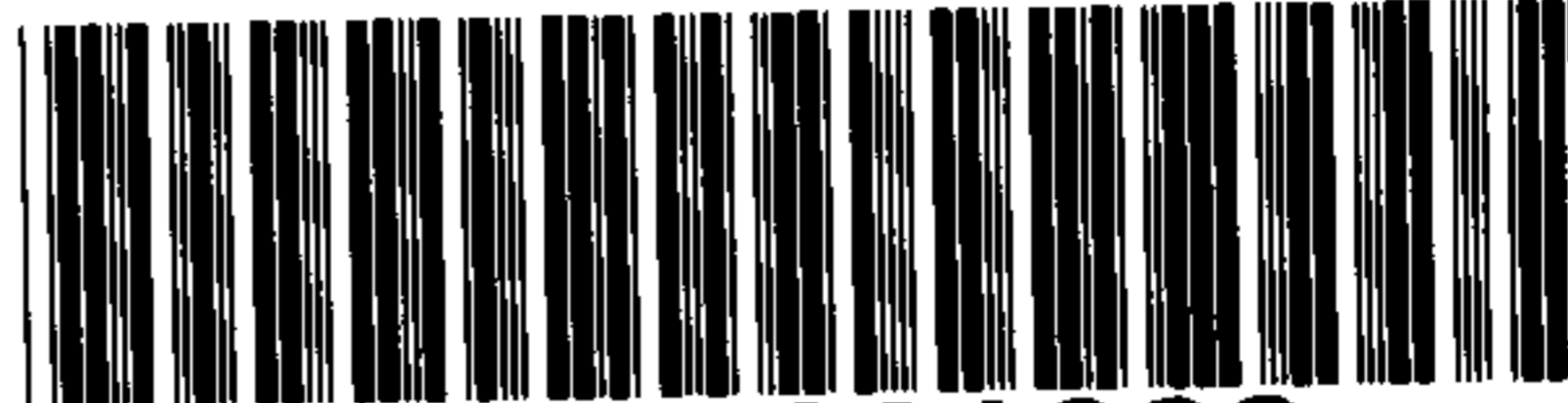


Recording Requested By and
When Recorded Mail To:

HOMESTREET BANK
Income Property Finance
601 Union Street, Suite 2000
Seattle, Washington 98101-2326
Attn: Carol Pepple



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PAGE 001 OF 034
05/15/2009 13:57
KING COUNTY, WA

160.00

Document Title: Deed of Trust, Assignment of Rents and Leases, Security Agreement and
Fixture Filing

Grantor: Kenmore, L.L.C.

Grantee: HomeStreet Bank, Beneficiary

Legal Description:

Abbreviated Legal Description: Northshore Townhomes Binding Site Plan,
Recording Number 20081002001416, Volume 249 of Plats, pages 18 through
26

Full Legal Description: See Exhibit A attached

Assessor's Tax Parcel Nos.: 012604-9078-03

Reference Nos. of Documents Released or Assigned: Not applicable

34/160
FILED BY PNW
Pnw 6/26/09-4
Said document(s) were filed for
record by Pacific Northwest Title Co.
on 05/15/2009. It has not been
examined as to proper recording.

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

THIS DEED OF TRUST, ASSIGNMENT OF RENTS AND LEASES AND SECURITY AGREEMENT AND FIXTURE FILING ("**Deed of Trust**") is made as of May 8, 2009, by **KENMORE, L.L.C.**, a Washington limited liability company ("**Grantor**"), as Grantor, whose mailing address is 510 Rainier Avenue South, Seattle, Washington 98144, to **PACIFIC NORTHWEST TITLE COMPANY OF WASHINGTON, INC.** ("**Trustee**"), as Trustee, whose mailing address is 215 Columbia Street, Seattle, Washington 98104, to **HOMESTREET BANK**, a Washington state chartered savings bank ("**Lender**"), as Beneficiary, whose mailing address is 2000 Two Union Square, 601 Union Street, Seattle, Washington 98101-2326, Attention Income Property Finance.

