have fully satisfied all indebtedness and obligations to Senior Lender under the Senior Lender Loan Documents. Notwithstanding the foregoing, this Agreement shall be automatically reinstated if at any time Borrower's or any Guarantor's payment or repayment of all or any part of the Senior Lender Loan is rescinded or otherwise must be restored or returned by Senior Lender for any reason, including any Borrower Bankruptcy petition, as if such payment had not been made.

(d) This Agreement constitutes the entire understanding of the parties with respect to the subject matter hereof, replaces all prior and contemporaneous oral agreements and understanding, and may be modified only by a writing signed by all parties hereto. No provision of this Agreement may be changed, modified, amended, supplemented, discharged, abandoned or terminated except by written agreement of the parties to this Agreement. No provision of this Agreement may be waived except by written agreement of the party against whom enforcement of the waiver is sought. Any waiver shall apply only with respect to the specific instances involved and shall in no way impair the rights of the party granting such waiver in any other respect at any other time.

(e) The internal laws of the State of Washington shall govern the enforcement and interpretation of this Agreement. Each party hereby submits to the nonexclusive jurisdiction of the courts of the State of Washington and the United States District Court of the Western District of Washington sitting in Seattle, Washington for resolving any and all disputes hereunder.

(f) All notices required under this Agreement shall be sent by overnight courier such as Federal Express, or by hand delivery. Notices shall be deemed to have been given when received or refused. The parties' addresses are as set forth on the signature pages of this Agreement. Any party may change its address by notice in accordance with this paragraph.

(g) Senior Lender may, without notice to Junior Lender, transfer or assign the Senior Lender Loan or any portion of the Senior Lender Loan or interest in the Senior Lender Loan. Notwithstanding any such transfer or assignment or subsequent transfer or assignment, the Senior Loan and the Senior Loan Documents will be and remain a senior obligation in the respects set forth in this Agreement with respect to the Junior Loan and the Junior Loan Documents. Junior Lender shall not transfer or assign the Junior Lender Loan or any portion of the Junior Lender Loan or interest in the Junior Lender Loan other than to a bank or similar financial institution without Senior Lender's prior written consent and, if Senior Lender provides such consent (without which such transfer shall be null and void), Junior Lender shall cause the transferee to execute and deliver to Senior Lender a recordable confirmation of this Agreement providing for the continued subordination of the Junior Lender Loan to the Senior Lender Loan as provided for in this Agreement. This Agreement shall be binding on and shall inure to the benefit of the parties to this Agreement and their respective successors, assigns and participants. Notwithstanding anything to the contrary in this Agreement, Junior Lender may, from time to time, in Junior Lender's sole discretion, and with the consent of Senior Lender transfer all of the Junior Loan to Senior Lender.

(h) Wherever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

(i) This Agreement may be executed and acknowledged in counterparts. All such counterparts, taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have made this Agreement to be effective as of the day and year first set forth above.

[Signatures and acknowledgments appear on following pages]