For purposes of Article 9 of the Uniform Commercial Code (RCW 62A.9A), this Deed of Trust constitutes a Security Agreement and Financing Statement with the Grantor being the Debtor and the Lender being the Secured Party. This Deed of Trust also shall constitute a Financing Statement filed as a fixture filing pursuant to Article 9 of the Uniform Commercial Code (RCW 62A.9A-402(6)).

Grantor hereby irrevocably grants, transfers, conveys and assigns to Trustee, in trust, with power of sale, all of Grantor's present and future estate, right, title, claim, and interest, either in law or in equity, in and to the following property ("**Property**"):

(a) The real property ("**Realty**") described in Exhibit A, and all existing and future rights to the alleys, streets and roads adjoining or abutting the Realty;

(b) All present and future easements, access, air and development rights, minerals and oil, gas and other hydrocarbon substances, royalties, water, water rights and water stock, and all other rights, hereditaments, privileges, permits, licenses, franchises and appurtenances belonging or in any way appertaining to the Realty;

(c) All present and future buildings, improvements and tenements located on the Realty ("**Improvements**").

(d) All present and future fixtures and articles of property attached to, or used or adapted for use in the ownership, development, operation or maintenance of the Realty and Improvements (whether such items are leased, owned, or subject to any title-retaining or security instrument), including without limitation all heating, cooling, air-conditioning, ventilating, refrigerating, plumbing, generating, power, lighting, laundry, maintenance, incinerating, lifting, cleaning, fire prevention and extinguishing, security and access control, cooking, gas, electric and communication fixtures, equipment and apparatus, all engines, motors, conduits, pipes, pumps, tanks, ducts, compressors, boilers, water heaters and furnaces; all ranges, stoves, disposers, refrigerators and other appliances; all escalators and elevators, baths, sinks, cabinets, partitions, mantels, built-in mirrors, window shades, blinds, screens, awnings, storm doors, windows and sash; all carpeting, underpadding, floor covering, panelling, and draperies; and all shrubbery and plants. All such items shall be deemed part of the Realty and not severable wholly or in part without material injury to the freehold;

(e) All present and future rents, revenues, issues, profits and income from the Realty or the Improvements, and all present and future leases and other agreements for the occupancy or use of all or any part of the Realty and Improvements, including without limitation all cash or security deposits, advance rentals and deposits or payments of similar nature, and all guarantees of tenants' or occupants' performance under such leases and agreements;

(f) All present and future tangible personal property ("**Personal Property**") used in connection with the ownership, development, operation or maintenance of the Realty and Improvements, including without limitation all furniture, furnishings, equipment, and supplies;

(g) All present and future intangible personal property used in connection with the ownership, development, operation or maintenance of the Realty, Improvements, and Personal Property, including without limitation, all permits, licenses and franchises, contract rights (including without limitation architectural, engineering, consulting, and management contracts), accounts receivable, escrow accounts, insurance policies, deposits, instruments, documents of title, general intangibles, business records and the exclusive right to the use of trade names;

(h) All present and future materials, supplies, and other goods, wherever located, whether in the possession of Grantor, warehouseman, bailee, or any other person, purchased for use in the construction, operation or furnishing of the Improvements, together with all documents, contract rights, and general intangibles relating thereto;

(i) All present or future site plans, plats, architectural plans and specifications, work drawings, surveys, engineering reports, test borings, market surveys, and other work products relating to the Realty and Improvements;

(j) All present or future construction contracts relating to the Improvements, together with all performance, payment, completion or other surety bonds in connection with or related to any such construction contracts which are transferable by Grantor;

(k) All present and future contracts and policies of insurance which insure any buildings, structures or improvements on the Realty, or any fixtures or personal property thereon, against casualty and theft, and all monies and proceeds and rights thereto which may become payable by virtue of any insurance contracts or policies;

(l) Any good faith deposit or other deposit paid to any potential lender on the Property;
and

(m) All products and proceeds of the foregoing

The following obligations are secured by this Deed of Trust (collectively the "**Secured Obligations**"):

(a) Payment of the sum of **Nine Million One Hundred Sixty Thousand and 00/100 Dollars (\$9,160,000)**, or so much thereof as may be advanced, with interest thereon, according to the terms and provisions of a promissory note ("**Valley View Note**") dated February 20, 2004, made by Michael R. Mastro ("**Mastro**") and payable to Lender, and payment and performance of Mastro's obligations under the "**Valley View Loan Documents**", as that term is defined in that certain Loan Modification and Forbearance Agreement dated April 30, 2009 (the "**Modification Agreement**"), by and among Lender, Mastro, Grantor, Park Place M&M LLC, a Washington

limited liability company ("**Park Place**"), and John Mastandrea, an individual, including any and all modifications, extensions, renewals and replacements thereof.

(b) Payment of the sum of **One Million Six Hundred Thousand and 00/100 Dollars (\$1,600,000)**, or so much thereof as may be advanced, with interest thereon, according to the terms and provisions of a promissory note ("**Line of Credit Note**") dated August 27, 2008, made by Mastro and payable to Lender, and payment and performance of Mastro's obligations under the "**Line of Credit Loan Documents**", as that term is defined in the Modification Agreement, including any and all modifications, extensions, renewals and replacements thereof.

(c) Payment of the sum of **Twelve Million Eight Hundred Fifty Thousand and 00/100 Dollars (\$12,850,000)**, or so much thereof as may be advanced, with interest thereon, according to the terms and provisions of a promissory note ("**Park Place Note**") dated June 27, 2007, made by Park Place and payable to Lender, and payment and performance of Park Place's obligations under the "**Park Place Loan Documents**", as that term is defined in the Modification Agreement, including any and all modifications, extensions, renewals and replacements thereof.

(d) Payment and performance of the obligations of Grantor, Mastro, and Park Place under the Modification Agreement.

(e) Payment of all sums advanced to protect the security of this Deed of Trust, together with interest thereon as herein provided;

(f) Payment of all other sums which are or which may become owing under the "Loan Documents" (defined below) or which may be advanced by Lender pursuant to the Loan Documents.

For purposes of this Deed of Trust, the term "**Loan Documents**" means the Loan Documents described in the Modification Agreement, and any and all modifications, extensions, renewals and replacements thereof.

GRANTOR HEREBY REPRESENTS, WARRANTS, COVENANTS AND AGREES AS FOLLOWS:

SECTION 1. TITLE AND USE.

1.1 Warranty of Title. Grantor covenants and agrees that: (i) Grantor is lawfully seized of the estate hereby conveyed and has full right and power to grant, convey and assign the Property, (ii) the Property is free from liens, encumbrances, exceptions and other charges of any kind whatsoever, except for the exceptions listed in Lender's title insurance policy insuring this Deed of Trust or exceptions otherwise approved in writing by Lender ("**Permitted Exceptions**"), (iii) no other liens or encumbrances, whether superior or inferior to this Deed of Trust, shall be created or suffered to be created by Grantor without the prior written consent of Lender, (iv) no default on the

part of Grantor or any other person exists under any of the Permitted Exceptions and all of the Permitted Exceptions are in full force and effect and in good standing, without modification, (v) complete and current copies of the Permitted Exceptions have been furnished to Lender, and none of them have been or will be modified by Grantor without Lender's prior written consent, (vi) Grantor shall fully comply with all the terms of the Permitted Exceptions and shall deliver to Lender a copy of all notices delivered in connection with the Permitted Exceptions, (vii) Lender has the right to contact the other parties to the Permitted Exceptions to confirm the status thereof, and Grantor from time to time shall, at the request of Lender, request of such parties a certificate confirming such information regarding the Permitted Exceptions as Lender may request, and (viii) Grantor shall forever warrant and defend the Property unto Lender against all claims and demands of any other person whatsoever, subject only to non-delinquent taxes and assessments and the Permitted Exceptions.

1.2 Non-Agricultural Use. Grantor represents and warrants to Lender that the Property is not used principally for agricultural purposes.

1.3 Hazardous Substances.

(a) Representations and Warranties. Grantor represents and warrants to Lender, to the best of its knowledge after due inquiry and inspection, that (i) no asbestos has ever been used in the construction, repair or maintenance of any Improvements, (ii) no substance currently designated as a Hazardous Substance is currently being generated, processed, stored, transported, handled or disposed of on or under the Property, except in accordance with all applicable laws, (iii) neither Grantor nor any other person or entity has ever caused or permitted any substance currently designated as a Hazardous Substance to be generated, processed, stored, transported, handled or disposed of, on, under or in the Property, except in compliance with all applicable laws, (iv) there is no actual or alleged violation with respect to the Property of any federal, state or local statute, ordinance, rule, regulation or other law relating to Hazardous Substances, and (v) there is no action or proceeding pending or threatened before or appealable from any court, quasi-judicial body or administrative agency relating to Hazardous Substances affecting or alleged to be affecting the Property.

(b) Covenant. Grantor covenants and agrees that Hazardous Substances shall not be generated, processed, stored, transported, handled or disposed of on the Property by any person or entity, except in accordance with all applicable laws.

(c) Definition. "**Hazardous Substances**" means any hazardous, toxic or dangerous substance, waste or material which is now or hereafter becomes regulated under any federal, state or local statute, ordinance, rule, regulation or other law now or hereafter in effect pertaining to environmental protection, contamination or cleanup, including without limitation any substance, waste or material which now or hereafter is (i) designated as a "hazardous substance" under or pursuant to the Federal Water Pollution Control Act (33 U.S.C. §1257 et seq.), (ii) defined as a "hazardous waste" under or pursuant to the Resource Conservation and Recovery Act (42

U.S.C. §6901 et seq.), (iii) defined as a "hazardous substance" in (or for purposes of) the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. §9601 et seq. as amended), or (iv) designated as a hazardous substance under or pursuant to the Hazardous Waste Cleanup -- Model Toxics Control Act (Revised Code of Washington 70.105D). Without limiting the foregoing, Hazardous Substances shall include asbestos, petroleum or hydrocarbon products, and any chemical, material or substance to which exposure is prohibited, limited or regulated by any federal, state or local governmental authority.

(d) Notification, Cleanup. Grantor shall immediately notify Lender if Grantor becomes aware of (i) any Hazardous Substance problem or liability with respect to the Property, (ii) any actual or alleged violation with respect to the Property of any federal, state or local statute, ordinance, rule, regulation or other law relating to Hazardous Substances, or (iii) any lien or action with respect to any of the foregoing. Grantor shall, at its sole expense, take all actions as may be necessary or advisable for the cleanup of Hazardous Substances with respect to the Property, including without limitation, all removal, containment and remedial actions in accordance with all applicable laws and in all events in a manner satisfactory to Lender, and shall further pay or cause to be paid all cleanup, administrative and enforcement costs of governmental agencies if obligated to do so by contract or by law.

(e) Right of Entry. Lender is hereby authorized to enter the Property, including the interior of any structure, at reasonable times, and after reasonable notice for the purpose of inspecting the Property to determine Grantor's compliance with this paragraph.

1.4 Prior Deed of Trust. This Deed of Trust is made subject and subordinate to a Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing dated March 8, 2007 (the "**Prior Deed of Trust**"), recorded in the real property records of King County, Washington under recording No. 20070309000795.

SECTION 2. GRANTOR'S COVENANTS.

2.1 Payment and Performance of Secured Obligations. Grantor shall pay when due all sums which are now or which may become owing under the Note, and shall pay and perform all other Secured Obligations in accordance with their terms.

2.2 Payment of Taxes, Utilities, Liens and Charges.

(a) Taxes and Assessments. Except as the same may otherwise be paid under Section 3, Grantor shall pay when due directly to the payee thereof all taxes and assessments (including without limitation, non-governmental levies or assessments such as maintenance charges, owner association dues or charges, or fees, levies or charges resulting from covenants, conditions or restrictions) levied, assessed or charged against or with respect to the Property or this Deed of Trust. Upon request, Grantor shall promptly furnish to Lender all notices of amounts due under this subparagraph and all receipts evidencing such payments.

(b) Utilities. Grantor shall pay when due all utility charges and assessments for services furnished the Property.

(c) Labor and Materials. Grantor shall pay when due the claims of all persons supplying labor or materials to or in connection with the Property.

(d) Liens and Charges. Grantor shall promptly discharge any lien, encumbrance, or other charge, whether superior or inferior to this Deed of Trust, which may be claimed against the Property.

(e) Taxes, Assessments and Other Charges Imposed on Lender. If, at any time after the date of this Deed of Trust, any law is enacted or changed (including any interpretation thereof) which subjects Lender to any increase in any tax (except federal, state or local income taxes), assessments, or other charge, in any form measured by or based on any portion of the indebtedness secured by this Deed of Trust, Grantor shall pay such increased amount to Lender on demand; provided that if any such payment would be unlawful, Lender may declare all accrued interest and the entire principal balance of the Note immediately due and payable.

(f) Right to Contest. Notwithstanding anything set forth in this Section 2.2, so long as no Event of Default shall occur hereunder, Grantor shall have the right to contest the amount or validity in whole or in part of any lien, encumbrance or other charge against the Property by appropriate administrative or judicial proceedings conducted in good faith and with due diligence, in which event Grantor, upon written notice to Lender, may defer payment of any such lien, encumbrance or other charge, so long as (i) Grantor shall have provided Lender with evidence satisfactory to Lender that such proceedings shall operate to prevent the sale of the Property or any portion thereof, or the imposition of any penalties on Grantor or the Property, (ii) neither the Property nor any part thereof will, by reason of such postponement or deferment, be in danger of being forfeited or lost, (iii) before the date such lien, encumbrance or other charge becomes delinquent, Grantor shall provide Lender with such security as Lender may require to insure payment thereof and prevent any forfeiture or loss of the Property or any part thereof, and (iv) on a final determination of such contest, which is not appealable or is not being appealed, Grantor shall pay the amount of the lien, encumbrance or other charge if and when due, and prior to the imposition of any penalties or delinquent interest.

2.3 Insurance.

(a) Coverages Required. Grantor shall keep the following insurance coverages in effect with respect to the Property.

(1) An "All-Risk" hazard insurance policy on the Property, which during the construction of the Improvements, shall be in a Builder's All-Risk Form. Such insurance shall name Lender as loss payee on a Form 438-BFU or acceptable equivalent attached to the policy, shall be in an amount not less than one hundred percent (100%) of the full replacement cost

of the Improvements and any other improvements on the Property, and shall contain such endorsements and coverages as Lender may require.

(2) A flood insurance policy in the maximum amount available, as required by the Flood Disaster Protection Act of 1973, if the Property is located in an area designated by the United States Department of Housing and Urban Development as a special flood hazard area. The policy shall name Lender as loss payee on a Form 438-BFU or acceptable equivalent attached to the policy.

(3) A certificate evidencing a commercial general liability insurance policy with respect to the Property insuring against claims of bodily injury, death or property damage (combined single limit form), in an amount not less than \$2,000,000, naming Lender as an additional insured.

(4) Insurance against such similar or other hazards, casualties, liabilities and contingencies, in such forms and amounts, as Lender may from time to time reasonably require.

(b) Policies. Each insurance policy will be issued by a company and in a form acceptable to Lender. All required policies will provide for at least ten (10) days' written notice to Lender prior to the effective date of any cancellation or material amendment, which term shall include any reduction in the scope or limits of coverage. Grantor shall furnish to Lender the original of each required insurance policy, or a certified copy thereof together with a certificate of insurance setting forth the coverage, the limits of liability, the carrier, the policy number and the expiration date. As security for the Secured Obligations, Grantor hereby assigns to Lender all required insurance policies, together with all proceeds thereof, rights thereto and all unearned premiums returnable upon cancellation.

(c) Payment, Renewals. Grantor shall promptly furnish to Lender all renewal notices relating to insurance policies. Except as the same may otherwise be paid under Section 3, Grantor shall pay all premiums on insurance policies directly to the carrier. At least thirty (30) days prior to the expiration date of each such policy, Grantor shall furnish to Lender a renewal policy in a form acceptable to Lender, together with evidence that the renewal premium has been paid.

(d) Application of Insurance Proceeds. In the event of any loss, Grantor shall give prompt written notice thereof to the insurance carrier and Lender. Grantor hereby authorizes Lender as Grantor's attorney-in-fact to make proof of loss, to adjust and compromise any claim, to commence, appear in and prosecute, in Lender's or Grantor's name, any action relating to any claim, and to collect and receive insurance proceeds, provided, however, that Lender shall have no obligation to do so. Lender shall apply any insurance proceeds received by it hereunder first to the payment of the costs and expenses incurred in the collection of the proceeds and then, in its absolute discretion and without regard to the adequacy of its security, to

(1) The payment of the Secured Obligations, whether then due and payable or not. Any such application of proceeds to principal on the Note shall be without imposition of any prepayment fee otherwise payable under the Note, but shall not extend or postpone the due dates of the installment payments under the Note, or change the amounts thereof, or

(2) The reimbursement of Grantor, under Lender's prescribed disbursement control procedures, for the cost of restoration or repair of the Property. Lender may, at its option, condition the reimbursement on Lender's approval of the plans and specifications of the reconstruction, contractor's cost estimates, architect's certificates, waivers of liens, sworn statements of mechanics and materialmen, and such other evidence of costs, percentage completion of construction, application of payments and satisfaction of liens as Lender may reasonably require.

Except to the extent that insurance proceeds are applied to payment of the Secured Obligations, nothing herein contained shall be deemed to excuse Grantor from restoring, repairing or maintaining the Property as provided in paragraph 2.4, regardless of whether or not there are insurance proceeds available or whether any such proceeds are sufficient in amount.

(e) Transfer of Title. If the Property is sold pursuant to Section 9 or if Lender otherwise acquires title to the Property, Lender shall have all of the right, title and interest of Grantor in and to any insurance policies and unearned premiums thereon and in and to the proceeds resulting from any damage to the Property prior to such sale or acquisition.

(f) Application of Insurance Proceeds. Notwithstanding Paragraph 2.3(d) above, Lender shall make insurance proceeds available to Grantor to pay for costs associated with the repair or restoration of the Property, provided the following conditions are satisfied:

(1) There is no Event of Default hereunder nor does any event or condition then exists which with the giving of notice, the passage of time, or both, will constitute an Event of Default.

(2) The following conditions shall have been satisfied: (i) Grantor shall have furnished to Lender and Lender shall have approved a detailed budget and cost breakdown for the restoration and rebuilding work, describing the nature and type of expenses and the cost thereof estimated by Grantor for such restoration and rebuilding work, including without limitation, the cost of materials and supplies, architect's, engineer's and designer's fees, general contractor's fees, and the anticipated monthly disbursement schedule; (ii) Lender shall have reviewed and approved the construction contract for the repair and restoration, and if required by Lender, Lender shall have received payment and performance bonds with dual obligee rider; (iii) Lender shall have received evidence satisfactory to it that the insurance proceeds are adequate to restore the Property to its condition immediately prior to the casualty, and if the proceeds are insufficient, Lender shall have received from Grantor the amount of the deficiency for disbursement with the insurance proceeds; (iv) Lender shall have received evidence satisfactory to it that Grantor has funds available to it

